ANNUAL REPORT 2023

PARTNERS IN PROGRESS

DESCON

Descon Oxychem Limited

VISION

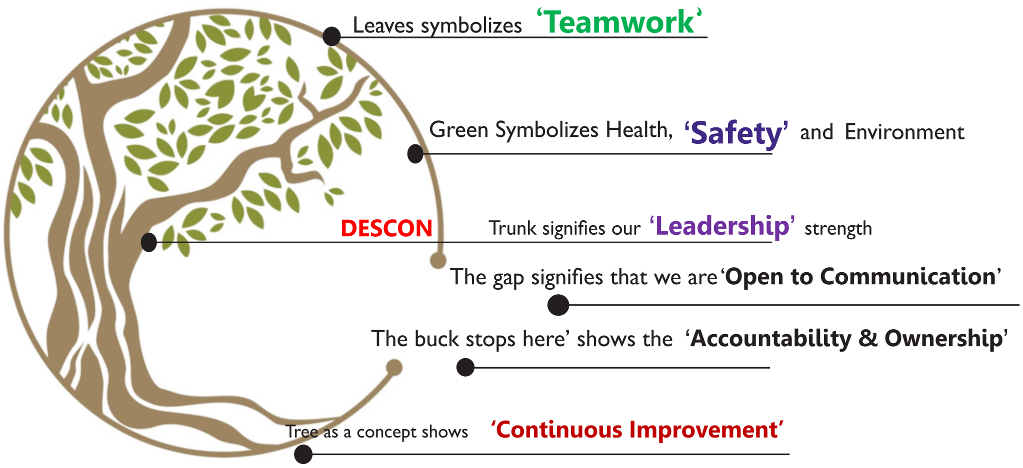
Winning together with our customers, our ambition is to enhance local and regional footprint while delivering sustainable value to all stakeholders.

MISSION

We are determined to:

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

Our Core Values



Continuous Improvement

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

Leadership

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

Accountability and Ownership

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

Team Work

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

Open Communication

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

Safety

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

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Company Information

Board of Directors

Faisal Dawood	Chairman
Taimur Dawood	Non-Executive Director
Mehreen Dawood	Non-Executive Director
Farooq Nazir	Non-Executive Director
Asif Qadir	Non-Executive Director
Jehanzeb Khan	Independent Director
Muhammad Zahir	Independent Director
Muhammad Mohsin Zia	Chief Executive Officer

Muhammad Rizwan Qaiser
Chief Financial Officer

Abdul Sohail
Company Secretary

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

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

Legal Advisors
M/s Hassan & Hassan Advocates

Bankers
Allied Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Habib Metropolitan Bank Limited
The Bank of Punjab
Meezan Bank Limited

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

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

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

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

Board and Management Committees

Audit Committee

Audit committee has been constituted by the Board in compliance with the Listing Regulations. The committee oversees the Internal Audit function, and also reviews internal audit plans and reports. The committee conducts its meetings as and when required. The committee apprises the Board about the significant discussion and decisions at its meetings and recommendations in respect of company's operation and financial results.
The committee comprises of three members, two are independent directors, including the Chairman of the committee and one is non executive director. This committee is constituted of the following members:

Muhammad Zahir	Chairman
Farooq Nazir	Member
Jehanzeb Khan	Member

Enterprise Risk Management Committee

Enterprise Risk Management Committee was constituted to assist Audit Committee of the Board of Directors in overseeing and reviewing information regarding the enterprise risk management framework, including the significant policies, procedures and practices employed to manage all risks affecting the Company. The committee at minimum meets on a quarterly basis or as frequently as necessary. The committee is constituted of the following members:

M. Mohsin Zia	Chairman
Mushfiq Hussain	Member
M. Rizwan Qaiser	Member
Noor Shuja	Member

Human Resource & Remuneration Committee

The Committee has been constituted by the Board to recommend human resource management policies to the board and fulfill the requirements of the listed companies (Code of corporate Governance) Regulations, 2019. It comprises of three members, of whom two are non-executive directors, including the Chairman of the committee and one is an independent director:

Farooq Nazir	Chairman
Muhammad Zahir	Member
Faisal Dawood	Member

Compliance Committee

Compliance Committee was constituted to oversee Company's compliance with applicable legal and regulatory requirements, industry standards, and the Company's Code of Ethics and Business Conduct. The committee is constituted of the following members:

M. Mohsin Zia	Chairman
Mushfiq Hussain	Member
M. Rizwan Qaiser	Member
Noor Shuja	Member

Principal Markets & Application Areas

Mining

Descon's DOLOX 50 brand is the leading brand for Pakistan's mining industry. It is extensively used by its customers as an oxidant, such as leaching, concentrate preparation and effluent treatment. This application is known as peroxide assisted leach and effluent treatment. The treatment of dissolved oxygen is a crucial factor for overall leaching efficiency. HP ensures that the necessary dissolved oxygen concentration is in the system, leading to significant increase in leaching efficiency. Downstream, HP is often used for the removal of cyanide oxidation in a single step, without the formation of toxic intermediates.

Textiles

The company's TEXTOX 50 is the flagship brand, which is most extensively used by the textile market for bleaching of natural and animal-bers derived from cellulose such as cotton, linen and bast-bers. The textile-bers are used as lose stock, yarn or knitted woven fabrics. This product has inherent design strengths and the right chemistry to be used in a wide range of processing technologies. These include Rier, Winch, Jig, J-Box and Steamer with and without storage. The oxidizing bleaching agents, where HP provides a high bleaching impact at extremely competitive cost, especially if modern short-term bleaching are used.

Food & Beverages

Descon's ASEPTOX 35 & SANIDOL are among the top brands used by the food and beverage customers. HP is used in beverages, milk, dairy products, sauces and soups.
These products are packaged aseptically in cartons, tubes, bottles and foils. These storage-stable products maintain the required shelf-life and high product quality standards. To create a sterile environment in aseptic packing units, several treatment approaches for materials sterilization and internal machine surfaces are used.

CHAIRMAN'S STATEMENT

Our core customer segment, the textile sector, have seen a tough year primarily due to high energy cost and reduced global demand. Your company was well prepared to place volumes both in the local as well as international market despite these challenges. During the year the management implemented an effective strategy to enhance its margin and capture profitable market segments despite cost pressures. In addition, the management also kept a tight control on fixed costs while strengthening its position as a key regional H2O2 market player.

The Board has been playing a pivotal role in directing the company through regular reviews of the business and its performance. The Directors have set high standard of corporate governance and compliance, which are reflected through the engagement of a strong outsourced internal audit function.

The Board performed its role and responsibilities for setting standards, policies, strategic aims, ensure resources are in place to meet our objectives, monitor and review material strategic issues, financial performance and risk management. In 2022-23, your Company has achieved an increased EPS of (PKR 8.00 / Share) due to optimized pricing and improved product placement. The Board of Directors have recommended 20% cash dividend for its valuable shareholders, signifying the strong and healthy cash flow position of the Company.

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

Your Company has made significant inroads in profitable domestic market segments while strengthening its position as regional player with exports to multiple markets earning precious foreign exchange for our national exchequer. In addition to textile sector your company has also made efforts to diversify into profitable product portfolios creating hedge against any future depression in demand and prices. Despite the fluid business landscape, the Company is well prepared to respond to the rapidly changing scenario.

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 07, 2023

Faisal Dawood
Chairman

DIRECTORS' REPORT TO THE SHAREHOLDERS
For the year ended June 30, 2023

The Directors of the company are pleased to present the Annual Report along with the Audited Financial Statements for the year ended June 30, 2023.

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 phenomenal increase in interest rates, further slowed down the global demand which previously had picked up post-pandemic. The economic environment worldwide has been pushing the central banks to raise interest rates further to keep inflation under control. Despite these challenges, the capacity expansion implemented by your company during the previous year has helped us to improve margins and increase sales during this uncertain period.

Business Results

Your company continuously strives to sustain its consistent performance despite adverse movement in the gas and packing material costs. During the year the management focused on improving margins despite cost challenges through improved pricing and better product placements 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. The results below show the management's focus on efficient production, improved profitability and market development while leveraging its strength as the significant player in the national and international hydrogen per oxide market. These efforts have led your company to achieve improved profitability. The summarized financial performance appears below.

	2023	2022	%age
	Rupees in thousands		
Sales	**6,721,346**	4,250,493	↑ 58%
Gross profit	**2,756,429**	1,101,805	↑ 150%
Profit from operations	**2,249,871**	855,014	↑ 163%
Finance cost	**(25,929)**	(52,568)	↓ 51%
Profit before tax	**2,223,942**	802,446	↑ 177%
Profit after tax	**1,400,634**	470,877	↑ 197%
Earnings per share – Basic	**8.00**	2.69	↑ 197%

The company has been able to improve its sales value by 58% as compared to last year through sustainable operations of the Plant and better product placement. Gross profit percentage has gone up to 41% from 26% last year. Borrowing cost has gone down owing to efficient working capital management and long-term debt prepayment in previous years linked with company strategy to hedge against interest rate hike.

Profit after tax has increased to PKR 1,401million from PKR 471 million despite impact of high taxation in the current financial year. The management has kept a tight control over cost leading to efficient deployment of resources to manage the business. The company expects to consistently deliver better profitability creating value for the shareholders.

Cash Flow Management

Your company has generated cash flow from operations of PKR 2.3 billion as compared to PKR 1.2billion owing to improved cash conversion cycle, improved production, and better pricing. Despite significant increase in raw material costs, supply chain disruptions and PKR devaluation the company has efficiently managed working capital. 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 FY23, the business had operated twelve consecutive years without a single lost time injury (LTI)& successfully achieved 9+ million man-hours without a lost time injury. 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, OHSAS 18001 and ISO 14001. The business consistently complied with national liquid and gaseous emissions standards. The entire workforce is trained, supported and regularly assessed, which enables them to perform their jobs with minimal risk. During the year, the company invested 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:

- Reducing energy consumption
- Reducing water consumption
- Addition of female workforce at all levels
- ISO-45001 certification

This year, the company has successfully demonstrated its expanded capacity & achieved ever highest yearly production (42,131 MT) in our history. Considerable efforts were made on reduction of energy & chemical consumptions which have led to significant savings for the company. Special focus was given to manufacturing excellence program to bring in efficiencies at plant operations and other processes. The drive has also resulted in reduction of controllable losses to 0.94% vs 1% industry benchmark.

Sales & Marketing

The company continues to be the market leader, preferred supplier and provider of consistent quality product to the customer. While the textile sector is seeing a down turn 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 as on June 30, 2023.

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 creating opportunities to further improve its margin despite cost challenges. Your company is consistently working on strategies to mitigate risks while capitalizing on opportunities to maximize shareholders' 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 "Companies 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		Mrs. Mehreen Dawood
6		Mr. Farooq Nazir
7		Mr. Asif Qadir
8	Executive Directors	Mr. Muhammad Mohsin Zia (CEO)

Changes to the Board

During the financial year under review, the following changes were made on the Board:

- The Board of Directors of the company was re-elected on 28th February 2023.
- Mr. Jehanzeb Khan and Mr. Muhammad Zahir were appointed directors in place of Mr. Haroon Waheed and Mr. Ali Asrar Hussain Agha.
- After completion of three consecutive terms on the Board as an Independent Director,Mr. Asif Qadir was re-elected as a Non-executive director.
- The newly elected Board appointed Mr. Faisal Dawood as its new Chairman.

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 Companies 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 Companies Act and the Regulations. The agenda of each meeting was circulated in a timely manner. The Chief Financial Officer and the Company Secretary also attended the Board meetings.

During the year under review, seven (07) meetings of the Board of Directors were held. The newly elected Board met four (04) times, whereas the old Board met three (03) times. The attendance of the Directors was as follows:

Name of Director	Meetings Attended	Remarks
Mr. Taimur Dawood	7/7	–
Mr. Faisal Dawood	7/7	–
Mrs. Mehreen Dawood	5/7	Leave of absence was granted in 2 meetings.
Mr. Farooq Nazir	7/7	–
Mr. Asif Qadir	6/7	Leave of absence was granted in 1 meeting.
Mr. Ali Asrar Hussain Agha	3/3	–
Mr. Haroon Waheed	2/3	Leave of absence was granted in 1 meeting.
Mr. M. Mohsin Zia	7/7	–
Mr. M. Zahir	4/4	–
Mr. Jehanzeb Khan	4/4	–

Directors' Training

Six (6) directors on the Board have obtained the certificates of the Directors' Training Program including the Chief Executive Officer who completed Directors' Training during the year 2022-23.One director is exempt from the training. Whereas, one remaining Director will complete the Directors' 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 reasonable fee is being paid to the Directors. The aggregate amount of fees paid to the Directors has been disclosed in Note 38 of the unconsolidated 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 Companies 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 was reconstituted pursuant to the election of Directors on 28th February 2023. The newly elected committee comprises 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 newly elected committee met 1 time, whereas the old committee met 3 times, during the year.The attendance of the members were as follows:

AUDIT COMMITTEE ATTENDANCE	
Name of Member	**Meetings Attended**
Mr. Muhammad Zahir	1/1
Mr. Jehanzeb Khan	1/1
Mr. Farooq Nazir	4/4
Mr. Ali Asrar Hossain Aga	1/3
Mr. Faisal Dawood	2/3

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 was reconstituted pursuant to the election of Directors on 28th February 2023. The newly elected 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 2 times in total. The newly elected committee met 0 times, whereas the old committee met 2 times during the year and the attendance was as follows:

HRRC ATTENDANCE	
Name of Member	**Meetings Attended**
Mr. Haroon Waheed	2
Mr. Ali Asrar Hossain Aga	2
Mr. Farooq Nazir	2
Mr. Faisal Dawood	2
Mr. Muhammad Zahir	0

Enterprise Risk Management Committee:

The Enterprise 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, practices employed to manage all risks affecting the company. The Enterprise Risk Management Committeewas reconstituted pursuant to the election of Directors on 28th February 2023. The newly elected 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 – 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 was reconstituted pursuant to the election of Directors on 28th February 2023. The newly elected 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 – 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 detailed disclosure of the related party transactions in Note 37 of the unconsolidated 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 been able to reduce its gas consumption resulting in net reduction of carbon emissions by 0.56 Million Kgs/year.

At your company, we prioritize sustainable chemical management practices to safeguard both the well-being of our employees and the environment. Through a chemicals optimization drive, the company has been able to reduce the consumption of raw materials in working solution. Over the last year, the company has actively engaged with local communities through various outreach programs especially with rescue management teams in Sheikhpura.

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

Pattern of Shareholding

In accordance with section 227(2)(f) of the Act, the pattern of shareholding as of June 30, 2023, 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 @ 20.00% (PKR 2/ per ordinary share) to the company's members whose names appear on the register of members as of October12, 2023, out of the profits of the company for the year ended on June 30, 2023. It will be paid subject to the approval from the shareholders in the forthcoming Annual General Meeting.

Auditors

The unconsolidated and consolidated financial statements of the company for the year 2022-2023 were audited by M/s. A.F. Ferguson & Company, Chartered Accountants. The auditors will retire at the end of forthcoming Annual General Meeting. Upon recommendation of the Audit Committee, the Board recommended appointing M/s. Crowe Hussain Chaudhury and Co.,Chartered Accountants, as auditors of the Company, in place of the retiring auditors, for the year ending June 30, 2024. The decision to change auditors was taken with the intention of enhancing transparency in the Company as per the globally established standards and best practices for the rotation of auditors and is 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 07, 2023

CHIEF EXECUTIVE

DIRECTOR

آڈیٹرز

سال 2023-2022 کے لیے کمپنی کے مالی حسابات میسرز اے ایف فرگوسن اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی طرف سے نظر ثانی شدہ ہیں۔ آڈیٹرز سالانہ اجلاس عام کے اختتام پر ریٹائر ہو جائیں گے۔ آڈٹ کمیٹی کی سفارش پر، بورڈ نے ریٹائر ہونے والے آڈیٹرز کی جگہ، میسرز کرو حسین چوہدری اینڈ کو چارٹرڈ اکاؤنٹنٹس کو 30 جون 2024 کو ختم ہونے والے سال کے لیے کمپنی کے آڈیٹر کے طور پر، مقرر کرنے کی منظوری دی ہے۔ آڈیٹرز کو تبدیل کرنے کا فیصلہ عالمی سطح پر قائم کردہ معیارات اور آڈیٹرز کی تبدیلی کے لیے بہترین طریقوں کے مطابق کمپنی میں شفافیت کو بڑھانے کے ارادے سے کیا گیا اور یہ آئندہ سالانہ اجلاس عام میں شیئر ہولڈرز کی منظوری سے مشروط ہے۔

اظہار تشکر

ہم تمام اسٹیک ہولڈرز کا گزشتہ سال میں ان کے تعاون کا شکریہ ادا کرتے ہیں۔ یہ ہمارے اسٹیک ہولڈر کا تعاون ہے جس نے کمپنی کی تمام کامیابیوں کو ممکن بنایا جبکہ ایک پائیدار کاروبار کرنے میں ہماری مدد کی ہے۔
ہم مستقبل میں بھی امید افزاء اور مستحکم کارکردگی کے خواہاں ہیں۔

منجانب بورڈ

چیف ایگزیکٹو | ڈائریکٹر | لاہور

07 ستمبر 2023ء

انٹر پرائز رسک مینجمنٹ کمیٹی:

انٹر پرائز رسک مینجمنٹ کمیٹی کو انٹر پرائز رسک مینجمنٹ فریم ورک کے بارے میں معلومات کی نگرانی اور جائزہ لینے، کمپنی کو متاثر کرنے والے تمام خطرات کے انتظام کے لیے استعمال کیے جانے والے طریقوں میں بورڈ آف ڈائریکٹرز کی آڈٹ کمیٹی کی مدد کرنے کے لیے تشکیل دیا گیا۔ انٹر پرائز رسک مینجمنٹ کمیٹی 28 فروری 2023 کو ڈائریکٹرز کے انتخابات کی پیروی میں دوبارہ تشکیل دی گئی۔ نومنتخب کمیٹی مندرجہ ذیل چار (04) ارکان پر مشتمل ہے:

جناب محمد محسن ضیاء	(ایگزیکٹو ڈائریکٹر) - چیئر مین
جناب محمد رضوان قیصر	(چیف فنانشل آفیسر) - ممبر
جناب مشفق حسین	(ورکس مینیجر) - ممبر
محترمہ نور شجاع	- ممبر

کمپلائنس کمیٹی:

کمپلائنس کمیٹی قابل اطلاق قانونی اور ریگولیٹری تقاضوں، صنعت کے معیارات اور کمپنی کے اخلاقیات اور کاروباری طرز عمل کے ساتھ کمپنی کی تعمیل کی نگرانی کے لیے تشکیل دی گئی تھی۔ کمپلائنس کمیٹی 28 فروری 2023 کو ڈائریکٹرز کے انتخابات کی پیروی میں دوبارہ تشکیل دی گئی۔ نومنتخب کمیٹی مندرجہ ذیل چار (04) ارکان پر مشتمل ہے:

جناب محمد محسن ضیاء	(ایگزیکٹو ڈائریکٹر) - چیئر مین
جناب محمد رضوان قیصر	(چیف فنانشل آفیسر) - ممبر
جناب مشفق حسین	(ورکس مینیجر) - ممبر
محترمہ نور شجاع	- ممبر

متعلقہ پارٹی لین دین

آڈٹ کمیٹی نے بورڈ کو تمام متعلقہ پارٹی لین دین کا جائزہ اور سفارش پیش کی اور بورڈ نے ان کی منظوری دی۔ تمام متعلقہ پارٹی لین دین معمول کے کاروبار میں اور قابل رسائی کی بنیاد پر کیے گئے۔ کمپنی تمام متعلقہ پارٹی لین دین کا مکمل ریکارڈ برقرار رکھتی ہے جیسا کہ کمپنیز (متعلقہ پارٹی ٹرانزیکشنز اور مینٹیننس آف ریلیٹڈ ریکارڈز) ریگولیشنز 2018 میں بیان کیا گیا ہے۔

کمپنی نے اس سالانہ رپورٹ کے ساتھ منسلکہ مالی گوشواروں میں متعلقہ پارٹی لین دین کا تفصیلی انکشاف نوٹ 37 میں کیا ہے۔ اس طرح کا انکشاف ایکٹ کے 4th شیڈول اور قابل اطلاق بین الاقوامی مالیاتی رپورٹنگ معیارات کے تقاضوں کے مطابق ہے۔

سماجی سرمایہ کاری

گزشتہ ایک سال کے دوران، کمپنی نے کارپوریٹ اور اپنی وابستہ سماجی ذمہ داری کو پورا کرنے میں اہم پیش رفت کی ہے۔ پائیداری، کمیونٹی کی شمولیت، اور اخلاقی طریقوں کے لیے کمپنی کی لگن نے ایک ایسا اثر پیدا کیا ہے جو اقدار اور معاشرے کی بہتری سے ظاہر ہوتا ہے۔ توانائی کے مؤثر اقدامات اور فضلہ کو کم کرنے کی حکمت عملیوں کے ذریعے، کمپنی اپنی گیس کی کھپت کو کم کرنے میں کامیاب رہی ہے جس کے نتیجے میں کاربن کے اخراج میں 0.56 ملین کلوگرام فی سال کی خالص کمی واقع ہوئی ہے۔

کمپنی میں، ہم اپنے ملازمین اور ماحول دونوں کی فلاح و بہبود کے لیے پائیدار کیمیائی انتظام کے طریقوں کو ترجیح دیتے ہیں۔ کیمیکل آپٹیمائزیشن ڈرائیو کے ذریعے، کمپنی رامیٹریل، ورکنگ سلوشن کی کھپت کو کم کرنے میں کامیاب رہی ہے، پچھلے سال کے دوران، کمپنی مختلف آؤٹ ریچ پروگراموں کے ذریعے خاص طور پر شیخوپورہ میں ریسکیو مینجمنٹ ٹیموں کے ہمراہ مقامی کمیونٹیز کے ساتھ فعال طور پر مشغول رہی ہے۔

آگے بڑھتے ہوئے، کمپنی مثبت تبدیلی کو فروغ دینے، اختراع کو اپنانے، اور زیادہ پائیدار اور دنیا میں مساوی حصہ ڈالنے کے لیے پُرعزم ہے۔

شیئر ہولڈنگ کا نمونہ

ایکٹ کے سیکشن (f)(2)227 کے مطابق، 30 جون 2023 تک شیئر ہولڈنگ کا نمونہ، ضابطوں کے تحت مطلوبہ انکشافات کے ہمراہ سالانہ رپورٹ سے منسلک ہے۔

نقد منافع منقسمہ

بورڈ آف ڈائریکٹرز نے 30 جون 2023 کو ختم ہونے والے سال کے لیے کمپنی کے منافع میں سے حصص یافتگان، جن کا نام ممبرز کے رجسٹرڈ میں بتاریخ 12 اکتوبر 2023 کو آ رہا ہوگا، کو 20.00%@ (-/2 روپے فی عام شیئر) پر حتمی نقد منافع منقسمہ کی سفارش کی ہے۔ یہ آئندہ سالانہ اجلاس عام میں شیئر ہولڈرز سے منظوری کے بعد ادا کیا جائے گا۔

بورڈ کی کارکردگی کا جائزہ

بورڈ کے چیئرمین نے بورڈ کے اراکین کی مشاورت سے بورڈ اور اس کی کمیٹیوں کے لیے ایک تشخیصی منصوبہ تیار کیا ہے تاکہ یہ یقینی بنایا جا سکے کہ بورڈ اور اس کی کمیٹیاں اپنے کردار اور ذمہ داریوں سے پوری طرح واقف ہوں۔ بورڈ مستقل بنیادوں پر اپنی کارکردگی، اور اپنے اراکین اور کمیٹیوں کی کارکردگی کا جائزہ لیتا ہے۔ جیسا کہ ضوابط کے تحت بیان کیا گیا ہے، بورڈ نے کارپوریٹ افیئر ڈیپارٹمنٹ کی اندرونی ٹیم کے ذریعے اپنی کارکردگی، اپنے اراکین اور اپنی کمیٹیوں کا جائزہ لیا ہے۔ سروے کو شرکاء کی طرف سے خوب پذیرائی ملی اور انہوں نے اطمینان کا اظہار اور قیمتی رائے دی۔ سروے کی بنیاد پر ایک تفصیلی رپورٹ مرتب اور چیئرمین کے ساتھ شیئر کی گئی۔ مذکورہ تشخیصی رپورٹ میں ایکٹ، ضوابط اور پالیسیوں اور طریقہ کار سے کوئی اہم انحراف نہیں پایا گیا۔

بورڈ کی کمیٹیاں

بورڈ کی کارروائیوں اور درست فیصلہ سازی میں مدد کے لیے، بورڈ نے چار کمیٹیاں قائم کی ہیں آڈٹ کمیٹی کی صدارت آزاد ڈائریکٹرز کرتے ہیں۔

آڈٹ کمیٹی

کمیٹی بورڈ کو اُن کی نگرانی کی ذمہ داریوں کو پورا کرنے میں معاونت کرتی ہے جبکہ بنیادی طور پر حصص یافتگان کو مروجہ ضوابط اور اکاؤنٹنگ کے معیارات کے مطابق مالی یا غیر مالیاتی معلومات کا جائزہ لیتی ہے۔ آڈٹ کمیٹی اس بات کو بھی یقینی بناتی ہے کہ کمپنی کے اثاثوں کی حفاظت کے لیے اندرونی کنٹرول کے مستحکم نظام موجود ہیں۔ ریگولیشنز کے رہنما اصولوں کی روشنی میں کمیٹی کے ٹرمز آف ریفرنس کی وضاحت کی گئی ہے۔ 28 فروری 2023 کو ڈائریکٹرز کے انتخابات کی پیروی میں آڈٹ کمیٹی دوبارہ تشکیل دی گئی۔ نومنتخب آڈٹ کمیٹی تین (3) ارکان پر مشتمل ہے، جو کہ درج ذیل ہے:

