Descon Oxychem Limited
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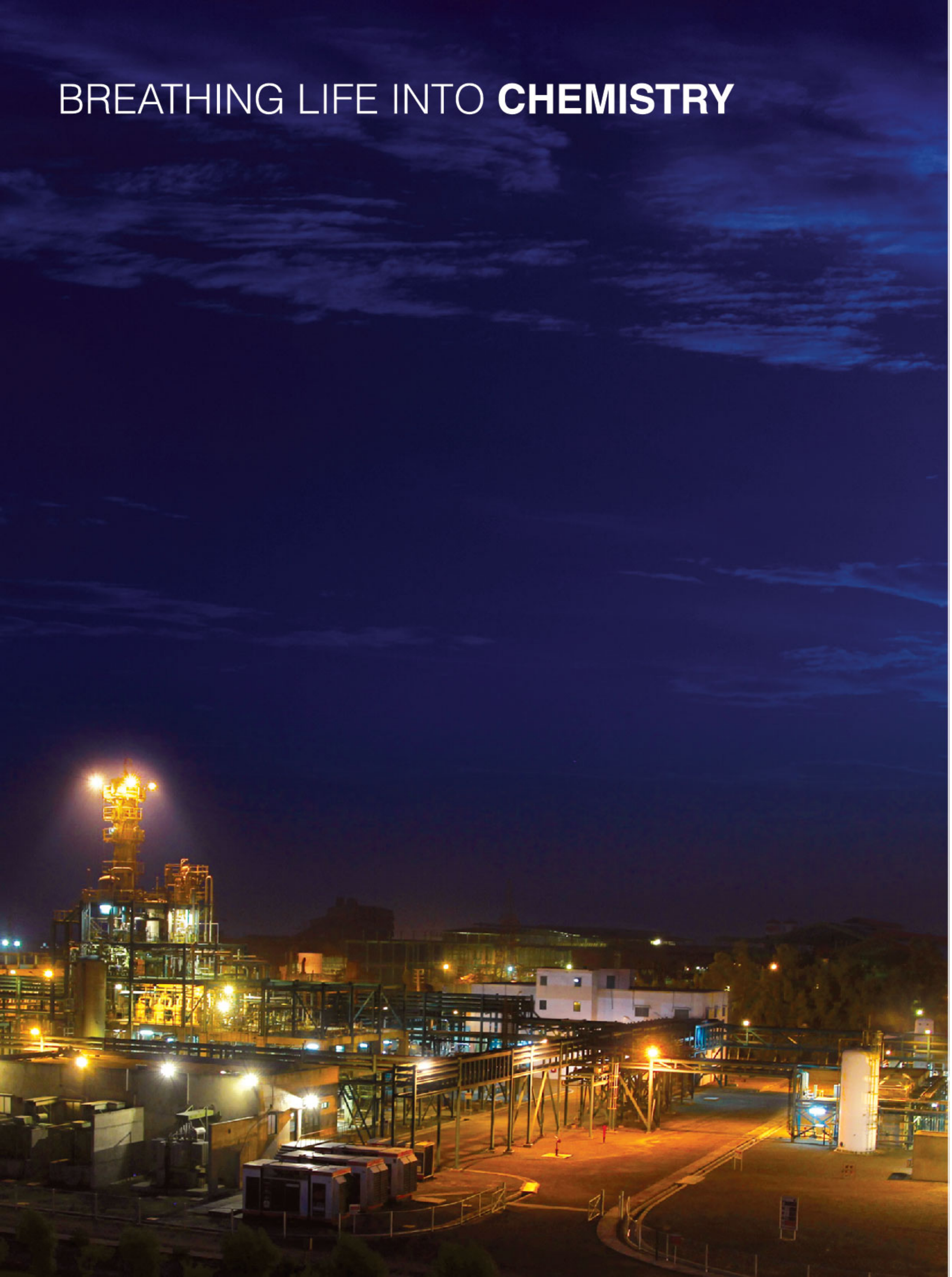
Descon Oxychem Limited | Report and Accounts 2017-18

PARTNERS IN PROGRESS

ANNUAL REPORT
2017-18

Descon Oxychem Limited

BREATHING LIFE INTO **CHEMISTRY**



Vision

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

Mission

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

Our Values

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

Contents

Company Information

Board of Directors

Taimur Dawood	Chairman*
Asif Qadir	Independent Director
Farooq Nazir	
Mehreen Dawood	
Faisal Dawood	
Ali Asrar Hossain Aga	Independent Director
Imran Qureshi	Chief Executive Officer

Muhammad Saqib Abbas
Chief Financial Officer

Abdul Sohail
Company Secretary

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

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

Legal Advisors
M/s Hassan & Hassan Advocates

Bankers
Allied Bank Limited
Bank Al Habib Limited
Habib Metropolitan Bank Limited
Soneri Bank Limited
Askari Bank Limited

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

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

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

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

*During reporting period Abdul Razzak Dawood was Chairman and resigned on August 15, 2018.

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 discussions and decisions at its meetings and recommendations in respect of Company's operations and financial results.

The committee comprises of three members, all are non-executive directors, including the Chairman of the committee. This committee is constituted of the following members:

Farooq Nazir	Chairman
Taimur Dawood	Member
Ali Asrar Hossain Aga	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, 2017. It comprises of three members, of whom two are non-executive directors, the Chairman of the committee is an independant director.

Ali Asrar Hossain Aga	Chairman
Taimur Dawood	Member
Farooq Nazir	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:

Taimur Dawood	Board Nominee
Imran Qureshi	Chief Executive Officer
Abdul Sohail	Company Secretary
M. Saqib Abbas	Chief Financial Officer
Muhammad Farooq	Manager Shared Services
Amir Javed	Dy. Manager Compliance & Reporting

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:

Imran Qureshi	Chief Executive Officer
Abdul Sohail	Company Secretary
M. Saqib Abbas	Chief Financial Officer
Muhammad Farooq	Manager Shared Services
Yawar Mehmood	Operations Manager
Amir Javed	Dy. Manager Compliance & Reporting

PRINCIPAL MARKETS & APPLICATION AREAS

MINING

Descon's DOLOX 50 brand is the leadership 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 increases in bleaching 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 fibers derived from cellulose such as cotton, linen and bast fibers. The textile fibers 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 is one of 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.

Director's Report to the Shareholders

for the year ended June 30, 2018

The Directors of the Company are pleased to present the Annual Report along with the Audited Financial Statements for the year ended June 30, 2018.

Economic & Industrial Review

Pakistan has made good strides in improving its economic outcomes and reducing its macroeconomic vulnerability in the recent years. As a result, economic growth has continued to gain traction, albeit at varying speeds across the sectors, founded on the government's commitment to higher growth and low inflation. GDP continued to grow above 5 percent in each of the last 2 years reaching 5.79 percent in the outgoing fiscal year FY2018.

Despite taking numerous administrative measures and devaluing currency by close to 15%, Pakistan booked its highest trade deficit in history in 2017-18 due to failure in increase exports and contain the import bill. The trade deficit in the 12 months of fiscal 2018 stood at $37.7 billion with imports standing at a record $60.9 billion. Pakistan's chemical sector is less than 2 percent of the Large Scale Manufacturing (LSM) with total annual revenue of less than $3 billion. It has great potential of growth and can further serve as an industry instrument in import substitution and savings of foreign exchange. A holistic chemical policy is required to be drawn up involving all the stakeholders to set up a sector that would benefit generations of manufacturers and consumers.

Business Results

Your company continued to build on the strong fundamentals. The consistent performance of your Company demonstrates the inherent strength of the business. The summarized financial performance appears below.

	2018 (Rs '000')	2017 (Rs '000')
Sales	**2,088,225**	1,961,005
Gross profit	**616,361**	506,622
Profit from operations	**459,191**	345,273
Finance cost	**(5,373)**	(11,739)
Profit before tax	**453,818**	333,534
Profit after tax	**322,279**	204,925
Earnings per share – Basic	**3.16**	2.01

The company has been able to improve its margins and profitability from same period last year as evident from above numbers. Gross profits of the Company have increased from PKR 507 million to PKR 616 million. Gross profit percentage has gone up from 26% to 30%. Increase in gross profits has been primarily driven by pricing initiatives and maintaining stringent controls over cost of manufacturing. While Administrative cost has gone up by 11% however, overheads have been under strict control hence profit after tax has increased from PKR 205 million to PKR 322 million. It's the highest profit after tax number achieved by the Company since incorporation. EPS has also shown healthy growth as it moves up to PKR 3.16 per share from PKR 2.01 per share.

Cash Flow Management

The Company has continued its effective working capital management during the year. The net investment in working capital has been further reduced by PKR 54 million. During the year, Your Company has paid the remaining balance of intercompany loan mark up of PKR 191 million and preference dividend of PKR 264 million. The Company has been actively following up its refund claims and has been successful in obtaining significant refunds which has further strengthened the cash position.

Working capital management has improved through controls built in the ERP system, which derives efficiencies between marketing, supply chain and finance.

Safety & Manufacturing

Health, safety, environment and security of our employees and contractors have a principal focus in the company, and it is an integral part of Descon's core values. At the close of FY18, the business had operated ten consecutive years without a single lost time injury (LTI), achieving 5.54 million man-hours without a lost time incident. Total reportable injuries rate (TRIR) is still zero same as last year.

Your 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 1,012 training hours in capacity and capability development. Further, it continues to take measures that build institutional memory.

Sales & Marketing

The Company continues to be the leading producer, reliable supplier and provider of quality product coupled with providing quality customer support services. While Textile and Mining sectors remains the core customer base, the Company has made reasonable progress in food grade and beverages market and also developed Cosmetic Grade product for use in the cosmetic industry. The Company is also looking to enter in livestock water disinfectant and treatment of waste water management markets in the near future.

Risk Evaluation

The Company's activities expose it to a range of operational and financial risks. The Company's overall risk management program seeks to minimize potentially adverse impact on financial performance, through appropriate mitigating strategies and management has an ongoing process involving assessing and identifying individual risks posed to the company. Further, the business through its Enterprise Risk Management Committee assures that the company has robust mitigation in-place.

Entity Credit Rating

By the Pakistan Credit Rating Agency Limited as on June 30, 2018.

Rating Type	**Rating**
Long-term	**A** (Single A)
Short-term	**A1** (A One).

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and the short-term entity ratings of Descon Oxychem Limited (DOL) at "A" (Single A) 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 challenge ahead of Your Company is not only to maintain this strong financial performance, but also find ways to increase margins and profits. Your company is consistently working on strategies to ensure these challenges are met effectively. Our continuous efforts to penetrate the food and beverage markets is part of this strategy which will drive future growth alongside organic growth in Textile and Mining sectors. Further Your Company is working for making entry into disinfectant market (livestock & water treatment) in next year, hence further diversifying its product lines. Cosmetic grade product will stay as regular product line in future as well.

As your Company has announced to enhance its production capacity by 25%, the project is work in progress and has been monitored rigorously to complete well ahead of plan. After the completion, the production capacity of the plant will touch 118-120 MT per day.

The business continues to invest in those areas which reinforce its advantaged positions in safety, manufacturing efficiency and building market leadership positions in key geographies.

Best Corporate Practices

The Company surpasses the minimum legal requirements for good corporate governance imposed by applicable laws and regulations. The Company encourages adherence to best corporate practices. During the year, all periodic financial statements of the Company were circulated well in time to the Directors, endorsed by the Chief Executive and the Chief Financial Officer prior to circulation. The Quarterly financial statements of the Company were approved, published and circulated to shareholders within one month of the closing date while Half Yearly financial statements of the Company were reviewed by the external auditors, approved by the Board, published and circulated to shareholders within the permitted time period of two months after closing. Other non-financial information to be circulated to governing bodies and other stakeholders were also delivered in an accurate and timely manner. The annual financial statements have also been audited by the external auditors and approved by the Board and will be presented to the shareholders in the forthcoming Annual General Meeting for their approval.

Composition of the Board of Directors

Keeping in mind the legal and regulatory framework defining the factors regarding qualification and composition of the Board of Directors, the Company has on its Board highly capable and dedicated personnel with vast experience, knowledge, integrity, and strong sense of responsibility for safeguarding of shareholders' interest. The Board consists of 8 Directors including the Chief Executive Officer, effectively representing the interest of shareholders. There are five (5) non-executive Directors, one (1) executive Director i.e. the CEO and two (2) independent Directors.

