

A photograph of an industrial facility, likely a refinery or chemical plant, at night. The scene is dominated by tall, dark distillation columns and a complex network of pipes and structural steel. Numerous bright lights are visible, creating a high-contrast scene against the dark sky. The lights appear to be reflecting off surfaces or are part of the facility's illumination system.

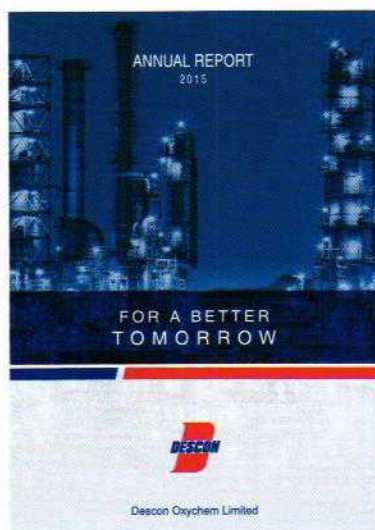
ANNUAL REPORT

2015

FOR A BETTER
TOMORROW



Descon Oxychem Limited



COVER CONCEPT

Environmental issues such as climate change, water pollution and renewable energy make the news headlines and have become increasingly important in every day life. Many people perceive chemistry and the chemical industry as harmful to the environment.

However, many new advances and scientific researches in the field of chemistry are helping us to develop more environment friendly materials and applications, while preserving the quality and the lifestyle we expect.

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VISION & MISSION

VISION

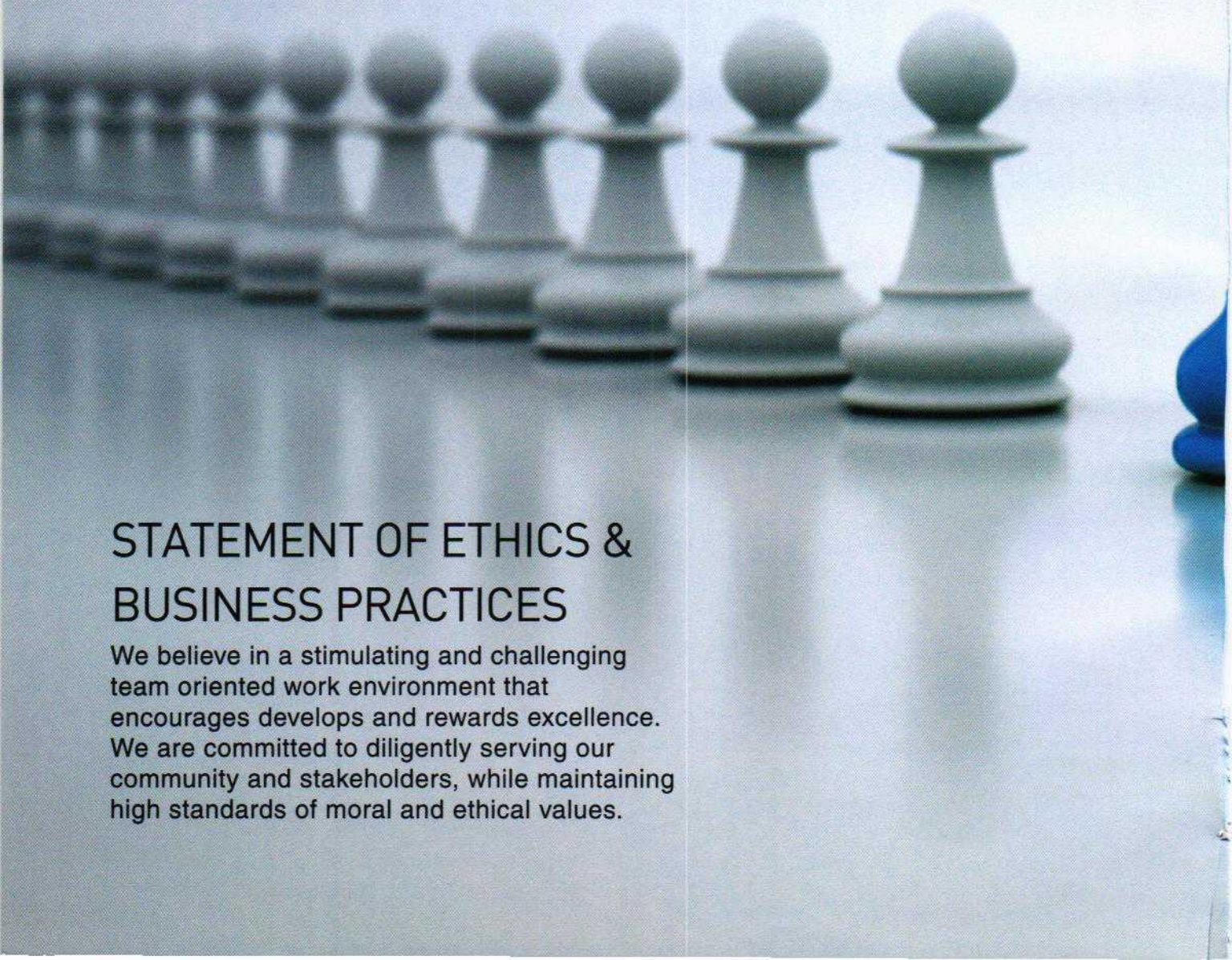
To become a leading chemical solutions provider to industry worldwide.