جناب محمد ظاہر (آزاد ڈائریکٹر) - چیئرمین

جناب جہانزیب خان (آزاد ڈائریکٹر) - ممبر

جناب فاروق نذیر (نان ایگزیکٹو ڈائریکٹر) - ممبر

آڈٹ کمیٹی کے کل 4 اجلاس ہوئے۔ نومنتخب کمیٹی کا ایک اجلاس، جبکہ پرانی کمیٹی کا سال کے دوران 3 مرتبہ اجلاس ہوا اور حاضری حسب ذیل تھی۔

نام رکن	اجلاسوں میں حاضری
جناب محمد ظاہر	1/1
جناب جہانزیب خان	1/1
جناب فاروق نذیر	4/4
جناب علی اسرار حسین آغا	1/3
جناب فیصل داؤد	2/3

انسانی وسائل اور معاوضہ کمیٹی

ہیومن ریسورس اینڈ ریمنریشن کمیٹی قائم کی گئی ہے تاکہ وہ معاوضے کے تمام عناصر اور پالیسیوں اور طریقہ کار کا جائزہ لے کر بورڈ کو سفارش کرے جو انسانی وسائل کے مؤثر کام کے لیے اپنانے کی ضرورت ہے۔ 28 فروری 2023 کو ڈائریکٹرز کے انتخابات کی پیروی میں انسانی وسائل اور معاوضہ کمیٹی دوبارہ تشکیل دی گئی۔ نومنتخب کمیٹی مندرجہ ذیل تین (3) ارکان پر مشتمل ہے:

جناب فاروق نذیر (نان ایگزیکٹو ڈائریکٹر) - چیئرمین

جناب فیصل داؤد (نان ایگزیکٹو ڈائریکٹر) - ممبر

جناب محمد ظاہر (آزاد ڈائریکٹر) - ممبر

انسانی وسائل اور معاوضہ کمیٹی کے کل دو (02) اجلاس ہوئے۔ نومنتخب کمیٹی کا صفر اجلاس، جبکہ پرانی کمیٹی کا سال کے دوران دو (02) مرتبہ اجلاس ہوا اور حاضری حسب ذیل تھی۔

نام رکن	اجلاسوں میں حاضری
جناب ہارون وحید	2
جناب علی اسرار حسین آغا	2
جناب فاروق نذیر	2
جناب فیصل داؤد	2
جناب محمد ظاہر	0

بورڈ کے اجلاس

بورڈ کو قانونی طور پر کمپنی کی کارکردگی کی نگرانی کے لیے ہر سہ ماہی میں کم از کم ایک بار اجلاس کرنا چاہیے جس کا مقصد اس کی انتظامیہ کی مؤثر اور بروقت جوابدہی ہے۔ اجلاسوں کے دوران بورڈ کی طرف سے کیے گئے فیصلوں پر غور کیا گیا اور تمام ڈائریکٹرز کو کمپنیز ایکٹ کے مطابق توثیق کے لیے مقررہ وقت کے اندر باضابطہ طور پر ارسال اور بورڈ کے درج ذیل اجلاسوں میں باضابطہ طور پر منظوری دی گئی تھی۔

بورڈ کے تمام اجلاس کمپنیز ایکٹ اور ضوابط کے مقرر کردہ مطلوبہ کورم کے مطابق منعقد کئے گئے۔ ہر اجلاس کا ایجنڈا بروقت جاری کیا گیا۔ چیف فنانشل آفیسر اور کمپنی سیکرٹری نے بھی بورڈ کے اجلاسوں میں شرکت کی۔

زیر جائزہ سال کے دوران بورڈ آف ڈائریکٹرز کے سات (07) اجلاس منعقد ہوئے نو منتخب بورڈ نے چار (04) اجلاس، جبکہ پرانے بورڈ کے تین (03) اجلاس ہوئے۔ ڈائریکٹرز کی حاضری حسب ذیل تھی:

نام ڈائریکٹرز	اجلاسوں میں حاضری	ریمارکس
جناب تیمور داؤد	7/7	–
جناب فیصل داؤد	7/7	–
محترمہ مہرین داؤد	5/7	بورڈ نے 2 اجلاسوں میں غیر حاضری کی رخصت دی۔
جناب فاروق نذیر	7/7	–
جناب آصف قادر	6/7	بورڈ نے 1 اجلاس میں غیر حاضری کی رخصت دی۔
جناب علی اسرار حسین آغا	3/3	–
جناب ہارون وحید	2/3	بورڈ نے 1 اجلاس میں غیر حاضری کی رخصت دی۔
جناب محمد محسن ضیاء	7/7	–
جناب محمد ظاہر	4/4	–
جناب جہانزیب خان	4/4	–

ڈائریکٹرز کی تربیت

بورڈ کے چھ ڈائریکٹرز نے ڈائریکٹرز ٹریننگ پروگرام کے سرٹیفکیٹس حاصل کر لئے ہیں اور ایک ڈائریکٹر تربیت کی ضروریات سے مستثنٰی کیا گیا ہے۔ سی ای او نے ڈائریکٹرز ٹریننگ پروگرام مکمل کیا جبکہ باقی ایک ڈائریکٹر کا تربیتی پروگرام مقررہ کورس میں مکمل کرے گا۔

اندرونی آڈٹ اور کنٹرول

بورڈ آف ڈائریکٹرز نے کمپنی کے اندر تمام سطحوں پر اخلاقی طرز عمل اور اخلاقی ذمہ داری کے کلچر کو فروغ دیتے ہوئے آپریشنل اور مالیاتی کنٹرول کا ایک مؤثر نظام لاگو کیا ہے۔ آڈٹ کمیٹی سہ ماہی بنیادوں پر اندرونی کنٹرول کے فریم ورک کی مؤثر گی کا جائزہ لیتی ہے، جب کہ اندرونی آڈٹ کا فنکشن گورننس، رسک مینجمنٹ اور کنٹرول کے عمل کی مؤثر گی پر آڈٹ کمیٹی کو آزاد اور معروضی جائزہ اور رپورٹس فراہم کرتا ہے۔

اندرونی آڈٹ کے کام کی شفافیت اور آزادی کو یقینی بنانے کے لیے، ہیڈ آف انٹرنل آڈٹ اور آؤٹ سورس اندرونی آڈٹ سروس فراہم کرنے والے میسرز KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس براہ راست آڈٹ کمیٹی کو رپورٹ کرتے ہیں۔ کمپنی کا رسک بیسڈ سالانہ انٹرنل آڈٹ پلان بھی آڈٹ کمیٹی منظور کرتی ہے اور اس کی پیشرفت کا سہ ماہی بنیادوں پر جائزہ لیا جاتا ہے۔ آڈٹ کمیٹی نے داخلی آڈٹ کے مواد کا جائزہ لیا ہے، جہاں ضروری ہوا وہاں مناسب اقدامات کئے ہیں جہاں ضرورت پڑی بورڈ کی توجہ میں معاملات لائے گئے ہیں۔ جہاں ضروری ہو، مناسب تدارک اور تخفیف کے اقدامات کا اطلاق کیا گیا ہے۔

مناسب داخلی مالیاتی کنٹرول

بورڈ آف ڈائریکٹرز نے اندرونی مالیاتی کنٹرول کا ایک مؤثر نظام قائم کیا ہے، تاکہ آپریشن کے مؤثر انعقاد، کمپنی کے اثاثوں کی حفاظت، قابل اطلاق قوانین اور ضوابط کی تعمیل اور قابل اعتماد مالیاتی رپورٹنگ کو یقینی بنایا جاسکے۔

ڈائریکٹرز کا معاوضہ

بورڈ ممبران کے معاوضے کا فیصلہ بورڈ کی کمیٹی کرتی ہے۔ بورڈ اس بات کو یقینی بناتا ہے کہ بورڈ اور اس کی کمیٹیوں کے اجلاسوں میں شرکت کے لیے ڈائریکٹرز کے معاوضے کے تعین کے لیے ایک شفاف اور منصفانہ طریقہ کار موجود ہو۔ اس مقصد کے لیے ڈائریکٹرز کے معاوضے کے تعین کی پالیسی کی منظوری دی گئی اور اس پر عمل درآمد کیا گیا ہے۔ ڈائریکٹرز کو مناسب فیس ادا کی جارہی ہے۔ ڈائریکٹرز کو ادا کی گئی فیس کی مجموعی رقم کا انکشاف ان مالیاتی حسابات کے نوٹ [نوٹ 38] میں کیا گیا ہے۔

کارپوریٹ گورننس

کمپنی کے بورڈ آف ڈائریکٹرز اور مینجمنٹ کمپنیز ایکٹ، 2017 ("کمپنیز ایکٹ") کی دفعات کے مطابق اپنی اہم ذمہ داریوں سے پوری طرح واقف ہیں۔ بورڈ نے کاروباری سرگرمیوں میں تعمیل کے لیے کاروباری اصولوں اور اعلیٰ معیارات کے مضبوط احساس کو یقینی بناتے ہوئے کارپوریٹ گورننس کے بہترین طریقوں کو اپنایا ہے۔ اس کا خلاصہ مندرجہ کمپنیوں کے ساتھ تعمیل (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 ("ریگولیشنز") کے منسلک بیان میں کیا گیا ہے جس کا بیرونی آڈیٹرز کے ذریعے جائزہ لیا گیا ہے۔

ڈائریکٹرز مندرجہ ذیل بخوشی بیان کرتے ہیں:

- a• کمپنی کی انتظامیہ کی طرف سے تیار کردہ، مالیاتی حسابات، اس کے امور، آپریشنز کے نتائج، نقدی بہاؤ اور ایکوئٹی میں تبدیلیوں کو منصفانہ طور پر ظاہر کرتے ہیں۔
- b• کمپنی کے کھاتہ جات بالکل صحیح طور سے بنائے گئے ہیں۔
- c• مالی حسابات کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو تسلسل کے ساتھ لاگو کیا گیا ہے اور اکاؤنٹنگ کے تخمینہ جات مناسب اور دانشمندانہ فیصلوں پر مبنی ہیں۔
- d• مالی حسابات کی تیاری میں پاکستان میں لاگو بین الاقوامی مالیاتی رپورٹنگ کے معیارات (IFRS) کی پیروی کی گئی ہے اور ان سے کسی انحراف کا واضح انکشاف اور وضاحت کی گئی ہے۔
- e• اندرونی کنٹرول کے نظام کا ڈیزائن مستحکم ہے اور اسکی مؤثر طریقے سے عملدرآمد اور نگرانی کی جاتی ہے۔
- f• کمپنی کے گوئنگ کنسرن ہونے کی صلاحیت پر کوئی قابل ذکر شکوک وشبہات نہیں ہیں۔
- g• بورڈ کے تمام ڈائریکٹرز کارپوریٹ باڈی کے ڈائریکٹرز کے طور پر اپنے فرائض اور ذمہ داریوں سے مکمل طور پر آگاہ ہیں۔
- h• فہرستی قواعد وضوابط میں تفصیلی کارپوریٹ گورننس کے بہترین عمل سے کوئی مادی انحراف نہیں کیا گیا ہے۔
- i• گزشتہ چھ سال کا کلیدی آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

بورڈ آف ڈائریکٹرز کی تشکیل

ڈائریکٹرز کی کل تعداد آٹھ (8) بشمول چیف ایگزیکٹو (Deemed ڈائریکٹر) مندرجہ ذیل ہیں:

a) مرد 7 (بشمول چیف ایگزیکٹو)

b) خاتون 1

بورڈ کی تشکیل حسب ذیل ہے:

کیٹگری	نام
آزاد ڈائریکٹرز	جناب محمد ظاہر
	جناب جہانزیب خان
نان ایگزیکٹو ڈائریکٹرز	جناب فیصل داؤد (چیئرمین)
	جناب تیمور داؤد
	محترمہ مہرین داؤد
	جناب فاروق نذیر
	جناب آصف قادر
ایگزیکٹو ڈائریکٹرز	جناب محمد محسن ضیاء (CEO)

بورڈ میں تبدیلیاں

زیر جائزہ مالی سال کے دوران، کمپنی کے بورڈ میں مندرجہ ذیل تبدیلیاں ہوئیں۔

- زیر جائزہ مالی سال کے دوران، 28 فروری 2023 کو کمپنی کے بورڈ آف ڈائریکٹرز کا دوبارہ انتخاب ہوا۔
- ہارون وحید اور علی اسرار حسین آغا کی جگہ جہانزیب خان اور محمد ظاہر کو ڈائریکٹر مقرر کیا گیا۔
- کمپنی میں لگاتار تین بار بطور آزاد ڈائریکٹر پورے کرنے کے بعد جناب آصف قادر کو نان ایگزیکٹو ڈائریکٹر کے طور پر منتخب کیا گیا۔
- نومنتخب بورڈ نے فیصل داؤد کو اپنا نیا چیئرمین منتخب کیا۔

حفاظت اور مینوفیکچرنگ

ہمارے ملازمین/ٹھیکیداروں کی صحت، حفاظت، ماحولیات اور تحفظ کمپنی میں بنیادی توجہ کی حامل ہے، اور یہ ڈیسکون کی بنیادی اقدار کا ایک لازمی حصہ ہے۔ مالی سال 23 کے اختتام پر، کاروبار نے مسلسل بارہ سال تک حادثہ میں ایک بھی لمحہ (LTI) ضائع کئے بغیر کام کیا، جس سے آدمیوں نے +9 ملین گھنٹے کام کیا۔ کل ریکارڈ ایبل انجریز ریٹ (TRIR) اب بھی، پچھلے سال کی طرح صفر ہے۔

کمپنی ISO 9001, OHSAS18001 اور ISO 14001 کے لیے تمام عالمی منظوری کے تقاضوں کی پوری طرح تعمیل کرتی ہے۔ کاروبار نے مسلسل مائع اور گیس کے اخراج کے قومی معیارات کی تعمیل کی۔ پوری افرادی قوت کی تربیت یافتہ، تعاون یافتہ اور باقاعدگی سے جانچ کی جاتی ہے، جو انہیں کم سے کم خطرے کے ساتھ اپنے کام سرانجام دینے کے قابل بناتا ہے۔ سال کے دوران، کمپنی نے قابلیت اور اہلیت کی نشوونما میں اہم تربیتی اوقات صرف کئے ہیں۔ مزید یہ کہ ادارہ جاتی یادداشت کو بڑھانے والے اقدامات کرنا جاری رکھے ہوئے ہے۔

کمپنی نے اقوام متحدہ کے پائیدار ترقی کے اہداف اور مقررہ اہداف کے مقابلے میں اچھی پیش رفت کے مطابق پائیداری کے اقدامات کئے۔ کچھ اہم اپ ڈیٹس یہ ہیں،

- توانائی کی کھپت کو کم کرنا
- پانی کی کھپت کو کم کرنا
- صنفی تنوع - خواتین ملازمین کی تعداد کو بڑھانا
- ISO-45001 سرٹیفکیشن

اس سال، کمپنی نے کامیابی سے اپنی اضافی صلاحیت کا مظاہرہ کیا اور اپنی تاریخ میں سب سے زیادہ پیداوار (42,131 MT) حاصل کی ہے۔ توانائی اور کیمیکل کھپت کی کمی کے لئے قابل ذکر کوششیں کی گئیں جس سے کمپنی کی نمایاں بچت ہوئی ہے۔ مینوفیکچرنگ ایکسیلنس پروگرام پر خصوصی توجہ دی گئی تا کہ پلانٹ کے آپریشنز اور دیگر پراسیسز میں استعداد کار پیدا کی جا سکے۔ اس مہم کے نتیجے میں قابل کنٹرول نقصانات کو 1% بمقابلہ 0.94% انڈسٹری بینچ مارک تک کم کیا گیا ہے۔

سیلز اینڈ مارکیٹنگ

کمپنی بدستور مارکیٹ لیڈر، ترجیحی سپلائر، اور گاہک کو مستقل معیاری مصنوعات فراہم کرنے والی ہے۔ جب کہ ٹیکسٹائل کا شعبہ تنزلی کی طرف جا رہا ہے، کمپنی نے بین الاقوامی صارفین کو شامل کر کے، قومی خزانہ میں زرمبادلہ کا حصہ ڈال کر اپنی کسٹمر پورٹ فولیو کو متنوع بنایا ہے۔

کمپنی مستحکم تعاون اور مارکیٹ انٹیلی جنس پر مبنی نقطہ نظر کی بنیاد پر منافع بخش مارکیٹ شیئر میں نمایاں بہتری کی توقع کر رہی ہے۔

اینٹٹی کریڈٹ ریٹنگ

30 جون 2023 کو پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ کی طرف سے دی گئی۔

ریٹنگ کی قسم	ریٹنگ
طویل مدتی	A+ (اے پلس)
قلیل مدتی	A1 (اے ون)

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے ڈیسکون آ سکیم (DOL) کی طویل مدتی اور قلیل مدتی ادارہ کی درجہ بندی کو بالترتیب "A+" (اے پلس) اور "A1" (اے ون) پر اپ گریڈ کر دیا ہے۔ یہ درجہ بندی مالیاتی وعدوں کی بروقت ادائیگی کی مضبوط صلاحیت سے پیدا ہونے والے کریڈٹ رسک کی کم توقع کی نشاندہی کرتی ہے۔

مستقبل کا نقطہ نظر

کمپنی اپنی مقررہ لاگت پر سخت کنٹرول رکھنے کا ارادہ رکھتی ہے جبکہ مارکیٹ کے متنوع حصوں میں نمایاں رسائی حاصل کرتے ہوئے لاگت کے جاری چیلنجوں کے باوجود اپنے مارجن کو مزید بہتر بنانے کے مواقع پیدا کرتی ہے۔ آپ کی کمپنی حصص یافتگان کی قدر کو زیادہ سے زیادہ کرنے کے مواقع سے فائدہ اٹھاتے ہوئے خطرات کو کم کرنے کی حکمت عملیوں پر مسلسل کام کر رہی ہے۔

منافع بخش برآمدی منڈیوں اور کاروباری شعبوں کو مزید تلاش کرنے کے لیے اہم کوششیں کی جا رہی ہیں جو مستقبل کے منفی قیمتوں کے لحات کے خلاف ایک تخفیف پیدا کرتی ہیں۔

کاروبار مسلسل بہتری اور ڈیٹا پر مبنی فیصلہ سازی میں سرمایہ کاری کے ذریعے حفاظت، پیداواری کارکردگی اور مارکیٹ انٹیلی جنس میں اپنی بہترین درجہ کی پوزیشن کو برقرار رکھنا چاہتا ہے۔

ڈائریکٹرز رپورٹ برائے حصص داران

کمپنی کے ڈائریکٹرز 30 جون 2023 کو ختم ہونے والے سال کے لیے نظر ثانی شدہ مالیاتی گوشواروں کے ساتھ سالانہ رپورٹ پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

اقتصادی جائزہ

یہ سال بیشتر کاروباروں کے لیے مشکل رہا ہے کیونکہ توانائی کی لاگت بہت زیادہ بڑھ جانے کی وجہ سے افراط زر دوگنا ہوگیا ہے جس کے نتیجے میں پیداواری لاگت میں تیزی سے اضافہ ہوا ہے۔ اس نے شرح سود میں اضافہ کے ساتھ عالمی طلب کو مزید سست کردیا جو وبائی بیماری کے بعد بڑھ گئی تھی۔ عالمی معاشی ماحول نے مرکزی بینکوں کو افراطِ زر کو روکنے کے لئے شرح سود کو مزید بڑھانے پر مجبور کیا۔ ان چیلنجوں کے باوجود، پچھلے سال کے دوران آپ کی کمپنی کی طرف سے کی گئی صلاحیت کی توسیع نے مارجن کو بہتر بنانے اور ان غیر یقینی اوقات میں فروخت کو بڑھانے میں مدد کی ہے۔

کاروباری نتائج

آپ کی کمپنی گیس، یوٹیلیٹی اور پیکنگ میٹریل کی قیمتوں میں منفی محرکات کے باوجود اپنی کارکردگی کو برقرار رکھنے کی مسلسل کوشش کر رہی ہے۔ سال کے دوران انتظامیہ نے بہتر قیمتوں کے تعین اور بہتر پروڈکٹ پلیسمنٹ کے ذریعے لاگت کے چیلنجوں کے باوجود پچھلے سال کی صلاحیت میں توسیع سے بڑے پیمانے کی معیشتوں پر سرمایہ لگاتے ہوئے مارجن کو بہتر بنانے پر توجہ مرکوز کی ہے۔ توسیع نے برآمدات کو بہتر بنانے اور نئی مارکیٹوں کی ڈویلپنگ کے لئے انتہائی ضروری اضافی حجم بھی فراہم کیا۔ نیچے دیئے گئے نتائج قومی اور بین الاقوامی ہائیڈروجن پرآکسائیڈ مارکیٹ میں اہم کھلاڑی کے طور پر اپنی قوت کا فائدہ اٹھاتے ہوئے مؤثر پیداوار، بہتر منافع اور مارکیٹ کی ترقی پر انتظامیہ کی توجہ کو ظاہر کررہے ہیں۔ ان کوششوں نے آپ کی کمپنی کو بہتر منافع حاصل کرنے کے قابل بنایا ہے۔ مالیاتی کارکردگی کا خلاصہ ذیل میں دیا گیا ہے۔

	2023	2022		فیصد
	000 روپے			
فروخت	**6,721,346**	4,250,493	⬆	58%
مجموعی منافع	**2,756,429**	1,101,805	⬆	150%
آپریشنز سے منافع	**2,249,871**	855,014	⬆	163%
مالیاتی لاگت	**(25,929)**	(52,568)	⬇	51%
ٹیکس سے پہلے منافع	**2,223,942**	802,446	⬆	177%
ٹیکس کے بعد منافع	**1,400,634**	470,877	⬆	197%
آمدنی فی شیئر - بنیادی	**8.00**	2.69	⬆	197%

کمپنی پلانٹ کے پائیدار آپریشنز اور بہتر پروڈکٹ پلیسمنٹ کے ذریعے پچھلے سال کے مقابلے میں اپنی فروخت قدر میں 58 فیصد اضافہ کرنے میں کامیاب رہی ہے۔ مجموعی منافع کا فیصد گزشتہ سال کے 26% سے بڑھ کر 41% ہوگیا ہے۔ سود کی شرح میں اضافہ کے باعث پچھلے سالوں میں مؤثر ورکنگ کیپیٹل مینجمنٹ اور طویل مدتی قرض کی قبل از ادائیگی سے باز رہنے کی کمپنی کی حکمت عملی کی وجہ سے قرض لینے کی لاگت میں کمی آئی ہے۔

موجودہ مالی سال میں زیادہ ٹیکس کے اثرات کے باوجود بعد از ٹیکس منافع 471 ملین روپے سے بڑھ کر 1,401 ملین روپے ہوگیا ہے۔ انتظامیہ نے مقررہ اخراجات پر سخت کنٹرول رکھا ہے جس کی وجہ سے کاروبار کو منظم کرنے کے لیے وسائل کو مؤثر استعمال کیا گیا ہے۔ کمپنی شیئر ہولڈرز کے لئے قدر پیدا کرتے ہوئے مسلسل بہتر منافع ڈیلیور کرنے کی توقع کرتی ہے۔

نقدی بہاؤ کے انتظامات

آپ کی کمپنی نے بہتر کیش کنورشن سائیکل، بہتر پیداوار، اور بہتر قیمتوں کی وجہ سے اپنے آپریشنز سے 1.2 بلین روپے کے مقابلے میں 2.3 بلین روپے کا نقدی بہاؤ پیدا کیا ہے۔ خام مال کی قیمتوں میں نمایاں اضافے، عالمی سپلائی چین میں رکاوٹوں اور پاکستانی روپیہ کی قدر میں کمی کے باوجود کمپنی نے کار آمد سرمائے کو مؤثر طریقے سے مینیج کیا ہے۔ کمپنی مستقبل میں بھی اسے جاری رکھنے کا ارادہ رکھتی ہے۔

Key Operating and Financial Data

Particular	2023	2022	2021	2020	2019	2018	2017
	---(Rs '000)---						
Summary of Profit and Loss							
Sales	6,721,346	4,250,493	2,804,903	2,641,615	2,704,957	2,088,225	1,961,005
Cost of Goods Sold	(3,964,917)	(3,148,688)	(2,191,962)	(1,780,357)	(1,874,206)	(1,471,864)	(1,454,383)
Gross Profit	2,756,429	1,101,805	612,941	861,258	830,751	616,361	506,622
Operating profit	2,249,871	855,014	452,636	670,282	657,655	459,191	345,273
Finance Cost	(25,929)	(52,568)	(64,691)	(81,420)	(79,181)	(5,373)	(11,739)
Profit / (loss) before tax	2,223,942	802,446	387,945	588,862	578,474	453,818	333,534
Profit / (loss) after tax	1,400,634	470,877	278,703	418,423	394,269	322,279	204,925
EBITDA	2,647,292	1,208,320	767,359	865,738	835,263	632,862	528,810
Financial Position							
Share Capital - Ordinary	1,750,311	1,750,311	1,750,311	1,508,889	1,020,000	1,020,000	1,020,000
Share Capital - Preference	-	-	-	-	-	1,100,000	1,100,000
Reserves including unappropriated profit	1,306,150	605,642	309,796	181,982	(236,441)	(344,272)	(402,551)
Long term borrowings - Current & Non Current Portion	153,489	357,824	1,131,689	223,131	877,631	-	-
Property, plant and equipment	2,293,287	2,489,830	2,439,580	2,031,207	1,483,894	1,392,836	1,518,988
Net Current Assets	1,017,792	345,629	598,336	295,749	263,173	320,986	92,560
Investor Information							
Gross profit margin (%)	41.01	25.92	21.85	32.60	30.71	29.52	25.83
EBITDA margin to sales (%)	39.39	28.43	27.36	32.77	30.88	30.31	26.97
Pre tax margin (%)	33.09	18.88	13.83	22.29	21.39	21.73	17.01
Net profit margin (%)	20.84	11.08	9.94	15.84	14.58	15.43	10.45
Return on equity (%)	45.78	19.96	13.51	21.62	50.32	18.15	11.93
Return on capital employed (%)	66.78	29.57	13.91	28.35	36.65	25.86	20.10
Current Ratio	1.61	1.34	2.22	1.60	1.58	2.22	1.21
Quick Ratio	0.86	0.59	1.44	0.55	0.82	1.32	0.64
Debtors turnover (days)	9	20	9	8	11	7	13
Inventory turnover (days)	66	29	26	38	14	7	12
Creditors turnover (days)	84	89	59	84	61	52	53
Operating cycle (no. of days)	(9)	(40)	(24)	(39)	(36)	(38)	(28)
Debt: Equity (Ratio)	5:95	13:87	35:65	10:90	53:47	0:100	0:100
Interest cover (Times)	86.77	16.26	7.00	8.23	8.31	85.46	29.41
Earnings / (loss) per share (pre tax) (Rupees)	12.71	4.58	2.22	4.80	5.67	4.45	3.27
Earnings / (loss) per share (after tax) (Rupees) - Basic	8.00	2.69	1.59	2.85	3.87	3.16	2.01
Earnings / (loss) per share (after tax) (Rupees) - Dilluted	8.00	2.69	1.59	2.85	2.70	1.52	0.97
Share Price	24.22	15.70	26.84	29.85	16.05	19.30	18.35
Price Earnings Ratio	3.03	5.84	16.88	10.47	4.15	6.11	9.13
Breakup Value Per Share (Rupees)	17.48	13.48	11.79	12.83	7.68	6.62	6.05
Hydrogen Peroxide Production (MTs)	42,131	40,550	32,816	31,814	30,836	33,293	34,697
Hydrogen Peroxide Sales (MTs)	42,100	42,363	34,898	31,412	30,823	34,012	34,295
Trading General Sales (MTs)	–	1,470	3,838	4,146	6,343	4,696	4,966

A·F·FERGUSON&Co.