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 Board held 5 such meetings during the year, agendas of which were circulated in a timely manner. The decisions made by the Board during the meetings were recorded and were duly circulated to all the Directors for endorsement and were approved in the following Board meetings. All meetings of the Board had minimum quorum for attendance prescribed by the Listed Companies (Code of Corporate Governance) Regulations, 2017 and were also attended by the Chairman and the Company Secretary. During the year under review, five (05) meetings of the Board of Directors were held and the attendance of Directors was as follows:

Name of Director	Remarks	Attended Remarks
Abdul Razak Dawood	5	--
Asif Qadir	4	Leave of absence was granted in one meeting
Taimur Dawood	5	--
Farooq Nazir	4	--
Mrs. Mehreen Dawood	4	Leave of absence was granted in one meeting
Faisal Dawood	4	Leave of absence was granted in one meeting
Ali Asrar Hossain Aga	5	--
Imran Qureshi	1	New Appointed
Aamir Niazi	3	Leaves of absences were granted in two meetings and eventually he Resigned.

As per requirements of the listing regulations, each member of the Board shall be subject to orientation and training for enhancing their director skills. The Board had arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate Governance for its directors. The Company has already met the criteria of training programs for its directors under the Listed Companies (Code of Corporate Governance) Regulations, 2017. Therefore, no such training program was conducted during the year.

Changes to the Board

During the year no change, However, post reporting period Mr. Abdul Razak Dawood, Chairman and Director of the Company has resigned from the positions of Chairman and Director. The Board will fill this vacant position within the time prescribed by the Companies Act, 2017, for the balance unexpired term.

Directors' Statement

The directors are pleased to make statements as required by the Listed Companies (Code of Corporate Governance) Regulations, 2017 as given below:

i) Presentation of Financial Statements
The financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.

ii) Books of Accounts
The Company has maintained proper books of accounts.

iii) Accounting Policies
Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

iv) International Financial Reporting Standards (IFRS)
International Financial Reporting Standards, as applicable in Pakistan, have been followed in the preparation of financial statements.

v) Accounting Year
The accounting year of the Company is from 1st July to 30th June.

vi) Safety and Environments
The Company strictly complies with the standards of the safety rules and regulations. It also follows environment friendly policies.

vii) Going Concern
There is no significant doubt upon the Company's ability to continue as a going concern.

viii) Internal Control System
The system of internal control is sound in design and has been effectively implemented and monitored. The review will continue in future for the improvement in controls.

ix) Trading Company's Shares
Mr. Abdul Razak Dawood transferred the 23,774,450 ordinary shares, Mr. Taimur Dawood transferred the 5,644,000 ordinary shares, Mr. Faisal Dawood transferred 5,644,000 ordinary shares, Mrs. Mehreen Dawood transferred 5,402,300 ordinary shares and Mrs. Bilquis Dawood also transferred 4,129,000 ordinary shares of the Company. All said shares were transferred to DEL Chemicals (Pvt.) Ltd., a private limited company, which is wholly owned by all the above said transferees.

x) Outstanding Statutory Dues
There are no outstanding statutory dues.

xi) Dividends
The Company has declared to pay, with the approval of Shareholder, annual cumulative cash Interim dividends @ 12% (Rs. 1.20 per preference share) and cash Final dividends @ 12% (Rs. 1.20 per preference share) to the preference shareholders out of the profits of the Company for the year ended on June 30th 2018.

xii) Quality Control

To ensure implementation of the Management System, Internal Quality Audits, Surveillance Audits and Management Review meetings are conducted regularly.

xiii) Communication

Communication with the shareholders is given high priority. Annual, Half Yearly and Quarterly Accounts are distributed to them within the time specified in the Companies Act, 2017. Every opportunity is given to the individual shareholders to attend and freely ask questions about Company operations at the Annual General Meeting.

xiv) Board of Directors

The details of the meetings are given above.

xv) Auditors

In pursuance of the Listed Companies (Code of Corporate Governance) Regulations, 2017, the Audit Committee has recommended the re-appointment of M/s. A.F. Ferguson & Co., Chartered Accountants, as Auditors of the Company for the year ending June 30, 2019.

xvi) Audit Committee

The Board of Directors in compliance to the Listed Companies (Code of Corporate Governance) Regulations, 2017 has established an audit committee comprising majority of non-executive Directors. During the year, four audit committee meetings were held. The following are the members of the audit committee.

Name of Director	Designation
Farooq Nazir	Chairman
Taimur Dawood	Member
Ali Asrar Hossain Aga	Member

Internal audit function of the Company is outsourced to M/s. KPMG Taseer Hadi and Co., Chartered Accountants. During the year under review, the audit committee has performed its functions satisfactorily and in accordance with the Code of Corporate Governance.

xvii) Material Information

During the year under review, pursuant to restructuring and corporatization, DEL Chemicals (Private) Limited has become the holding company of the Company, holding in aggregate 51.02% shareholding of the Company.

Acknowledgements

We would like to thank all stakeholders for their contributions and accomplishments in the past year. Similarly, the ongoing support of customers and partners makes all the company's achievements possible.
Finally, the continued trust that you, the shareholders, have conferred on the company is the foundation upon which this enterprise has been built and we look forward to a bright and a promising future.

For and on behalf of the Board

Lahore
August 15, 2018

Imran Qureshi Chief Executive Officer

ٹوٹل انجریز (TRIR) پچھلے سال کی طرح ابھی تک صفر ہیں۔ آپ کی کمپنی ISO 9001, OHSAS 18001 اور ISO 14001 سمیت منظوری حاصل کرنے کے تمام عالمی معیارات پر مکمل طور پر پورا اترتی ہے۔ کمپنی قومی معیار برائے اخراجِ گیس و مائع پر مستقل طور پر پورا اترتی۔ ساری افرادی قوت تربیت یافتہ اور معاونت یافتہ ہے اور ان کی باقاعدگی سے جانچ کی جاتی ہے جو کام کے دوران ان کے لیے خطرے کو کم کرتی ہے۔ دوران سال کمپنی نے (اپنی افرادی قوت کی) قابلیت اور اہلیت کو بہتر بنانے کے لیے 1,012 تربیتی گھنٹوں کے لیے سرمایہ کاری کی۔ علاوہ ازیں کمپنی ایسے اقدامات جاری رکھے ہوئے ہے جن سے ادارے کے علم اور تجربہ میں اضافہ ہو۔

فروخت اور مارکیٹنگ

کمپنی مصنوعات کی پیداوار میں سرفہرست، قابل بھروسہ سپلائر اور معیاری مصنوعات کی فراہمی جاری رکھے ہوئے ہے۔ اس کے ساتھ ساتھ یہ معیاری کسٹمر سپورٹ سروسز فراہم کر رہی ہے۔ اگرچہ ٹیکسٹائل اور کان کنی کے شعبہ جات صارفین کی بنیادی دلچسپی کے حامل ہیں لیکن کمپنی نے خوراک اور مشروبات کی مارکیٹ میں بھی معقول ترقی کی اور اس کے ساتھ کاسمیٹک انڈسٹری کے لیے کاسمیٹک مصنوعات کے اجزا تیار کیے۔ مستقبل قریب میں کمپنی لائیوسٹاک، پانی کی صفائی اور فاسد پانی کی منیجمنٹ کے شعبہ جات میں داخل ہونے کا ارادہ رکھتی ہے۔

خطرے کا اندازہ لگانا (رِسک ایوالوایشن)

اپنی سرگرمیوں کی وجہ سے کمپنی کو کئی اقسام کے آپریشنل اور مالیاتی خطرات کا سامنا کرنے کا اندیشہ ہوتا ہے۔ خطرہ سے نمٹنے کے لیے کمپنی کا مجموعی پروگرام مناسب حکمت عملیوں کے ذریعے مالیاتی کارکردگی پر منفی اثرات کو کم کرنا ہے۔ انتظامیہ کمپنی کو درپیش انفرادی خطرات کی جانچ اور شناخت کے لیے بھی کام کر رہی ہے۔ کمپنی کا انٹرپرائز رِسک منیجمنٹ کمیٹی کے ذریعے کاروبار اس بات کو یقینی بناتا ہے کہ کمپنی (خطرہ کی) تخفیف کے لیے ایک مضبوط نظام رکھتی ہے۔

کمپنی کی کریڈٹ ریٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ کے مطابق بتاریخ جون 30، 2018 کمپنی کی ریٹنگ ذیل میں دی گئی ہے۔

طویل مدتی	A (سنگل A)
قلیل مدتی	A1 (اے ون)

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ نے ڈسکان آکسیچم لمیٹڈ کی طویل مدتی اور قلیل مدتی ریٹنگ بالترتیب A (سنگل اے) اور A1 جاری کی ہے۔ ان درجہ بندیوں سے اندازہ ہوتا ہے کہ کریڈٹ رِسک کی توقع بہت کم ہے جس کی بنیادی وجہ وعدہ کی گئی مالیاتی رقوم کی بروقت ادائیگی ہے۔

مستقبل کے عزائم

آپ کی کمپنی کو درپیش مسئلہ صرف اپنی مضبوط مالیاتی کارکردگی کو برقرار رکھنا نہیں ہے بلکہ منافع اور اس کی شرح میں اضافہ کا راستہ تلاش کرنا بھی ہے۔ آپ کی کمپنی مسلسل ان حکمت عملیوں پر کام کر رہی ہے جو اس بات کو یقینی بنائیں کہ ان خطرات سے موثر انداز میں نپٹا جا رہا ہے۔ خوراک اور مشروبات کی صنعت میں اپنی جگہ بنانے کے لیے ہماری مسلسل کوششیں اس حکمت عملی کا حصہ ہیں جن کے نتیجے میں ٹیکسٹائل اور کان کنی کے شعبہ جات میں ترقی کے ساتھ ساتھ مستقبل میں کمپنی کی نمو میں اضافہ کا باعث بنے گی۔ علاوہ ازیں آپ کی کمپنی اگلے سال سے جراثیم کش کیمیکلز کی مارکیٹ (برائے لائیوسٹاک اور پانی کی صفائی) میں کام کا آغاز کرنے کی منصوبہ کر رہی ہے جس کے نتیجے میں اس کی مصنوعات میں اختراع پیدا ہوگا۔ کاسمیٹک انڈسٹری کے لیے اجزا کی تیاری مستقبل میں ہماری کمپنی کی مصنوعات کا مستقل حصہ ہوگا۔

جیسا کہ آپ کی کمپنی نے پیداواری صلاحیت میں 25% اضافہ کرنے کا اعلان کیا ہے، اس منصوبہ پر کام جاری ہے اور بروقت تکمیل کے لیے اس کی سختی سے نگرانی کی جا رہی ہے۔ اس منصوبہ کی تکمیل کے بعد کمپنی کی پیداواری صلاحیت 120-118 ٹن یومیہ تک پہنچ جائے گی۔ کمپنی ان شعبہ جات میں سرمایہ کاری جاری رکھے ہوئے ہے جو تحفظ اور پیداواری صلاحیت کے لحاظ سے منافع دینے کے لیے مستحکم پوزیشن رکھتے ہیں۔ علاوہ ازیں اس کے نتیجے میں کمپنی اہمیت کے حامل علاقہ جات میں مارکیٹ لیڈرشپ پوزیشنز کی تعمیر کو یقینی بنائے گی۔

اعترافات

پچھلے سال کے دوران شراکت داروں کے کارہائے نمایاں پر ان کے شکرگزار ہیں۔ اسی طرح صارفین اور شراکت داروں کی معاونت کمپنی کی تمام کامیابوں کو یقینی بنانے میں کردار ادا کرتی ہے۔

آخر میں یہی عرض ہے کہ آپ شراکت داروں کی طرف سے کمپنی کو جو مسلسل اعتماد دیا گیا وہ اس کی تعمیر کی بنیاد ہے۔ ہم ایک یقینی اور روشن مستقبل کے لیے پُر امید ہیں۔

برائے اور منجانب بورڈ آف ڈائریکٹرز

عمران قریشی چیف ایگزیکٹو آفیسر

۱۵ اگست ۲۰۱۸

ڈائریکٹرز کی رپورٹ

کمپنی ڈائریکٹرز سالانہ رپورٹ بشمول آڈٹ شدہ فنانشل سٹیٹمنٹس برائے سال 30 جون 2018 پیش کرتے ہیں۔