MISSION

To provide competitive chemical solutions through technological innovation to form the basis of better life.

STATEMENT OF ETHICS & BUSINESS PRACTICES

We believe in a stimulating and challenging team oriented work environment that encourages develops and rewards excellence. We are committed to diligently serving our community and stakeholders, while maintaining high standards of moral and ethical values.



COMPANY INFORMATION

Board of Directors

Abdul Razak Dawood
Chairman

Aamir Niazi
Chief Executive Officer

Farooq Nazir
Taimur Dawood
Ahmed Razi Ghazali
Faisal Dawood
Asif Qadir
Ali Asrar Hossain Aga

Chief Financial Officer

Yasir Siddique Sheikh

Company Secretary

Abdul Sohail

Auditors

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

Internal Auditors

M/s KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

M/s Hassan & Hassan Advocates

Bankers

Allied Bank Limited
Bank Al Habib Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
KASB Bank Limited
Summit Bank Limited
Soneri Bank Limited
Askari Bank Limited

Share Registrar

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

Registered Office

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

Plant Site

18-KM Lahore - Sheikhpura Road,
Lahore, Pakistan.
Tel: +92 42 3797 1822-243
Fax: +92 42 3797 1831

Karachi Office

Business Avenue,
26/A, 9th Floor, Block 6, PECHS,
Shahra-e-Faisal, Karachi, Pakistan.
Tel: +92 21 3454 4485-6
Fax: +92 21 3438 2674

Web Presence

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

BOARD AND MANAGEMENT COMMITTEES

Audit Committee

Audit committee has been constituted by the Board in compliance with the Listing Regulations. The committee oversees the Internal Audit function, and also reviews internal audit plans and reports. The committee conducts its meetings as and when required. The committee appraises 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
Faisal Dawood	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
Aamir Niazi	Chief Executive Officer
Abdul Sohail	Company Secretary
Yasir Siddique Sheikh	Chief Financial Officer
Zulfiqar Ahmad	Head Shared Services
Bilal Malik	Head HR
Saqib Abbas	Manager Compliance & Reporting

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 Code of Corporate Governance. It comprises of three members, of whom two are non-executive directors including the Chairman of the committee who is a non-executive director.

Taimur Dawood	Chairman
Farooq Nazir	Member
Aamir Niazi	Member

Compliance Committee

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

Aamir Niazi	Chief Executive Officer
Abdul Sohail	Company Secretary
Yasir Siddique Sheikh	Chief Financial Officer
Zulfiqar Ahmad	Head Shared Services
Yawar Mehmood	Plant Manager
Bilal Malik	Head HR
Saqib Abbas	Manager Compliance & Reporting

DIRECTORS' REPORT

The Directors of the Company are pleased to present the Annual Report along with the Audited Financial Statements for the year ended June 30, 2015.

Financial Review

	2015	2014
	Rupees in thousands	
Sales	1,409,082	1,498,547
Gross profit	268,216	299,523
EBITDA	298,563	353,387
Operating profit	132,257	177,208
Finance cost	(212,188)	(225,340)
Loss before tax	(79,931)	(48,132)
Loss after tax	(118,849)	(61,291)
Loss per share	(1.17)	(0.60)

Current financial year continued to be a challenging year for the company mainly due to external factors. However, our plant continued its smooth operations and fulfilled its commitments with the customers. During the year under review our focus remained on achieving optimal level of production to counter the impact of external factors including energy crisis. Our efforts towards increasing production and controlling our fixed costs would result in improved performance in near future.

Gross profit for the year has decreased significantly as compared to last year mainly due to decrease in average selling price, which decreased by 5% as compared to last year. Decrease in price is because of the unfair competition being faced by the Company in the form of imported peroxide being dumped into the country at extremely low prices, particularly originating from Bangladesh. On the application filed by the Company, the National Tariff commission (the Commission) has initiated antidumping investigation against imports from Bangladesh. Hopefully, with the imposition of provisional measures, in the near future, and

later on definitive antidumping duties, this unfair competition will be removed.

The debt servicing costs of the company have reduced as compared to the last year mainly due to repayment of long term loans and effective working capital management. This decreasing trend in finance cost every year is an evidence of improving capital structure and reduced reliance on short term borrowings. It is also pertinent to note that the capital structure would further improve after the issuance of preference shares, as approved in the last annual general meeting.