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

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Descon Oxychem Limited for the year ended June 30, 2023 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2023.

A.F. Ferguson & Co.
Chartered Accountants
Lahore
Date: September 25, 2023
UDIN: CR202310128BtbC6LR72

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

Name of company: **Descon Oxychem Limited**

Year ending: June 30, 2023

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)

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 has a formal policy and transparent procedures for the remuneration of directors in accordance with Act and these Regulations;

9. Out of eight (08) directors Six (06) of the Directors have obtained certificates of Directors' Training program, whereas one of the Directors is exempt from training under Regulation no. 19(2) of the Regulations. The remaining Director will undertake a training program or get the exemption certificate in due course.

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. Jehanzeb Khan (Independent Director)

b) Human Resource and Remuneration Committee

i. Mr. Farooq Nazir (Non-executive Director)- Chairman
ii. Mr. Faisal Dawood (Non-executive Director)
iii. Mr. Muhammad Zahir (Independent Director)

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. Ms. Noor Shuja

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, 2023.

b) Human Resource and Remuneration Committee:
Two meetings of Human Resource and Remuneration Committee were held during the financial year ended June 30, 2023.

c) Enterprise Risk Management Committee:
Four meetings of Enterprise Risk Management Committee were held during the financial year ended June 30, 2023.

15. The Board has outsourced the internal audit function to M/s. KPMG Taseer Hadi and Co., Chartered Accountants, who is 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;

    i. In respect of regulation 6(1), 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.

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are as below:

    i. There is no Nomination Committee in place (required under the non-mandatory provision of Regulations 29 & 30). The company is considering forming a Nomination Committee.

    ii. The Chairman of the Human Resource and Remuneration Committee is not an independent director (required under the non-mandatory provision of Regulation 28). The present Chairman is appointed due to his extensive board experience, including participation in the last three consecutive terms of Human Resource and Remuneration Committee.

    iii. Female executive has not completed training under Directors' Training Program (required under non-mandatory provision of the Regulation 19). However, their trainings are planned in the ensuing year.

Lahore
September 07, 2023

Faisal Dawood
Chairman

INDEPENDENT AUDITOR'S REPORT

To the members of Descon Oxychem Limited

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of Descon Oxychem Limited (the Company), which comprise the unconsolidated statement of financial position as at June 30, 2023, and the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity, the unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated 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, 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matter

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

Following is the Key audit matter:

Sr No.	Key Audit Matter	How the matter is addressed in our audit
	Revenue recognition (Refer notes 4.16 and 27 to the annexed unconsolidated financial statements)	Our audit procedures in relation to the matter amongst others, included the following: – Understood and evaluated the accounting policies with respect to revenue recognition and its compliance with IFRS 15: 'Revenue from Contracts with Customers';

Sr No.	Key Audit Matter	How the matter is addressed in our audit
	Revenue is recognized at a point in time when performance obligations are satisfied by transferring control of products and services to a customer. The Company is engaged in the manufacturing and selling of Hydrogen Peroxide locally as well as through exports. The Company recognized revenue from the sales of own manufactured goods and traded goods from its customers measured net of commission. We consider revenue recognition as a key audit matter due to revenue being one of the key performance indicators of the Company, inherent risk of material misstatement and significant increase in revenue from the last year.	– Understood and evaluated internal controls of the company which govern revenue recognition; – Inspected significant contracts to obtain an understanding of contract terms particularly relating to timing and customer's acceptance of the goods; – Performed testing of sample of revenue transactions with underlying documentation including sales invoices and dispatched documents; – Tested on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the correct period; – Checked on a sample basis, approval of sales prices by the appropriate authority; – Performed audit procedures to analyze variation in the price and quantity sold during the year; and – Assessed the adequacy of disclosures made in the unconsolidated financial statements related to revenue.

Information Other than the Unconsolidated and Consolidated 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 unconsolidated and consolidated financial statements and our auditor's report thereon.

Our opinion on the unconsolidated 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 unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated 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 Unconsolidated Financial Statements

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

In preparing the unconsolidated 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 Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated 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 unconsolidated financial statements, including the disclosures, and whether the unconsolidated 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 unconsolidated 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 unconsolidated statement of financial position, the unconsolidated statement of profit or loss, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

(c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and

(d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

A.F. Ferguson & Co.
Chartered Accountants
Lahore
Date: September 25, 2023
UDIN: AR202310128hLf8Vosli

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UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at June 30, 2023

	Note	2023	2022
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 300,000,000 (2022: 220,000,000) ordinary shares of Rs 10 each		3,000,000	2,200,000
Issued, subscribed and paid up capital 175,031,084 (2022: 175,031,084) ordinary shares of Rs 10 each	5	1,750,311	1,750,311
Share premium	6	3,022	3,022
Accumulated profits		1,306,150	605,642
		3,059,483	2,358,975
NON CURRENT LIABILITIES			
Long term finances - secured	7	100,300	257,865
Lease liabilities	8	-	10,482
Deferred taxation	9	192,100	240,370
Deferred grant	10	16,944	24,188
		309,344	532,905
CURRENT LIABILITIES			
Current portion of non current liabilities	11	50,638	83,325
Finances under mark up arrangements - secured	12	110,383	14,620
Current portion of deferred grant	10	7,349	8,567
Trade payables, provisions and other liabilities	13	912,436	766,457
Income tax payable		576,675	128,084
Dividend payable		9,177	3,237
Accrued finance costs	14	345	8,849
		1,667,003	1,013,139
CONTINGENCIES AND COMMITMENTS	15	-	-
		5,035,830	3,905,019

The annexed notes 1 to 46 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE **CHIEF FINANCIAL OFFICER** **DIRECTOR**

	Note	2023	2022
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	16	2,293,287	2,489,830
Intangible assets	17	25,161	26,972
Long term investment	18	1,964	-
Long term loans - secured	19	6,152	6,025
Long term deposits and prepayments	20	24,471	23,423
		2,351,035	2,546,250
CURRENT ASSETS			
Stores and spares	21	540,290	509,916
Stock in trade	22	717,177	248,816
Trade debts	23	165,504	237,383
Loans, advances, deposits, prepayments and other receivables	24	116,741	106,483
Short term investment	25	896,726	150,000
Bank balances	26	248,357	106,171
		2,684,795	1,358,769
		5,035,830	3,905,019

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the Year Ended June 30, 2023

	Note	2023	2022
		(Rupees in thousand)	
Sales	27	6,721,346	4,250,493
Cost of sales	28	(3,964,917)	(3,148,688)
Gross profit		2,756,429	1,101,805
Administrative expenses	29	(172,669)	(126,338)
Distribution and selling costs	30	(210,600)	(74,196)
Other income	31	118,315	29,123
Other operating expenses	32	(241,604)	(75,380)
		(506,558)	(246,791)
Profit from operations		2,249,871	855,014
Finance costs	33	(25,929)	(52,568)
Profit before taxation		2,223,942	802,446
Taxation	34	(823,308)	(331,569)
Profit for the year		1,400,634	470,877
Earnings per share			
- Basic and diluted	35	8.00	2.69

The annexed notes 1 to 46 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE CHIEF FINANCIAL OFFICER DIRECTOR

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended June 30, 2023

	2023	2022
	(Rupees in thousand)	
Profit for the year	1,400,634	470,877
Other comprehensive income		
- Items that may be reclassified subsequently to profit or loss	-	-
- Items that will not be reclassified subsequently to profit or loss	-	-
Total comprehensive income for the year	1,400,634	470,877

The annexed notes 1 to 46 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Year Ended June 30, 2023

(Rupees in thousand)

	Share capital	Capital reserve	Revenue reserve	Capital and reserves
	Ordinary share capital	Share premium	Accumulated profits	Total
Balance as on July 1, 2021	1,750,311	3,022	309,796	2,063,129
Profit for the year	-	-	470,877	470,877
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	470,877	470,877
Transactions with owners in their capacity as owners recognised directly in equity				
Final dividend for the year ended June 30, 2021 @ 10% (Re 1 per share)	-	-	(175,031)	(175,031)
Balance as on June 30, 2022	1,750,311	3,022	605,642	2,358,975
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 in their capacity as owners recognised directly in equity				
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 on June 30, 2023	1,750,311	3,022	1,306,150	3,059,483

The annexed notes 1 to 46 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE — CHIEF FINANCIAL OFFICER — DIRECTOR

UNCONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended June 30, 2023

	Note	2023	2022
		(Rupees in thousand)	
Cash flow from operating activities			
Cash generated from operations	36	2,292,037	1,206,414
Finance cost paid		(28,386)	(52,685)
Profit on deposits received		33,571	7,608
Long term loan to employees		(3,000)	(10,000)
Taxes paid		(422,987)	(95,463)
Net cash generated from operating activities		1,871,235	1,055,874
Cash flow from investing activities			
Purchase of property, plant and equipment		(223,549)	(377,108)
Purchase of intangible assets		(9,666)	(14,730)
Proceeds from disposal of property, plant and equipment		159	60
Short term investments purchased		(1,533,532)	(150,000)
Short term investments redeemed		790,843	561,347
Dividend received		70,461	-
Net cash (used in) / generated from investing activities		(905,284)	19,569
Cash flow from financing activities			
Repayment of long term finances - secured		(207,823)	(789,662)
Repayment of lease liabilities		(23,170)	(20,021)
Ordinary dividends paid		(694,186)	(174,016)
Net cash used in financing activities		(925,179)	(983,699)
Net increase in cash and cash equivalents		40,772	91,745
Cash and cash equivalents at the beginning of year		91,551	(194)
Effects of exchange rate changes on cash and cash equivalents		5,651	-
Cash and cash equivalents at the end of year	39	137,974	91,551

The annexed notes 1 to 46 form an integral part of these unconsolidated financial statements.

CHIEF EXECUTIVE | **CHIEF FINANCIAL OFFICER** | **DIRECTOR**

NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS
for the Year Ended June 30, 2023

1. Legal status and nature of business

The Company was incorporated in Pakistan as a private limited Company on November 12, 2004 under the Companies Ordinance, 1984 (now the Companies Act, 2017) and was converted into a public limited company with effect from February 28, 2008 as approved by the Securities and Exchange Commission of Pakistan (SECP) vide letter no. ARL 16222 dated March 14, 2008. Subsequently, on September 15, 2008, it was listed on Pakistan Stock Exchange. The registered office of the Company is situated at 18-KM Ferozepur Road, Lahore and the Company's business unit and factory is situated at 18-KM Lahore-Sheikhupura Road, Lahore. The Company is principally engaged in manufacture, procurement and sale of hydrogen peroxide and allied products. The Company commenced its trial production on December 1, 2008 and commercial production on March 1, 2009.

The company incorporated a wholly owned subsidiary "Descon Oxychem FZE" in Hamriyah Free Zone, Sharjah UAE on April 26, 2023.The principal line of business of subsidiary is import, export and trading of chemicals & related products, detergents & disinfectants, water treatment & purification chemicals and raw materials.

2. Statement of compliance

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

i) International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

ii) Provisions of and directives issued under the Companies Act, 2017.

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

2.1 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Company’s financial statements covering annual periods, beginning on or after the following dates:

2.2 Standards, amendments and interpretations to approved accounting standards that are effective in current year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2022 but are considered not to be relevant or to have any significant effect on the Company’s operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these unconsolidated financial statements.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Company’s accounting periods beginning on or after July 01, 2023 or later periods, but the Company has not early adopted them:

Standards or Interpretation	Effective date Accounting periods beginning on or after:
Amendments to IAS 8 'Accounting policies, changes in accounting estimates and errors.	January 01, 2023
'IFRS 17, 'Insurance contracts	January 01, 2023
Amendment to IAS 12, 'Income taxes' on deferred tax related to assets and liabilities arising from a single transaction' and 'International tax reform - pillar two model rules'.	January 01, 2023
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8.	January 01, 2023
Amendments to IFRS 16, 'Leases' related to sale and lease back after the date of transaction	January 01, 2024
Amendments to IAS 1, 'Presentation of financial statements' related to non current liabilities with covenants	January 01, 2024
'Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	January 01, 2024

The Company is yet to assess the impact of above standards, amendments and interpretations on its unconsolidated financial statements.

3. Basis of measurement

3.1 These unconsolidated financial statements have been prepared under the historical cost convention unless otherwise specifically stated. Figures have been rounded off to nearest thousand of rupees unless otherwise stated.

3.2 The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these unconsolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the unconsolidated financial statements are as follows:

(i) Estimated useful lives of property, plant and equipment

The Company reviews the useful life of property, plant and equipment on a regular basis. Any change in estimate in future years might effect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

(ii) Provision for taxation

The Company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Company's views differ from the view taken by income tax department at the assessment stage and where the Company considers that its views on items of material nature are in accordance with law, the amounts are shown as contingent liabilities.

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

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and tax credits to the extent that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. The recoverability of deferred tax assets are analysed at each reporting period end and adjusted if considered necessary with a corresponding effect on deferred tax charge/income for the period.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Employees retirement benefits

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

(a) Defined contribution scheme

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

(b) Accumulating compensated absences

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

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to the statement of profit or loss.

4.2 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the unconsolidated statement of profit or loss, except in the case of items credited or charged to equity in which case it is included in equity.

4.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Subsequently, these assets are stated at cost less accumulated depreciation and any identified impairment loss. Cost in relation to certain property, plant and equipment comprises historical cost and borrowing costs referred to in note 4.15.

Depreciation on all property, plant and equipment except land is charged to profit or loss on the straight line basis so as to write off the historical cost of an asset over its estimated useful life at the rates given in note 16.1 without taking into account any residual value, which is considered insignificant.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its property, plant and equipment as at June 30, 2023 has not required any adjustment.

Initial fill of catalysts is capitalized with plant and machinery whereas costs of subsequent replacements of such catalysts are included in property, plant and equipment and depreciated on straight line basis over their estimated useful lives.

The Company assesses at each statement of financial position date whether there is any indication that property, plant and equipment including major spare parts, catalysts and standby equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Capital work in progress is stated at cost less any identified impairment loss.

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

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

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

4.4 Intangible asset

Expenditure incurred to acquire intangible assets is stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method over its estimated useful lives at the rates given in note 17. Amortization is charged to profit or loss.

Amortization is charged from the month the asset is acquired or capitalized.

The Company assesses at each reporting date whether there is any indication that an intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.5 Leases

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

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases, where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

- the Company has the right to operate the asset; or

- the Company designed the asset in a way that predetermines how and for what purpose it will be used.

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

4.5.1 Lessee

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

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

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

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

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

4.5.2 Lessor

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

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

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

4.6 Stores and spares

Stores and spares, except for the 'working solution' are valued at lower of moving average cost and net realizable value. Provision in stores and spares is made for slow moving and obsolete items. Items considered as unusable are written off against the provision. Items in transit are valued at cost comprising invoice value plus other directly attributable charges incurred thereon. Working solution is valued at lower of weighted average cost determined on a yearly basis and net realizable value.

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

4.7 Stock in trade

Stock of raw materials, packing materials, work-in-process and finished goods, except for those in transit are valued principally at the lower of weighted average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, salaries of production staff and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management's estimate. Items considered as unusable are written off against the provision.

4.8 Financial instruments

4.8.1 Financial assets

a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

b) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

c) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in the statement of profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments is recognised in profit or loss when the Company's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to the statement of profit or loss following the derecognition of the investment.

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the statement of profit or loss for the period in which it arises.

Financial assets are derecognized when the Company loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Company.

4.8.2 Financial liabilities

Financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the statement of profit or loss.

4.8.3 Off-setting of financial assets and liabilities

A financial asset and financial liability is off-set and the net amount is reported in the statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.9 Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets. The Company applies the simplified approach to recognise lifetime expected credit losses for trade debts, due from customers, contract assets, term loans, short term investments and bank balances.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovery of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

A financial asset is considered in default when the counterparty fails to make contractual payments within one year of when they fall due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

4.10 Trade debts

Trade debts are amounts due from customers for sales made during the ordinary course of business. Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method less expected credit losses. Bad debt are written off when identified.

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

4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the unconsolidated statement of financial position, finances under mark-up arrangements are included in current liabilities.

4.12 Trade and other payables

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

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at year end and adjusted to reflect the current best estimate.

4.13 Contract balances

Contract liabilities are recognized for consideration received in respect of unsatisfied performance obligations. Similarly, if the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its unconsolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

4.14 Foreign currency transactions and translation

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

The unconsolidated financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

4.15 Borrowing costs

Mark up, interest and other charges on borrowings are capitalized up to the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to profit or loss.

4.16 Revenue recognition

Revenue is recognised when or as performance obligations are satisfied by the transferring control of a promised goods or service to a customer, and control either transfers over time or at a point in time. The control is transferred upon shipment or delivery depending upon the terms of trade. The goods are primarily sold on cash. The Company has a range of credit terms which are typically short term, in line with market practice and without any financing component. The Company does not generally accept sales returns. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and other considerations payable to customers.

Freight revenue is recognized when services are rendered.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

4.17 Equity

Ordinary shares are classified as equity and recorded at their face value. Incremental costs directly attributable to issuance of new shares are shown in equity as deduction.

4.18 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are approved.

4.19 Government grants

Grants from the government are recognised 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.

4.20 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose results are regularly reviewed by the segment to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The segment information is not generated by the Company and the Chief Executive reviews the Company as a single entity. Hence, segment disclosures are not included in these unconsolidated financial statements.

4.21 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 or loss 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 or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.22 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 a deferred employee benefit. The loan is subsequently measured at amortized cost with respective finance income to be recorded in the statement of 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.

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

4.23 Investments in equity instruments of subsidiaries

Investments in subsidiaries and associates where the Company has significant influence are measured at cost in the Company's separate financial statements in accordance with IAS-27 'Consolidated and separate financial statements'.

4.24 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'.

5. Issued, subscribed and paid up capital

2023	2022		2023	2022
(Number of shares)			(Rupees in thousand)	
102,000,000	102,000,000	Ordinary shares of Rs 10 each fully paid in cash	1,020,000	1,020,000
		Ordinary shares of Rs 10 each issued as fully paid for consideration other than cash - note 5.1		
48,888,866	48,888,866	cash - note 5.1	488,889	488,889
24,142,218	24,142,218	fully paid as bonus shares - 5.2	241,422	241,422
175,031,084	175,031,084		1,750,311	1,750,311

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

The Securities and Exchange Commission of Pakistan, vide its order dated January 10, 2020, on the basis of special resolution passed by members on November 27, 2019, allowed the Company to issue 48,888,866 ordinary shares of Rs 10 per share at a premium of Rs 5 per share to DEL by way of other than right under clause (b) of sub-section(1) of Section 83 of the Companies Act, 2017. The Company issued 48,888,866 ordinary shares of Rs. 10 per share at a premium of Rs 5 per share to DEL on January 29, 2020, against long term loan of Rs 733.33 million from DEL.

5.2 Along with the final dividend of Re 1 per share (@ 10% per share) for the year ended June 30, 2020, bonus shares in the ratio of sixteen bonus shares for every hundred shares held by the shareholders was proposed in the Board of Directors meeting held on September 2, 2020. The approval of the members for the final dividend and issuance of bonus shares was obtained in the Annual General Meeting held on October 21, 2020. As a result, the Company paid the final dividend aggregating to Rs 150.889 million and issued 24,142,218 shares of Rs 10 each against the share premium.

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

	2023		2022	
	Number	Percentage	Number	Percentage
DEL Chemicals (Private) Limited	60,358,918	34.48%	60,358,918	34.48%
Descon Engineering Limited	56,711,084	32.40%	56,711,084	32.40%
Descon Corporation (Private) Limited	10,051,697	5.74%	10,051,697	5.74%
	127,121,699	72.62%	127,121,699	72.62%

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

6 Share premium

The Company issued 24,142,218 ordinary shares of Rs 10 as bonus shares as referred to in note 5.2 against share premium of Rs 241.422 million in terms of section 81 of the Companies Act, 2017. Outstanding amount can be utilised by the Company only for the purposes specified in section 81 of the Companies Act, 2017.

7 Long term finances - secured	Note	2023	2022
		(Rupees in thousand)	
Opening balance		325,069	1,107,648
Recognition of deferred grant		-	(10,592)
		325,069	1,097,056
Accretion of interest		11,950	17,675
Repayments during the year		(207,823)	(789,662)
		129,196	325,069
Less : Current portion shown under current liabilities	11	(28,896)	(67,204)
		100,300	**257,865**

7.1 Long term finances consist of the following:

	Note	2023	2022
Syndicate term finance facility (STFF)	7.1.1	-	168,082
Long term finance facility (LTFF)	7.1.2	-	14,361
Temporary economic refinance facility (TERF)	7.1.3	129,196	142,626
		129,196	**325,069**

7.1.1 Syndicate term finance (STFF)

This represent outstanding balance against aggregate facility of Rs 1,100 million from syndicate of financial institutions to finance the capacity expansion project, completed in 2021. Along with the TERF, it is secured against first charge by way of hypothecation over all present and future fixed assets (excluding land and building) of the Company with 25% margin aggregating to Rs 1,466.67 million.

Terms of mark-up

The facility carries mark-up at 3 month KIBOR plus 0.9% per annum (2022: three month KIBOR plus 0.9% per annum). The effective mark-up charged during the year is 15% per annum (2022: 8.33% to 13.59% per annum). Mark-up was payable quarterly in arrears.

Terms of repayment

It was repayable in thirteen equal bi-annual instalments ending on October 08, 2027. However, on July 14, 2022 the Company has repaid the entire amount of the outstanding loan.

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

7.1.2 Long term finance facility (LTFF)

This represent disbursement against aggregate facility of Rs 58.36 million from Allied Bank Limited to pay salaries and wages under State Bank of Pakistan's ('SBP') Refinance Scheme for payment of Wages and Salaries. It was secured by first pari passu charge over all present and future current assets of the Company with 25% margin. It was also secured by an aggregate sum of Rs 80 million by a ranking charge over all present and future plant and machinery of the Company.

Terms of markup

Post approval by the SBP during the prior year, the facility carries markup at SBP rate plus 1% per annum (2022: SBP rate plus 1% per annum). The mark-up has been accrued during the year at effective rates ranging from 7.74% to 7.80% (2022: 7.74% to 7.80% per annum). Mark-up was payable quarterly in arrears.

Terms of repayment

The Company has repaid the entire amount of the outstanding loan in two equal quarterly installments during the current year.

Temporary Economic Refinance Facility (TERF)

7.1.3 This represents the amount converted from the portion of STFF obtained from Allied Bank Limited under the SBP's Temporary Economic Refinance Facility. Out of the available limit of Rs 174.84 million as at June 30, 2023, the Company has utilised Rs 174.84 million (2022: 174.84 million). The recognised portion as at year end is exclusive of grant of Rs 24.26 million (2022: Rs 32.50 miilion). Along with the STFF, it is secured against first charge by way of hypothecation over all present and future fixed assets (excluding land and building) of the Company with 25% margin aggregating to Rs 1,466.67 million.