اقتصادی اور صنعتی جائزہ

حالیہ سالوں میں پاکستان نے اپنے اقتصادی نتائج کو بہتر بنانے اور مائیکرا کنامک ؤلنریبلٹی (معاشی خطرے) کو کم کرنے کے لیے بہت تیزی سے اقدامات اٹھائے ہیں۔اس کے نتیجے میں اقتصادی ترقی دیکھنے کو ملی، اگرچہ مختلف شعبہ جات میں اس کی رفتار مختلف تھی۔اس ترقی کی بنیاد حکومت کی طرف سے (اقتصادی) ترقی میں بہتری اور مہنگائی کم کرنے کا عزم تھی۔
پچھلے دو سالوں کی دوران مجموعی داخلی پیداوار کی نمو %5 سے اوپر رہی اور ختم ہوتے مالی سال 2018 کے دوران اس کی نمو %5.79 تک پہنچ گئی ہے۔
بے شمار انتظامی اقدامات اٹھانے اور کرنسی کی قدر میں %15 کمی کے باوجود پاکستان کو مالی سال 18-2017 کے دوران اپنی تاریخ کے سب سے بڑے تجارتی خسارے کا سامنا کرنا پڑا جس کی وجہ برآمدات میں اضافہ اور درآمدات پر قابو پانے میں ناکامی تھی۔مالی سال 2018 کے بارہ ماہ کے دوران تجارتی خسارہ 37.7 ارب ڈالر تھا اور درآمدات تاریخ کی بلند ترین سطح 60.9 ارب ڈالر پر کھڑی تھیں۔
پاکستان کا کیمیائی شعبہ تجارتی پیمانے پر تیاری کی (صنعت) کا محض %2 ہے جس کی کل آمدنی 3 ارب ڈالر سالانہ سے کم ہے۔اس شعبہ میں ترقی کرنے کی بہت صلاحیت ہے اور درآمدات کو کم کرنے اور یہ غیر ملکی زرمبادلہ کی بچت کے لیے ایک صنعتی ذریعہ ثابت ہوسکتا ہے۔کیمیکلز سے متعلق ایک ایک مجموعی پالیسی ترتیب دینے کی ضرورت ہے جس میں تمام شراکت داروں کو شامل کیا جائے تا کہ ایک شعبہ کی بنیاد ڈالی جائے جو صنعت کاروں اور صارفین دونوں کے لیے فائدہ مند ہو۔

کاروباری نتائج

آپ کی کمپنی نے مضبوط بنیادوں پر استوار ہونے کی روایت کو جاری رکھا۔آپ کی کمپنی کی مستقل (بہتر) کارکردگی کاروبار کی بنیادی مضبوطی کو ظاہر کرتی ہے۔مالیاتی کارکردگی کا خلاصہ ذیل میں پیش کیا گیا ہے۔

2017 (Rs."000")	2018 (Rs."000")	
1,961,005	2,088,225	فروخت
506,622	616,361	مجموعی نفع
345,273	459,191	(کمپنی) آپریشنز سے حاصل منافع
(11,739)	(5,373)	مالیاتی لاگت
333,534	453,818	ٹیکس کٹوتی سے پہلے منافع
204,925	322,279	ٹیکس کٹوتی کے بعد منافع
2.01	3.16	کمائی فی شیئر۔بنیادی

جیسا کہ اوپر دیئے گئے اعداوشمار سے واضح ہے، کمپنی نے پچھلے سال کے اسی دورانیے کی نسبت زیادہ منافع کمایا اور اس کا مارجن (چھوٹ) بھی زیادہ ہے۔کمپنی کا مجموعی منافع 507 ملین پاکستانی روپے سے بڑھ کر 616 ملین پاکستانی روپے ہوگیا۔مجموعی منافع کی شرح %26 سے بڑھ کر %30 ہوگئی ہے۔مجموعی منافع میں اضافہ کی وجہ قیمتوں میں نظر ثانی اور پیداواری لاگت پر سختی سے قابو پانا ہے۔اگرچہ انتظامی لاگت بڑھ کر %11 ہوگئی ہے لیکن کمپنی کے دیگر اخراجات (حفاظت،ٹیکس،انشورنس) کو کنٹرول میں رکھا گیا۔اس لیے ٹیکس کی ادائیگی کے بعد حاصل ہونے والا منافع 205 ملین سے 322 ملین ہوگیا ہے۔کمپنی کے انضمام کے بعد یہ کمپنی کو ٹیکس کٹوتی کے بعد حاصل ہونے والے منافع کی بلند ترین سطح ہے۔منافع فی شیئر میں معقول نمود یکھنے کو ملی ہے اور یہ 2.01 پاکستانی روپے سے 3.16 پاکستانی روپے فی شیئر ہوگئی ہے۔

کیش فلو منیجمنٹ

دوران سال کمپنی نے کاروباری سرمایہ (ورکنگ کیپیٹل) کی منیجمنٹ کو موثر طریقہ سے جاری رکھا۔کاروباری سرمایہ (ورکنگ کیپیٹل) میں سرمایہ کاری مزید کم کر کے 54 ملین پاکستانی روپے کردی گئی۔دوران سال آپ کی کمپنی نے انٹر کمپنی لون پر مارک اپ جو کہ 190 ملین روپے تھی، ادا کیا۔اس کے ساتھ آپ کی کمپنی نے پریفرینس ڈیوائڈنڈ کی مد میں 264 ملین روپے ادا کیے۔کمپنی اپنی رقم کی واپسی کے دعوؤں پر فعال طور پر عمل درآمد کر رہی ہے اور بہت بڑی رقم واپس حاصل کرنے میں کامیاب رہی جس کی وجہ سے مالی حالت مزید مستحکم ہوگئی ہے۔

کاروباری سرمایہ کی سنبھال (ورکنگ کیپیٹل منیجمنٹ) انٹرپرائز ریسورس پلاننگ سافٹ ویئر کی وجہ سے مزید بہتر ہوگئی ہے جو مارکیٹنگ، سپلائی چین اور فنانس میں بہتری لاتا ہے۔

حفاظت اور پیداوار (سیفٹی اینڈ مینوفیکچرنگ)

صحت، حفاظت، ماحول اور اپنے ملازمین اور کنٹریکٹرز کا تحفظ کمپنی کی توجہ کا مرکز ہے اور یہ ڈیسکون کی بنیادی اقدار کا لازمی جزو ہے۔مالی سال 2018 کے اختتام پر کاروبار نے اپنی سرگرمی کے دس سال مکمل کر لیے جس دوران ایک بار بھی وقت کا ضیاع نہیں ہوا، افرادی قوت کے 5.54 ملین گھنٹے حاصل ہوئے اور اس دوران کوئی حادثہ پیش نہیں آیا۔رپورٹ کی گئی

Key Operating and Financial Data

	2018	2017	2016	2015	2014	2013
	(Rs '000')					
Summary of Profit and Loss						
Sales	**2,088,225**	1,961,005	1,581,547	1,409,082	1,498,547	1,369,547
Cost of Goods Sold	**(1,471,864)**	(1,454,383)	(1,238,213)	(1,140,866)	(1,199,098)	(1,085,260)
Gross Profit	**616,361**	506,622	343,334	268,216	299,449	284,287
Operating profit	**459,191**	345,273	210,240	132,257	177,208	209,610
Finance Cost	**(5,373)**	(11,739)	(76,564)	(212,188)	(225,340)	(255,528)
Profit / (loss) before tax	**453,818**	333,534	133,676	(79,931)	(48,132)	(45,918)
Profit / (loss) after tax	**322,279**	204,925	44,989	(118,849)	(61,291)	(51,226)
EBITDA	**632,862**	528,810	381,911	298,563	353,387	387,807
Financial Position						
Share Capital - Ordinary	**1,020,000**	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000
Share Capital - Preference	**1,100,000**	1,100,000	1,100,000	-	-	-
Reserves including unappropriated profit	**(344,272)**	(402,551)	(607,476)	(642,587)	(523,018)	(462,275)
Long term borrowings	**-**	-	111,822	1,455,350	1,658,785	1,745,617
Property, plant and equipment	**1,392,836**	1,518,988	1,655,483	1,771,052	1,900,009	2,038,649
Net Current Assets	**320,986**	92,560	(211,114)	241,023	279,990	178,441
Investor Information						
Gross profit margin (%)	**29.52**	25.83	21.71	19.03	19.98	20.76
EBITDA margin to sales (%)	**30.31**	26.97	24.15	21.19	23.58	28.32
Pre tax margin (%)	**21.73**	17.01	8.45	(5.67)	(3.21)	(3.35)
Net profit margin (%)	**15.43**	10.45	2.84	(8.43)	(4.09)	(3.74)
Return on equity (%) - Net	**18.15**	11.93	2.97	(31.49)	(12.33)	(9.18)
Return on equity (%) - Gross	**15.20**	9.67	2.12	(11.65)	(6.01)	(5.02)
Return on capital employed (%) - Net	**25.86**	20.10	12.94	5.86	7.25	8.46
Return on capital employed (%) - Gross	**21.66**	16.29	9.42	4.56	5.97	7.13
Current Ratio	**2.22**	1.21	0.77	1.61	2.26	1.41
Quick Ratio	**2.12**	1.10	0.74	1.35	1.94	1.27
Debtors turnover (days)	**7**	13	12	23	20	31
Inventory turnover (days)	**7**	12	10	33	21	23
Creditors turnover (days)	**52**	53	48	52	34	46
Operating cycle (no. of days)	**(38)**	(28)	(26)	4	7	8
Debt: Equity (Ratio)	**0:100**	0:100	7:93	83:17	80:20	78:22
Interest cover (Times)	**85.46**	29.41	2.75	0.62	0.79	0.82
Earnings / (loss) per share (pre tax) (Rupees)	**4.45**	3.27	1.31	(0.78)	(0.47)	(0.45)
Earnings / (loss) per share (after tax) (Rupees) - Basic	**3.16**	2.01	0.44	(1.17)	(0.60)	(0.50)
Earnings / (loss) per share (after tax) (Rupees) - Diluted	**1.52**	0.97	0.21	(1.17)	(0.60)	(0.50)
Share Price	**19.30**	18.35	6.03	4.72	5.98	5.49
Price Earnings Ratio	**6.11**	9.13	13.67	(4.05)	(9.95)	(10.93)
Breakup Value Per Share (Rupees)	**6.62**	6.05	4.04	3.70	4.87	5.47
Hydrogen Peroxide 50% Production (MTs)	**33,293**	34,697	32,234	32,098	32,506	26,394
Hydrogen Peroxide Sales (MTs)	**34,066**	34,295	33,841	31,785	32,131	29,626

Statement of compliance with the listed companies (code of corporate governance regulations, 2017)

Descon Oxychem Limited
For year ended June 30, 2018

This statement is being presented to comply with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) and have been prepared in accordance with Regulation 40 of the Regulations for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has complied with the requirements of the Regulations in the following manner:

1. The total numbers of directors are 7 (one position vacant) as per the following:

a) Male 6
b) Female 1

2. The Company encourages the representation of independent non-executive directors and directors representing minority interests on its board of directors.

3. composition ofthe Board of Directors (“the Board”) is as follows:

Category	Names
Non-Executive Directors	Mr. Abdul Razak Dawood (resigned on 15 August 2018) Mr. Farooq Nazir Mr. Taimur Dawood Mr. Faisal Dawood Mrs. Mehreen Dawood
Independent Directors	Mr. Asif Qadir Mr. Ali Asrar Hossain Aga
CEO (Executive Director)	Mr. Imran Qureshi

4. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding company, where applicable).

• No casual vacancy occurred on the Board of Directors during the year. However, post reporting period Mr. Abdul Razak Dawood, Chairman and Director of the Company has resigned from the positions of Chairman and Director. The Board will fill this vacant position within the time prescribed by the Companies Act, 2017, for the balance unexpired term.

5. 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.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. 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 these Regulations.

8. 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 requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of the Meetings of the Board.

9. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with Act and these Regulations.

10. The Company has already met the criteria of training programs for its directors under the Regulations. Therefore, no such training program was conducted during the year.

11. During the period, there is no replacement of CFO, Company Secretary, and Head of Internal Audit of the Company.

12. CFO and CEO duly endorsed the financial statements before approval of the Board.

13. The board has formed two committees comprising of the members given below:

a) Audit Committee
It comprises of three members which includes an independent director. All members of audit committee are non-executive directors, including the Chairman. The committee met 4 times during the year and the attendance was as follows:

Name of Member	Meetings Attended
Mr. Farooq Nazir	4/4
Mr. Taimur Dawood	4/4
Mr. Ali Asrar Hossain Aga	4/4

b) Human Resource and Remuneration Committee

It comprises of three members. All members of Human Resource & Remuneration Committee are non-executive directors, whereas the Chairman is an independent Director. The Committee met twice during the year and the attendance of the meeting is as follows:

Name of Member	Meetings Attended
Mr. Ali Asrar Hossain Aga	0/2 (appointed on 18 April 2018)
Mr. Taimur Dawood	2/2
Mr. Farooq Nazir	2/2

14. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

15. The Board has outsourced the internal audit function to M/s. KPMG Taseer Hadi and Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.

16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by ICAP.

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these 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 other requirements of the Regulations have been complied with.

For and on behalf of the Board

Lahore
August 15, 2018

Imran Qureshi Chief Executive Officer

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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, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Descon Oxychem Limited for the year ended June 30, 2018 in accordance with the requirements of regulation 40 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. 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. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

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, 2018.