The Company pursued an aggressive marketing strategy and is working extensively with end users for market development to ensure that additional production should be translated into value added sales. In these challenging times, the Company's Management remains steadfast in its business approach and maintained its focus on key controllable factors. From the first day of operation, the Company has sustained an excellent safety record and adherence to safety policies and procedures.

Entity Credit Rating

By The Pakistan Credit Rating Agency Limited as on October 2015

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

PACRA has assigned a long-term entity rating of "A" (Single A) and short-term rating of "A1" (A One) to the Company. These ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments. The ratings recognize the

Company's leading position in the local H₂O₂ market, supplemented by efficient production process, sound technological infrastructure and effective control environment.

The management is pursuing a focused strategy to enhance the product awareness which would give boost to product demand while ensuring sustainable margins. The Company's cash flows, and in turn coverage's, remain adequate against challenges of temporary gas shortage and price fluctuations. Ratings draw comfort from the Company's association with a financially sound and diversified business group - Descon - that in the past has demonstrated support.

Corporate Governance

Your Company is pleased to inform you that its Directors and management are fully conversant with the responsibilities as formulated in Code of Corporate Governance 2012 issued by SECP and incorporated in the listing regulations of stock exchanges. The Company ensures best practices of Corporate Governance by adopting a set of processes, customs and policies to help us direct and control management activities with good business sense, objectivity, accountability and integrity. We have made corporate governance a system of structuring, operating and controlling the Company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers.

The prescribed practices are effectively under implementation in the Company and there has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

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 Code of Corporate Governance 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	Meetings	Attended Remarks
Abdul Razak Dawood	5	
Mr. Asif Qadir	3	Leave of absence was granted in two meetings.
Taimur Dawood	5	
Farooq Nazir	3	Leave of absence was granted in two meetings
Ahmed Razi Ghazali	3	Leave of absence was granted in two meetings.
Faisal Dawood	3	Leave of absence was granted in two meetings.
Muhammad Sadiq	1	Died
Taimur Saeed	3	Resigned
Aamir Niazi	2	Newly appointed
Ali Asrar Hossain Aga	0	Newly appointed

Training of the Board

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. However during the year no director has obtain certification under director's training program as required under clause XI of the Code.

Changes to the Board

Muhammad Sadiq has died during the year and new Independent Director of the Company Mr. Ali Asrar Hossain Aga has been appointed in his place. Mr. Taimur Saeed has been resigned from the position of CEO and Mr. Aamir Niazi has been appointed as new CEO of the Company.

Directors' Statement

The directors are pleased to make statements as required by the Code of Corporate Governance 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

Abdul Razak Dawood purchased the 10,773,700 shares of the Company.

x. Outstanding Statutory Dues

There are no outstanding statutory dues.

xi. Dividends

The Company could not declare any dividend.

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 Ordinance, 1984. 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 Code of Corporate Governance, 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, 2016.

xvi. Audit Committee

The Board of Directors in compliance to the Code of Corporate Governance 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

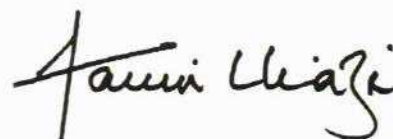
Name of Director	Designation
Farooq Nazir	Chairman
Taimur Dawood	Member
Faisal Dawood	Member

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

Acknowledgements

In the end, the management would like to take this opportunity to express their appreciation and thank all employees for their commitment, loyalty and hard work in meeting targets for the year. We also acknowledge the support and cooperation received from our esteemed customers, suppliers, bankers and stakeholders towards the development of the Company.