Terms of markup

The facility carries markup at 2.00% per annum (2022: 2.00% per annum) The mark-up has been accrued at effective rates ranging from 8.29% to 8.49% per annum (2022: 8.29% to 8.49% per annum). Mark-up is payable quarterly in arrears.

Terms of repayment

It is repayable in twenty two equal quarterly installments ending on December 23, 2028.

		Note	2023	2022
			(Rupees in thousand)	
8.	**Lease liabilities**			
	Opening balance		26,603	24,036
	Add: recognition during the year		-	27,796
	Add: unwinding of lease liability	33	2,559	4,018
	Add: re-assessment/modification during the year	8.1	15,750	1,238
			44,912	57,088
	Less: derecognition during the year		-	(10,465)
	Less: repayments during the year		(23,170)	(20,021)
	Present value of lease payments		21,742	26,603
	Current portion shown under current liabilities	11	(21,742)	(16,121)
			-	10,482

8.1 These represents lease liabilities in respect of generators and have an estimated remaining lease term of 12 months as at June 30, 2023. These are discounted using the incremental borrowing rates ranging from 11% to 25% per annum.

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

	Up to one year	From one to five years	Over five years	Total 2023	Total 2022
			(Rupees in thousand)		
Minimum lease payments	24,797	-	-	24,797	29,120
Finance cost allocated to future periods	(3,055)	-	-	(3,055)	(2,517)
Present value of minimum	-			-	-
lease payments	21,742	-	-	21,742	26,603

		Balance as at June 30, 2022	Charge/ (income) during the year	Balance as at June 30, 2023
9.	**Deferred taxation**			
			(Rupees in thousand)	
	Taxable temporary difference			
	Accelerated tax depreciation	245,318	5,140	250,458
	Investments - Unrealized gain	-	1,425	1,425
		245,318	6,565	251,883
	Deductible temporary differences			
	Provision against inventory	(2,519)	(34,414)	(36,932)
	Impairment of capital spares	-	(19,901)	(19,901)
	Loss allowance against doubtful debts	(2,429)	(521)	(2,950)
		(4,948)	(54,836)	(59,783)
		240,370	(48,271)	192,100

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

	Balance as at June 30, 2021	Charge/ (income) during the year	Balance as at June 30, 2022
	(Rupees in thousand)		
Taxable temporary difference			
Accelerated tax depreciation	235,368	9,950	245,318
Deductible temporary differences			
Tax credits	(1,917)	1,917	-
Provision against inventory	(2,244)	(275)	(2,519)
Loss allowance against doubtful debts	(2,005)	(424)	(2,429)
	(6,166)	1,218	(4,948)
	229,202	11,168	240,370

	Note	2023	2022
		(Rupees in thousand)	
10. Deferred grant			
Opening balance		32,755	31,959
Recognition during the year	7	-	10,592
Transfer to profit or loss	33.1	(8,462)	(9,796)
		24,293	32,755
Represented by:			
Non-current portion		16,944	24,188
Current portion		7,349	8,567
		24,293	32,755

10.1 Deferred grant has been recognized as the difference between the fair value and proceeds received under LTFF and TERF as referred to in note 7 in accordance with the accounting policy as referred to in note 4.19. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date. The grant related to LTFF has been fully ammortized as at year end. The grant will be amortized in line with the tenure of the TERF as referred to in note 7.1.3.

	Note	2023	2022
		(Rupees in thousand)	
11. Current portion of non current liabilities			
Current portion of long term finances - secured	7	28,896	67,204
Current portion of lease liabilities	8	21,742	16,121
		50,638	83,325

12. Finances under mark up arrangements - secured

These represent the outstanding balance against short term running finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs 1,300 million (2022: Rs 1,100 million). Such facilities are available at mark-up rates ranging from one to three months Karachi Inter-Bank Offered Rate (KIBOR) plus 0.25% to 0.75 % per annum (2022: Three months KIBOR plus 0.75% per annum). These are secured by first and joint registered charge on all present and future current assets of the Company wherever situated including stores and spares, stock in trade, book debts, investments and receivables.

Of the aggregate facility for opening letters of credit and guarantees of Rs 1,774.80 million (2022: Rs 1,640.80 million), all being either main limits or sub-limits of the running finance facilities, the amount utilised as at June 30, 2023 was Rs 647.60 million (2022: Rs 519.98 million).The facilities for opening letters of credit are secured against lien over import documents whereas aggregate facilities for guarantees are secured against charge over the present and future fixed assets of the Company.

	Note	2023	2022
		(Rupees in thousand)	
13. Trade payables, provisions and other liabilities			
Trade creditors	13.1	191,058	235,360
Bills payable		173,316	215,660
Contract liability		131,988	114,385
Accrued liabilities	13.2	247,383	132,479
Worker's profit participation fund	13.3	120,942	42,740
Worker's welfare fund	13.4	44,239	25,787
Other liabilities		3,510	46
		912,436	766,457

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

	2023	2022
Descon Engineering Limited	3,468	36,146
Descon Corporation (Private) Limited	3,415	1,498
Descon (Private) Limited	25,106	-
Descon Engineering Services & Technology (Private) Limited	-	278
Interworld Travels (Private) Limited	-	25
Inspectest (Private) Limited	1,362	-
	33,351	37,947

13.2 Includes royalty payable to Descon (Private) Limited of Rs 25.11 million (2022: Rs 6.73 million).

13.3 Workers' profit participation fund

	2023	2022
Opening balance	42,740	20,374
Provision for the year	118,499	42,740
Interest for the year	2,443	-
Payments during the year	(42,740)	(20,374)
Closing balance	120,942	42,740

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

		2023	2022
		(Rupees in thousand)	
13.4	**Worker's welfare fund**		
	Opening balance	25,787	8,342
	Provision for the year	44,239	17,445
	Payments during the year	(25,787)	-
	Closing balance	44,239	25,787
14.	**Accrued finance costs**		
	Long term finances - secured	-	5,726
	Finances under mark up arrangements - secured	345	3,123
		345	8,849

15. Contingencies and commitments

15.1 Contingencies

i) Descon Oxychem Limited has issued guarantees to the following parties:

	2023	2022
Against performance of contracts:		
Sui Northern Gas Pipelines Limited	144,371	104,482
Pakistan State Oil Company Limited	3,500	3,500
Al-Technique Corporation of Pakistan	28,407	18,700
	176,278	126,682

ii) 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 Holding 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 Holding Company by HLHC vide its order dated June 17, 2021. SNGPL has filed an intra court appeal in HLHC which was decided against SNGPL vide order of HLHC dated September 21, 2022.

The Holding 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 Sui Northern Gas Pipelines Limited. The decision has not been made by the Committee on its applicability and the amount to be paid by the Company. Accordingly, the Holding Company has not recognised the estimated provision of Rs 55.32 million (June 30, 2022: Rs 55.32 million) in these consolidated financial statements. However, the Holding Company has provided guarantee of Rs 55.32 million (June 30, 2022: Rs 55.32 million) to SNGPL on direction of the HLHC.

15.2 Commitments

The Company has the following commitments in respect of:

i) Letters of credit for capital expenditure Nil (2022: Rs 10.52 million).

ii) Letters of credit other than capital expenditure amounting to Rs 296.4 million (2022: Rs 188.68 million).

iii) Post dated cheques issued in favour of National Tariff Commission of Pakistan and Collector of customs aggregating to Rs 42.14 million (2022: Rs 2.38 million).

iv) Contractual commitments amounting to Rs. 4.79 million (2022: Nil).

	Note	2023	2022
		(Rupees in thousand)	
16. Property, plant and equipment			
Operating assets			
- owned assets	16.1	2,068,782	2,127,348
- right of use assets	16.2	18,717	23,092
Capital work-in-progress [including in transit of Rs 7.68 million (2022: Rs 6.98 million)]	16.3	114,196	228,530
Major spare parts, catalysts and standby equipment	16.4	91,592	110,861
		2,293,287	2,489,830

16.1 Owned assets

	Freehold land	Buildings on freehold land	Plant, machinery and equipment	Plant, machinery and equipment - catalyst	Laboratory equipment	Material handling	Tools and equipment	Computer equipment	Electrical equipment	Office equipment	Furniture and fixture	Vehicles	Total
	(Rupees in thousand)												
Net carrying value basis													
Year Ended June 30, 2023													
Opening Net Book Value	101,316	151,268	1,838,297	4,054	4,297	361	11,545	6,873	128	4,855	4,011	342	2,127,348
Additions	-	12,021	258,795	-	191	740	9,411	6,200	-	6,273	1,508	12,166	307,305
Disposals / write offs (NBV)	-	-	-	-	-	-	-	(35)	-		(17)		(52)
Depreciation for the year	-	(19,486)	(333,582)	-	(1,352)	(122)	(3,503)	(3,936)	(114)	(1,942)	(1,169)	(614)	(365,819)
Closing net book value	101,316	143,803	1,763,510	4,054	3,136	979	17,453	9,102	14	9,186	4,333	11,894	2,068,782
Gross carrying value basis													
As at June 30, 2023													
Cost	101,316	361,531	4,294,619	27,197	17,575	4,016	31,323	25,096	1,989	17,686	13,675	16,622	4,912,646
Accumulated depreciation and impairment	-	(217,728)	(2,531,109)	(23,143)	(14,439)	(3,037)	(13,870)	(15,994)	(1,975)	(8,500)	(9,342)	(4,728)	(2,843,864)
Net book value	101,316	143,803	1,763,510	4,054	3,136	979	17,453	9,102	14	9,186	4,333	11,894	2,068,782
Depreciation rate % per annum	-	5 - 10	6.25 - 33.33	10 - 50	6.25 - 20	20	6.25 - 33	33.33	20	20	10 - 20	20	
Net carrying value basis													
Year Ended June 30, 2022													
Opening Net Book Value	101,316	147,381	1,891,167	1,700	5,386	383	11,106	2,764	271	3,723	2,398	595	2,168,190
Additions	-	21,287	245,407	4,301	204	-	3,047	7,330	-	1,918	2,705	-	286,199
Disposals / write offs (NBV)	-	-	-	-	-	-	-	(2)	-	-	-	-	(2)
Depreciation for the year	-	(17,400)	(298,277)	(1,947)	(1,293)	(22)	(2,608)	(3,219)	(143)	(786)	(1,092)	(253)	(327,039)
Closing net book value	101,316	151,268	1,838,297	4,054	4,297	361	11,545	6,873	128	4,855	4,011	342	2,127,348
Gross carrying value basis													
As at June 30, 2022													
Cost	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
Accumulated depreciation and impairment	-	(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)
Net book value	101,316	151,268	1,838,297	4,054	4,297	361	11,545	6,873	128	4,855	4,011	342	2,127,348
Depreciation rate % per annum	-	5 - 10	6.25 - 33.33	10 - 50	6.25 - 20	20	6.25 - 33.33	33.33	20	20	10 - 20	20	

16.1.1 The cost of fully depreciated assets which are still in use as at June 30, 2023 is Rs 71.84 million (2022: Rs 54.13 million).

	Note	2023	2022
		(Rupees in thousand)	
16.1.2 The depreciation charge has been allocated as follows:			
Cost of sales	28	362,264	324,674
Administrative expenses	29	3,020	2,186
Distribution and selling costs	30	535	179
		365,819	327,039

16.1.3 Immovable fixed assets of the Company are situated at plant, 18 KM Lahore-Sheikhupura Road, Lahore. Freehold land represents 224 Kanal of land situated at 18 KM Lahore-Sheikhupura Road, Lahore out of which approximately 104 Kanal represents covered area.

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

	Note	2023	2022
		(Rupees in thousand)	
16.2 Right of use assets			
Opening		23,092	22,039
Additions during the year		-	27,796
Re-assessment/modification during the year		15,750	1,238
Derecognition during the year		-	(9,595)
Depreciation charged during the year	16.2.1	(20,125)	(18,386)
Net book value at end of the year		18,717	23,092

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

	2023	2022
	(Rupees in thousand)	
16.3 Capital work-in-progress		
Plant and machinery	21,594	195,801
Civil works	39,576	15,182
Others	12,879	12,713
Advances to suppliers and contractors	40,147	4,834
	114,196	228,530

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

16.3.1 Reconciliation of the carrying amount is as follows:

	2023				
	Balance as at July 01, 2022	Expenditure incurred during the year	Inter classification	Transfers to operating assets	Balance as at June 30, 2023
	(Rupees in thousand)				
Plant and machinery	195,801	61,707	3,982	(239,896)	21,594
Advances to suppliers and contractors	4,834	40,147	-	(4,834)	40,147
Civil works	15,182	40,977	(4,562)	(12,021)	39,576
Others	12,713	14,499	580	(14,913)	12,879
	228,530	157,330	-	(271,664)	114,196

	2022				
	Balance as at July 01, 2021	Expenditure incurred during the year	Inter classification	Transfers to operating assets	Balance as at June 30, 2022
	(Rupees in thousand)				
Plant and machinery	118,705	247,541	858	(171,303)	195,801
Advances to suppliers and contractors	3,051	4,834	-	(3,051)	4,834
Civil works	5,851	31,229	(858)	(21,040)	15,182
Others	17,235	16,914	-	(21,436)	12,713
	144,842	300,518	-	(216,830)	228,530

16.3.2 The capital work in progress as at June 30, 2023 mainly includes shed for storage of empty jerry cans, storage tanks to be installed at customer sites and other civil works.

16.3.3 Expenditure incurred during the year includes Rs 5.18 million (2022: Rs 29.78 million) charged by Descon Engineering Limited and charged by Descon Engineering Services Technology (Pvt) Limited in connection with the capital projects Nil (2022: Rs 8.8 million) .

	Note	2023	2022
		(Rupees in thousand)	
16.4 Major spare parts, catalysts and standby equipment			
The reconciliation of the carrying amount is as follows:			
Balance at the beginning of the year		110,861	104,509
Additions during the year		63,049	38,557
Transfers made during the year		(32,472)	(32,205)
Impairment during the year		(49,846)	-
Balance at the end of the year		91,592	110,861

		Note	2023	2022
			(Rupees in thousand)	
17.	**Intangible assets**			
	Net carrying value basis			
	Opening net book value		26,972	20,123
	Additions (at cost)	17.1	9,666	14,730
	Amortization charge during the year	17.2	(11,477)	(7,881)
	Closing net book value		25,161	26,972
	Gross carrying value basis			
	Cost		68,907	59,241
	Accumulated amortization		(43,746)	(32,269)
	Net book value		25,161	26,972
	Amortization rate % per annum		10% - 33.33%	10% - 33.33%
17.1	Amortization charge for the year has been allocated as follows:			
	Cost of sales	28	7,670	7,590
	Administrative expenses	29	3,807	291
			11,477	7,881

17.2 As at June 30, 2023, carrying value of Distributed Control System is Rs 2.76 million (2022: Rs 9.24 million), Data Recovery System is Rs 11.23 million (2022: Rs 14.73 million), Database & Application Server Licenses is Rs 7.15 million (2022: Nil) and ERP & Database Upgradation is Rs 1.7 million (2022: Nil). Their remaining useful lives are 0.4 year, 1 year, 4.5 years and 4.4 years respectively as at June 30, 2023. The residual value of these intangible assets is insignificant. These intangibles are not internally generated.

18. Long term investment

This represents 25 ordinary shares of AED 1,000/- each, representing 100% (2022: Nil) shares in Company's subsidiary, Descon Oxychem FZE, a limited liability company setup in Hamriyah Free Zone, Sharjah, United Arab Emirates for import, export, trading of chemicals & related products, detergents & disinfectants, water treatment & purification chemicals and raw materials. As of reporting date, no payment has been made against its share capital.

		2023	2022
19.	**Long term loans - secured**		
	Due from employees - considered good	13,000	10,000
	Present value adjustment	(6,848)	(3,975)
		6,152	6,025

19.1 This represent the interest free loan provided by the company to two of its executive employees in accordance with the terms of employment. The loan is secured against the property documents. The loan is recoverable over a period of five years. The amount of loan has been discounted using the market rate as at the reporting date and the corresponding discounting impact has been recognised as prepaid employee benefits.

19.2 Directors of the Company were not given any loan during the year.

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

		Note	2023	2022
			(Rupees in thousand)	
20.	**Long term deposits and prepayments**			
	Long term deposits	20.1	22,204	20,634
	Prepaid employee benefits	19.1	2,267	2,789
			24,471	23,423

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

		Note	2023	2022
21.	**Stores and spares**			
	General stores and spares [including in transit of Rs 45.17 million (2022: Rs 8.17 million)]	21.1	403,796	321,141
	Working solution		239,883	195,433
	Provision for obsolescence	21.2	(103,389)	(6,658)
			540,290	509,916

21.1 General stores and spares include raw material for working solution of Rs 108.15 million (2022: Rs 127 million).

21.2 Movement of provision for obsolescence is as under:

	2023	2022
Balance as at July 1	6,658	6,658
Provision recognised during the year	96,731	-
Balance as at June 30	103,389	6,658

		Note	2023	2022
			(Rupees in thousand)	
22.	**Stock in trade**			
	Raw materials [including in transit of Rs 202.78 million (2022: Rs 92.45 million)]		560,056	206,166
	Work-in-process	22.1	33,513	16,748
	Finished goods			
	- purchased for resale		638	639
	- own manufactured [including in transit Nil (2022: 0.04 million)]	22.2	122,970	25,263
			717,177	248,816

22.1 Work-in-process include unused packing material of Rs 33.51 million (2022: Rs 16.75 million).

22.2 Includes provision for obsolete stock of Rs 1.25 million (2022: Rs 0.20 million).

		Note	2023	2022
23.	**Trade debts**			
	Considered good	23.1	165,504	237,383
	Considered doubtful		6,204	6,189
			171,708	243,572
	Loss allowance	23.2	(6,204)	(6,189)
			165,504	237,383

23.1 These include Rs 162.65 million (2022: Rs 228.38 million) secured by way of inland letter of credit.

23.2	Loss allowance	Note	2023	2022
			(Rupees in thousand)	
	Balance as at July 1		6,189	6,971
	Recognition of loss allowance		15	(782)
	Balance as at June 30		6,204	6,189
24.	**Loans, advances, deposits, prepayments and other receivables**			
	Advances to suppliers			
	- Considered good		86,273	24,986
	- Considered doubtful		1,848	1,338
	Sales tax recoverable - considered good		11,382	45,285
	Advances to employees and short term loans to employees - considered good		4,750	2,063
	Security deposits		6,915	6,915
	Prepayments		3,920	4,631
	Contract asset		3,501	22,026
	Other receivables		-	577
			118,589	107,821
	Loss allowance for doubtful advances	24.1	(1,848)	(1,338)
			116,741	106,483

24.1 Movement of loss allowance for doubtful advances is as follows:

	2023	2022
Opening balance	1,338	275
Recognition of loss allowance	510	1,063
Balance as at June 30	1,848	1,338

25. **Short term investment**	2023	2022	2023	2022
	Units in '000		Value (Rupees in thousand)	
NBP Money Market Fund	89,855	15,104	896,726	150,000
	89,855	**15,104**	**896,726**	**150,000**

25.1 Movement of short term investments, designated as investment at fair value through profit or loss, is as follows:

	2023	2022
Opening balance	150,000	560,622
Investments made during the year	1,473,639	150,000
Dividends received re-invested	59,893	-
Unrealised gain on remeasurement	4,037	-
Investments redeemed during the year	(790,843)	(560,622)
	896,726	**150,000**

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

25.2 Fair value as at year end has been determined based on net asset value (level 2 inputs).

		Note	2023	2022
			(Rupees in thousand)	
26.	**Bank balances**			
	At banks on:			
	- Current accounts		187,826	30,644
	- Saving accounts	26.1	60,531	75,527
			248,357	106,171

26.1 These carry mark up at the rate of 12.5% to 19.5% (2022: 6.25% to 10.62%) per annum.

		Note	2023	2022
27.	**Sales**			
	Gross sales			
	- Local		7,294,524	4,861,269
	- Export		643,163	180,343
		27.1	7,937,687	5,041,612
	Commission on sales		(148,860)	(95,245)
	Sales tax		(1,067,481)	(695,874)
			6,721,346	4,250,493

27.1 Gross sales include following recognised at a point in time:

	2023	2022
Hydrogen peroxide		
- Own manufactured	7,878,614	4,733,151
- Purchase for resale	59,073	226,732
Freight recovered	-	81,729
	7,937,687	5,041,612

27.2 Revenue has been recognized at a point in time for both local and export sales made during the year.

27.3 Out of opening contract liabilities, Rs 114.38 million (2022: Rs 31.86 million) has been recognised as revenue during the year.

27.4 Sales to one customer represented 11% (2022: 14.28%). Furthermore, aggregate sales to the major distributors represented 75% (2022: 75.92%) of the revenue and each distributor individually exceeded 10% of the revenue.

		Note	2023	2022
			(Rupees in thousand)	
28.	**Cost of sales**			
	Raw material consumed		2,222,992	1,716,515
	Packing materials		12,496	7,520
	Salaries, wages and other benefits	28.1	208,635	153,047
	Repair and maintenance		225,082	75,809
	Shut down expenses		-	37,181
	Fuel and power		682,484	420,467
	Quality assurance		5,423	1,721
	Provision for obsolescence of stores		97,780	-
	Provision for impairment of capital spare parts		49,846	-
	Services through contractors		66,094	54,474
	Travelling and conveyance		17,807	2,766
	Communication		2,385	1,024
	Rent and rates	28.2	10,760	6,228
	Depreciation on property, plant and equipment:			
	- owned assets	16.1.2	362,264	324,674
	- right of use assets	16.2.1	20,125	18,386
	Amortization of intangible assets	17.1	7,670	7,590
	Insurance		14,396	13,859
	Safety items consumed		2,831	2,138
	Miscellaneous		15,833	17,075
			4,024,903	2,860,474
	Opening work in process		16,748	13,942
	Closing work in process		(33,513)	(16,748)
			(16,765)	(2,806)
	Cost of goods produced		4,008,138	2,857,668
	Opening finished goods		25,263	35,214
	Closing finished goods		(122,970)	(25,263)
			(97,707)	9,951
	Cost of goods sold - own manufactured		3,910,431	2,867,619
	Cost of goods purchased for resale		54,486	225,186
	Cost of services		-	55,883
			3,964,917	3,148,688

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

28.1 Salaries, wages and other benefits include Rs 5.77 million (2022: Rs 4.56 million) in respect of provident fund contribution by the Company.

28.2 These primarily represent expenses incurred in respect of short term leases not recognised as a lease liability and variable lease payments not included in the measurement of lease liabilities.

	Note	2023	2022
		(Rupees in thousand)	
29. Administrative expenses			
Salaries, allowances and other benefits	29.1	90,789	67,935
Vehicle running and maintenance		5,745	2,545
Entertainment		3,253	1,735
Communication		653	721
Printing and stationery		3,509	3,027
Travelling and conveyance		9,006	1,512
Repair and maintenance		327	467
Insurance		61	46
Fees and subscriptions		31,107	21,139
Depreciation on property, plant and equipment	16.1.2	3,020	2,186
Amortization of intangible assets	17.1	3,807	291
Legal and professional fee	29.2	15,258	11,592
Assets written off		-	5,928
Others		6,134	7,213
		172,669	126,338

29.1 Salaries, wages and other benefits include Rs 2.26 million (2022: Rs 1.30 million) in respect of provident fund contribution by the Company.

29.2 Legal and professional fee

The charges for legal and professional services include the following in respect of auditors services for (excluding sales tax):

	Note	2023	2022
		(Rupees in thousand)	
Statutory audit		2,846	2,475
Half yearly review		1,025	851
Audit of consolidated financial statements, group reporting and certifications		1,694	864
Out of pocket expenses		231	175
		5,796	4,365

	Note	2023	2022
		(Rupees in thousand)	
30. Distribution and selling costs			
Salaries, allowances and other benefits	30.1	37,414	15,877
Communication		869	613
Travelling and conveyance		19,717	2,160
Advertisement		10,814	47
Insurance		48	117
Freight and forwarding		61,897	23,832
Depreciation on property, plant and equipment	16.1.2	535	179
Fees and subscriptions		34,302	2,046
Royalty	30.2	33,596	21,265
Rent rates And taxes		5,724	-
Net impairment loss/(reversal) on trade debts		15	(782)
Others		5,669	8,842
		210,600	74,196

30.1 Salaries, wages and other benefits include Rs 0.71 million (2022: Rs 0.48 million) in respect of provident fund contribution by the Company.

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. During the current year, the Company paid royalty of Rs 32.64 million (2022: Rs 17.93 million) to Descon (Private) Limited.