A.F.Ferguson and Co.
Chartered Accountants
Name of engagement partner: **Amer Raza Mir**

Lahore
August 18, 2018

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

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of Descon Oxychem Limited (the Company), which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including 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 statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit, total 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 Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Following are the key audit matters:

S. No.	Key Audit Matter	How the matter is addressed in our audit
1.	**Companies Act, 2017** (Refer note 2.2.1 to the financial statements) The provisions of the Fourth Schedule to the Companies Act, 2017 became applicable to the Company for the first time in the preparation of these annexed financial statements. As part of this transition to the requirements, the management performed a gap analysis to identify differences between the previous financial reporting framework and the current financial reporting framework and as a result certain amendments and additional disclosures were made in the company's annexed financial statements. In view of the additional disclosures in the annexed financial statements due to first time application of the Fourth Schedule to the Companies Act, 2017, we considered this as a key audit matter.	We reviewed and understood the requirements of the Fourth Schedule to the Companies Act, 2017. Our audit procedures included the following: - Considered the management's process to identify the additional disclosures required in the Company's annexed financial statements; - Obtained relevant underlying supports for the additional disclosures and assessed their appropriateness for the sufficient audit evidence; and - Verified on test basis the supporting evidence for the additional disclosure and ensured appropriateness of the disclosures made.
2.	**Deferred tax asset** (Refer note 14 of the financial statements) Under International Accounting Standard 12 "Income Taxes", the Company is required to review recoverability of the deferred tax assets recognized in the statement of financial position at each reporting period. Recognition of deferred tax asset is dependent on management's estimate of availability of sufficient future taxable profits against which carried forward losses and tax credits can be utilized. The future taxable profits are based on approved management's projections. This estimation involves a degree of uncertainty and requires judgement in relation to the future cash flows and also involves assessment of timing of reversals of un-used tax losses and tax credits. As at June 30, 2018, the Company had recognized deferred tax assets amounting to Rs 99.7 million on unused tax losses, Rs 155.7 million on carried forward alternate corporate tax (ACT) and Rs 12.3 million on carried forwarded minimum tax. At the same date the company also had deferred tax assets amounting to Rs 11.8 million on carried forward minimum tax which were not recognized as the company would not be able to utilize such minimum tax within the time period stipulated in the Income Tax Ordinance, 2001. We considered this as key audit matter due to significant value of deferred tax asset and management judgement regarding assumptions used in this area.	We performed audit procedures that included: - Obtained understanding of the income taxes process, and evaluated the design and tested management's controls over the calculation of the deferred tax asset and the review of the future recoverability; - Tested management's computation of un-used tax losses, tax credit on alternate corporate tax (ACT) and carried forward minimum tax for which deferred tax assets were recognized and minimum tax for which deferred tax asset was not recognized; - Analyzed the requirements of Income Tax Ordinance, 2001, in relation to above and considering the aging analysis, expiry periods of relevant deferred tax assets and tax rates enacted in consultation with our in house tax specialist; - Assessed the reasonableness of cash flow projection and taxable profits projections, challenging and performing audit procedures on assumptions such as growth rate, production patterns, future revenue and costs, by comparing the assumptions to historical results, approved budget and comparing the current year's results with prior year forecast and other relevant information for assessing the quality of Company's forecasting process in determining the future taxable profits; - Tested mathematical accuracy of future projections and the use of appropriate tax rate applicable on temporary differences; and - Assessed the appropriateness of management's accounting for deferred taxes and the accuracy of related disclosures in accordance with the accounting and reporting standards.

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■KARACHI ■LAHORE ■ISLAMABAD

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

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

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

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Amer Raza Mir.

A.F.Ferguson and Co.
Chartered Accountants
Name of engagement partner: **Amer Raza Mir**

Lahore
August 18, 2018

STATEMENT OF FINANCIAL POSITION
as at June 30, 2018

	Note	2018 (Rs '000')	2017 (Rs '000')
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
110,000,000 (2017: 110,000,000) ordinary shares of Rs 10 each		**1,100,000**	1,100,000
110,000,000 (2017: 110,000,000) preference shares of Rs 10 each		**1,100,000**	1,100,000
Issued, subscribed and paid up capital			
102,000,000 (2017: 102,000,000) ordinary shares of Rs 10 each	5	**1,020,000**	1,020,000
110,000,000 (2017 : 110,000,000) preference shares of Rs 10 each	6	**1,100,000**	1,100,000
Accumulated loss		**(344,272)**	(402,551)
		1,775,728	1,717,449
CURRENT LIABILITIES			
Finances under mark up arrangement - secured	7	**-**	42,231
Trade and other payables	8	**211,561**	209,488
Income tax payable		**51,715**	-
Dividend payable		**10**	-
Accrued finance cost	9	**378**	191,203
		263,664	442,922
CONTINGENCIES AND COMMITMENTS	10		
		2,039,392	2,160,371

The annexed notes 1 to 40 form an integral part of these financial statements.

	Note	2018 (Rs '000')	2017 (Rs '000')
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	11	**1,392,836**	1,518,988
Intangible assets	12	**733**	1,813
Long term deposits	13	**17,654**	17,654
Deferred taxation	14	**43,519**	86,434
		1,454,742	1,624,889
CURRENT ASSETS			
Stores and spares	15	**211,484**	203,073
Stock in trade	16	**26,317**	47,803
Trade debts	17	**39,439**	67,322
Advances, deposits, prepayments and other receivables	18	**194,325**	194,518
Current income tax recoverable		**-**	1,006
Cash and bank balances	19	**113,085**	21,760
		584,650	535,482
		2,039,392	2,160,371

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

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

STATEMENT OF PROFIT OR LOSS ACCOUNT
for the Year Ended June 30, 2018

	Note	2018 (Rs '000')	2017 (Rs '000')
Sales	20	**2,088,225**	1,961,005
Cost of goods sold	21	**(1,471,864)**	(1,454,383)
Gross profit		**616,361**	506,622
Administrative expenses	22	**(85,084)**	(76,368)
Distribution and selling costs	23	**(66,532)**	(75,868)
Other income	24	**27,847**	11,338
Other operating expenses	25	**(33,401)**	(20,451)
		(157,170)	(161,349)
Profit from operations		**459,191**	345,273
Finance cost	26	**(5,373)**	(11,739)
Profit before taxation		**453,818**	333,534
Taxation	27	**(131,539)**	(128,609)
Profit for the year		**322,279**	204,925
Earnings per share			
-Basic	28.1	**3.16**	2.01
-Diluted	28.2	**1.52**	0.97

The annexed notes 1 to 40 form an integral part ofthese financial statements.

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

STATEMENT OF COMPREHENSIVE INCOME
for the Year Ended June 30, 2018

	2018 (Rs '000')	2017 (Rs '000')
Profit for the year	**322,279**	204,925
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	**322,279**	204,925

The annexed notes 1 to 40 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN EQUITY
for the Year Ended June 30, 2018

	Share Capital			
	Ordinary Share Capital	Preference Share Capital	Accumulated Loss	Total
	(Rs '000')			
Balance as on June 30, 2016	1,020,000	1,100,000	(607,476)	1,512,524
Profit for the year	-	-	204,925	204,925
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	204,925	204,925
Balance as on June 30, 2017	1,020,000	1,100,000	(402,551)	1,717,449
Profit for the year	-	-	322,279	322,279
Other comprehensive income for the year:	-	-	-	-
Total comprehensive income for the year	-	-	322,279	322,279
Transactions with owners, recognised directly in equity:				
Preference dividend @ Rs. 2.4 per share	-	-	(264,000)	(264,000)
Balance as on June 30, 2018	1,020,000	1,100,000	(344,272)	1,775,728

The annexed notes 1 to 40 form an integral part of these financial statements.

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

STATEMENT OF CASH FLOWS
for the Year Ended June 30, 2018

	Note	2018 (Rs '000')	2017 (Rs '000')
Cash flow from operating activities			
Cash generated from operations	29	**679,525**	504,762
Finance cost paid		**(196,198)**	(285,188)
Profit on deposits received		**1,384**	5,141
Taxes paid		**(35,903)**	(8,019)
Net cash generated from operating activities		**448,808**	216,696
Cash flow from investing activities			
Fixed capital expenditure		**(60,904)**	(51,846)
Purchase of intangible assets		**(483)**	(631)
Proceeds from disposal of property, plant and equipment		**10,125**	314
Net cash used in investing activities		**(51,262)**	(52,163)
Cash flow from financing activities			
Repayment of long term loan		**-**	(356,564)
Preference dividend paid		**(263,990)**	-
Net cash used in financing activities		**(263,990)**	(356,564)
Net increase / (decrease) in cash and cash equivalents		**133,556**	(192,031)
Cash and cash equivalents at the beginning of year		**(20,471)**	171,560
Cash and cash equivalents at the end of year	32	**113,085**	(20,471)

The annexed notes 1 to 40 form an integral part of these financial statements.

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

Notes to and Forming Part of the Financial Statements
for the Year Ended June 30, 2018

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 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.

2. Statement of compliance

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

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.

2.2 Initial application of standards, amendments or an interpretation to existing standards

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

2.2.1 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 01, 2017 but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements, except for the following:

- International Accounting Standard ('IAS') 7, 'Cash flow statements: Disclosure initiative' (effective for periods beginning on or after January 1, 2017). This amendment requires disclosure to explain changes in liabilities for which cash flows have been, or will be classified as financing activities in the statement of cash flows. The amendment only covers statement of financial position items for which cash flows are classified as financing activities. In case other items are included within the reconciliation, the changes in liabilities arising from financing activities will be identified separately. A reconciliation of the opening to closing balance is not specifically required but instead the information can be provided in other ways. In the first year of adoption, comparative information need not be provided. The Company's current accounting treatment is already in line with the requirements of this standard.

- IAS 12 'Income taxes' (Amendment), on recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the existing guidance under IAS 12. They do not change the underlying principles for the recognition of deferred tax assets. Further, there are no debt instruments measured at fair value. The Company's current accounting treatment is already in line with the requirements of this standard.

The Companies Act, 2017 (the Act) has also brought certain changes with regard to preparation and presentation of financial statements of the company. These changes also include change in nomenclature of primary statements, etc.

Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the:
- Elimination of duplicative disclosures with the IFRS disclosure requirements; and
- Incorporation of significant additional disclosures.

Keeping in view of the above, the presentation of these financial statements has been realigned with the provisions contained in the Act. The application of the Act, however, does not have any impact in the recognition and measurement of the amounts included in these financial statements of the Company.

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

There are certain standards, amendments to the IFRS and interpretations that are mandatory for companies having accounting periods beginning on or after July 1, 2018 but are considered not to be relevant to the Company's operations and are, therefore, not detailed in these financial statements, except for the following:

- IFRS 9, 'Financial instruments': This standard has been notified by the Securities and Exchange Commission of Pakistan ('SECP') to be effective for annual periods beginning on or after July 1, 2018. This standard replaces the guidance in IAS 39, 'Financial instruments: Recognition and measurement'. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The Company is yet to assess the full impact of the standard.

- IFRS 15, 'Revenue from contracts with customers': This standard has been notified by the SECP to be effective for annual periods beginning on or after July 1, 2018. This standard deals with revenue recognition and establishes principles for reporting useful information to users of the financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The Company is yet to assess the full impact of the standard.

- IFRS 16, 'Leases': (effective for periods beginning on or after January 1, 2019). However, this standard is yet to be notified by the SECP. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. It is unlikely that the standard will have any significant impact on the Company's financial statements.

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

- Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement', (effective for periods beginning on or after January 1, 2019). These amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. It is unlikely that the amendment will have any significant impact on the Company's financial statements.

- IFRIC 22, 'Foreign currency transactions and advance consideration' (effective for periods beginning on or after January 1, 2018). This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. It is unlikely that the interpretation will have any significant impact on the Company's financial statements.

- IFRIC 23, 'Uncertainty over income tax treatments': (effective for periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. The IFRIC applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates. The Company is yet to assess the full impact of the interpretation.

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention. Figures have been rounded off to the nearest thousands 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 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 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 is 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 analyzed 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 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 10% of basic 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 upto 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 profit and loss account.

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 balance sheet 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 balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

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. Property, plant and equipment acquired under finance leases are capitalized at the lease's commencement at the lower of the present value of minimum lease payments under the lease arrangements and the fair value of the leased asset. 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 4.14.

Depreciation on all property, plant and equipment except land is charged to profit 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 11.1 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, 2018 has not required any adjustment.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

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 balance sheet 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 profit and loss account. 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 and loss account 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.

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 12. Amortization is charged to profit and loss account.

Amortization is charged from the month the asset is acquired or capitalized while no amortization is charged in the month of disposal.

The Company assesses at each balance sheet 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 profit and loss account. 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

The Company is the lessee:

4.5.1 Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases and are capitalized at lower of present value of minimum lease payments under the lease arrangements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit and loss account over the lease term.

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of the payment.

4.5.2 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss account 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.

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.

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

4.8 Financial instruments

4.8.1 Financial assets

The Company classifies its financial assets in the following categories: available for sale, financial assets at fair value through profit or loss, held to maturity and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, advances, deposits, prepayments and other receivables and cash and cash equivalents except for the finances under markup arrangements.

c) Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss. They are included in the non-current assets unless the management intends to dispose off the investment within twelve months of the balance sheet date.