For and on behalf of the Board



Lahore
October 02, 2015

Aamir Niazi
Chief Executive Officer

KEY OPERATING AND FINANCIAL DATA

Rupees in Thousands	2015	2014	2013	2012	2011	2010
Summary of Profit and Loss						
Sales	1,409,082	1,498,547	1,369,547	1,192,439	1,432,576	709,672
Cost of Goods Sold	(1,140,866)	(1,199,024)	(1,085,260)	(951,797)	(892,139)	(683,402)
Gross Profit	268,216	299,523	284,287	240,642	540,437	26,270
Operating profit	132,257	177,208	209,610	170,316	436,427	(48,038)
Finance Cost	(212,188)	(225,340)	(255,528)	(337,853)	(351,895)	(288,065)
Profit / (loss) before tax	(79,931)	(48,132)	(45,918)	(167,537)	84,532	(336,101)
Profit / (loss) after tax	(118,849)	(61,291)	(51,226)	(125,936)	179,970	(289,408)
EBITDA	298,563	353,387	387,807	348,575	613,923	105,518
Financial Position						
Share Capital	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000
Reserves including unappropriated profit	(642,587)	(523,018)	(462,275)	(407,942)	(283,170)	(464,819)
Long term borrowings	1,455,350	1,658,785	1,745,617	1,762,774	2,000,588	1,830,197
Property, plant and equipment	1,771,052	1,914,562	2,038,649	2,207,731	2,378,326	2,552,953
Net Current Assets	241,023	265,437	178,441	(41,234)	145,619	(332,399)
Investor Information						
Gross profit margin (%)	19.03%	19.99%	20.76%	20.18%	37.72%	3.70%
EBITDA margin to sales (%)	21.19%	23.58%	28.32%	29.23%	42.85%	14.87%
Pre tax margin (%)	(5.67%)	(3.21%)	(3.35%)	(14.05%)	5.90%	(47.36%)
Net profit margin (%)	(8.43%)	(4.09%)	(3.74%)	(10.56%)	12.56%	(40.78%)
Return on equity (%)	(31.49%)	(12.33%)	(9.18%)	(20.58%)	24.42%	(52.13%)
Return on capital employed (%)	5.86%	7.25%	8.46%	6.84%	15.63%	(2.01%)
Current Ratio	1.61	2.20	1.41	0.93	1.31	0.55
Quick Ratio	1.35	1.89	1.27	0.82	1.04	0.48
Debtors turnover (days)	23	20	31	15	24	14
Inventory turnover (days)	33	21	23	27	59	41
Creditors turnover (days)	52	34	46	42	58	84
Operating cycle (no. of days)	4	7	8	-	25	(29)
Debt: Equity (Ratio)	83.27%	79.66%	77.50%	75.40%	73.61%	76.73%
Interest cover (Times)	(0.62)	(0.79)	(0.82)	(0.50)	(1.24)	0.17
Earnings / (loss) per share (pre tax) (Rupees)	(0.78)	(0.47)	(0.45)	(1.64)	0.83	(3.30)
Earnings / (loss) per share (after tax) (Rupees)	(1.17)	(0.60)	(0.50)	(1.23)	1.76	(2.84)
Hydrogen Peroxide Production (MTs)	32,098	32,506	26,394	27,890	29,792	20,140
Hydrogen Peroxide Sales (MTs)	31,785	32,131	29,626	28,289	29,120	21,074



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 5.19 of listing regulations of Karachi Stock Exchange 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 applied the principles contained in the Code in the following manner:

1. The Company encourages the representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Non-Executive Directors	Mr. Abdul Razak Dawood Mr. Farooq Nazir Mr. Taimur Dawood Mr. Faisal Dawood Mr. Ahmed Razi Ghazali
Independent Director	Mr. Asif Qadir Ali Asrar Hossain Aga

The independent Directors meet the criteria of independence under clause i(b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding company where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF, or being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. A casual vacancy occurred on 21 April 2015

on the Board and was filled up by the directors within prescribed time.

5. The Company has prepared a "Code of Conduct", which has been approved by the Board of Directors and signed by the senior executives and employees of the Company, 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 material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors have been taken by the board of directors/shareholders.
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 met at least once in every quarter or when deemed necessary. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated. The Chief Financial Officer and the Company Secretary also attended the meetings of the Board.
9. The Board ensures arrangement of orientation courses for its directors to apprise them of their duties and responsibilities. Board had previously arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate

- Governance Corporate for its directors. The majority of directors had obtained certification of CGLS and are familiarized themselves on their responsibilities with the Code. However during the year no director has obtained certification under any director's training program as required under the clause XI of the Code.
10. The Board has approved appointment of Chief Financial Officer and Head of Internal Audit including their remuneration and terms and conditions of employment.
 11. The Director's Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
 12. The Chief Executive Officer and Chief Financial Officer have duly endorsed the financial statement of the Company before its approval from the Board.
 13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the Pattern of Shareholding.
 14. The Company has complied with the applicable corporate and financial reporting requirements of the Code.
 15. The Board has formed an Audit Committee. It comprises of three members, all are non-executive directors, including the Chairman of the Committee. However, an independent director has not been included in the Audit Committee as required under the clause (XXIV) of the Code. The Board shall elect an independent director as member of Audit Committee during the current year to ensure compliance with this clause".
 16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Audit Committee have been formulated and communicated to the Committee for compliance.
 17. The Board has formed an HR and Remuneration Committee. It comprises of three members, CEO and two Non- executive directors, and the chairman of the Committee is a non-executive director.
 18. 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.
 19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), 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 Institute of Chartered Accountants of Pakistan (ICAP).
 20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 21. The 'closed period' prior to the announcement of interim/final results and business decisions which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
 22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
 23. We confirm that all other material principles enshrined in the Code have been complied with.

for and on behalf of the Board



Aamir Niaz
Chief Executive Officer

Lahore
October 02, 2015





A. F. FERGUSON & CO.

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ('the Code') prepared by the Board of Directors of Descon Oxychem Limited ('the Company') for the year ended June 30, 2015 to comply with the Code contained in Regulation No. 5.19 of the Karachi Stock Exchange Limited Regulations, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with requirements of Code. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of 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's statement on internal controls 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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine whether the related party transactions were undertaken at arm's length 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 best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.