	Note	2023	2022
		(Rupees in thousand)	
31. Other income			
Income from financial assets			
Interest on bank deposits		33,571	7,608
Dividend income from short term investments		70,461	-
Realised gain on sale of short term investments		3,638	725
Unrealised gain on investments			
- carried at fair value through profit or loss		4,037	-
		111,707	8,333
Income from non-financial assets			
Liabilities no longer required written back		-	10,894
Scrap sales		6,475	6,949
Foreign indenting commission		26	1,926
Gain on extinguishment of lease liability		-	870
Net gain on insurance claim of assets written off		-	93
Gain on sale of fixed assets		107	58
		6,608	20,790
		118,315	29,123

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

		Note	2023	2022
			(Rupees in thousand)	
32.	**Other operating expenses**			
	Worker's profit participation fund	13.3	118,499	42,740
	Worker's welfare fund	13.4	44,240	17,445
	Exchange loss		78,865	15,195
			241,604	75,380
33.	**Finance costs**			
	Interest and mark-up on:			
	- long term finances - secured	33.1	4,255	39,360
	- finances under markup arrangements - secured		4,954	4,400
	- lease liabilities	8	2,559	4,018
			11,768	47,778
	Bank charges and others		14,161	4,790
			25,929	52,568

33.1 Amortisation of deferred grant of Rs 8.46 million (2022: Rs 9.80 million) has been netted off against the markup on long term finances.

		2023	2022
34.	**Taxation**		
	Current tax:		
	- Current year	865,954	320,400
	- Prior year	5,625	-
		871,579	320,400
	Deferred tax	(48,271)	11,169
		823,308	331,569

34.1 The provision for current taxation represents tax under 'Final Tax Regime', and 'Normal Tax Regime' under section 4, 'Income taxable as separate block of income' under section 5 and Alternative Corporate Tax (ACT) under section 113C of the Income Tax Ordinance, 2001. The enactment of the Finance Act 2022 had increased the applicable tax rate to the Company from 29% to 39% for the tax year 2022 and to 33% for 2023 onwards due to imposition of super tax. However, the Finance Act 2023 enacted the rate of 39% (including 10% super tax) applicable to the Company.

		2023 %	2022 %
34.2	**Tax charge reconciliation**		
	Numerical reconciliation between the average effective tax rate and the applicable tax rate		
	Applicable tax rate	29.00	29.00
	Effect of prior year	0.25	-
	Effect of super tax	10.10	10.30
	Effect of rate change	1.47	3.51
	Tax effect under income charged at lower rates	(0.45)	-
	Tax effect under final tax regime and others	(3.35)	(1.49)
		8.02	12.32
	Average effective tax rate charged to statement of profit or loss	37.02	41.32

35. Earnings per share

35.1 Basic earnings per share

		2023	2022
Profit for the year	Rupees in thousand	1,400,634	470,877
Weighted average number of ordinary shares	Number in thousand	175,031	175,031
Earnings per share	Rupees	8.00	2.69

35.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at June 30, 2023 and June 30, 2022, which would have any effect on the earnings per share if the option to convert is exercised.

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

		Note	2023	2022
			(Rupees in thousand)	
36.	**Cash generated from operations**			
	Profit before taxation		2,223,942	802,446
	Adjustment for:			
	- Depreciation on property, plant and equipment:			
	- owned assets	16.1.2	365,819	327,039
	- right of use assets	16.2	20,125	18,386
	- Amortization of intangible assets	17.1	11,477	7,881
	- Provision for obsolescence stores and spares	28	97,780	-
	- Impairment of capital spares	28	49,846	-
	- Impairment reversal on trade debts	30	15	(782)
	- Loss allowance for doubtful advances	24.1	510	1,063
	- Gain on disposal of fixed assets	31	(107)	(58)
	- Interest on bank deposits	31	(33,571)	(7,608)
	- Dividend income	31	(70,461)	-
	- Unrealised gain on investment	31	(4,037)	(725)
	- Net exchange loss	32	78,865	15,195
	- Finance costs	33	25,929	52,568
	Profit before working capital changes		2,766,132	1,215,404
	Effect on cash flow due to working capital changes:			
	(Increase)/ decrease in current assets			
	- Stores and spares		(128,154)	(170,875)
	- Stock in trade		(468,361)	(94,259)
	- Trade debts		71,864	(164,153)
	- Loans, advances, deposits, prepayments and other receivables		(10,907)	25,147
	Increase in current liabilities			
	- Trade and other payables		61,463	395,150
			(474,095)	(8,990)
	Cash generated from operations		2,292,037	1,206,414

37. Transactions with related parties

37.1 The related parties comprise associated companies, key management personnel, post-employment benefit plan and other related parties. The Company in the normal course of business carries out transactions with various related parties. Transactions with related parties are carried out on mutually agreed terms and conditions. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 38. Significant related party transactions have been disclosed in respective notes in these financial statements, other than the following:

Name of the related party	Relationship with the Company	Transactions during the year	2023	2022
			(Rupees in thousand)	
Descon Corporation (Private) Limited	Significant influence over the Company	Share of common expenses charged by the related party	30,971	21,489
		Share of common expenses charged to the related party	6,000	3,675
		Purchase of goods and services	16,114	8,786
		Payment of final dividend	17,088	8,544
		Payment of interim dividend	17,088	-
Descon Engineering Limited	Significant influence over the Company	Purchase of goods and services	5,437	31,268
		Services rendered by the related party for capital projects	-	29,777
		Sale of goods	130	741
		Share of common expenses charged by the related party	14,302	15,021
		Payment of final dividend	96,409	48,204
		Payment of interim dividend	96,409	-
DEL Chemicals (Private) Limited	Common directorship	Payment of final dividend	102,610	51,305
		Payment of interim dividend	102,610	-
Interworld Travels (Private) Limited	Common directorship	Purchase of goods and services	9,570	3,087
Inspectest (Private) Limited	Common directorship	Purchase of goods and services	19,779	15,045
Descon Engineering Services and Technology (Private) Limited	Common directorship	Purchase of services	-	8,814
Descon Oxychem Limited - Employees Provident Fund Trust	Provident Fund Trust	Expense charged in respect of provident fund	8,742	6,443
Descon (Private) Limited	Common directorship	Royalty charged to the Company	33,597	21,265

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

38. Remuneration of Chief Executive, Directors and Executives

	Note	Chief Executive		Non-Executive Directors		Executives	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
		(Rupees in thousand)					
Remuneration		19,716	18,034	-	-	51,117	33,523
Meeting fee	38.1	-	-	1,937	3,119	-	-
Contribution to provident fund		1,228	1,007	-	-	3,002	1,692
Car allowance		1,164	1,164	-	-	9,081	3,846
Medical facility		61	92	-	-	1,291	201
Bonus		5,069	5,040	-	-	11,087	8,147
Membership subscription		131	68	-	-	-	-
Advisory fee		-	-	11,000	6,149	-	-
Reimbursable expenses		308	179	-	-	1,414	2,001
		27,677	25,584	12,937	9,268	76,992	49,410
Number of persons		1	1	7	7	11	8

38.1 This includes an aggregate amount of Rs 1.93 million (2022: Rs 1.75 million) in respect of fee to independent directors.

38.2 Following are directors and key management personnel with whom the Company had entered into transactions or had arrangements/agreements in place during the year:

Name	Basis of relationship	Aggregate % of shareholding in the
Taimoor Dawood	Director	0.11
Farooq Nazir	Director	0.0003
Faisal Dawood	Director	0.0666
Mehreen Dawood	Director	0.0003
Asif Qadir	Director	0.0003
Jehanzeb Khan	Director	0.0003
Muhammad Zahir	Director	0.0003
Haroon Waheed	Director	None
Ali Asrar Hossain Aga	Director	None
Muhammad Mohsin Zia	Chief Executive Officer	None
Muhammad Mushfiq Hussain	Key Management Personnel	None
Muhammad Rizwan Qaiser	Key Management Personnel	None
Tauheed Ahmed Khan	Key Management Personnel	None
Adil Akbar	Key Management Personnel	None
Zafar Ahmed Khan	Key Management Personnel	None
Azhar Ali	Key Management Personnel	None
Fawad Ul Islam Hirani	Key Management Personnel	None
Afzal Ali	Key Management Personnel	None
Imran Rauf Butt	Key Management Personnel	None
Muhammad Bilal Hussain	Key Management Personnel	None
Mujahid Ali	Key Management Personnel	None

38.3 The Company has provided a long term loan as mentioned in note 19 to two of its key management personnel.

39. Cash and cash equivalents

	Note	2023	2022
		(Rupees in thousand)	
Finances under mark up arrangements - secured	12	(110,383)	(14,620)
Bank balances	26	248,357	106,171
		137,974	91,551

40. Capacity and Production

		Production Capacity		Actual production	
		2023	2022	2023	2022
Production of hydrogen peroxide (on 100% concentration and based on 365 working days)	**Metric tonnes**	21,000	21,000	21,066	20,275
Production of packing material (based on 365 working days)	**Number**	1,080,000	1,080,000	901,733	913,930

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

41. Financial risk management objectives

41.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board).

(a) Market risk

(I) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is exposed to foreign currency exchange risk in respect of commitments against letters of credit in foreign currency. The management does not view hedging as being financially feasible.

The Company is exposed to currency risk arising only with respect to the Unites States Dollar (USD) and Great Britain Pounds (GBP). Currently, the Company's foreign exchange risk exposure is restricted to the amounts payable to the foreign entities. The Company's exposure to currency risk is as follows:

	2023	2022
	(FCY in thousand)	
Trade creditors - GBP	36	-
Trade creditors - US Dollars	700	1,010
The following significant exchange rates were applicable during the year:		
Rupees per USD		
Average rate	252.40	179.78
Reporting date rate	286.59	206.00
Rupees per GBP		
Average rate	305.93	237.18
Reporting date rate	365.27	248.48

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Company's profit before tax and equity. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in Exchange Rate	Effect on Profit before tax	Effect on Equity
		(Rupees in thousand)	
2023	10%	(21,376)	(13,462)
	-10%	21,376	13,462
2022	10%	(20,802)	(12,207)
	-10%	20,802	12,207

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk as it does not have any exposure in equity securities. As at 30 June 2023, had there been increase / decrease in net asset value by 1%, with all other variables held constant, the profit before tax for the year and equity would have been higher / lower by Rs 8.96 million (2022: Rs 1.50 million) and Rs 5.64 million (2022: Rs 0.88 million).

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

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

	2023	2022
	(Rupees in thousand)	
Financial assets		
Floating rate instruments		
Saving accounts	60,531	75,527
Financial liabilities		
Fixed rate instruments		
Lease liabilities	21,742	26,603
Floating rate instruments		
Long term finances - secured	129,196	325,069
Finances under mark up arrangements - secured	110,383	14,620
	239,579	339,689
	261,321	366,292

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company. The impact of changes in average effective interest rate for the year is given below:

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

Interest rate sensitivity analysis

		Increase/ decrease in rate	Effect on profit before tax	Effect on Equity
			(Rupees in thousand)	
Financial assets				
	2023	1%	605	381
		-1%	(605)	(381)
	2022	1%	755	443
		-1%	(755)	(443)
Financial liabilities				
	2023	1%	(2,613)	(1,646)
		-1%	2,613	1,646
	2022	1%	(3,663)	(2,149)
		-1%	3,663	2,149

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Company's credit risk is primarily attributable to its trade debts, advances, term deposits and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2023	2022
	(Rupees in thousand)	
Long term loan, term deposits and prepayments	30,623	29,448
Trade debts	165,504	237,383
Loans, advances, deposits, prepayments and	-	-
other receivables	96,689	53,927
Short term investments	896,726	150,000
Bank balances	248,357	106,171
	1,437,899	576,929

As of June 30, age analysis of trade debts was as follows:

	2023	2022
Not past due	46,511	34,887
- 1 to 30 days	52,530	54,534
- 31 to 60 days	33,475	129,930
- 61 to 120 days	32,988	18,032
- above 120 days	-	-
	165,504	237,383

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade debts are subject to specific credit ceilings. The Company also holds collateral against credit customers.

Credit risk for long term loans to employees and advances, deposits, prepayments and other receivables is insignificant as it mainly includes recoverable from secured contract asset and suppliers with whom the Company regularly enters into business.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating		
	Short term	Long term	Agency	2023	2022
				(Rupees in thousand)	
Bank balances					
Habib Metropolitan Bank	A1+	AA+	PACRA	53,488	51,317
Allied Bank Limited	A1+	AAA	PACRA	10,794	932
Bank Alfalah Limited	A1+	AA+	PACRA	4,146	15,361
Bank of Punjab	A1+	AA+	PACRA	112,399	20
Meezan Bank Limited	A1+	AAA	PACRA	-	-
Bank Al-Habib Limited	A1+	AAA	PACRA	67,530	38,541
				248,357	106,171
Short term investments					
NBP Money Market Fund	Not applicable	AA	PACRA	896,726	150,000
				896,726	150,000

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient bank balances and the availability of funding through an adequate credit facilities. At June 30, 2023 the Company had borrowing limits available from financial institutions aggregating to Nil (2022: Rs 1,100 million) for long term loans, Rs 1,300 million (2022: Rs 1100 million) for short term borrowings, Rs 896.7 million (2022: Rs 150 million) under short term investments and Rs 248.36 million (2022: Rs 106.17 million) in bank balances. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

All of the following financial liabilities are exposed to profit / mark-up rate risk except trade and other payables, dividend payable and accrued finance cost.

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

(Rupees in thousand)

At June 30, 2023	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
Long term finances - secured	129,196	153,489	28,896	106,572	18,021
Lease liabilities	21,742	21,742	21,742	-	-
Finances under mark up arrangements - secured	110,383	110,383	110,383	-	-
Trade payables, provisions and other liabilities	780,449	780,449	780,449	-	-
Dividend payable	9,177	9,177	9,177	-	-
Accrued finance costs	345	345	345	-	-
	1,051,292	1,075,585	950,992	106,572	18,021

(Rupees in thousand)

At June 30, 2022	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
Long term finances - secured	325,069	357,824	67,204	245,117	45,503
Lease liabilities	26,603	29,120	16,121	10,920	-
Finances under mark up arrangements - secured	14,620	14,620	14,620	-	-
Trade payables, provisions and other liabilities	652,072	652,072	652,072	-	-
Dividend payable	3,237	3,237	3,237	-	-
Accrued finance costs	8,849	8,849	8,849	-	-
	1,030,450	1,065,722	762,103	256,037	45,503

41.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the unconsolidated financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

41.3 Financial instruments by categories

	Financial assets at amortised cost	
	2023	2022
	(Rupees in thousand)	
Long term loans, term deposits and prepayments	30,623	29,448
Trade debts	165,504	237,383
Loans, advances, deposits, prepayments and other receivables	96,689	53,927
Bank balances	248,357	106,171
	541,173	426,929

	Financial assets at fair value through profit or loss	
	2023	2022
	(Rupees in thousand)	
Short term investment	896,726	150,000

	Financial liabilities at amortised cost	
	2023	2022
	(Rupees in thousand)	
Long term finances - secured	129,196	325,069
Lease liabilities	21,742	26,603
Finances under mark up arrangements - secured	110,383	14,620
Trade payables, provisions and other liabilities	780,449	652,072
Dividend payable	9,177	3,237
Accrued finance costs	345	8,849
	1,051,292	1,030,450

41.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Specific valuation techniques used to value financial instruments include:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).-

The following table presents the Company’s financial assets that are measured at fair value at June 30, 2023.

	Level 1	Level 2	Level 3	Total
	(Rupees)			
Recurring fair value measurements of certain items of financial assets				
June 30, 2023:				
Short term investment	-	896,726	-	896,726
June 30, 2022:				
Short term investment	-	150,000	-	150,000

41.4.1 There were no transfers between Level 1 and Level 2 during 2023 and 2022.

41.4.2 Fair value of mutual funds is measured with reference to their respective net asset value.

41.5 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio.

This ratio is calculated as debt divided by total capital. Debt is calculated as total borrowings including current and non current borrowings, as disclosed in note 7 and 11 respectively. Total capital is calculated as 'equity' shown in the statement of financial position plus debt. The gearing ratio as at year ended June 30, 2023 and June 30, 2022 are as follows:

		2023	2022
		(Rupees in thousand)	
Debt		129,196	325,069
Total equity		3,059,483	2,358,975
Total capital		3,188,679	2,684,043
Gearing ratio	Percentage	4.1%	12.1%

41.6 Compliance with debt covenants

The Company is subject to the compliance of certain financial covenants as per the long term financing agreements with financial institutions referred to in note 7 and the Company is in compliance with the requirements throughout the reporting period.

42. Number of Employees

	2023	2022
Total number of employees as at year end (including contractual)	115	113
Average number of employees during the year (including contractual)	107	106

43. Provident Fund

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

44. Subsequent events

The Board of Directors of the Company have proposed a final cash dividend of Rs. 2 per share (2022: Rs. 2 per share) for the year ended June 30, 2023 at their meeting held on September 07, 2023 for approval of members at the Annual General Meeting to be held on October 18, 2023. These unconsolidated financial statements do not include the effect of these appropriations which will be accounted for in the period in which they are approved.

45. Date of authorization for issue

These unconsolidated financial statements were authorised for issue on September 07, 2023 by the Board of Directors of the Company.

46 Corresponding figures

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

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

Consolidated

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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, 2023, 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 a summary of significant accounting policies 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, 2023, 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 Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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 is the Key audit matter:

Sr No.	Key Audit Matter	How the matter is addressed in our audit
	Revenue recognition (Refer notes 4.17 and 26 to the annexed consolidated financial statements)	Our audit procedures in relation to the matter amongst others, included the following: – Understood and evaluated the accounting policies with respect to revenue recognition and its compliance with IFRS 15: 'Revenue from Contracts with Customers';

Sr No.	Key Audit Matter	How the matter is addressed in our audit
	Revenue is recognized at a point in time when performance obligations are satisfied by transferring control of products and services to a customer. The Group is engaged in the manufacturing and selling of Hydrogen Peroxide locally as well as through exports. The Group recognized revenue from the sales of own manufactured goods and traded goods from its customers measured net of commission. We consider revenue recognition as a key audit matter due to revenue being one of the key performance indicators of the Group, inherent risk of material misstatement and significant increase in revenue from the last year.	– Understood and evaluated internal controls of the Group which govern revenue recognition; – Inspected significant contracts to obtain an understanding of contract terms particularly relating to timing and customer's acceptance of the goods; – Performed testing of sample of revenue transactions with underlying documentation including sales invoices and dispatched documents; – Tested on a sample basis, specific revenue transactions recorded before and after the reporting date with underlying documentation to assess whether revenue has been recognized in the correct period; – Checked on a sample basis, approval of sales prices by the appropriate authority; – Performed audit procedures to analyze variation in the price and quantity sold during the year; and – Assessed the adequacy of disclosures made in the consolidated financial statements related to revenue.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's Reports 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 and unconsolidated financial statements and our auditor's reports 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 the accounting and reporting standards as applicable in Pakistan and the Companies Act, 2017and 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.

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

A.F. Ferguson & Co.
Chartered Accountants
Lahore
Date: September 25, 2023
UDIN: AR202310128g7EyPCIFi

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at June 30, 2023

	Note	2023	2022
		(Rupees in thousand)	
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 300,000,000 (2022: 220,000,000) ordinary shares of Rs 10 each		3,000,000	2,200,000
Issued, subscribed and paid up capital 175,031,084 (2022: 175,031,084) ordinary shares of Rs 10 each	5	1,750,311	1,750,311
Share premium	6	3,022	3,022
Accumulated profits		1,305,908	605,642
		3,059,241	2,358,975
NON CURRENT LIABILITIES			
Long term finances - secured	7	100,300	257,865
Lease liabilities	8	-	10,482
Deferred taxation	9	192,100	240,370
Deferred grant	10	16,944	24,188
		309,344	532,905
CURRENT LIABILITIES			
Current portion of non current liabilities	11	50,638	83,325
Finances under mark up arrangements - secured	12	110,383	14,620
Current portion of deferred grant	10	7,349	8,567
Trade payables, provisions and other liabilities	13	911,773	766,457
Income tax payable		576,675	128,084
Dividend payable		9,177	3,237
Accrued finance costs	14	345	8,849
		1,666,340	1,013,139
CONTINGENCIES AND COMMITMENTS	15	-	-
		5,034,925	3,905,019

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

CHIEF EXECUTIVE **CHIEF FINANCIAL OFFICER** **DIRECTOR**

	Note	2023	2022
		(Rupees in thousand)	
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	16	2,293,287	2,489,830
Intangible assets	17	25,161	26,972
Long term loans - secured	18	6,152	6,025
Long term deposits and prepayments	19	24,471	23,423
		2,349,071	2,546,250
CURRENT ASSETS			
Stores and spares	20	540,290	509,916
Stock in trade	21	717,177	248,816
Trade debts	22	165,504	237,383
Loans, advances, deposits, prepayments and other receivables	23	117,800	106,483
Short term investment	24	896,726	150,000
Bank balances	25	248,357	106,171
		2,685,854	1,358,769
		5,034,925	3,905,019

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the Year Ended June 30, 2023

	Note	2023	2022
		(Rupees in thousand)	
Sales	26	6,721,346	4,250,493
Cost of sales	27	(3,964,917)	(3,148,688)
Gross profit		2,756,429	1,101,805
Administrative expenses	28	(172,898)	(126,338)
Distribution and selling costs	29	(210,600)	(74,196)
Other income	30	118,315	29,123
Other operating expenses	31	(241,617)	(75,380)
		(506,800)	(246,791)
Profit from operations		2,249,629	855,014
Finance costs	32	(25,929)	(52,568)
Profit before taxation		2,223,700	802,446
Taxation	33	(823,308)	(331,569)
Profit for the year		1,400,392	470,877
Profit is attributable to:			
Equity holders of the Parent Company		1,400,392	470,877
Earnings per share			
- Basic and diluted	34	8.00	2.69

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

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended June 30, 2023

	2023	2022
	(Rupees in thousand)	
Profit for the year	1,400,392	470,877
Other comprehensive income		
- Items that may be reclassified subsequently to profit or loss	-	-
- Items that will not be reclassified subsequently to profit or loss	-	-
Total comprehensive income for the year	1,400,392	470,877
Total comprehensive income for the year attributable to:		
Equity holders of the Parent Company	1,400,392	470,877

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

CHIEF EXECUTIVE   CHIEF FINANCIAL OFFICER   DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Year Ended June 30, 2023

(Rupees in thousand)

	Share capital	Capital reserve	Revenue reserve	Capital and reserves
	Ordinary share capital	Share premium	Accumulated profits	Total
Balance as on July 1, 2021	1,750,311	3,022	309,796	2,063,129
Profit for the year	-	-	470,877	470,877
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	470,877	470,877
Transactions with owners in their capacity as owners recognised directly in equity				
Final dividend for the year ended June 30, 2021 @ 10% (Re 1 per share)	-	-	(175,031)	(175,031)
Balance as on June 30, 2022	1,750,311	3,022	605,642	2,358,975
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 in their capacity as owners recognised directly in equity				
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 on June 30, 2023	1,750,311	3,022	1,305,908	3,059,241

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

CHIEF EXECUTIVE | CHIEF FINANCIAL OFFICER | DIRECTOR

CONSOLIDATED STATEMENT OF CASH FLOWS
for the Year Ended June 30, 2023

	Note	2023	2022
		(Rupees in thousand)	
Cash flow from operating activities			
Cash generated from operations	35	2,292,037	1,206,414
Finance cost paid		(28,386)	(52,685)
Profit on deposits received		33,571	7,608
Long term loan to employees		(3,000)	(10,000)
Taxes paid		(422,987)	(95,463)
Net cash generated from operating activities		1,871,235	1,055,874
Cash flow from investing activities			
Purchase of property, plant and equipment		(223,549)	(377,108)
Purchase of intangible assets		(9,666)	(14,730)
Proceeds from disposal of property, plant and equipment		159	60
Short term investments purchased		(1,533,532)	(150,000)
Short term investments redeemed		790,843	561,347
Dividend received		70,461	-
Net cash (used in) / generated from investing activities		(905,284)	19,569
Cash flow from financing activities			
Repayment of long term finances - secured		(207,823)	(789,662)
Repayment of lease liabilities		(23,170)	(20,021)
Ordinary dividends paid		(694,186)	(174,016)
Net cash used in financing activities		(925,179)	(983,699)
Net increase in cash and cash equivalents		40,772	91,745
Cash and cash equivalents at the beginning of year		91,551	(194)
Effects of exchange rate changes on cash and cash equivalents		5,651	-
Cash and cash equivalents at the end of year	38	137,974	91,551

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

CHIEF EXECUTIVE   CHIEF FINANCIAL OFFICER   DIRECTOR

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
for the Year Ended June 30, 2023

1. The Group and its operations

1.1 Holding Company

Descon Oxychem Limited ("the Holding Company/the Parent Company") was incorporated in Pakistan as a private limited Company on November 12, 2004 under the Companies Ordinance, 1984 (now the Companies Act, 2017) and was converted into a public limited company with effect from February 28, 2008 as approved by the Securities and Exchange Commission of Pakistan (SECP) vide letter no. ARL 16222 dated March 14, 2008. Subsequently, on September 15, 2008, it was listed on Pakistan Stock Exchange. The registered office of the Company is situated at 18-KM Ferozepur Road, Lahore and the Company's business unit and factory is situated at 18-KM Lahore-Sheikhupura Road, Lahore. The Company is principally engaged in manufacture, procurement and sale of hydrogen peroxide and allied products. The Company commenced its trial production on December 1, 2008 and commercial production on March 1, 2009.

1.2 Subsidiary Company

Descon Oxychem FZE, a limited liability company incorporated in Hamriyah Free Zone, Sharjah UAE on April 26, 2023. The principal line of business of subsidiary is import, export and trading of chemicals & related products, detergents & disinfectants, water treatment & purification chemicals and raw materials. The subsidiary is yet to commence its operations.

2. 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:

i) International Financial Reporting Standards ('IFRS') issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

ii) Provisions of and directives issued under the Companies Act, 2017.