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are measured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted price is not available, are measured at cost as it is not practical to apply any other valuation methodology. Unrealized gain and losses arising from changes in the fair value are included in the comprehensive income in the period in which they arise.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, when management has the intention and ability to hold till maturity are classified as held to maturity and are stated at the amortized cost.

4.8.2 Recognition and measurement

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

Changes in the fair value of securities classified as 'available-for-sale' are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Company's right to receive payments is established.

The fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Company measures the investments at cost less impairment in value, if any.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

4.8.3 Financial liabilities

All financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument.

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 on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or 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 profit and loss account.

4.8.4 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.9 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 an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debt are written off when identified.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet 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 balance sheet, finances under mark-up arrangements are included in current liabilities.

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

4.11 Borrowings

Borrowings are recognized initially at fair value (proceeds received) net of transaction cost incurred. Borrowings subsequently are stated at the amortized cost using the effective yield method.

Finance costs are accounted for on an accrual basis and are included in accrued finance cost to the extent of the amount remaining unpaid.

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 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 balance sheet date. Foreign exchange gains and losses on translation are recognised in the profit and loss account. 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 financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

4.14 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 and loss account.

4.15 Revenue recognition

Revenue is recognized when risks and rewards associated with the goods are transferred to the customer which generally coincide with dispatch/shipment of goods to customers.

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

4.16 Dividend

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

5. Issued, subscribed and paid up capital

2018	2017		**2018**	2017
(Number of shares)			**(Rs '000')**	(Rs '000')
102,000,000	102,000,000	Ordinary shares of Rs 10 each fully paid in cash	**1,020,000**	1,020,000

5.1 52,033,550 (2017: Nil) ordinary shares of the company which represents 51.013% (2017: Nil) of the issued, subscribed and paid up share capital of the company are held by DEL Chemicals (Private) Limited, the holding company incorporated in Pakistan.

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

	Basis of Relationship	**2018**	2017
		(Number of shares)	
DEL Chemicals (Private) Limited	Holding Company	**52,033,550**	-
Descon Corporation (Private) Limited	Common Directorship	**8,725,250**	8,725,250
Descon Engineering Limited	Common Directorship	**-**	7,439,800
Descon Holdings (Private) Limited	Common Directorship	**1,132,300**	1,132,300
Interworld Travels (Private) Limited	Common Directorship	**92,054**	92,054
Inspectest (Private) Limite	Common Directorship	**117,000**	117,000
		62,100,154	17,506,404

5.3 There was no movement in number of ordinary share issued, subscribed and paid up during the year ended June 30, 2018.

6. Preference shares

During the year ended June 30, 2016, the Company with the approval of Securities and Exchange Commission of Pakistan (SECP), under rule 5 of the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000 offered 110,000,000 preference shares of Rs 10 each to existing members of the Company in equal proportion to their existing shareholding pursuant to section 86(1) of the Companies Ordinance 1984 (the "Ordinance"). The rights so offered were under subscribed by Rs 1,097,956,110, which, based on the decision of the Board of the Company in the meeting dated December 29, 2015 and undertaking of the associated companies, M/s Descon Engineering Limited (DEL) and Presson Descon International (Private) Limited (PDL), was subscribed by DEL and PDL against adjustment of the principal balance of loans provided by them. The allotment of preference shares was done on December 29, 2015.

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

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

6.1 Key Terms of the preference shares

Preference shares are non-voting, cumulative, convertible, redeemable preference shares with no specified maturity date. The key terms of the preference shares are as follows:

- The preference shares shall be cumulative, and shall carry entitlement of a fixed annual cumulative dividend of 12% to be paid out of the normal profits of the Company in each financial year. Any dividend not paid in a financial year shall cumulate towards entitlement of dividend in future years.

- The preference shares shall not carry any entitlement of ordinary dividend, right shares or bonus shares, or have any right to participate in the profits of the Company.

- The preference shares shall be redeemable at par value solely at the option of the Company, only through a sinking fund created out of the profits of the Company.

- The preference shares shall be convertible into ordinary shares at the ratio of one preference share to one ordinary share at the option of either of the Company or the preference share holder, any time and from time to time after expiry of five years from the date of allotment of the relevant preference shares. The outstanding dividend on the preference shares will not be converted into ordinary shares.

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

- The preference shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) (now section 83 of Companies Act, 2017) read with section 90 of the Ordinance (now section 58 of Companies Act, 2017)and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000;

- The issue of the shares was duly approved by the members of the Company at the Annual General Meeting held on October 30, 2014; and

- The requirements of the Ordinance/Companies Act, 2017 takes precedence over the requirements of International Financial Reporting Standards.

7. Finances under mark up arrangements - secured

		2018 (Rs '000')	2017 (Rs '000')
Short term running finance	- note 7.1	-	42,231

7.1 This represents the outstanding against short term running finance of Nil (2017: Rs. 42.23 million) from Bank Al-Habib Limited. It carries markup at 3 month KIBOR plus 0.75% (2017: 3 month KIBOR plus 1%) per annum. The mark up charged during the year ranges from Re 0.1896 to Re 0.1978 per diem per thousand on outstanding balance or part thereof. Total facility limit is Rs 300 million (2017: Rs 200 million).

The aggregate facilities have been secured through a first charge over current assets of the Company for Rs 634 million and ranking charge over the land and building and plant and machinery of the Company for Rs 150 million.

7.2 Of the aggregate facility of Rs. 175 million (2017: Rs 175 million) for opening of letter of credit for import of machinery, raw material and stores from Bank Al-Habib Limited, the amount utilized at June 30, 2018 was Rs. 69.261 million (2017: Rs 88.5 million).

8. Trade and other payables

		2018 (Rs '000')	2017 (Rs '000')
Trade creditors	- note 8.1	90,247	84,964
Bills payable		-	27,297
Associated undertakings	- note 8.2	223	10,645
Advances from customers		60,619	13,168
Accrued liabilities		34,985	54,676
Worker's profit participation fund	- note 8.3	23,885	17,554
Other liabilities		1,602	1,184
		211,561	209,488

8.1 Trade creditors includes interest free amounts due to related parties (on the basis of common directorship) in the normal course of business as follows:

	2018	2017
Inspectest (Private) Limited	725	644
Popular Travels and Tours	116	-
Interworld Travels (Private) Limited	52	29
Descon Engineering Limited	787	-
	1,680	673

8.1.1 The maximum aggregate amount due to these related parties at the end of any month during the year was Rs 1.554 million (2017: Rs 1.759 million).

8.2 These are interest free and represent expenses incurred by related parties (on the basis of common directorship) on behalf of the Company:

	2018	2017
Descon Corporation (Private) Limited	223	1,157
Descon Engineering Limited	-	8,865
Gray Mackenzie Engineering Services LLC	-	238
Descon Power Solutions (Private) Limited	-	2
Inspectest (Private) Limited	-	383
	223	10,645

8.2.1 The maximum aggregate amount due to these related parties at the end of any month during the year was Rs 12.718 million (2017: Rs 14.987 million).

8.3 Workers' profit participation fund

	2018	2017
Opening balance	17,554	7,036
Add: Provision for the year	23,885	17,554
Less: Payments during the year	(17,554)	(7,036)
Closing balance	23,885	17,554

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

		2018 (Rs '000')	2017 (Rs '000')
9.	**Accrued finance cost**		
	Long term finances - secured		
	- Associated companies	**-**	81,149
	Long Term Loans - unsecured	**-**	109,818
	Finances under markup arrangements - secured	**378**	236
		378	191,203

10. **Contingencies and commitments**

10.1 **Contingencies**

Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract amount to Rs 48.64 million (2017: Rs. 48.64 million).

Guarantee issued to Pakistan State Oil against the performance of a contract amount to Rs. 3.50 million (2017: 3.50 million).

Other shipping guarantees amount to Rs. 7.89 million (2017: Nil).

10.2 **Commitments**

The company has the following commitments in respect of:

i) Letters of credit other than capital expenditure amounting to Rs 69.26 million (2017: Rs 85 million)

ii) Letters of credit of capital expenditure amounting to Nil (2017: 3.49 million)

iii) Cumulative dividend on preference shares of Rs. 132 million (2017: Rs 264 million).

11. Property, plant and equipment

		2018 (Rs '000')	2017 (Rs '000')
Operating assets	- note 11.1	**1,304,289**	1,452,260
Capital work-in-progress	- note 11.2	**2,338**	400
Major spare parts, catalysts and standby equipment [including in transit of Nil (2017: 36.3 million)]	- note 11.3	**86,209**	66,328
		1,392,836	1,518,988

11.1 Operating assets

Description	Freehold land	Buildings on freehold land	Plant, machinery and equipment	Plant, machinery and equipment - catalyst	Laboratory equipment	Material handling	Tools and equipment	Computer equipment	Electrical equipment	Office equipment	Furniture and fixture	Vehicles	Total
	(Rs '000')												
Net Carrying Value Basis													
Year Ended June 30, 2018													
Opening Net Book Value	101,316	178,618	1,147,356	4,002	7,331	1,240	5,425	1,269	900	711	1,878	2,214	**1,452,260**
Additions	-	2,266	24,991	-	600	-	1,179	1,323	-	857	335	-	**31,551**
Disposals / Write offs (NBV)	-	-	(7,399)	-	-	-	-	(15)	-	-	-	-	**(7,414)**
Depreciation Charge	-	(14,930)	(148,373)	(3,566)	(941)	(541)	(563)	(982)	(270)	(280)	(705)	(957)	**(172,108)**
Closing Net Book Value	101,316	165,954	1,016,575	436	6,990	699	6,041	1,595	630	1,288	1,508	1,257	**1,304,289**
Gross Carrying Value Basis													
As at June 30, 2018													
Cost	101,316	299,152	2,356,045	16,035	15,425	3,239	9,025	7,507	1,418	6,532	7,450	5,581	**2,828,725**
Accumulated Depreciation and impairment	-	(133,198)	(1,339,470)	(15,599)	(8,435)	(2,540)	(2,984)	(5,912)	(788)	(5,244)	(5,942)	(4,324)	**(1,524,436)**
Net Book Value	101,316	165,954	1,016,575	436	6,990	699	6,041	1,595	630	1,288	1,508	1,257	**1,304,289**
Depreciation Rate % per anum	-	5	6.25 - 33	10 - 50	6.25	20	6.25 - 10	33.33	20	20	10	20	

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

Description	Freehold land	Buildings on freehold land	Plant, machinery and equipment	Plant, machinery and equipment - catalyst	Laboratory equipment	Material handling	Tools and equipment	Computer equipment	Electrical equipment	Office equipment	Furniture and fixture	Vehicles	Total
	-------	-------	-------	-------	-------	-------	(Rs '000')	-------	-------	-------	-------	-------	
Net Carrying Value Basis													
Year Ended June 30, 2017													
Opening Net Book Value	101,316	191,407	1,302,377	8,088	8,031	1,869	5,067	1,456	784	674	2,272	3,101	**1,626,442**
Additions	-	2,045	8,869	-	221	-	1,362	695	319	296	252	67	**14,126**
Disposals / Write offs (NBV)	-	-	(1,638)	-	-	-	(537)	-	-	(14)	-	-	**(2,189)**
Depreciation Charge	-	(14,834)	(157,725)	(4,086)	(921)	(629)	(467)	(882)	(203)	(245)	(646)	(954)	**(181,592)**
Impairment Loss	-	-	(4,527)	-	-	-	-	-	-	-	-	-	**(4,527)**
Closing Net Book Value	101,316	178,618	1,147,356	4,002	7,331	1,240	5,425	1,269	900	711	1,878	2,214	**1,452,260**
Gross Carrying Value Basis													
As at June 30, 2017													
Cost	101,316	296,886	2,341,144	16,035	14,825	3,239	7,846	6,210	1,418	6,044	7,115	7,138	**2,809,216**
Accumulated Depreciation and impairment	-	(118,268)	(1,193,788)	(12,033)	(7,494)	(1,999)	(2,421)	(4,941)	(518)	(5,333)	(5,237)	(4,924)	**(1,356,956)**
Net Book Value	101,316	178,618	1,147,356	4,002	7,331	1,240	5,425	1,269	900	711	1,878	2,214	**1,452,260**
Depreciation Rate % per anum	-	5	6.25 - 33	10 - 50	6.25	20	6.25 - 10	33.33	20	20	10	20	

11.1.1 The cost of fully depreciated assets which are still in use as at June 30, 2018 is Rs. 21.436 million(2017: Rs. 19.745 million).

11.1.2 The depreciation charge has been allocated as follows:

		2018 (Rs '000')	2017 (Rs '000')
Cost of goods sold	- note 21	**171,113**	180,611
Administrative expenses	- note 22	**824**	755
Distribution and selling cost	- note 23	**171**	226
		172,108	181,592

11.1.3 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.