We draw attention to note 9 of the statement of compliance, which states that during the year no director has obtained certification under any director's training program as required under the clause XI of the Code of Corporate Governance. Further we draw attention to note 15 of the statement of compliance, which states that no independent director is member of the audit committee as required under the clause XXIV of the Code of Corporate Governance. Our report is not qualified in respect of these matters.

Lahore,
October 02, 2015

Chartered Accountants
Name of engagement partner: Asad Aleem Mirza



AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Descon Oxychem Limited as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof, for the year then ended 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 our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes resulted on initial application of standards, amendments, or an interpretation to the existing standards as stated in note 2.2.1 to the annexed financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- (c) in our opinion, and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, 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, 2015 and of the loss, total comprehensive loss, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore,
October 02, 2015

Chartered Accountants
Name of engagement partner: Asad Aleem Mirza

BALANCE SHEET

AS AT JUNE 30, 2015

	Note	2015 (Rupees in thousand)	2014
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
110,000,000 (2014: 110,000,000) ordinary shares of Rs 10 each		1,100,000	1,100,000
110,000,000 (2014: Nil) preference shares of Rs 10 each		1,100,000	-
Issued, subscribed and paid up capital			
102,000,000 (2014: 102,000,000) ordinary shares of Rs 10 each	5	1,020,000	1,020,000
Fair value reserve		-	720
Accumulated loss		(642,587)	(523,738)
		377,413	496,982
NON CURRENT LIABILITIES			
Long term finances			
- secured	6	1,046,565	1,250,000
- unsecured	7	408,785	408,785
Accrued finance cost	8	423,784	288,105
		1,879,134	1,946,890
CURRENT LIABILITIES			
Current portion of non current liabilities	6	163,435	20,000
Finances under mark up arrangement - secured	9	52,070	59,536
Trade and other payables	10	161,301	111,510
Accrued finance cost	11	20,494	30,781
		397,300	221,827
CONTINGENCIES AND COMMITMENTS			
	12	2,653,847	2,665,699

The annexed notes 1 to 42 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

	Note	2015 (Rupees in thousand)	2014
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	1,771,052	1,914,562
Intangible assets	14	4,914	-
Long term deposits	15	16,554	16,554
Deferred taxation	16	223,004	247,319
		<u>2,015,524</u>	<u>2,178,435</u>
CURRENT ASSETS			
Stores and spares	17	200,387	179,093
Stock in trade	18	103,551	68,552
Trade debts	19	87,365	82,185
Investments - available for sale	20	-	16,225
Advances, deposits, prepayments and other receivables	21	113,103	87,243
Current income tax recoverable		58,438	48,424
Cash and bank balances	22	75,479	5,542
		<u>638,323</u>	<u>487,264</u>
		<u>2,653,847</u>	<u>2,665,699</u>



CHIEF EXECUTIVE



DIRECTOR



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in thousand)	2014
Sales	23	1,409,082	1,498,547
Cost of goods sold	24	(1,140,866)	(1,199,024)
Gross profit		268,216	299,523
Administrative expenses	25	(67,356)	(54,906)
Distribution and selling costs	26	(74,424)	(75,281)
Other income	27	18,608	10,914
Other expenses	28	(12,787)	(3,042)
		(135,959)	(122,315)
Profit from operations		132,257	177,208
Finance cost	29	(212,188)	(225,340)
Loss before taxation		(79,931)	(48,132)
Taxation	30	(38,918)	(13,159)
Loss for the year		(118,849)	(61,291)
Loss per share - basic and diluted	31	(1.17)	(0.60)

The annexed notes 1 to 42 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in thousand)	2014
Loss for the year	(118,849)	(61,291)
Other comprehensive (loss) / income		
Items that may be reclassified subsequently to profit or loss		
Fair value gain on 'Available for sale' investments	171	3,557
Gain during the year transferred to profit and loss on account of derecognition of investment	(891)	(3,009)
Other comprehensive (loss) / income for the year	(720)	548
Total comprehensive loss for the year	(119,569)	(60,743)

The annexed notes 1 to 42 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in thousand)	2014 (Rupees in thousand)
Cash flow from operating activities			
Cash generated from operations	32	255,697	336,997
Finance cost paid		(86,796)	(121,709)
Profit on deposits received		1,165	552
Taxes paid		(24,617)	(13,647)
Net cash generated from operating activities		145,449	202,193
Cash flow from investing activities			
Fixed capital expenditure		(19,225)	(13,610)
Purchase of intangible assets		(5,361)	-
Proceeds from sale of property, plant and equipment		144	-
Proceeds from sale of available for sale investments		16,396	156,504
Investments made		-	(144,000)
Net cash used in investing activities		(8,046)	(1,106)
Cash flow from financing activities			
Repayment of long term loan		(196,364)	(86,832)
Long term loans obtained		136,364	-
Finance lease liabilities - Net		-	(19,329)
Net cash used in financing activities		(60,000)	(106,161)
Net increase in cash and cash equivalents		77,403	94,926
Cash and cash equivalents at the beginning of year		(53,994)	(148,920)
Cash and cash equivalents at the end of year	35	<u>23,409</u>	<u>(53,994)</u>

The annexed notes 1 to 42 form an integral part of these financial statements.