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

2.1 Standards, interpretations and amendments to published approved accounting standards

The following amendments to existing standards have been published that are applicable to the Group's financial statements covering annual periods, beginning on or after the following dates:

2.2 Standards, amendments and interpretations to approved accounting standards that are effective in current year

Certain standards, amendments and interpretations to IFRS are effective for accounting periods beginning on July 1, 2022 but are considered not to be relevant or to have any significant effect on the Group's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these consolidated financial statements.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after July 01, 2023 or later periods, but the Group has not early adopted them:

Standards or Interpretation	Effective date Accounting periods beginning on or after:
Amendments to IAS 8 'Accounting policies, changes in accounting estimates and errors.	January 01, 2023
'IFRS 17, 'Insurance contracts'	January 01, 2023
Amendment to IAS 12, 'Income taxes' on deferred tax related to assets and liabilities arising from a single transaction' and 'International tax reform - pillar two model rules'.	January 01, 2023
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8.	January 01, 2023
Amendments to IFRS 16, 'Leases' related to sale and lease back after the date of transaction	January 01, 2024
Amendments to IAS 1, 'Presentation of financial statements' related to non current liabilities with covenants	January 01, 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	January 01, 2024

The Group is yet to assess the impact of above standards, amendments and interpretations on its consolidated financial statements.

3. Basis of measurement

3.1 These consolidated financial statements have been prepared under the historical cost convention unless otherwise specifically stated. Figures have been rounded off to nearest thousand of rupees unless otherwise stated.

3.2 The Group's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these consolidated financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are as follows:

(i) Estimated useful lives of property, plant and equipment

The Group reviews the useful life of property, plant and equipment on a regular basis. Any change in estimate in future years might effect the carrying amounts of respective items of property, plant and equipment with a corresponding effect on the depreciation charge.

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

(ii) Provision for taxation

The Group takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the Group's views differ from the view taken by income tax department at the assessment stage and where the Group considers that its views on items of material nature are in accordance with law, the amounts are shown as contingent liabilities.

Deferred tax assets are recognised for deductible temporary differences, unused tax losses and tax credits to the extent that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. The recoverability of deferred tax assets are analysed at each reporting period end and adjusted if considered necessary with a corresponding effect on deferred tax charge/income for the period.

4. Significant accounting policies

The significant accounting policies adopted in the preparation of these unconsolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Principles of consolidation

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any noncontrolling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the noncontrolling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiary have been changed where necessary to ensure consistency with the policies adopted by the Group. The assets, liabilities, income and expenses of subsidiary companies are consolidated on a line by line basis and carrying value of investments held by the Holding Company is eliminated against the subsidiary companies' shareholders' equity in the consolidated financial statements.

Non controlling interest (NCI) is that part of net results of operations and of net assets of the subsidiaries which are not owned by the Group either directly or indirectly. NCI is presented separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in consolidated statement of profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in consolidated statement of 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 recognised in consolidated statement of comprehensive income are reclassified to consolidated statement of profit or loss.

4.2 Employees retirement benefits

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

a) Defined contribution scheme

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

b) Accumulating compensated absences

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

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

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to the statement of profit or loss.

4.3 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the consolidated statement of profit or loss, except in the case of items credited or charged to equity in which case it is included in equity.

4.4 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Subsequently, these assets are stated at cost less accumulated depreciation and any identified impairment loss. Cost in relation to certain property, plant and equipment comprises historical cost and borrowing costs referred to in note 4.16.

Depreciation on all property, plant and equipment except land is charged to profit or loss on the straight line basis so as to write off the historical cost of an asset over its estimated useful life at the rates given in note 16.1 without taking into account any residual value, which is considered insignificant.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Group's estimate of the residual value of its property, plant and equipment as at June 30, 2023 has not required any adjustment.

Initial fill of catalysts is capitalized with plant and machinery whereas costs of subsequent replacements of such catalysts are included in property, plant and equipment and depreciated on straight line basis over their estimated useful lives.

The Group assesses at each statement of financial position date whether there is any indication that property, plant and equipment including major spare parts, catalysts and standby equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit or loss during the period in which they are incurred.

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

Capital work in progress is stated at cost less any identified impairment loss.

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

Right-of-use asset is measured as per note 4.6.1.

4.5 Intangible asset

Expenditure incurred to acquire intangible assets is stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method over its estimated useful lives at the rates given in note 17. Amortization is charged to profit or loss.

Amortization is charged from the month the asset is acquired or capitalized.

The Group assesses at each reporting date whether there is any indication that an intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.6 Leases

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

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

- 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.

4.6.1 Lessee

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

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

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

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

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

4.6.2 Lessor

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

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

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

4.7 Stores and spares

Stores and spares, except for the 'working solution' are valued at lower of moving average cost and net realizable value. Provision in stores and spares is made for slow moving and obsolete items. Items considered as unusable are written off against the provision. Items in transit are valued at cost comprising invoice value plus other directly attributable charges incurred thereon. Working solution is valued at lower of weighted average cost determined on a yearly basis and net realizable value.

4.8 Stock in trade

Stock of raw materials, packing materials, work-in-process and finished goods, except for those in transit are valued principally at the lower of weighted average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, salaries of production staff and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management's estimate. Items considered as unusable are written off against the provision.

4.9 Financial instruments

4.9.1 Financial assets

a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flow represents solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets, impairment losses, foreign exchange gains and losses, and gain or loss arising on derecognition are recognised directly in profit or loss.

b) Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

c) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income or assets that are designated at fair value through profit or loss using fair value option, are measured at fair value through profit or loss. A gain or loss on debt investment that is subsequently measured at fair value through profit or loss is recognised in the statement of profit or loss in the period in which it arises.

Equity instrument financial assets are measured at fair value at and subsequent to initial recognition. Changes in fair value of these financial assets are normally recognised in profit or loss. Dividends from such investments is recognised in profit or loss when the Group's right to receive payment is established. Where an election is made to present fair value gains and losses on equity instruments in other comprehensive income there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets and liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently remeasured to fair value, amortized cost or cost as the case may be. Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the statement of profit or loss for the period in which it arises.

Financial assets are derecognized when the Group loses control of the contractual rights that comprise the financial asset. Assets or liabilities that are not contractual in nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the Group.

4.9.2 Financial liabilities

Financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised cost are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in profit or loss.

4.9.3 Off-setting of financial assets and liabilities

A financial asset and financial liability is off-set and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set-off the transaction and also there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.10 Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets. The Group applies the simplified approach to recognise lifetime expected credit losses for trade debts, due from customers, contract assets, term loans, short term investments and bank balances.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

The Group recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovery of a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

A financial asset is considered in default when the counterparty fails to make contractual payments within one year of when they fall due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

4.11 Trade debts

Trade debts are amounts due from customers for sales made during the ordinary course of business. Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method less expected credit losses. Bad debt are written off when identified.

4.12 Cash and cash equivalents

Cash and cash equivalents are carried in the consolidated statement of financial position at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the consolidated statement of financial position, finances under mark-up arrangements are included in current liabilities.

4.13 Trade and other payables

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

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at year end and adjusted to reflect the current best estimate.

4.14 Contract balances

Contract liabilities are recognized for consideration received in respect of unsatisfied performance obligations. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

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

4.15 Foreign currency transactions and translation

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

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each financial position presented are translated at the closing rate at the reporting date.

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

- all resulting exchange differences are recognised in consolidated other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The consolidated financial statements are presented in Pak Rupees, which is the Group's functional and presentation currency.

4.16 Borrowing costs

Mark up, interest and other charges on borrowings are capitalized up to the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to profit or loss.

4.17 Revenue recognition

Revenue is recognised when or as performance obligations are satisfied by the transferring control of a promised goods or service to a customer, and control either transfers over time or at a point in time. The control is transferred upon shipment or delivery depending upon the terms of trade. The goods are primarily sold on cash. The Group has a range of credit terms which are typically short term, in line with market practice and without any financing component. The Group does not generally accept sales returns. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates and other considerations payable to customers.

Freight revenue is recognized when services are rendered.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

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

4.18 Equity

Ordinary shares are classified as equity and recorded at their face value. Incremental costs directly attributable to issuance of new shares are shown in equity as deduction.

4.19 Dividend

Dividend distribution to the shareholders is recognized as a liability in the period in which the dividends are approved.

4.20 Government grants

Grants from the government are recognised 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 statement of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

4.21 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose results are regularly reviewed by the segment to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The segment information is not generated by the Group and the Chief Executive reviews the operations as a single segment. Hence, segment disclosures are not included in these consolidated financial statements.

4.22 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 or loss attributable to ordinary shareholders of the Holding Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders of the Holding Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

4.23 Interest free loans to employees

The Holding 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 a deferred employee benefit. The loan is subsequently measured at amortized cost with respective finance income to be recorded in the statement of 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.

5. Issued, subscribed and paid up capital

2023	2022		2023	2022
(Number of shares)			(Rupees in thousand)	
102,000,000	102,000,000	Ordinary shares of Rs 10 each fully paid in cash	1,020,000	1,020,000
		Ordinary shares of Rs 10 each issued as fully paid for consideration other than		
48,888,866	48,888,866	cash - note 5.1	488,889	488,889
24,142,218	24,142,218	fully paid as bonus shares - 5.2	241,422	241,422
175,031,084	175,031,084		1,750,311	1,750,311

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

The Securities and Exchange Commission of Pakistan, vide its order dated January 10, 2020, on the basis of special resolution passed by members on November 27, 2019, allowed the Holding Company to issue 48,888,866 ordinary shares of Rs 10 per share at a premium of Rs 5 per share to DEL by way of other than right under clause (b) of sub-section(1) of Section 83 of the Companies Act, 2017. The Holding Company issued 48,888,866 ordinary shares of Rs. 10 per share at a premium of Rs 5 per share to DEL on January 29, 2020, against long term loan of Rs 733.33 million from DEL.

5.2 Along with the final dividend of Re 1 per share (@ 10% per share) for the year ended June 30, 2020, bonus shares in the ratio of sixteen bonus shares for every hundred shares held by the shareholders was proposed in the Board of Directors meeting held on September 2, 2020. The approval of the members for the final dividend and issuance of bonus shares was obtained in the Annual General Meeting held on October 21, 2020. As a result, the Holding Company paid the final dividend aggregating to Rs 150.889 million and issued 24,142,218 shares of Rs 10 each against the share premium.

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

	2023		2022	
	Number	Percentage	Number	Percentage
DEL Chemicals (Private) Limited	60,358,918	34.48%	60,358,918	34.48%
Descon Engineering Limited	56,711,084	32.40%	56,711,084	32.40%
Descon Corporation (Private) Limited	10,051,697	5.74%	10,051,697	5.74%
	127,121,699	72.62%	127,121,699	72.62%

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

6. Share premium

The Holding Company issued 24,142,218 ordinary shares of Rs 10 as bonus shares as referred to in note 5.2 against share premium of Rs 241.422 million in terms of section 81 of the Companies Act, 2017. Outstanding amount can be utilised by the Holding Company only for the purposes specified in section 81 of the Companies Act, 2017.

			2023	2022
7	**Long term finances - secured**	**Note**	**(Rupees in thousand)**	
	Opening balance		325,069	1,107,648
	Recognition of deferred grant		-	(10,592)
			325,069	1,097,056
	Accretion of interest		11,950	17,675
	Repayments during the year		(207,823)	(789,662)
			129,196	325,069
	Less : Current portion shown under current liabilities	11	(28,896)	(67,204)
			100,300	**257,865**
7.1	Long term finances consist of the following:			
	Syndicate term finance facility (STFF)	7.1.1	-	168,082
	Long term finance facility (LTFF)	7.1.2	-	14,361
	Temporary economic refinance facility (TERF)	7.1.3	129,196	142,626
			129,196	**325,069**

7.1.1 Syndicate term finance (STFF)

This represent outstanding balance against aggregate facility of Rs 1,100 million from syndicate of financial institutions to finance the capacity expansion project of the Holding Company, completed in 2021. Along with the TERF, it is secured against first charge by way of hypothecation over all present and future fixed assets (excluding land and building) of the Holding Company with 25% margin aggregating to Rs 1,466.67 million.

Terms of mark-up

The facility carries mark-up at 3 month KIBOR plus 0.9% per annum (2022: three month KIBOR plus 0.9% per annum). The effective mark-up charged during the year is 15% per annum (2022: 8.33% to 13.59% per annum). Mark-up was payable quarterly in arrears.

Terms of repayment

It was repayable in thirteen equal bi-annual instalments ending on October 08, 2027. However, on July 14, 2022 the Holding Company has repaid the entire amount of the outstanding loan.

7.1.2 Long term finance facility (LTFF)

This represent disbursement against aggregate facility of Rs 58.36 million from Allied Bank Limited to pay salaries and wages under State Bank of Pakistan's ('SBP') Refinance Scheme for payment of Wages and Salaries. It was secured by first pari passu charge over all present and future current assets of the Holding Company with 25% margin. It was also secured by an aggregate sum of Rs 80 million by a ranking charge over all present and future plant and machinery of the Holding Company.

Terms of markup

Post approval by the SBP during the prior year, the facility carries markup at SBP rate plus 1% per annum (2022: SBP rate plus 1% per annum). The mark-up has been accrued during the year at effective rates ranging from 7.74% to 7.80% (2022: 7.74% to 7.80% per annum). Mark-up was payable quarterly in arrears.

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

Terms of repayment

The Holding Company has repaid the entire amount of the outstanding loan in two equal quarterly installments during the current year.

7.1.3 Temporary Economic Refinance Facility (TERF)

This represents the amount converted from the portion of STFF obtained from Allied Bank Limited under the SBP's Temporary Economic Refinance Facility. Out of the available limit of Rs 174.84 million as at June 30, 2023, the Holding Company has utilised Rs 174.84 million (2022: 174.84 million). The recognised portion as at year end is exclusive of grant of Rs 24.26 million (2022: Rs 32.50 miilion). Along with the STFF, it is secured against first charge by way of hypothecation over all present and future fixed assets (excluding land and building) of the Holding Company with 25% margin aggregating to Rs 1,466.67 million.

Terms of markup

The facility carries markup at 2.00% per annum (2022: 2.00% per annum) The mark-up has been accrued at effective rates ranging from 8.29% to 8.49% per annum (2022: 8.29% to 8.49% per annum). Mark-up is payable quarterly in arrears.

Terms of repayment

It is repayable in twenty two equal quarterly installments ending on December 23, 2028.

8. Lease liabilities	Note	2023	2022
		(Rupees in thousand)	
Opening balance		26,603	24,036
Add: recognition during the year		-	27,796
Add: unwinding of lease liability	32	2,559	4,018
Add: re-assessment/modification during the year	8.1	15,750	1,238
		44,912	57,088
Less: derecognition during the year		-	(10,465)
Less: repayments during the year		(23,170)	(20,021)
Present value of lease payments		21,742	26,603
Current portion shown under current liabilities	11	(21,742)	(16,121)
		-	10,482

8.1 These represents lease liabilities in respect of generators and have an estimated remaining lease term of 12 months as at June 30, 2023. These are discounted using the incremental borrowing rates ranging from 11% to 25% per annum.

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

	Up to one year	From one to five years	Over five years	Total 2023	Total 2022
	(Rupees in thousand)				
Minimum lease payments	24,797	-	-	24,797	29,120
Finance cost allocated to future periods	(3,055)	-	-	(3,055)	(2,517)
Present value of minimum					-
lease payments	21,742	-	-	21,742	26,603

9. Deferred taxation

	Balance as at June 30, 2022	Charge/ (income) during the year	Balance as at June 30, 2023
	(Rupees in thousand)		
Taxable temporary difference			
Accelerated tax depreciation	245,318	5,140	250,458
Investments - unrealized gain	-	1,425	1,425
	245,318	6,565	251,883
Deductible temporary differences			
Provision against inventory	(2,519)	(34,414)	(36,932)
Impairment of capital spares	-	(19,901)	(19,901)
Loss allowance against doubtful debts	(2,429)	(521)	(2,950)
	(4,948)	(54,836)	(59,783)
	240,370	(48,271)	192,100

	Balance as at June 30, 2021	Charge/ (income) during the year	Balance as at June 30, 2022
	(Rupees in thousand)		
Taxable temporary difference			
Accelerated tax depreciation	235,368	9,950	245,318
Deductible temporary differences			
Tax credits	(1,917)	1,917	-
Provision against inventory	(2,244)	(275)	(2,519)
Loss allowance against doubtful debts	(2,005)	(424)	(2,429)
	(6,166)	1,218	(4,948)
	229,202	11,168	240,370

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

		Note	2023	2022
			(Rupees in thousand)	
10.	**Deferred grant**			
	Opening balance		32,755	31,959
	Recognition during the year	7	-	10,592
	Transfer to profit or loss	32.1	(8,462)	(9,796)
			24,293	32,755
	Represented by:			
	Non-current portion		16,944	24,188
	Current portion		7,349	8,567
			24,293	32,755

10.1 Deferred grant has been recognized as the difference between the fair value and proceeds received under LTFF and TERF as referred to in note 7 in accordance with the accounting policy as referred to in note 4.20. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date. The grant related to LTFF has been fully ammortized as at year end. The grant will be amortized in line with the tenure of the TERF as referred to in note 7.1.3.

		Note	2023	2022
			(Rupees in thousand)	
11.	**Current portion of non current liabilities**			
	Current portion of long term finances - secured	7	28,896	67,204
	Current portion of lease liabilities	8	21,742	16,121
			50,638	83,325

12. Finances under mark up arrangements - secured

These represent the outstanding balance against short term running finance facilities available from various commercial banks under mark-up arrangements aggregate to Rs 1,300 million (2022: Rs 1,100 million). Such facilities are available at mark-up rates ranging from one to three months Karachi Inter-Bank Offered Rate (KIBOR) plus 0.25% to 0.75 % per annum (2022: Three months KIBOR plus 0.75% per annum). These are secured by first and joint registered charge on all present and future current assets of the Holding Company wherever situated including stores and spares, stock in trade, book debts, investments and receivables.

Of the aggregate facility for opening letters of credit and guarantees of Rs 1,774.80 million (2022: Rs 1,640.80 million), all being either main limits or sub-limits of the running finance facilities, the amount utilised as at June 30, 2023 was Rs 647.60 million (2022: Rs 519.98 million).The facilities for opening letters of credit are secured against lien over import documents whereas aggregate facilities for guarantees are secured against charge over the present and future fixed assets of the Holding Company.

		Note	2023	2022
			(Rupees in thousand)	
13.	**Trade payables, provisions and other liabilities**			
	Trade creditors	13.1	190,395	235,360
	Bills payable		173,316	215,660
	Contract liability		131,988	114,385
	Accrued liabilities	13.2	247,383	132,479
	Worker's profit participation fund	13.3	120,942	42,740
	Worker's welfare fund	13.4	44,239	25,787
	Other liabilities		3,510	46
			911,773	766,457

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

	2023	2022
Descon Engineering Limited	3,468	36,146
Descon Corporation (Private) Limited	3,415	1,498
Descon (Private) Limited	25,106	-
Descon Engineering Services & Technology (Private) Limited	-	278
Interworld Travels (Private) Limited	-	25
Inspectest (Private) Limited	1,362	-
	33,351	37,947

13.2 Includes royalty payable to Descon (Private) Limited of Rs 25.11 million (2022: Rs 6.73 million).

		2023	2022
		(Rupees in thousand)	
13.3	**Workers' profit participation fund**		
	Opening balance	42,740	20,374
	Provision for the year	118,499	42,740
	Interest for the year	2,443	-
	Payments during the year	(42,740)	(20,374)
	Closing balance	120,942	42,740
13.4	**Worker's welfare fund**		
	Opening balance	25,787	8,342
	Provision for the year	44,239	17,445
	Payments during the year	(25,787)	-
	Closing balance	44,239	25,787

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

	2023	2022
	(Rupees in thousand)	
14. Accrued finance costs		
Long term finances - secured	-	5,726
Finances under mark up arrangements - secured	345	3,123
	345	8,849

15. Contingencies and commitments

15.1 Contingencies

i) The Holding Company has issued guarantees to the following parties:

	2023	2022
Against performance of contracts:		
Sui Northern Gas Pipelines Limited	144,371	104,482
Pakistan State Oil Company Limited	3,500	3,500
Al-Technique Corporation of Pakistan	28,407	18,700
	176,278	126,682

ii) 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 Holding 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 Holding Company by HLHC vide its order dated June 17, 2021. SNGPL has filed an intra court appeal in HLHC which was decided against SNGPL vide order of HLHC dated September 21, 2022.

The Holding 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 Sui Northern Gas Pipelines Limited. The decision has not been made by the Committee on its applicability and the amount to be paid by the Company. Accordingly, the Holding Company has not recognised the estimated provision of Rs 55.32 million (June 30, 2022: Rs 55.32 million) in these consolidated financial statements. However, the Holding Company has provided guarantee of Rs 55.32 million (June 30, 2022: Rs 55.32 million) to SNGPL on direction of the HLHC.

15.2 Commitments

The Holding Company has the following commitments in respect of:

i) Letters of credit for capital expenditure Nil (2022: Rs 10.52 million).

ii) Letters of credit other than capital expenditure amounting to Rs 296.4 million (2022: Rs 188.68 million).

iii) Post dated cheques issued in favour of National Tariff Commission of Pakistan and Collector of customs aggregating to Rs 42.14 million (2022: Rs 2.38 million).

iv) Contractual commitments amounting to Rs. 4.79 million (2022: Nil).

16. Property, plant and equipment

	Note	2023	2022
		(Rupees in thousand)	
Operating assets			
- owned assets	16.1	2,068,782	2,127,348
- right of use assets	16.2	18,717	23,092
Capital work-in-progress [including in transit of Rs 7.68 million (2022: Rs 6.98 million)]	16.3	114,196	228,530
Major spare parts, catalysts and standby equipment	16.4	91,592	110,861
		2,293,287	2,489,830

16.1 Owned assets

	Freehold land	Buildings on freehold land	Plant, machinery and equipment	Plant, machinery and equipment - catalyst	Laboratory equipment	Material handling	Tools and equipment	Computer equipment	Electrical equipment	Office equipment	Furniture and fixture	Vehicles	Total
	(Rupees in thousand)												
Net carrying value basis													
Year Ended June 30, 2023													
Opening Net Book Value	101,316	151,268	1,838,297	4,054	4,297	361	11,545	6,873	128	4,855	4,011	342	2,127,348
Additions	-	12,021	258,795	-	191	740	9,411	6,200	-	6,273	1,508	12,166	307,305
Disposals / write offs (NBV)	-	-	-	-	-	-	-	(35)	-		(17)		(52)
Depreciation for the year	-	(19,486)	(333,582)	-	(1,352)	(122)	(3,503)	(3,936)	(114)	(1,942)	(1,169)	(614)	(365,819)
Closing net book value	101,316	143,803	1,763,510	4,054	3,136	979	17,453	9,102	14	9,186	4,333	11,894	2,068,782
Gross carrying value basis													
As at June 30, 2023													
Cost	101,316	361,531	4,294,619	27,197	17,575	4,016	31,323	25,096	1,989	17,686	13,675	16,622	4,912,646
Accumulated depreciation and impairment	-	(217,728)	(2,531,109)	(23,143)	(14,439)	(3,037)	(13,870)	(15,994)	(1,975)	(8,500)	(9,342)	(4,728)	(2,843,864)
Net book value	101,316	143,803	1,763,510	4,054	3,136	979	17,453	9,102	14	9,186	4,333	11,894	2,068,782
Depreciation rate % per annum	-	5 - 10	6.25 - 33.33	10 - 50	6.25 - 20	20	6.25 - 33	33.33	20	20	10 - 20	20	
Net carrying value basis													
Year Ended June 30, 2022													
Opening Net Book Value	101,316	147,381	1,891,167	1,700	5,386	383	11,106	2,764	271	3,723	2,398	595	2,168,190
Additions	-	21,287	245,407	4,301	204	-	3,047	7,330	-	1,918	2,705	-	286,199
Disposals / write offs (NBV)	-	-	-	-	-	-	-	(2)	-	-	-	-	(2)
Depreciation for the year	-	(17,400)	(298,277)	(1,947)	(1,293)	(22)	(2,608)	(3,219)	(143)	(786)	(1,092)	(253)	(327,039)
Closing net book value	101,316	151,268	1,838,297	4,054	4,297	361	11,545	6,873	128	4,855	4,011	342	2,127,348
Gross carrying value basis													
As at June 30, 2022													
Cost	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
Accumulated depreciation and impairment	-	(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)
Net book value	101,316	151,268	1,838,297	4,054	4,297	361	11,545	6,873	128	4,855	4,011	342	2,127,348
Depreciation rate % per annum	-	5 - 10	6.25 - 33.33	10 - 50	6.25 - 20	20	6.25 - 33.33	33.33	20	20	10 - 20	20	

16.1.1 The cost of fully depreciated assets which are still in use as at June 30, 2023 is Rs 71.84 million (2022: Rs 54.13 million).

16.1.2 The depreciation charge has been allocated as follows:

Cost of sales	27	362,264	324,674
Administrative expenses	28	3,020	2,186
Distribution and selling costs	29	535	179
		365,819	327,039

16.1.3 Immovable fixed assets of the Holding Company are situated at plant, 18 KM Lahore-Sheikhupura Road, Lahore. Freehold land represents 224 Kanal of land situated at 18 KM Lahore-Sheikhupura Road, Lahore out of which approximately 104 Kanal represents covered area.