11.1.4 Disposal of Property, Plant and Equipment of book value above Rs. 500,000

Particulars of assets	Disposed off to	Cost	Net book value	Sale proceeds received / receivable	Profit / (loss) on disposal	Mode of disposal
		2018				
		(R '000')				
Impeller	M/s EFU General Insurance	10,089	7,399	13,070	5,671	Insurance Claim

There was no disposal of property, plant and equipment having book value above Rs 500,000 during the year 2017.

11.1.5 All assets classified in Property, Plant and Equipment are in name of the Company and in Company's possession and control.

	2018 (Rs '000')	2017 (Rs '000')
11.2 Capital work-in-progress		
Plant and machinery	**2,338**	400

The reconciliation of the carrying amount is as follows:

	2018 (Rs '000')	2017 (Rs '000')
Opening balance	**400**	7,097
Additions during the year	**29,315**	2,107
Transfers during the year	**(27,377)**	(8,771)
Direct Disposals	**-**	(33)
Closing balance	**2,338**	400

11.3 This include an impairment loss amounting to Rs 7.53 million (2017: Nil). This comprise of major spare part and catalyst which are no longer expected to be used by the company. Impairment loss has been measured as the difference between carrying amount of such items and recoverable amount determined as fair value less cost to disposal. The gross amount of such spare parts was Rs. 8.73 million and the fair value less cost of disposal i.e. recoverable amount was Rs. 1.20 million.

12. Intangible assets - ERP and software licenses

Net carrying value basis

Year ended June 30, 2018

		2018 (Rs '000')	2017 (Rs '000')
Opening net book value (NBV)		**1,813**	3,127
Additions (at cost)		**483**	631
Amortization charge	- note 22	**(1,563)**	(1,945)
Closing net book value		**733**	1,813

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

	2018 (Rs '000')	2017 (Rs '000')
Gross carrying value basis		
Cost	**6,475**	5,992
Accumulated Amortization	**(5,742)**	(4,179)
Net book value	**733**	1,813
Amortization rate % per annum	**33.3%**	33.3%

Amortization charge for the year has been allocated to administrative expenses.

13. Long term deposits

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

14. Deferred taxation

Deferred tax is calculated on temporary differences under the statement of financial position liability method

		2018	2017
Opening deferred tax asset		**(86,434)**	(159,196)
Charged to profit and loss account	- note 27	**42,915**	72,762
Closing deferred tax asset		**(43,519)**	(86,434)

The asset for deferred taxation comprises temporary differences in:

	2018	2017
Accelerated tax depreciation	**(231,524)**	(284,650)
Tax credits	**167,992**	91,515
Provision against doubtful debts and inventory	**7,358**	11,024
Unused tax losses	**99,693**	268,545
	43,519	86,434

The company has recognized deferred tax asset of Rs 99.69 million (2017: Rs 268.54 million) on unused tax losses, Rs 155.71 (2017: Rs 79.2 million) on carried forward Alternate Corporate Tax and Rs 12.28 million (2017: 12.28 million) on carried forward minimum tax. The Company has not recognized deferred tax asset of Rs. 11.822 million (2017: Rs 17.75 million) in respect of minimum tax. The recognition of deferred tax asset is based on management's projection of future taxable profits against which the unused tax losses and tax credits can be utilised. The projections are based on management's best estimates of key production, sales and economic assumptions.

Under the Finance Act, 2018, a change in corporate tax rate from 30% to 29% was enacted for tax year 2019. The said tax rate will gradually decrease by 1% over a period of 4 years. Therefore, deferred tax assets and liabilities have been recognized accordingly using the expected applicable rate.

15. Stores and spares

		2018	2017
General stores and spares [including in transit of Rs. 1.031 million (2017: 0.752 million)]	- note 15.1	**122,785**	114,513
Working solution		**95,731**	95,592
Less: Provision for obsolescence	- note 15.2	**(7,032)**	(7,032)
		211,484	203,073

15.1 General stores and spares include raw material for working solution of Rs 14.944 million (2017: Rs 24.346 million).

15.2 Provision for store obsolescence

	2018 (Rs '000')	2017 (Rs '000')
Opening balance as at July 1	**7,032**	57
Add: Provision for the year	**-**	6,975
Closing balance as at June 30	**7,032**	7,032

16. Stock in trade

		2018	2017
Raw materials [including in transit of Rs. 1.276 million (2017: Rs 10.380 million)]	- note 16.1	**17,738**	16,024
Work-in-process	- note 16.2	**5,285**	2,680
Finished goods		**3,294**	29,099
		26,317	47,803

16.1 Raw materials include Rs 0.079 million (2017: Rs. 1.275 million) being carried at net realizable value.

16.2 Work-in-process include unused packing material of Rs. 5.285 million (2017: Rs 2.374 million).

17. Trade debts

		2018	2017
Considered good - unsecured	- note 17.1 & 17.2	**39,439**	67,322
Considered doubtful		**3,377**	14,765
		42,816	82,087
Less: Provision for doubtful debts	- note 17.3	**(3,377)**	(14,765)
		39,439	67,322

17.1 These include amount due from the following related parties.

	2018	2017
Descon Engineering Limited	**-**	8

17.2 These include Rs 1.491 million (2017: Nil) receivable from Hayleys Fabrics PLC, Sri Lanka against export sales made by the Company. During the year, the Company made export sales amounting to Rs. 11.878 million (2017: Rs 10.685 million) to Hayleys Fabrics PLC through Letter of Credit.

17.3 Provision for doubtful debts

		2018	2017
Balance as at July 1		**14,765**	12,722
Provision for the year	- note 23	**-**	2,043
Reversal of Provision		**(9,325)**	-
Bad debt written off		**(2,063)**	-
Balance as at June 30		**3,377**	14,765

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

18. Advances, deposits, prepayments and other receivables

		2018 (Rs '000')	2017 (Rs '000')
Advances to suppliers - considered good	- note 18.1	10,597	5,879
Advances to suppliers - considered doubtful		275	275
		10,872	6,154
Less: Provision for doubtful advances	- note 18.2	(275)	(275)
		10,597	5,879
Advances to employees and short term loans to employees - considered good		92	-
Security deposits		-	25
Prepayments		921	1,044
Sales tax recoverable		178,287	187,520
Associated undertakings - considered good	- note 18.3	-	50
Other receivables - considered good		4,428	-
		194,325	194,518

18.1 Advances to suppliers include advance given to related party Descon Engineering Limited (on the basis of common directorship) of amount Rs. 1.162 million (2017: Nil) in the normal course of business. The maximum aggregate advance given to related parties at the end of any month during the year was Rs 16.201 million (2017: Rs 0.148 million).

18.2 Provision for advances to suppliers

	2018	2017
Balance as at July 1	275	-
Provision for the year	-	275
Balance as at June 30	275	275

18.3 These are interest free and represent expenses incurred by the Company on behalf of related parties (on the basis of common directorship)

	2018	2017
Interworld Travels (Private) Limited	-	4
Inspectest Industrial Solutions LLC	-	9
Gray Mackenzie Engineering Services WLL Qatar	-	10
Descon Technical Institute	-	3
Rousch (Pakistan) Power Limited	-	18
Altern Energy Limited	-	6
	-	50

18.3.1 The maximum aggregate amount due from these related parties at the end of any month during the year was Rs 0.05 million (2017: Rs 0.107 million).

19. Cash and bank balances

		2018	2017
At banks on:			
- Current accounts		6,960	4,133
- Saving accounts	- note 19.1	106,125	17,627
		113,085	21,760

19.1 It carries mark up at the rate of 5% to 6% (2017: 3.75% to 5.75%) per annum.

20. Sales

		2018	2017
Gross sales:			
- Local	- note 20.1	2,191,764	2,076,844
- Export		18,170	23,294
		2,209,934	2,100,138
Less: Commission on sales		(44,060)	(53,669)
Less: Sales tax		(77,649)	(85,464)
		2,088,225	1,961,005

20.1 Gross sales include sale of finished goods purchased for resale amounting to Rs 223.857 million (2017: Rs 262.267 million).

21. Cost of goods sold

		2018 (Rs '000')	2017 (Rs '000')
Raw material consumed		576,360	574,640
Salaries, wages and other benefits	- note 21.1	98,732	87,488
Repair and maintenance		45,763	41,942
Production supplies		2,028	2,053
Fuel and power		273,285	265,714
Provision for stores obsolescence		-	6,975
Write down of inventories to Net Realizable Value (NRV)		3,000	8,033
Printing and stationery		1,111	294
Services through contractors		47,255	47,242
Traveling		1,484	2,144
Communication		568	656
Rent and rates		23,456	23,054
Depreciation on property, plant and equipment	- note 11.1.2	171,113	180,611
Insurance		8,645	8,255
Safety items consumed		1,139	1,425
Miscellaneous		2,435	7,098
		1,256,374	1,257,624
Add: Opening work in process		305	291
Less: Closing work in process		(5,285)	(305)
		(4,980)	(14)
Cost of goods produced		1,251,394	1,257,610
Add: Opening finished goods		31,474	4,191
Less: Closing finished goods		(3,294)	(31,474)
		28,180	(27,283)
Cost of goods sold - own manufactured		1,279,574	1,230,327
Cost of goods purchased for resale		192,290	224,056
		1,471,864	1,454,383

21.1 Salaries, wages and other benefits include Rs. 1.903 million (2017: Rs 1.590 million) in respect of provident fund contribution by the Company and include reversal of accumulating compensated absence of Rs. 0.365 million (2017: charge of Rs 0.612 million).

22. Administrative expenses

		2018	2017
Salaries, allowances and other benefits	- note 22.1	41,043	36,435
Vehicle running and maintenance		1,336	859
Entertainment		560	252
Communication		770	624
Printing and stationary		3,496	3,475
Traveling and conveyance		1,360	1,300
Repair and maintenance		1,653	1,524
Insurance		280	252
Fees and subscriptions		20,941	14,140
Legal and professional fee	- note 22.2	8,047	9,406
Amortization of intangible assets	- note 12	1,563	1,945
Depreciation on property, plant and equipment	- note 11.1.2	824	755
Others		3,211	5,401
		85,084	76,368

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

22.1 Salaries, wages and other benefits include Rs 0.233 million (2017: Rs 0.176 million) in respect of provident fund contribution by the Company.

22.2 Auditors remuneration

The charges for legal and professional services include the following in respect of auditors services for:

	2018 (Rs '000')	2017 (Rs '000')
Statutory audit	**1,418**	1,289
Half yearly review	**533**	484
Certification charges	**440**	400
Out of pocket expenses	**144**	96
	2,535	2,269

23. Distribution and selling cost

		2018 (Rs '000')	2017 (Rs '000')
Salaries, allowances and other benefits	- note 23.1	**11,547**	10,217
Communication		**393**	419
Traveling and conveyance		**2,290**	3,456
Advertisement		**108**	234
Insurance		**1,362**	1,463
Freight and forwarding		**50,083**	51,152
Depreciation on property, plant and equipment	- note 11.1.2	**171**	226
Provision for doubtful debts	- note 17.3	**-**	2,043
Others		**578**	6,658
		66,532	75,868

23.1 Salaries, wages and other benefits include Rs. 0.283 million (2017: Rs 0.260 million) in respect of provident fund contribution by the Company.

24. Other income

	2018 (Rs '000')	2017 (Rs '000')
Income from financial assets		
Interest on bank deposits	**1,384**	5,141
Income from non-financial assets		
Gain on sale of fixed assets	**311**	314
Net gain on insurance claim of assets written off	**6,336**	4,665
Reversal of provision for doubtful debt	**9,325**	-
Scrap sales	**3,492**	1,218
	19,464	6,197
Others	**6,999**	-
	27,847	11,338

25. Other operating expense

	2018 (Rs '000')	2017 (Rs '000')
Fixed assets written off	**15**	2,189
Capital work-in-progress written off	**-**	33
Worker's profit participation fund	**23,885**	17,554
Charge from associated companies	**9,501**	-
Exchange loss	**-**	675
	33,401	20,451

26. Finance cost

	2018 (Rs '000')	2017 (Rs '000')
Interest and mark-up on:		
- Long term finances		
- secured	**-**	6,538
- unsecured	**-**	708
- Finances under markup arrangement - secured	**2,775**	777
Bank charges	**2,598**	3,716
	5,373	11,739

27. Taxation

	2018 (Rs '000')	2017 (Rs '000')
Current tax:		
- Current year	**93,363**	55,847
- Prior year	**(4,739)**	-
Deferred tax	**42,915**	72,762
	131,539	128,609

27.1 In view of the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime', alternative corporate tax (ACT) under section 113C of the Income Tax Ordinance, 2001 and super tax imposed under section 4B of the Income Tax Ordinance, 2001. ACT under section 113C is available for set off for ten years against normal tax liability arising in future years whereas tax under 'Final Tax Regime' is not available for set off against normal tax liabilities arising in future years.