CHIEF EXECUTIVE


DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2015

	Share capital	Fair value Reserve (Rupees in thousand)	Accumulated loss	Total
Balance as on June 30, 2013	1,020,000	172	(462,447)	557,725
Total comprehensive loss for the year				
Loss for the year	-	-	(61,291)	(61,291)
Other comprehensive income for the year:				
Fair value gain on 'Available for sale' investments	-	548	-	548
Total comprehensive income / (loss) for the year	-	548	(61,291)	(60,743)
Balance as on June 30, 2014	1,020,000	720	(523,738)	496,982
Total comprehensive loss for the year				
Loss for the year	-	-	(118,849)	(118,849)
Other comprehensive income for the year:				
Fair value gain on 'Available for sale' investments	-	(720)	-	(720)
Total comprehensive loss for the year	-	(720)	(118,849)	(119,569)
Balance as on June 30, 2015	1,020,000	-	(642,587)	377,413

The annexed notes 1 to 42 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 Karachi Stock Exchange. The registered office of the company is situated at 18-KM Ferozepur Road, Lahore and the factory is situated at 18-KM Lahore-Sheikhupura Road, Lahore.

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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

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 Amendments to published standards effective in current year

New and amended standards, and interpretations mandatory for the first time for the financial year beginning July 01, 2014:

- Annual improvements 2012 applicable for annual periods beginning on or after July 01, 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards: IFRS 2, 'Share-based payment', IFRS 3, 'Business Combinations', IFRS 8, 'Operating segments', IFRS 13, 'Fair value measurement', IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets'. Consequential amendments to IFRS 9, 'Financial instruments', IAS 37, 'Provisions, contingent liabilities and contingent assets', and IAS 39, 'Financial instruments – Recognition and measurement'. The application of these amendments has no material impact on the Company's financial statements.
- IAS 36, 'Impairment of assets' issued on May 2013, addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The application of these amendments has no material impact on the Company's financial statements.
- IAS 39 'Financial instruments: Recognition and measurement', issued on June 2013. The amendment allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). This relief has been introduced in response to legislative changes across many jurisdictions that would lead to the widespread novation of over-the-counter derivatives. These legislative changes were prompted by a G20 commitment to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way. Similar relief will be included in IFRS 9, 'Financial instruments'. The application of these amendments have no material impact on the Company's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 01, 2014 or later periods, and the Company has not early adopted them:

- Amendments to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, are applicable for annual periods beginning on or after January 01, 2016. In this amendment the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The Company shall apply this standard from July 01, 2016 and does not expect to have any material impact on its financial statements.
- Annual improvements 2014 are applicable for annual periods beginning on or after January 01, 2016. These amendments include changes from the 2012-14 cycle of the annual improvements project, that affect 4 standards: IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal, IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts, IAS 19, 'Employee benefits' regarding discount rates, IAS 34, 'Interim financial reporting' regarding disclosure of information. The Company shall apply this standard from July 01, 2016 and does not expect to have any material impact on its financial statements.
- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative are applicable for annual periods beginning on or after January 01, 2016. These amendments are part of IASB major initiative to improve presentation and disclosure in financial reports. The Company shall apply this standard from July 01, 2016 and does not expect to have any material impact on its financial statements.
- IFRS 9 'Financial instruments', issued on July 2014. The IASB has published the complete version of IFRS 9, 'Financial Instruments', which replaces the guidance in IAS 39. This final version includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the incurred loss impairment model used today. The Company shall apply this standard from July 01, 2018 and does not expect to have any material impact on its financial statements.

3. BASIS OF MEASUREMENT

3.1 These financial statements have been prepared under the historical cost convention.

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 judgments 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 - note 13
- ii) Provision for taxation - note 30



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 13.

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 13.1 without taking into account any residual value, as 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, 2015 has not required any adjustment as its impact is considered insignificant.

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 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. Trial production losses are capitalized till the date of commencement of commercial production as unallocated expenditure.

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 ERP system is capitalized as an intangible asset and is stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method over a period of 3 years.

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.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 over the lease term.

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in note 8. 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 on a straight-line basis over the lease term. 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 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. Write down in stores and spares is made for slow moving and obsolete items. 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.

4.8 Financial instruments

4.8.1 Financial Assets

The company classifies its financial assets in the following categories: available for sale 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

a) 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.

b) 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.