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

	Note	2023	2022
		(Rupees in thousand)	
16.2 Right of use assets			
Opening		23,092	22,039
Additions during the year		-	27,796
Re-assessment/modification during the year		15,750	1,238
Derecognition during the year		-	(9,595)
Depreciation charged during the year	16.2.1	(20,125)	(18,386)
Net book value at end of the year		18,717	23,092

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

16.3 Capital work-in-progress

Plant and machinery	21,594	195,801
Civil works	39,576	15,182
Others	12,879	12,713
Advances to suppliers and contractors	40,147	4,834
	114,196	228,530

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

16.3.1 Reconciliation of the carrying amount is as follows:

	2023				
	Balance as at July 01, 2022	**Expenditure incurred during the year**	**Inter classification**	**Transfers to operating assets**	**Balance as at June 30, 2023**
	(Rupees in thousand)				
Plant and machinery	195,801	61,707	3,982	(239,896)	21,594
Advances to suppliers				-	-
and contractors	4,834	40,147	-	(4,834)	40,147
Civil works	15,182	40,977	(4,562)	(12,021)	39,576
Others	12,713	14,499	580	(14,913)	12,879
	228,530	157,330	-	(271,664)	114,196

	2022				
	Balance as at July 01, 2021	**Expenditure incurred during the year**	**Inter classification**	**Transfers to operating assets**	**Balance as at June 30, 2022**
	(Rupees in thousand)				
Plant and machinery	118,705	247,541	858	(171,303)	195,801
Advances to suppliers and contractors	3,051	4,834	-	(3,051)	4,834
Civil works	5,851	31,229	(858)	(21,040)	15,182
Others	17,235	16,914	-	(21,436)	12,713
	144,842	300,518	-	(216,830)	228,530

16.3.2 The capital work in progress as at June 30, 2023 mainly includes shed for storage of empty jerry cans, storage tanks to be installed at customer sites and other civil works.

16.3.3 Expenditure incurred during the year includes Rs 5.18 million (2022: Rs 29.78 million) charged by Descon Engineering Limited and charged by Descon Engineering Services Technology (Pvt) Limited in connection with the capital projects Nil (2022: Rs 8.8 million) .

	Note	2023	2022
16.4 Major spare parts, catalysts and standby equipment		**(Rupees in thousand)**	
The reconciliation of the carrying amount is as follows:			
Balance at the beginning of the year		110,861	104,509
Additions during the year		63,049	38,557
Transfers made during the year		(32,472)	(32,205)
Impairment during the year		(49,846)	-
Balance at the end of the year		91,592	110,861

			2023	2022
17.	**Intangible assets**		(Rupees in thousand)	
	Net carrying value basis			
	Opening net book value		26,972	20,123
	Additions (at cost)		9,666	14,730
	Amortization charge during the year	17.1	(11,477)	(7,881)
	Closing net book value	17.2	25,161	26,972
	Gross carrying value basis			
	Cost		68,907	59,241
	Accumulated amortization		(43,746)	(32,269)
	Net book value		25,161	26,972
	Amortization rate % per annum		10% - 33.33%	10% - 33.33%
17.1	Amortization charge for the year has been allocated as follows:			
	Cost of sales	27	7,670	7,590
	Administrative expenses	28	3,807	291
			11,477	7,881

17.2 As at June 30, 2023, carrying value of Distributed Control System is Rs 2.76 million (2022: Rs 9.24 million), Data Recovery System is Rs 11.23 million (2022: Rs 14.73 million), Database & Application Server Licenses is Rs 7.15 million (2022: Nil) and ERP & Database Upgradation is Rs 1.7 million (2022: Nil). Their remaining useful lives are 0.4 year, 1 year, 4.5 years and 4.4 years respectively as at June 30, 2023. The residual value of these intangible assets is insignificant. These intangibles are not internally generated.

		2023	2022
		(Rupees in thousand)	
18.	**Long term loans - secured**		
	Due from employees - considered good	13,000	10,000
	Present value adjustment	(6,848)	(3,975)
		6,152	6,025

18.1 This represent the interest free loan provided by the Holding Company to two of its executive employees in accordance with the terms of employment. The loan is secured against the property documents. The loan is recoverable over a period of five years. The amount of loan has been discounted using the market rate as at the reporting date and the corresponding discounting impact has been recognised as prepaid employee benefits.

18.2 Directors of the Holding Company were not given any loan during the year.

19.	**Long term deposits and prepayments**			
	Long term deposits	19.1	22,204	20,634
	Prepaid employee benefits	18.1	2,267	2,789
			24,471	23,423

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

		Note	2023	2022
			(Rupees in thousand)	
19.1	These are in the normal course of business and are interest free.			
20.	**Stores and spares**			
	General stores and spares [including in transit of Rs 45.17 million (2022: Rs 8.17 million)]	20.1	403,796	321,141
	Working solution		239,883	195,433
	Provision for obsolescence	20.2	(103,389)	(6,658)
			540,290	509,916

20.1 General stores and spares include raw material for working solution of Rs 108.15 million (2022: Rs 127 million).

20.2 Movement of provision for obsolescence is as under:

	2023	2022
Balance as at July 1	6,658	6,658
Provision recognised during the year	96,731	-
Balance as at June 30	103,389	6,658

21. Stock in trade

	Note	2023	2022
Raw materials [including in transit of Rs 202.78 million (2022: Rs 92.45 million)]		560,056	206,166
Work-in-process	21.1	33,513	16,748
Finished goods			
- purchased for resale		638	639
- own manufactured [including in transit Nil (2022: 0.04 million)]	21.2	122,970	25,263
		717,177	248,816

21.1 Work-in-process include unused packing material of Rs 33.51 million (2022: Rs 16.75 million).

21.2 Includes provision for obsolete stock of Rs 1.25 million (2022: Rs 0.20 million).

22. Trade debts

	Note	2023	2022
Considered good	22.1	165,504	237,383
Considered doubtful		6,204	6,189
		171,708	243,572
Loss allowance	22.2	(6,204)	(6,189)
		165,504	237,383

22.1 These include Rs 162.65 million (2022: Rs 228.38 million) secured by way of inland letter of credit.

22.2 Loss allowance

	2023	2022
Balance as at July 1	6,189	6,971
Recognition of loss allowance	15	(782)
Balance as at June 30	6,204	6,189

			2023	2022
23.	**Loans, advances, deposits, prepayments and other receivables**		(Rupees in thousand)	
	Advances to suppliers			
	- Considered good		87,332	24,986
	- Considered doubtful		1,848	1,338
	Sales tax recoverable - considered good		11,382	45,285
	Advances to employees and short term loans to employees - considered good		4,750	2,063
	Security deposits		6,915	6,915
	Prepayments		3,920	4,631
	Contract asset		3,501	22,026
	Other receivables		-	577
			119,648	107,821
	Loss allowance for doubtful advances	23.1	(1,848)	(1,338)
			117,800	106,483

23.1 Movement of loss allowance for doubtful advances is as follows:

	2023	2022
Opening balance	1,338	275
Recognition of loss allowance	510	1,063
Balance as at June 30	1,848	1,338

24. Short term investment	2023	2022	2023	2022
	Units in '000		(Rupees in thousand) Value	
NBP Money Market Fund	89,855	15,104	896,726	150,000
	89,855	**15,104**	**896,726**	**150,000**

24.1 Movement of short term investments, designated as investment at fair value through profit or loss, is as follows:

	2023	2022
	(Rupees in thousand)	
Opening balance	150,000	560,622
Investments made during the year	1,473,639	150,000
Dividends received re-invested	59,893	-
Unrealised gain on remeasurement	4,037	-
Investments redeemed during the year	(790,843)	(560,622)
	896,726	**150,000**

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

24.2 Fair value as at year end has been determined based on net asset value (level 2 inputs).

		Note	2023	2022
			(Rupees in thousand)	
25.	**Bank balances**			
	At banks on:			
	- Current accounts		187,826	30,644
	- Saving accounts	25.1	60,531	75,527
			248,357	106,171

25.1 These carry mark up at the rate of 12.5% to 19.5% (2022: 6.25% to 10.62%) per annum.

		Note	2023	2022
26.	**Sales**			
	Gross sales			
	- Local		7,294,524	4,861,269
	- Export		643,163	180,343
		26.1	7,937,687	5,041,612
	Commission on sales		(148,860)	(95,245)
	Sales tax		(1,067,481)	(695,874)
			6,721,346	4,250,493

		2023	2022
26.1	Gross sales include following recognised at a point in time:		
	Hydrogen peroxide		
	- Own manufactured	7,878,614	4,733,151
	- Purchase for resale	59,073	226,732
	Freight recovered	-	81,729
		7,937,687	5,041,612

26.2 Revenue has been recognized at a point in time for both local and export sales made during the year.

26.3 Out of opening contract liabilities, Rs 114.38 million (2022: Rs 31.86 million) has been recognised as revenue during the year.

26.4 Sales to one customer represented 11% (2022: 14.28%). Furthermore, aggregate sales to the major distributors represented 75% (2022: 75.92%) of the revenue and each distributor individually exceeded 10% of the revenue.

27. Cost of sales

	Note	2023	2022
		(Rupees in thousand)	
Raw material consumed		2,222,992	1,716,515
Packing materials		12,496	7,520
Salaries, wages and other benefits	27.1	208,635	153,047
Repair and maintenance		225,082	75,809
Shut down expenses		-	37,181
Fuel and power		682,484	420,467
Quality assurance		5,423	1,721
Provision for obsolescence of stores		97,780	-
Provision for impairment of capital spare parts		49,846	-
Services through contractors		66,094	54,474
Travelling and conveyance		17,807	2,766
Communication		2,385	1,024
Rent and rates	27.2	10,760	6,228
Depreciation on property, plant and equipment:			
- owned assets	16.1.2	362,264	324,674
- right of use assets	16.2.1	20,125	18,386
Amortization of intangible assets	17.1	7,670	7,590
Insurance		14,396	13,859
Safety items consumed		2,831	2,138
Miscellaneous		15,833	17,075
		4,024,903	2,860,474
Opening work in process		16,748	13,942
Closing work in process		(33,513)	(16,748)
		(16,765)	(2,806)
Cost of goods produced		4,008,138	2,857,668
Opening finished goods		25,263	35,214
Closing finished goods		(122,970)	(25,263)
		(97,707)	9,951
Cost of goods sold - own manufactured		3,910,431	2,867,619
Cost of goods purchased for resale		54,486	225,186
Cost of services		-	55,883
		3,964,917	3,148,688

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

27.1 Salaries, wages and other benefits include Rs 5.77 million (2022: Rs 4.56 million) in respect of provident fund contribution by the Holding Company.

27.2 These primarily represent expenses incurred in respect of short term leases not recognised as a lease liability and variable lease payments not included in the measurement of lease liabilities.

	Note	2023	2022
		(Rupees in thousand)	
28. Administrative expenses			
Salaries, allowances and other benefits	28.1	90,789	67,935
Vehicle running and maintenance		5,745	2,545
Entertainment		3,253	1,735
Communication		653	721
Printing and stationery		3,509	3,027
Travelling and conveyance		9,006	1,512
Repair and maintenance		327	467
Insurance		61	46
Fees and subscriptions		31,107	21,139
Depreciation on property, plant and equipment	16.1.2	3,020	2,186
Amortization of intangible assets	17.1	3,807	291
Legal and professional fee	28.2	15,258	11,592
Assets written off		-	5,928
Others		6,363	7,213
		172,898	126,338

28.1 Salaries, wages and other benefits include Rs 2.26 million (2022: Rs 1.30 million) in respect of provident fund contribution by the Holding Company.

28.2 Legal and professional fee

The charges for legal and professional services (excluding sales tax) include the following in respect of auditors' services for:

	Note	2023	2022
		(Rupees in thousand)	
Statutory audit		2,846	2,475
Half yearly review		1,025	851
Audit of consolidated financial statements, group reporting and certifications		1,694	864
Out of pocket expenses		231	175
		5,796	4,365

		Note	2023	2022
			(Rupees in thousand)	
29.	**Distribution and selling costs**			
	Salaries, allowances and other benefits	29.1	37,414	15,877
	Communication		869	613
	Travelling and conveyance		19,717	2,160
	Advertisement		10,814	47
	Insurance		48	117
	Freight and forwarding		61,897	23,832
	Depreciation on property, plant and equipment	16.1.2	535	179
	Fees and subscriptions		34,302	2,046
	Royalty	29.2	33,596	21,265
	Rent rates And taxes		5,724	-
	Net impairment loss/(reversal) on trade debts		15	(782)
	Others		5,669	8,842
			210,600	74,196

29.1 Salaries, wages and other benefits include Rs 0.71 million (2022: Rs 0.48 million) in respect of provident fund contribution by the Holding Company.

29.2 This represents royalty charged by Descon (Private) Limited, a related party due to common directorship, located at Descon Headquarters, 18-Km, Ferozepur Road, Lahore. During the current year, the Holding Company paid royalty of Rs 32.64 million (2022: Rs 17.93 million) to Descon (Private) Limited.

		Note	2023	2022
			(Rupees in thousand)	
30.	**Other income**			
	Income from financial assets			
	Interest on bank deposits		33,571	7,608
	Dividend income from short term investments		70,461	-
	Realised gain on sale of short term investments		3,638	725
	Unrealised gain on investments			
	- carried at fair value through profit or loss		4,037	-
			111,707	8,333
	Income from non-financial assets			
	Liabilities no longer required written back		-	10,894
	Scrap sales		6,475	6,949
	Foreign indenting commission		26	1,926
	Gain on extinguishment of lease liability		-	870
	Net gain on insurance claim of assets written off		-	93
	Gain on sale of fixed assets		107	58
			6,608	20,790
			118,315	29,123

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

		Note	2023	2022
			(Rupees in thousand)	
31.	**Other operating expenses**			
	Worker's profit participation fund	13.3	118,499	42,740
	Worker's welfare fund	13.4	44,240	17,445
	Exchange loss		78,878	15,195
			241,617	75,380
32.	**Finance costs**			
	Interest and mark-up on:			
	- long term finances - secured	32.1	4,255	39,360
	- finances under markup arrangements - secured		4,954	4,400
	- lease liabilities	8	2,559	4,018
			11,768	47,778
	Bank charges and others		14,161	4,790
			25,929	52,568

32.1 Amortisation of deferred grant of Rs 8.46 million (2022: Rs 9.80 million) has been netted off against the markup on long term finances.

		2023	2022
33.	**Taxation**		
	Current tax:		
	- Current year	865,954	320,400
	- Prior year	5,625	-
		871,579	320,400
	Deferred tax	(48,271)	11,169
		823,308	331,569

33.1 The provision for current taxation represents tax under 'Final Tax Regime', and 'Normal Tax Regime' under section 4, 'Income taxable as separate block of income' under section 5 and Alternative Corporate Tax (ACT) under section 113C of the Income Tax Ordinance, 2001. The enactment of the Finance Act 2022 had increased the applicable tax rate to the Holding Company from 29% to 39% for the tax year 2022 and to 33% for 2023 onwards due to imposition of super tax. However, the Finance Act 2023 enacted the rate of 39% (including 10% super tax) applicable to the Company.

		2023	2022
		%	%
33.2	**Tax charge reconciliation**		
	Numerical reconciliation between the average effective tax rate and the applicable tax rate		
	Applicable tax rate	29.00	29.00
	Effect of prior year	0.25	-
	Effect of super tax	10.10	10.30
	Effect of rate change	1.47	3.51
	Tax effect under income charged at lower rates	(0.45)	-
	Tax effect under final tax regime and others	(3.35)	(1.49)
		8.02	12.32
	Average effective tax rate charged to the consolidated statement of profit or loss	37.02	41.32

			2023	2022
34.	**Earnings per share**			
34.1	**Basic earnings per share**			
	Profit for the year attributable to the owners of the Holding Company	Rupees in thousand	1,400,392	470,877
	Weighted average number of ordinary shares	Number in thousand	175,031	175,031
	Earnings per share	Rupees	8.00	2.69

34.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue as at June 30, 2023 and June 30, 2022, which would have any effect on the earnings per share if the option to convert is exercised.

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

	Note	2023	2022
		(Rupees in thousand)	
35. Cash generated from operations			
Profit before taxation		2,223,700	802,446
Adjustment for:			
- Depreciation on property, plant and equipment:			
- owned assets	16.1.2	365,819	327,039
- right of use assets	16.2	20,125	18,386
- Amortization of intangible assets	17.1	11,477	7,881
- Provision for obsolescence stores and spares	28	97,780	-
- Impairment of capital spares	28	49,846	-
- Impairment reversal on trade debts	29	15	(782)
- Loss allowance for doubtful advances	23.1	510	1,063
- Gain on disposal of fixed assets	30	(107)	(58)
- Interest on bank deposits	30	(33,571)	(7,608)
- Dividend income	30	(70,461)	-
- Unrealised gain on investment	31	(4,037)	(725)
- Net exchange loss	31	78,878	15,195
- Finance costs	32	25,929	52,568
Profit before working capital changes		2,765,903	1,215,404
Effect on cash flow due to working capital changes:			
(Increase)/ decrease in current assets			
- Stores and spares		(128,154)	(170,875)
- Stock in trade		(468,361)	(94,259)
- Trade debts		71,864	(164,153)
- Loans, advances, deposits, prepayments and other receivables		(11,966)	25,147
Increase in current liabilities			
- Trade and other payables		62,751	395,150
		(473,866)	(8,990)
Cash generated from operations		2,292,037	1,206,414

36. Transactions with related parties

36.1 The related parties comprise associated companies, key management personnel, post-employment benefit plan and other related parties. The Group in the normal course of business carries out transactions with various related parties. Transactions with related parties are carried out on mutually agreed terms and conditions. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 37. Significant related party transactions have been disclosed in respective notes in these financial statements, other than the following:

Name of the related party	Relationship with the Company	Transactions during the year	2023	2022
			(Rupees in thousand)	
Descon Corporation (Private) Limited	Significant influence over the Group	Share of common expenses charged by the related party	30,971	21,489
		Share of common expenses charged to the related party	6,000	3,675
		Purchase of goods and services	16,114	8,786
		Payment of final dividend	17,088	8,544
		Payment of interim dividend	17,088	-
Descon Engineering Limited	Significant influence over the Group	Purchase of goods and services	5,437	31,268
		Services rendered by the related party for capital projects	-	29,777
		Sale of goods	130	741
		Share of common expenses charged by the related party	14,302	15,021
		Payment of final dividend	96,409	48,204
		Payment of interim dividend	96,409	-
DEL Chemicals (Private) Limited	Common directorship	Payment of final dividend	102,610	51,305
		Payment of interim dividend	102,610	-
Interworld Travels (Private) Limited	Common directorship	Purchase of goods and services	9,570	3,087
Inspectest (Private) Limited	Common directorship	Purchase of goods and services	19,779	15,045
Descon Engineering Services and Technology (Private) Limited	Common directorship	Purchase of services	-	8,814
Descon Oxychem Limited - Employees Provident Fund Trust	Provident Fund Trust	Expense charged in respect of provident fund	8,742	6,443
Descon (Private) Limited	Common directorship	Royalty charged to the Holding Company	33,597	21,265

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

37. Remuneration of Chief Executive, Directors and Executives

	Note	Chief Executive		Non-Executive Directors		Executives	
		30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
				(Rupees in thousand)			
Remuneration		19,716	18,034	-	-	51,117	33,523
Meeting fee	37.1	-	-	1,937	3,119	-	-
Contribution to provident fund		1,228	1,007	-	-	3,002	1,692
Car allowance		1,164	1,164	-	-	9,081	3,846
Medical facility		61	92	-	-	1,291	201
Bonus		5,069	5,040	-	-	11,087	8,147
Membership subscription		131	68	-	-	-	-
Advisory fee		-	-	11,000	6,149	-	-
Reimbursable expenses		308	179	-	-	1,414	2,001
		27,677	25,584	12,937	9,268	76,992	49,410
Number of persons		1	1	7	7	11	8

37.1 This includes an aggregate amount of Rs 1.93 million (2022: Rs 1.75 million) in respect of fee to independent directors.

37.2 Following are directors and key management personnel with whom the Holding Company had entered into transactions or had arrangements/agreements in place during the year:

Name	Basis of relationship	Aggregate % of shareholding in the
Taimoor Dawood	Director	0.11
Farooq Nazir	Director	0.0003
Faisal Dawood	Director	0.0666
Mehreen Dawood	Director	0.0003
Asif Qadir	Director	0.0003
Jehanzeb Khan	Director	0.0003
Muhammad Zahir	Director	0.0003
Haroon Waheed	Director	None
Ali Asrar Hossain Aga	Director	None
Muhammad Mohsin Zia	Chief Executive Officer	None
Muhammad Mushfiq Hussain	Key Management Personnel	None
Muhammad Rizwan Qaiser	Key Management Personnel	None
Tauheed Ahmed Khan	Key Management Personnel	None
Adil Akbar	Key Management Personnel	None
Zafar Ahmed Khan	Key Management Personnel	None
Azhar Ali	Key Management Personnel	None
Fawad Ul Islam Hirani	Key Management Personnel	None
Afzal Ali	Key Management Personnel	None
Imran Rauf Butt	Key Management Personnel	None
Muhammad Bilal Hussain	Key Management Personnel	None
Mujahid Ali	Key Management Personnel	None

37.3 The Company has provided a long term loan as mentioned in note 18 to two of its key management personnel.

37.4 No remuneration is paid to the key management personnel and directors of the subsidiary.

	Note	2023	2022
		(Rupees in thousand)	
38. Cash and cash equivalents			
Finances under mark up arrangements - secured	12	(110,383)	(14,620)
Bank balances	25	248,357	106,171
		137,974	91,551

39. Capacity and Production

		Production Capacity		Actual production	
		2023	2022	2023	2022
Production of hydrogen peroxide (on 100% concentration and based on 365 working days)	**Metric tonnes**	21,000	21,000	21,066	20,275
Production of packing material (based on 365 working days)	**Number**	1,080,000	1,080,000	901,733	913,930

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

40. Financial risk management objectives

40.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board).

(a) Market risk

(I) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Group is exposed to foreign currency exchange risk in respect of commitments against letters of credit in foreign currency. The management does not view hedging as being financially feasible.

The Group is exposed to currency risk arising only with respect to the Unites States Dollar (USD) and Great Britain Pounds (GBP). Currently, the Group's foreign exchange risk exposure is restricted to the amounts payable to the foreign entities. The Group's exposure to currency risk is as follows:

	2023	2022
	(FCY in thousand)	
Trade creditors - GBP	36	-
Trade creditors - US Dollars	700	1,010
The following significant exchange rates were applicable during the year:		
Rupees per USD		
Average rate	252.40	179.78
Reporting date rate	286.59	206.00
Rupees per GBP		
Average rate	305.93	237.18
Reporting date rate	365.27	248.48

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Group's profit before tax and equity. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in Exchange Rate	Effect on Profit before tax	Effect on Equity
		(Rupees in thousand)	
2023	10%	(21,376)	(13,463)
	-10%	21,376	13,463
2022	10%	(20,802)	(12,207)
	-10%	20,802	12,207

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is not exposed to equity price risk as it does not have any exposure in equity securities. As at 30 June 2023, had there been increase / decrease in net asset value by 1%, with all other variables held constant, the profit before tax for the year and equity would have been higher / lower by Rs 8.96 million (2022: Rs 1.50 million) and Rs 5.64 million (2022: Rs 0.88 million).

(iii) Interest rate risk

'Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk.

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

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

	2023	2022
	(Rupees in thousand)	
Financial assets		
Floating rate instruments		
Saving accounts	60,531	75,527
Financial liabilities		
Fixed rate instruments		
Lease liabilities	21,742	26,603
Floating rate instruments		
Long term finances - secured	129,196	325,069
Finances under mark up arrangements - secured	110,383	14,620
	239,579	339,689
	261,321	366,292

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect profit or loss of the Group. The impact of changes in average effective interest rate for the year is given below:

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

Interest rate sensitivity analysis

		Increase/ decrease in rate	Effect on profit before tax	Effect on Equity
			(Rupees in thousand)	
Financial assets				
	2023	1%	605	381
		-1%	(605)	(381)
	2022	1%	755	443
		-1%	(755)	(443)
Financial liabilities				
	2023	1%	(2,613)	(1,646)
		-1%	2,613	1,646
	2022	1%	(3,663)	(2,149)
		-1%	3,663	2,149

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Holding Group's credit risk is primarily attributable to its trade debts, advances, term deposits and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2023	2022
	(Rupees in thousand)	
Long term loan, term deposits and prepayments	30,623	29,448
Trade debts	165,504	237,383
Loans, advances, deposits, prepayments and	-	-
other receivables	96,689	53,927
Short term investment	896,726	150,000
Bank balances	248,357	106,171
	1,437,899	576,929

As of June 30, age analysis of trade debts was as follows:

	2023	2022
Not past due	46,511	34,887
- 1 to 30 days	52,530	54,534
- 31 to 60 days	33,475	129,930
- 61 to 120 days	32,988	18,032
- above 120 days	-	-
	165,504	237,383

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Group believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade debts are subject to specific credit ceilings. The Group also holds collateral against credit customers.