For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2018 are estimated approximately at Rs. 343.77 million (2017: 895.478 million). Details of deferred tax asset recognized on unused losses, carried forward alternate corporate tax and minimum tax has been included in Note 14.

27.2 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate

	2018 %	2017 %
Applicable tax rate	**30.00**	31.00
Effect of change in tax rate	**(4.47)**	-
Effect of Super tax	**3.00**	-
Effect of prior period charge	**(1.05)**	-
Effect of tax credits and others	**1.78**	21.22
Tax effect under presumptive tax regime and others	**(0.28)**	(13.66)
	(1.02)	7.56
Average effective tax rate charged to profit and loss account	**28.98**	38.56

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

27.3 Management assessment on sufficiency of provision for income taxes

	2017	2016	2015
	(Rs '000')		
Tax assessed as per most recent tax assessment	55,831	21,779	14,588
Provision in accounts for income tax	55,847	24,869	14,603

The tax assessed as per most recent tax assessed for the year 2017 and 2016 is based on "deemed assessment" as per income tax return filed for respective years.

As at June 30, 2018, as per the treatments adopted in tax returns filed that are based on the applicable tax laws and decisions of appellate authorities on similar matters, the provision in accounts for income tax is sufficient as there are strong grounds that the said treatments are likely to be accepted by the tax authorities.

27.4 The Finance Act, 2018 has introduced tax on every public company at the rate of 5% of its profit before tax for the year. However, this tax shall not apply in case of a public company which distributes at least 20% of its after tax profits within six months of the end of the tax year through cash. Liability in this respect if any, is recognised when the prescribed time period for the distribution of dividend expires.

28. Earnings per share

		2018	2017

28.1 Basic earnings per share

		2018	2017
Profit for the year	Rupees in thousand	**322,279**	204,925
Weighted average number of ordinary shares in issue during the year	Number in thousand	**102,000**	102,000
Earning per share	Rupees	**3.16**	2.01

28.2 Diluted earnings per share

		2018	2017
Profit for the period	Rupees in thousand	**322,279**	204,925
Weighted average no. of ordinary shares	Number in thousand	**102,000**	102,000
Add: Weighted average number of Preference shares	Number in thousand	**110,000**	110,000
	Number in thousand	**212,000**	212,000
Earning per share	Rupees	**1.52**	0.97

29. Cash flow from operating activities

		2018 (Rs '000')	2017 (Rs '000')
Profit before taxation		**453,818**	333,534
Adjustment for:			
- Depreciation on property, plant and equipment	- note 11.1.2	**172,108**	181,592
- Amortization of intangible assets	- note 12	**1,563**	1,945
- (Reversal of Provision) / Provision for accumulating compensated absences	- note 21.1	**(365)**	612
- Reversal of provision against export rebate		**(568)**	-
- Fixed assets written off	- note 25	**15**	2,189
- Capital work-in-progress items written off	- note 25	**-**	33
- Gain on disposal of fixed assets	- note 24	**(6,647)**	(314)
- Net exchange gain		**(41)**	675
- Interest on bank deposits	- note 24	**(1,384)**	(5,141)
- Provision for doubtful debts	- note 23	**-**	2,043
- Reversal of provision for doubtful debts	- note 24	**(9,325)**	-
- Write down of inventories to Net Realizable Value (NRV)	- note 21	**3,000**	8,033
- Provision for stores obsolescence	- note 21	**-**	6,975
- Provision for impairment of property, plant and equipment		**7,534**	4,527
- Provision for doubtful advances	- note 18.2	**-**	275
- Finance cost	- note 26	**5,373**	11,739
Profit before working capital changes		**625,081**	548,717
Effect on cash flow due to working capital changes:			
(Increase)/ decrease in current assets			
- Stores, spares and loose tools		**(8,411)**	(4,171)
- Stock in trade		**18,486**	(23,235)
- Trade debts		**41,170**	(16,260)
- Advances, deposits, prepayments and other receivables		**761**	(45,768)
Increase in current liabilities			
- Creditors, accrued and other liabilities		**2,438**	45,479
		54,444	(43,955)
Cash generated from operations		**679,525**	504,762

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

30. Transactions with related parties

30.1 The related parties comprise of associated undertakings, key management personnel and post-employment benefit plan. 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 31. Other significant transactions with related parties are as follows:

	Holding company	Other related parties	Total
	----------------------(R '000')----------------------		
For the year ended June 30, 2018			
Purchase of goods and services	-	**14,455**	14,455
Purchase of property, plant and equipment	-	**33,811**	33,811
Sale of goods	-	**17**	17
Share of common expenses charged from related parties	-	**51,386**	51,386
Share of common expenses charged to related parties	-	**1,474**	1,474
Preference Dividend paid	-	**263,509**	263,509
Post employment benefit plans	-	**2,418**	2,418
For the year ended June 30, 2017			
Purchase of goods and services	-	**10,598**	10,598
Sale of goods	-	**41**	41
Share of common expenses charged from related parties	-	**25,387**	25,387
Share of common expenses charged to related parties	-	**2,885**	2,885
Markup expense	-	**708**	708
Post employment benefit plans	-	**2,026**	2,026

30.2 The names of related parties with whom the Company has entered into transactions or had agreements / arrangements in place during the year have been disclosed in related notes.

30.3 Information about the related party incorporated outside the Pakistan with whom the company had entered into transactions is as follows:

Name of company:	Gray Mackenzie Engineering Services
Registered address of the company:	Shed 118 Al Jadaf Dubai, 32393, UAE
Country of incorporation:	United Arab Emirates
Basis of Association:	Common directorship
Aggregate percentage of shareholding:	Nil
Chief Executive Officer:	Taimur Dawood
Operational status:	Operational
Auditors opinion on latest financial statements:	Unqualified Opinion

31. Remuneration of Chief Executive, Directors and Executives

	Chief Executive		Non-Executive Directors		Executives	
	30 June 2018	**30 June 2017**	**30 June 2018**	**30 June 2017**	**30 June 2018**	**30 June 2017***
	--------------------------------(Rs '000')--------------------------------					
Remuneration	**14,804**	14,437	**3,649**	3,781	**12,192**	11,114
Fee	**-**	-	**1,250**	1,250	**-**	-
Provident Fund	**-**	-	**150**	150	**406**	364
Car Allowance	**68**	-	**-**	-	**1,024**	1,024
Medical facility	**71**	529	**-**	-	**404**	294
Bonus	**1,172**	1,203	**-**	-	**2,524**	932
Reimbursable expenses	**16**	313	**-**	103	**196**	1,001
	16,131	16,482	**5,049**	5,284	**16,746**	14,729
No. of persons	**1**	1	**4**	4	**3**	3

*Comparative figures have been restated to reflect changes in the definition of executive as per the Companies Act, 2017.

31.1 The Company provides Company maintained car to the Chief Executive and certain other executives.

31.2 Aggregate amount charged in the financial statements for the year for fee to 2 non-executive directors (2017: 2 non-executive directors) is Rs. 1.25 million (2017: Rs 1.25 million).

32. Cash and cash equivalents

		2018 (Rs '000')	2017 (Rs '000')
Cash and bank balances	- note 19	**113,085**	21,760
Finances under mark up arrangements - secured	- note 7	**-**	(42,231)
		113,085	(20,471)

33. Capacity and production

		Production Capacity	Actual production 2018	Actual production 2017
Production of hydrogen peroxide (on 100% concentration and based on 360 working days)	**Metric tonnes**	14,000	**16,513**	17,348
Production of packing material (based on 360 working days)	**Number**	1,080,000	**883,301**	934,788

Production of packing material remained below capacity owing to lower production of packaged hydrogen peroxide.

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

34. Financial risk management objectives

34.1 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). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from/payable to the foreign entities. The Company's exposure to currency risk is as follows:

	2018	2017
	(FCY in Thousand)	
Trade debts - US Dollars	**12**	84
Bills payable - US Dollars	**-**	(246)

The following significant exchange rates were applicable during the year:

Rupees per USD		
Average rate	**109.95**	104.73
Reporting date rate	**121.40**	104.85

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/(loss) 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**
	---------------------------(Rs '000')---------------------------		
2018	**10%**	**146**	95
	-10%	**(146)**	(95)
2017	10%	**(1,699)**	(1,104)
	-10%	**1,699**	1,104

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.

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 balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2018 (Rs '000')	2017 (Rs '000')
Fixed rate instruments		
Financial assets		
Savings Account	**106,125**	17,627
Floating rate instruments		
Financial liabilities		
Long term finances - secured	**-**	-
Finances under markup arrangement - secured	**-**	42,231
	-	42,231

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:

Interest rate sensitivity analysis

		Increase/ decrease in rate	**Effect on profit before tax**	**Effect on Equity**
		---------------------(Rs '000')---------------------		
Financial Assets	**2018**	1%	1,061	690
		-1%	(1,061)	(690)
	2017	1%	176	114
		-1%	(176)	(114)
Financial Liabilities	**2018**	1%	0	0
		-1%	0	0
	2017	1%	(422)	(274)
		-1%	422	274

Notes to and Forming Part of the Financial Statements Continued
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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, its short term investments in open ended mutual funds 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:

	2018 (Rs '000')	2017 (Rs '000')
Trade debts	**39,439**	67,322
Advances, deposits, prepayments and other receivables	**15,117**	5,879
Bank balances	**113,085**	21,760
	167,641	94,961

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 credit quality of cash and 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 Short Term	Long Term	Rating Agency	2018 (Rs '000')	2017 (Rs '000')
Cash and bank					
Habib Metropolitan Bank	A1+	AA+	PACRA	**43,785**	17,972
Allied Bank Limited	A1+	AA+	PACRA	**2,976**	26
MCB Bank	A1+	AA-	PACRA	**26**	25
Bank Al-Habib Limited	A1+	AA+	PACRA	**66,298**	3,737
				113,085	21,760

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 cash and bank balances and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2018 the Company had borrowing limits available from financial institutions at Rs 300 million (2017: Rs 150 million) and Rs.113.08 million (2017: Rs 21.76 million) in cash and 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.

	Carrying amount	Less than one year	More than one year	More than five years
	----------------------(Rs '000')			--------------------
The following are the contractual maturities of financial liabilities as at June 30, 2018:				
Finance under markup arrangements	-	-	-	-
Accrued finance cost	378	378	-	-
Trade and other payables	211,561	211,561	-	-
	211,939	211,939	-	-
The following were the contractual maturities of financial liabilities as at June 30, 2017:				
Finance under markup arrangements	42,231	42,231	-	-
Accrued finance cost	191,203	191,203	-	-
Trade and other payables	209,488	208,910	-	-
	442,922	442,344	-	-

34.2 Fair values of financial assets and liabilities

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

34.3 Financial instruments by categories

	Loans and receivables	
	2018 (Rs '000')	2017 (Rs '000')
Long term deposits	**17,654**	17,654
Trade debts	**39,439**	67,322
Advances, deposits, prepayments and other receivables	**10,597**	5,879
Cash and bank balances	**113,085**	21,760
	180,775	112,615

	Financial liabilities at amortised cost	
	2018 (Rs '000')	2017 (Rs '000')
Finances under mark up arrangements - secured	**-**	42,231
Trade and other payables	**211,561**	209,488
Accrued finance cost	**378**	191,203
	211,939	442,922

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

34.4 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).

As of reporting date, there were no Level 1, 2 or 3 assets or liabilities during prior or current year.

34.5 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. Total capital is calculated as 'equity' shown in the balance sheet plus debt. The gearing ratio as at year ended June 30, 2018 and June 30, 2017 are as follows:

		2018 (Rs '000')	2017 (Rs '000')
Debt		**-**	-
Total Equity		**1,775,728**	1,717,449
Total Capital		**1,775,728**	1,717,449
Gearing Ratio	Percentage	**0.0%**	0.00%

35. Number of Employees

	2018	2017
Total number of employees as at June 30, 2018 (including contractual)	**101**	101
Total number of factory employees as at June 30, 2018 (including contractual)	**92**	91
Average number of employees during the year (including contractual)	**100**	101
Average number of factory employees during the year (including contractual)	**91**	91

36. Provident Fund

		2018 (Rs '000')	2017 (Rs '000')
Size of the fund		**22,578**	20,037
Cost of investments made		**5,710**	5,270
Percentage of investments made		**25%**	26%
Fair value of investments	- note 36.1	**18,242**	5,316

36.1 The breakup of fair value of investments is :

Break up of investments	**2018 (Rs in '000)**	% of Investment	2017 (Rs in '000)	% of Investment
Investment in term finance certificates	**1,574**	8.63%	590	11.10%
Investment in listed shares	**5,390**	29.55%	4,726	88.90%
Investment in Term Deposit Receipts	**11,278**	61.82%	-	0.00%
	18,242	100%	5,316	100%

The figures for 2018 are based on the unaudited financial statements of the employees' provident fund. The investments in collective investment schemes, listed equity and listed debt securities out of aforementioned fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the conditions specified thereunder.