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. Impairment testing for trade debts has been described in note 4.9.

4.8.2 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 de-recognized when the obligation under the liability is discharged, cancelled or expired. When 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 de-recognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the profit and loss account.

4.8.3 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 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 provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

are considered indicators that the trade debt is impaired. The provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

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.

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 income.

4.15 Revenue recognition

Revenue from sales is recognized on dispatch/shipment of goods to customers. Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and rates applicable thereon.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

This represents 102,000,000 (2014: 102,000,000) ordinary shares of Rs 10 each fully paid in cash. Ordinary shares of the company held by associated undertakings as at year end are as follows:

	2015 (Number of Shares)	2014
Descon Corporation (Private) Limited	8,725,250	8,725,250
Descon Engineering Limited	7,439,800	7,439,800
Descon Chemicals Limited	-	10,773,700
Descon Holdings (Private) Limited	1,124,800	1,124,800
Interworld Travels (Private) Limited	92,054	92,054
Inspectest (Private) Limited	117,000	117,000
	<u>17,498,904</u>	<u>28,272,604</u>

	2015 (Rupees in thousand)	2014
6. LONG TERM FINANCES - SECURED		
From Financial Institutions - note 6.1	500,000	560,000
From Associated Companies - note 6.2	710,000	710,000
	<u>1,210,000</u>	<u>1,270,000</u>
Less: Current portion shown under current liabilities	(163,435)	(20,000)
	<u>1,046,565</u>	<u>1,250,000</u>

6.1 From Financial Institutions

Loan - 1 - note 6.1.1	363,636	500,000
Loan - 2 - note 6.1.2	-	60,000
Loan - 3 - note 6.1.3	136,364	-
	<u>500,000</u>	<u>560,000</u>
Less: Current portion shown under current liabilities	(163,435)	(20,000)
	<u>336,565</u>	<u>540,000</u>

- 6.1.1** This loan has been obtained from a consortium of financial institutions led by Allied Bank Limited to finance the capital expenditure in relation to the hydrogen peroxide plant installation, construction and fabrication project. It is secured by way of hypothecation charge over all present and future fixed assets, wherever situated other than the immovable property and first pari passu mortgage charge over immovable property. As per original agreement, the loan carried markup at six month KIBOR plus 2.75% per annum and was payable semi annually.

The loan was initially repayable in 12 six monthly installments commencing on February 24, 2012. However, the Company made certain early repayments during previous years and in February 2015, the Company signed the "First Supplemental Syndicated Term finance Agreement" with the consortium, through which it fully repaid certain members of the consortium and also reduced the applicable markup rate from six month kibar plus 2.75% to six month kibar plus 2%. As on June 30, 2015, 5 unequal installments are outstanding, beginning on August 24, 2015 and ending on August 24, 2017.

The markup charged during the period ranges from Re 0.2789 to Re 0.2326 (2014: Re 0.2773 to Re 0.2526) per diem per thousand.

- 6.1.2** This loan was obtained from KASB Bank Limited and was initially repayable in 10 six monthly installments commencing on December 1, 2012. However, the Company fully repaid the loan during the year.

The markup charged during the period ranges from Re 0.2789 to Re 0.1852 (2014: 0.2789 to Re 0.2625) per diem per thousand.

- 6.1.3** This loan has been obtained from NIB Bank Limited during the year and is secured by a way of pari passu charge over present and future fixed assets of the company for Rs 266.6 million. It carries markup at six month KIBOR plus 2% per annum and is payable on quarterly basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The markup charged during the period ranges from Re 0.2189 to Re 0.2189 per diem per thousand.

The loan is repayable in 5 unequal six monthly installments commencing on August 24, 2015.

		2015 (Rupees in thousand)	2014
6.2 From associated companies			
- Descon Engineering Limited	- note 6.2.1	400,000	400,000
- Presson Descon International (Private) Limited	- note 6.2.2	310,000	310,000
		<u>710,000</u>	<u>710,000</u>

- 6.2.1** This loan has been extended by Descon Engineering Limited, an associated company on April 15, 2013. Markup is accruable at six months Kibor plus 4.00%. Markup accrued is repayable in unequal installments beginning in April 2016 whereas Principal amount is repayable in unequal installments beginning in October 2017.

Effective rate charged during the period was Re 0.3063 (2014: 0.3391) per diem per thousand.

As per the terms of the borrowing agreement, the loan is secured against a ranking charge on all present and future assets and fixed assets of the Company. The above encumbrance, however, till the date of authorization of these financial statements, has not been registered with the Securities and Exchange Commission of Pakistan through the instrument evidencing the charge.

- 6.2.2** This loan has been extended by Presson Descon International (Private) Limited, an associated company on April 15, 2013. Markup is accruable at six months Kibor. Markup accrued is repayable in unequal installments beginning in April 2016 where as principal amount is repayable in unequal installments beginning in April 2017.