Credit risk for long term loans to employees and advances, deposits, prepayments and other receivables is insignificant as it mainly includes recoverable from secured contract asset and suppliers with whom the Group regularly enters into business.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

	Rating		Rating		
	Short term	Long term	Agency	2023	2022
				(Rupees in thousand)	
Bank balances					
Habib Metropolitan Bank	A1+	AA+	PACRA	53,488	51,317
Allied Bank Limited	A1+	AAA	PACRA	10,794	932
Bank Alfalah Limited	A1+	AA+	PACRA	4,146	15,361
Bank of Punjab	A1+	AA+	PACRA	112,399	20
Meezan Bank Limited	A1+	AAA	PACRA	-	-
Bank Al-Habib Limited	A1+	AAA	PACRA	67,530	38,541
				248,357	106,171
Short term investments					
NBP Money Market Fund	Not applicable	AA	PACRA	896,726	150,000
				896,726	150,000

Due to the Group's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Group. Accordingly, the credit risk is minimal.

c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Group manages liquidity risk by maintaining sufficient bank balances and the availability of funding through an adequate credit facilities. At June 30, 2023 the Holding Company had borrowing limits available from financial institutions aggregating to Nil (2022: Rs 1,100 million) for long term loans, Rs 1,300 million (2022: Rs 1100 million) for short term borrowings, Rs 896.7 million (2022: Rs 150 million) under short term investments and Rs 248.36 million (2022: Rs 106.17 million) in bank balances. The Group follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

All of the following financial liabilities are exposed to profit / mark-up rate risk except trade and other payables, dividend payable and accrued finance cost.

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

At June 30, 2023	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
					(Rupees in thousand)
Long term finances - secured	129,196	153,489	28,896	106,572	18,021
Lease liabilities	21,742	21,742	21,742	-	-
Finances under mark up arrangements - secured	110,383	110,383	110,383	-	-
Trade payables, provisions and other liabilities	780,449	780,449	780,449	-	-
Dividend payable	9,177	9,177	9,177	-	-
Accrued finance costs	345	345	345	-	-
	1,051,292	1,075,585	950,992	106,572	18,021

At June 30, 2022	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
					(Rupees in thousand)
Long term finances - secured	325,069	357,824	67,204	245,117	45,503
Lease liabilities	26,603	29,120	16,121	10,920	-
Finances under mark up arrangements - secured	14,620	14,620	14,620	-	-
Trade payables, provisions and other liabilities	652,072	652,072	652,072	-	-
Dividend payable	3,237	3,237	3,237	-	-
Accrued finance costs	8,849	8,849	8,849	-	-
	1,030,450	1,065,722	762,103	256,037	45,503

40.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

40.3 Financial instruments by categories

	Financial assets at amortised cost	
	2023	2022
	(Rupees in thousand)	
Long term loans, term deposits and prepayments	30,623	29,448
Trade debts	165,504	237,383
Loans, advances, deposits, prepayments and other receivables	96,689	53,927
Bank balances	248,357	106,171
	541,173	426,929

	Financial assets at fair value through profit or loss	
	2023	2022
	(Rupees in thousand)	
Short term investment	896,726	150,000

	Financial liabilities at amortised cost	
	2023	2022
	(Rupees in thousand)	
Long term finances - secured	129,196	325,069
Lease liabilities	21,742	26,603
Finances under mark up arrangements - secured	110,383	14,620
Trade payables, provisions and other liabilities	780,449	652,072
Dividend payable	9,177	3,237
Accrued finance costs	345	8,849
	1,051,292	1,030,450

40.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Specific valuation techniques used to value financial instruments include:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group’s financial assets that are measured at fair value at June 30, 2023.

	Level 1	Level 2	Level 3	Total
	(Rupees)			
Recurring fair value measurements of certain items of financial assets				
June 30, 2023:				
Short term investment	-	896,726	-	896,726
June 30, 2022:				
Short term investment	-	150,000	-	150,000

40.4.1 There were no transfers between Level 1 and Level 2 during 2023 and 2022.

40.4.2 Fair value of mutual funds is measured with reference to their respective net asset value.

40.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Group monitors the capital structure on the basis of gearing ratio.

This ratio is calculated as debt divided by total capital. Debt is calculated as total borrowings including current and non current borrowings, as disclosed in note 7 and 11 respectively. Total capital is calculated as 'equity' shown in the statement of financial position plus debt. The gearing ratio as at year ended June 30, 2023 and June 30, 2022 are as follows:

		2023	2022
		(Rupees in thousand)	
Debt		129,196	325,069
Total equity		3,059,241	2,358,975
Total capital		3,188,437	2,684,043
Gearing ratio	Percentage	4.1%	12.1%

40.6 Compliance with debt covenants

The Group is subject to the compliance of certain financial covenants as per the long term financing agreements with financial institutions referred to in note 7 and the Group is in compliance with the requirements throughout the reporting period.

41. Number of Employees

	2023	2022
Total number of employees as at year end (including contractual)	115	113
Average number of employees during the year (including contractual)	107	106

42. Provident Fund

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

43. Subsequent event

The Board of Directors of the Holding Company have proposed a final cash dividend of Rs. 2 per share (2022: Rs. 2 per share) for the year ended June 30, 2023 at their meeting held on September 07, 2023 for approval of members at the Annual General Meeting to be held on October 18, 2023. 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.

44. Date of authorization for issue

These consolidated financial statements were authorised for issue on September 07, 2023 by the Board of Directors of the Holding Company.

45. Corresponding figures

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

CHIEF EXECUTIVE	**CHIEF FINANCIAL OFFICER**	**DIRECTOR**

PATTERN OF SHAREHOLDING
As on June 30, 2023

	------Shareholdings------		
No. of Shareholders	From	To	Total Shares Held
356	1	100	10,988
445	101	500	184,971
1,846	501	1,000	1,189,453
1,316	1,001	5,000	3,173,890
374	5,001	10,000	2,832,368
150	10,001	15,000	1,871,717
64	15,001	20,000	1,172,210
67	20,001	25,000	1,543,960
43	25,001	30,000	1,224,942
11	30,001	35,000	362,200
16	35,001	40,000	611,600
9	40,001	45,000	385,240
17	45,001	50,000	833,720
5	50,001	55,000	261,720
7	55,001	60,000	404,600
7	60,001	65,000	441,340
6	65,001	70,000	410,254
6	70,001	75,000	440,500
3	75,001	80,000	234,200
6	80,001	85,000	497,500
1	90,001	95,000	92,800
14	95,001	100,000	1,399,760
4	105,001	110,000	429,189
3	110,001	115,000	337,020
8	115,001	120,000	941,300
1	120,001	125,000	125,000
1	125,001	130,000	127,600
3	130,001	135,000	397,500
2	140,001	145,000	286,000
4	145,001	150,000	597,600
1	150,001	155,000	152,500
2	155,001	160,000	320,000
1	160,001	165,000	164,703
2	170,001	175,000	348,000
1	190,001	195,000	191,980
1	210,001	215,000	215,000
1	215,001	220,000	220,000
1	220,001	225,000	225,000
1	235,001	240,000	239,500
2	245,001	250,000	500,000
1	260,001	265,000	265,000
2	280,001	285,000	565,500
1	285,001	290,000	290,000
1	295,001	300,000	299,500

	------Shareholdings------		
No. of Shareholders	From	To	Total Shares Held
1	320,001	325,000	323,060
1	335,001	340,000	337,000
1	375,001	380,000	379,500
2	440,001	445,000	884,400
1	530,001	535,000	535,000
1	540,001	545,000	543,000
1	670,001	675,000	674,500
1	715,001	720,000	716,500
1	720,001	725,000	725,000
1	770,001	775,000	771,500
1	800,001	805,000	802,500
1	895,001	900,000	900,000
1	995,001	1,000,000	1,000,000
1	1,000,001	1,005,000	1,000,500
1	1,385,001	1,390,000	1,387,000
1	1,880,001	1,885,000	1,885,000
1	3,640,001	3,645,000	3,644,000
1	4,580,001	4,585,000	4,583,100
1	8,630,001	8,635,000	8,630,168
1	10,050,001	10,055,000	10,051,697
1	51,725,001	51,730,000	51,728,750
1	56,710,001	56,715,000	56,711,084
4,836			**175,031,084**

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

As on June 30, 2023

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.	1,885,000	1.0770%
2.3.5 Insurance Companies	500,800	0.2861%
2.3.6 Modarabas and Mutual Funds	4,402,100	2.5150%
2.3.7 Shareholders holding 10% or more	117,070,002	66.8853%
2.3.8 General Public		
a. Local	35,819,653	20.4647%
b. Foreign	4,641	0.0027%
2.3.9 Others (to be specified)		
1- Pension Funds	271,000	0.1548%
2- Joint Stock Companies	3,883,091	2.2185%
3- Others	831,060	0.4748%

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

Sr. No.	NAME	No. of Shares Held	% AGE
	DIRECTORS, CEO THEIR SPOUSE AND MINOR CHILDREN		
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
	ASSOCIATED COMPANIES		
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
	NIT & ICP	0	0.0000
	FINANCIAL INSTITUTION		
1	BANK ALFALAH LIMITED (CDC)	1,885,000	1.0770
		1,885,000	1.0770
	INSURANCE COMPANIES		
1	SALAAM TAKAFUL LIMITED (CDC)	250,000	0.1428
2	ASKARI LIFE ASSURANCE COMPANY LIMITED (CDC)	5,800	0.0033
3	PREMIER INSURANCE LIMITED (CDC)	145,000	0.0828
4	SALAAM TAKAFUL LIMITED (CDC)	100,000	0.0571
		500,800	0.2861
	MODARABAS		
1	TRUST MODRABA (CDC)	13,000	0.0074
		13,000	0.0074
	MUTUAL FUNDS		
1	CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND (CDC)	24,000	0.0137
2	CDC - TRUSTEE AL AMEEN ISLAMIC ASSET ALLOCATION FUND (CDC)	85,000	0.0486
3	CDC - TRUSTEE AL AMEEN SHARIAH STOCK FUND (CDC)	26,500	0.0151
4	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND (CDC)	50,500	0.0289
5	CDC - TRUSTEE FAYSAL ISLAMIC DEDICATED EQUITY FUND FUND (CDC)	716,500	0.4094
6	CDC - TRUSTEE FAYSAL ISLAMIC STOCK FUND FUND (CDC)	337,000	0.1925
7	CDC - TRUSTEE JS ISLAMIC FUND (CDC)	150,000	0.0857
8	CDC - TRUSTEE JS LARGE CAP. FUND (CDC)	225,000	0.1285
9	CDC - TRUSTEE LAKSON EQUITY FUND (CDC)	440,100	0.2514
10	CDC - TRUSTEE UBL ASSET ALLOCATION FUND (CDC)	32,000	0.0183
11	CDC - TRUSTEE UBL DEDICATED EQUITY FUND (CDC)	63,000	0.0360
12	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND (CDC)	285,000	0.1628
13	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND (CDC)	30,000	0.0171
14	CDC - TRUSTEE UNIT TRUST OF PAKISTAN (CDC)	725,000	0.4142
15	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND- EQUITY SUB FUND (CDC)	299,500	0.1711
16	MC FSL - TRUSTEE JS GROWTH FUND (CDC)	900,000	0.5142
		4,389,100	2.5076

PENSION FUNDS

1	CDC - TRUSTEE NAFA ISLAMIC PENSION FUND EQUITY ACCOUNT (CDC)	131,500	0.0751
2	CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB- FUND ACCOUNT (CDC)	67,500	0.0386
3	ROCHE PAKISTAN LIMITED MANAGEMENT STAFF PENSION FUND (CDC)	15,000	0.0086
4	TRUSTEE-THE KOT ADDU POWER CO. LTD. EMPLOYEES PENSION FUND (CDC)	57,000	0.0326
		271,000	0.1548

JOINT STOCK COMPANIES

1	HONDA SOUTH (PRIVATE) LIMITED (CDC)	7,500	0.0043
2	ABA ALI HABIB SECURITIES (PVT) LIMITED (CDC)	28,000	0.0160
3	ALI ASGHAR TEXTILE MILLS LTD (CDC)	674,500	0.3854
4	ALTAF ADAM SECURITIES (PVT) LTD. (CDC)	500	0.0003
5	AMER SECURITIES (PRIVATE) LIMITED (CDC)	3,480	0.0020
6	ASDA SECURITIES (PVT.) LTD. (CDC)	265,000	0.1514
7	AVI DINSHAW (PRIVATE) LIMITED (CDC)	19,000	0.0109
8	BAWA SECURITIES (PVT) LTD. (CDC)	4,000	0.0023
9	BMA CAPITAL MANAGEMENT LTD. - MF (CDC)	160,000	0.0914
10	BULK MANAGEMENT PAKISTAN (PVT.) LTD. (CDC)	75,200	0.0430
11	CENTRAL FACILITATION AGENCY (PVT.) LIMITED (CDC)	100,000	0.0571
12	EDDIE COMPANY (PRIVATE) LIMITED (CDC)	11,000	0.0063
13	FAZAL HOLDINGS (PVT.) LIMITED (CDC)	1,387,000	0.7924
14	FDM CAPITAL SECURITIES (PVT) LIMITED (CDC)	50,000	0.0286
15	FRAMEROZE E. DINSHAW (PRIVATE) LIMITED (CDC)	13,000	0.0074
16	GALAXY CAPITAL SECURITIES (PVT) LIMITED (CDC)	4,000	0.0023
17	H. M. IDREES H. ADAM (PRIAVTE) LIMITED (CDC)	113,520	0.0649
18	INTERMARKET SECURITIES LIMITED (CDC)	174,000	0.0994
19	INTERMARKET SECURITIES LIMITED - MF (CDC)	108,000	0.0617
20	JS GLOBAL CAPITAL LIMITED - MF (CDC)	49,500	0.0283
21	KARACHI LIGHTERAGE COMPANY (PRIVATE) LIMITED (CDC)	3,000	0.0017
22	KHURSHEED SALT WORKS (PRIVATE) LIMITED (CDC)	8,000	0.0046
23	KTRADE SECURITIES LIMITED (CDC)	1	0.0000
24	M. N. TEXTILES (PRIVATE) LIMITED (CDC)	28,000	0.0160
25	MAKDA (PVT.) LIMITED (CDC)	71,500	0.0408
26	MAPLE LEAF CAPITAL LIMITED (CDC)	1	0.0000
27	MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES LTD. - MF (CDC)	21,500	0.0123
28	MRA SECURITIES LIMITED - MF (CDC)	41,000	0.0234
29	MULTILINE SECURITIES LIMITED (CDC)	111,000	0.0634
30	MULTILINE SECURITIES LIMITED - MF (CDC)	25,000	0.0143
31	NCC - PRE SETTLEMENT DELIVERY ACCOUNT (CDC)	112,500	0.0643
32	NH SECURITIES (PVT) LIMITED. (CDC)	3,480	0.0020
33	PAKISTAN HOUSE INTERNATIONAL LTD (CDC)	2,320	0.0013
34	RAFI SECURITIES (PRIVATE) LIMITED (CDC)	10,500	0.0060
35	SIDDIQ LEATHER WORKS (PVT) LIMITED (CDC)	38,000	0.0217
36	SIDDIQ LEATHER WORKS (PVT) LTD (CDC)	25,000	0.0143
37	A.M.MANSUR LLP (CDC)	335	0.0002
38	ALPHA ALLIANCE (PRIVATE) LIMITED (CDC)	50,000	0.0286
39	ISPI CORPORATION (PRIVATE) LIMITED (CDC)	19,000	0.0109
40	RAFUM CORPORATION (PRIVATE) LIMITED (CDC)	65,654	0.0375
41	HOLIDAY TRAVEL AND TOURS (SMC-PRIVATE) LIMITED (CDC)	100	0.0001
		3,883,091	2.2185

FOREIGN COMPANIES	0	0.0000

OTHERS			
1	HOMMIE AND JAMSHED NUSSERWANJEE CHARITABLE TRUST (CDC)	8,000	0.0046
2	TRUSTEE MOMIN ADAMJEE WELFARE TRUST (CDC)	100,000	0.0571
3	TRUSTEE-AZAN WELFARE TRUST (CDC)	2,500	0.0014
4	PAK ELEKTRON LIMITED EMPLOYEES PROVIDENT FUND (CDC)	11,000	0.0063
5	GHANI GLASS LIMITED EMPLOYEES PROVIDENT FUND (CDC)	82,000	0.0468
6	ONTEX PAKISTAN (PRIVATE) LIMITED EMPLOYEES GRATUITY FUND (CDC)	9,000	0.0051
7	SEAGOLD (PRIVATE) LIMITED EMPLOYEES PROVIDENT FUND (CDC)	9,000	0.0051
8	ONTEX PAKISTAN (PRIVATE) LIMITED EMPLOYEES PROVIDENT FUND (CDC)	3,500	0.0020
9	AGRIAUTO INDUSTRIES LIMITED EMPLOYEES PROVIDENT FUND (CDC)	7,500	0.0043
10	BRISTOL-MYERS SQUIBB PAK (PVT) LTD EMP PROV FUND (CDC)	13,500	0.0077
11	ROCHE PAKISTAN LIMITED MANAGEMENT STAFF GRATUITY FUND (CDC)	15,000	0.0086
12	ABACUS CONSULTING TECHNOLOGY PVT LTD STAFF PROV FUND TRUST (CDC)	4,000	0.0023
13	BYCO PETROLEUM PAKISTAN LIMITED EMPLOYEES PROVIDENT FUND (CDC)	29,500	0.0169
14	KOT ADDU POWER COMPANY LIMITED EMPLOYEES PROVIDENT FUND (CDC)	11,500	0.0066
15	NISHAT CHUNIAN LIMITED EMPLOYEES PROVIDENT FUND (CDC)	8,000	0.0046
16	ROCHE PAKISTAN LIMITED EMPLOYEES PROVIDENT FUND (CDC)	5,000	0.0029
17	SUI SOUTHERN GAS EXECUTIVE STAFF PROVIDENT FUND (CDC)	5,500	0.0031
18	TRUSTEES D.G.KHAN CEMENT CO.LTD.EMP. P.F (CDC)	323,060	0.1846
19	WELLCOME PAKISTAN LIMITED PROVIDENT FUND (CDC)	152,500	0.0871
20	THE CRESCENT TEXTILE MILLS LTD EMPLOYEES PROVIDENT FUND (CDC)	21,000	0.0120
21	HAMID ADAMJEE TRUST (CDC)	2,500	0.0014
22	TRUSTEE-THE PAKISTAN MEMON EDUCATIONAL & WELFARE SOCIETY (CDC)	7,500	0.0043
		831,060	0.4748
EXECUTIVES		0	0.0000
SHARES HELD BY THE GENERAL PUBLIC (FOREIGN)		4,641	0.0027
SHARES HELD BY THE GENERAL PUBLIC (LOCAL)		35,819,653	20.4647
		35,824,294	20.4674
	TOTAL:	**175,031,084**	**100.0000**

List of S. Holders Holding ≥ 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 ≥ 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
1	MR. TAIMUR DAWOOD	116,000	307,980
2	MR. FAISAL DAWOOD	0	116,000
3	MR. MUHAMMAD ZAHIR	0	580
4	MR. JEHANZEB KHAN	0	580

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	CDC - TRUSTEE AL AMEEN ISLAMIC DEDICATED EQUITY FUND (CDC)	24,000	0.0137
2	CDC - TRUSTEE AL AMEEN ISLAMIC ASSET ALLOCATION FUND (CDC)	85,000	0.0486
3	CDC - TRUSTEE AL AMEEN SHARIAH STOCK FUND (CDC)	26,500	0.0151
4	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND (CDC)	50,500	0.0289
5	CDC - TRUSTEE FAYSAL ISLAMIC DEDICATED EQUITY FUND FUND (CDC)	716,500	0.4094
6	CDC - TRUSTEE FAYSAL ISLAMIC STOCK FUND FUND (CDC)	337,000	0.1925
7	CDC - TRUSTEE JS ISLAMIC FUND (CDC)	150,000	0.0857
8	CDC - TRUSTEE JS LARGE CAP. FUND (CDC)	225,000	0.1285
9	CDC - TRUSTEE LAKSON EQUITY FUND (CDC)	440,100	0.2514
10	CDC - TRUSTEE UBL ASSET ALLOCATION FUND (CDC)	32,000	0.0183
11	CDC - TRUSTEE UBL DEDICATED EQUITY FUND (CDC)	63,000	0.0360
12	CDC - TRUSTEE UBL RETIREMENT SAVINGS FUND - EQUITY SUB FUND (CDC)	285,000	0.1628
13	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND (CDC)	30,000	0.0171
14	CDC - TRUSTEE UNIT TRUST OF PAKISTAN (CDC)	725,000	0.4142
15	CDC-TRUSTEE AL-AMEEN ISLAMIC RET. SAV. FUND- EQUITY SUB FUND (CDC)	299,500	0.1711
16	MC FSL - TRUSTEE JS GROWTH FUND (CDC)	900,000	0.5142
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:		2,669,800	1.5253
Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)			
1	DEL CHEMICALS (PRIVATE) LIMITED (CDC)	60,358,918	34.4847
2	DESCON ENGINEERING LIMITED (CDC)	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
1	MR. TAIMUR DAWOOD	116,000	307,980
2	MR. FAISAL DAWOOD	-	116,000
3	MR. MUHAMMAD ZAHIR	-	580
4	MR. JEHANZEB KHAN	-	580

Notice of Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting ("AGM") of Descon Oxychem Limited (the 'Company') will be held on Wednesday, October 18, 2023 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 Extraordinary General Meeting of the Company held on June 23, 2023.

2) To receive, consider and adopt the Annual Audited Financial Statements of the Company for the year ended 30th June 2023 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 2023 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 have retired, and the Board has recommended M/s. Crowe Hussain Chaudhury & Co., Chartered Accountants, as Auditors of the Company for year ending on 30 June 2024.

4. To approve, as recommended by the Board of Directors, payment of Final Cash Dividend @ 20.00% (i.e. PKR 2.00 per ordinary share) for the year ended June 30, 2023.

5. To transact any other business with the permission of the Chair.

By order of the Board

Lahore
September 26, 2023

Abdul Sohail
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will be closed from 12-10-2023 to 18-10-2023 (both days inclusive). Transfers received at the Corplink (Pvt.) Limited, 1-K, Commercial Model Town Lahore the close of business on 11 Oct, 2023 will be treated in time for the purpose of above entitlement of final cash dividend.

2. In compliance with the section 223(6) of Companies Act 2017, the Company has electronically transmitted the Annual Accounts 2023 through email to shareholders whose e-mail addresses are available with the Company's Share Registrar, M/s Corplink (Pvt) Limited. Shareholders who have not received the email for any reason should download the Annual Accounts 2023 from the official website of the Company i.e. www.desconoxychem.com (the "Company's Website"). However, the Company would also provide hard copies of the Annual Accounts to the Shareholders on their written request at their registered address, free of cost within one week of such request. Further, the shareholders who have not yet provided their email address are advised to submit their valid email address through a duly signed letter to the Company's Share Registrar Corplink (Pvt.) Limited, at Wings Arcade, 1-K, Commercial Model Town Lahore.

3. Members are requested to attend the AGM in person along with their Computerized National Identity Card ("CNIC") or appoint some other member as proxy and send their proxy forms, duly witnessed, so as to reach the registered office of the Company not later than 48 hours before the time of holding the said meeting. A member cannot appoint more than one proxy. A proxy form is attached at the end of the Annual Report and is also available on the Company's Website.

4. In case of a corporate entity, the Board of Directors' resolution / power of attorney along with proxy form shall be shared with the Registered Office of the Company at least 48 hours before the AGM.

5. Any Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or passport, Account and participant's I.D. card numbers to prove his/her identity, and in case of proxy it must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.

6. Securities & Exchange Commission of Pakistan has instructed listed companies to make arrangement for video link facility in case a member wishes to attend the Meeting online. Accordingly, the members of our Company may attend the Meeting virtually. To attend the Meeting virtually, a Member is required to send an email to shareholders@descon.com with email address, name, folio number, CNIC number and number of shares held in his/her name with subject "Registration for 19th AGM of Descon Oxychem Limited". A video link to join the Meeting will be shared with Members whose emails, containing all the required particulars, are received not later than 48 (forty-eight) hours before the time of the Meeting. Members attending the Meeting in person will be required to comply with SoPs and protocols/guidelines for their own safety and safety of others.

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

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

   i. For filers of income tax returns 15%
   ii. For non-filers of income tax returns 30%

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

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

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

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

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

13. As per the provision of section 244 of the Act, any shares issued, or dividend declared by the Company which have remained unclaimed / unpaid for a period of three years from the date on which it was due and payable are required to be deposited with Securities and Exchange Commission of Pakistan for the credit of Federal Government after issuance of notices to the shareholders to file their claim. The details of the shares issued and dividend declared by the Company which have remained due for more then three years was sent to shareholders.

14. Members having physical shares are requested to immediately notify the change in their addresses, if any to the Company's Share Registrar, whereas CDC account holders are requested to contact their CDC Participant / CDC Account Services.

15. Shareholders are requested to immediately notify change in address, if any, to the Company's Share Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and also furnish attested photocopy of their CNIC as per Listing Regulations, if not provided earlier.

Notes


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Insurance & Investment Checklist
FAQs Answered
Stock trading simulator (based on live feed from KSE)
Knowledge center
Risk profiler*
Financial calculator
Subscription to Alerts (event notifications, corporate and regulatory actions)
Jamapunji application for mobile device
Online Quizzes
jamapunji.pk
@jamapunji_pk
*Mobile apps are also available for download for android and ios devices
Jama Punji is an Investor Education Initiative of Securites and Exchange Commission of Pakistan
SECP

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, Ferozepur 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 Oxychem 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, Ferozepur Road, Lahore on Wednesday, October 18, 2023 at 10:00 am and at any Adjournment thereof.

As witness my / Our hand this ______________ day of ______________ 2023.

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

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