37. Summary of significant transactions and events

The provisions of the fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time in the preparation of these financial statements, as detailed in Note 2.2.1.

38. Subsequent events

38.1 The Board of Directors of the Company have proposed a final dividend pertaining to Preference shareholders for the year ended June 30, 2018 of Rs1.2 per share amounting to Rs 132 million at their meeting held on Aug 15, 2018 for approval of members at the Annual General Meeting to be held on Oct 23, 2018. These financial statements do not reflect this dividend payable.

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

38.3 Subsequent to the year end, the Company has finalized the negotiations with banks for financing an amount of Rs. 1.1 billion for enhancing the existing capacity of the Company's plant by 25%. The project was approved by the Board of Directors vide their meeting dated March 21, 2018.

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2018

39. Date of authorization for issue

These financial statements were authorized for issue on August 15, 2018 by the Board of Directors.

40. Corresponding figures

The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. The preparation and presentation of these financial statements for the year ended June 30, 2018 is in accordance with the requirements in Companies Act, 2017. Accordingly the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Such rearrangements and reclassifications made during the year are, however not significant.

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

Pattern of Shareholding
as on June 30th, 2018

No. of Shareholders	------Shareholding-----		Total Shares Held
	From	To	
165	1	100	3,630
1,953	101	500	966,695
582	501	1,000	577,428
981	1,001	5,000	2,993,187
294	5,001	10,000	2,441,205
101	10,001	15,000	1,287,558
73	15,001	20,000	1,346,343
52	20,001	25,000	1,243,500
22	25,001	30,000	623,000
16	30,001	35,000	532,500
15	35,001	40,000	586,500
15	40,001	45,000	647,066
27	45,001	50,000	1,331,047
6	50,001	55,000	326,500
7	55,001	60,000	405,099
3	60,001	65,000	193,000
5	65,001	70,000	345,500
3	70,001	75,000	220,500
3	75,001	80,000	234,000
7	80,001	85,000	583,500
3	85,001	90,000	266,000
4	90,001	95,000	376,183
24	95,001	100,000	2,395,000
3	100,001	105,000	305,973
2	105,001	110,000	216,000
1	110,001	115,000	111,000
2	115,001	120,000	234,500
2	120,001	125,000	248,000
2	125,001	130,000	257,500
2	130,001	135,000	269,000
2	140,001	145,000	284,486
2	145,001	150,000	299,000
2	150,001	155,000	305,000
2	155,001	160,000	320,000
1	160,001	165,000	163,000
3	165,001	170,000	506,500
1	190,001	195,000	195,000
2	195,001	200,000	400,000
2	205,001	210,000	419,000
1	210,001	215,000	214,500
1	245,001	250,000	250,000
1	255,001	260,000	257,500
1	265,001	270,000	268,500
1	270,001	275,000	273,500
1	275,001	280,000	280,000
1	285,001	290,000	290,000
1	290,001	295,000	291,000
1	320,001	325,000	325,000
2	325,001	330,000	655,000

Pattern of Shareholding
as on June 30th, 2018

No. of Shareholders	------Shareholding----- From	To	Total Shares Held
1	345,001	350,000	350,000
1	355,001	360,000	360,000
1	385,001	390,000	385,500
1	395,001	400,000	396,500
1	405,001	410,000	409,500
1	425,001	430,000	428,000
1	440,001	445,000	443,000
1	450,001	455,000	452,000
1	900,001	905,000	902,000
1	920,001	925,000	921,500
1	1,035,001	1,040,000	1,040,000
1	1,130,001	1,135,000	1,132,300
1	1,625,001	1,630,000	1,627,000
1	1,925,001	1,930,000	1,930,000
1	2,895,001	2,900,000	2,900,000
1	7,435,001	7,440,000	7,439,800
1	8,725,001	8,730,000	8,725,250
1	44,590,001	44,595,000	44,593,750
4,421			102,000,000

Catagories of Shareholding required under Listed Companies (Code of Corporate Governance) Regulations, 2017 (CCG)
as on June 30th, 2018

Categories of shareholders	Share held	Percentage
2.3.1 Directors, Chief Executive Officers, and their spouse and minor children	3,500	0.0034%
2.3.2 Associated Companies, undertakings and related parties. (Parent Company)	62,100,154	60.8825%
2.3.3 NIT and ICP	0	0.0000%
2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	921,500	0.9034%
2.3.5 Insurance Companies	3,205,000	3.1422%
2.3.6 Modarabas and Mutual Funds	1,637,000	1.6049%
2.3.7 Share holders holding 10% or more	52,033,550	51.0133%
2.3.8 General Public		
a. Local	27,010,746	26.4811%
b. Foreign	1,000	0.0010%
2.3.9 Others (to be specified)		
1- Joint Stock Companies	6,798,100	6.6648%
2- Foreign Companies	320,000	0.3137%
3- Others	3,000	0.0029%

Catagories of Shareholding required under Listed Companies (Code of Corporate Governance) Regulations, 2017 (CCG)

as on June 30th, 2018

Sr. No.	Name	No. of Shares held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
1	DESCON CORPORATION (PVT.) LIMITED	8,725,250	8.5542
2	INTERWORLD TRAVELS (PVT) LIMITED	92,054	0.0902
3	DESCON HOLDING (PVT.) LIMITED	1,132,300	1.1101
4	INSPECTEST (PVT) LIMITED	117,000	0.1147
5	DEL CHEMICALS (PRIVATE) LIMITED (CDC)	52,033,550	51.0133
Mutual Funds (Name Wise Detail)		-	-
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. A. RAZZAK DAWOOD (CDC)	500	0.0005
2	MR. TAIMUR DAWOOD (CDC)	500	0.0005
3	MR. FAISAL DAWOOD (CDC)	500	0.0005
4	MR. FAROOQ NAZIR (CDC)	500	0.0005
5	MR. ASIF QADIR	500	0.0005
6	MRS. MEHREEN DAWOOD (CDC)	500	0.0005
7	MR. ALI ASRAR HOSSAIN AGA	500	0.0005
Executives:		4,000	0.0039
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		4,126,500	4.0456
Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)			
1	DEL CHEMICALS (PRIVATE) LIMITED (CDC)	52,033,550	51.0133
5	DESCON CORPORATION (PVT.) LIMITED	8,725,250	8.5542

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 (CDC)	5,644,000	-
2	MR. FAISAL DAWOOD (CDC)	5,644,000	-
3	MRS. MEHREEN DAWOOD (CDC)	5,402,300	-
4	MRS. BILQUEES DAWOOD W/O A. RAZZAK DAWOOD (CDC)	4,129,000	-

Notice of Annual General Meeting

Notice is hereby given that a 14th Annual General Meeting of Descon Oxychem Limited (the "Company") will be held on Tuesday, October 23rd 2018 at 10:30 am at Descon Headquarters, 18-K.M, Ferozepur Road Lahore – 54760 to transacted the following business:

Ordinary Business:

1) To confirm minutes of the last Extra Ordinary General Meeting of the Company held on Friday, July 27, 2018.

2) To receive, consider and adopt the audited Financial Statements of the Company for the year ended 30th June 2018 together with the reports of Directors' and Auditors' thereon.

3) To appoint External Auditors for the ensuing year and fix their remuneration (The present auditors M/s. A.F. Ferguson & Co., Chartered Accountants, retire and being eligible have offered themselves for re-appointment.)

4) To declare and approve the cash dividend for the year ended June 30, 2018 on the non-voting, cumulative, convertible, redeemable preference shares ("Preference Shares") of the Company. The Directors have recommended a cash dividend of Rs. 132,000,000/- at 12% i.e. Rs.1.20 per preference share.

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

By Order of the Board of Directors

Abdul Sohail
Company Secretary

Lahore
September 28, 2018

NOTES:

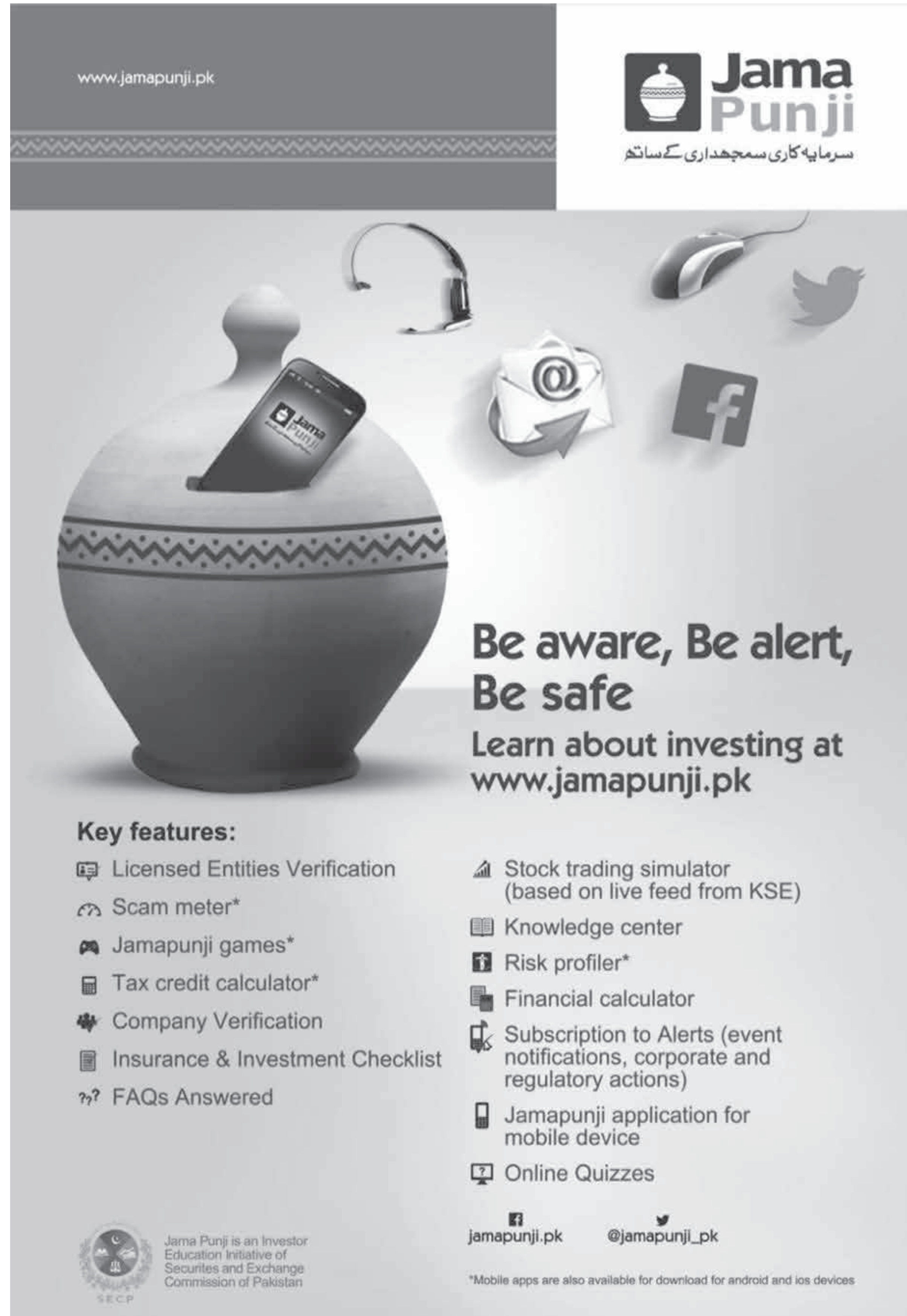
a. The Share Transfer Books of the Company will be closed from 16-10-2018 to 23-10-2018 (both days inclusive). Transfers received at the Corplink (Pvt) Limited, 1-K, Commercial Model Town Lahore the close of business on 15-10-2018 will be treated in time for the purpose of above entitlement to the transferees.

b. Members are requested to attend in person along with Computerized National Identity Card ("CNIC") or appoint some other member as proxy and send their proxy duly witnessed so as to reach the registered office of the Company not later than 48 hours before the time of holding the meeting.

c. Any individual 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. 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.

d. 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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Form of Proxy
Descon Oxychem 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 14th Annual General Meeting of the Company to be held at Descon Headquarters, 18-Km, Ferozepur Road, Lahore on Tuesday, October 23, 2018 at 10:30 am and at any adjournment thereof.

As witness my / our hand this ____________________________ day of ___________2018

Signed by the said ______________________________ in the presence of ____________

____
(Member's Signature)

Place ________________

Date _________________

____
(Witness's Signature)

Affix Rs. 5/-
Revenue Stamp which must be cancelled either by signature over it or by some other means