Effective rate charged during the period was Re 0.2142 (2014: 0.2527) per diem per thousand.

As per the terms of the borrowing agreement, the loan is secured against a ranking charge on all present and future assets and fixed assets of the Company. The above encumbrance, however, till the date of authorization of these financial statements, has not been registered with the Securities and Exchange Commission of Pakistan through the instrument evidencing the charge.

		2015 (Rupees in thousand)	2014
7. SUBORDINATED LOANS FROM ASSOCIATED COMPANIES - UNSECURED			
- Descon Engineering Limited - Loan 1	- note 7.2	276,785	276,785
- Descon Engineering Limited - Loan 2	- note 7.3	112,000	112,000
- Interworld Travels (Private) Limited - Loan 3	- note 7.4	20,000	20,000
		<u>408,785</u>	<u>408,785</u>

- 7.1** The Company signed the 'Subordination Agreement' with Descon Engineering Limited, Interworld Travels (Private) Limited and Allied Bank Limited dated November 15, 2010, through which the repayment of both the principal and interest of loans 1 to 3 has been subordinated to the repayment of the syndicate loan as referred to in note 6.1.1. As per the terms of the 'Subordination Agreements', the Company may repay loan 2 and 3 aggregating to Rs 132 million and markup accrued on the entire balance of subordinated loans only after at least 50% of the principal of the syndicate loan has been repaid and is further subject to compliance with covenants contained in the agreement for loan referred to in note 6.1.1. Loan 1 of Rs 276.785 million may be repaid only after entire syndicate loan and related markup has been settled by the Company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

- 7.2** This loan was extended by Descon Engineering Limited, an associated company on June 30, 2010 by converting its short term non-interest bearing receivables of Rs 276.78 million into an un-secured interest bearing long term loan. The principal is repayable only after the repayment of the entire facility referred to in note 6.1.1. The markup is payable only after 50% of the facility under note 6.1.1 has been repaid and is further subject to compliance with covenants contained in the agreement for loan referred to in note 6.1.1. Mark-up is accruable for the period at six months Kibor plus 2.75 %.

Effective rate charged during the period was Re 0.2262 (2014: Re 0.2601) per diem per thousand for Rs 242 million loan and Re 0.2495 (2014: Re 0.2935) per diem per thousand for Rs 34.4 million loan.

- 7.3** The loan was extended by Descon Engineering Limited, an associated company on May 19, 2010. The principal and markup accrued thereon are repayable only after the repayment of 50% of the facility referred to in note 6.1.1 and further subject to compliance with covenants contained in the agreement for loan referred to in note 6.1.1. Mark-up is accruable for the period at six months Kibor plus 2%.

Effective rate charged during the period was Re 0.2565 (2014: Re 0.2676) per diem per thousand.

- 7.4** This loan was extended by Interworld Travels (Private) Limited, an associated company on June 30, 2010. The principal and markup accrued thereon are repayable only after the repayment of 50% of the facility referred to in note 6.1.1 and further subject to compliance with covenants contained in the agreement for loan referred to in note 6.1.1. Mark-up is accruable for the period at six months Kibor plus 1%.

Effective rate charged during the period was Re 0.2452 (2014: Re 0.2510) per diem per thousand.

		2015 (Rupees in thousand)	2014 (Rupees in thousand)
8.	ACCRUED FINANCE COST		
Long Term Loans - Secured	- note 8.1	181,055	97,309
Long Term Loans - Unsecured	- note 8.2	242,729	190,796
		<u>423,784</u>	<u>288,105</u>

- 8.1** This includes accrued finance cost on loans from associated companies referred to in note 6.2.

- 8.2** This represents accrued finance cost on subordinated loans from associated companies referred to in note 7. It is payable only after at least 50% of the principal of the syndicate loan referred to in note 6.1.1 has been repaid, subject to compliance with covenants contained in the agreement for loan referred to in note 6.1.1.

		2015 (Rupees in thousand)	2014 (Rupees in thousand)
9.	FINANCES UNDER MARK UP ARRANGEMENTS - SECURED		
Short term running finance	- note 9.1	2,070	9,536
Export Re-finance	- note 9.2	50,000	50,000
		<u>52,070</u>	<u>59,536</u>

- 9.1** This represent the outstanding balance against the Short term running finance facility of Rs 150 million (2014: Rs 150 million) under markup arrangement from Bank Al-Habib Limited to meet the working capital requirements of the company. It carries markup of 3 months average KIBOR reviewed on first working day of every calendar quarter on the basis of arithmetic mean of previous six working days plus 1% per annum. The markup charged during the year ranges from Rs. 0.2452 to Rs. 0.3060 per diem per thousand on the outstanding balance or part thereof.



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The facility has been secured through a first charge over current assets of the company for Rs 530 million, a third ranking charge over the land and building, a fourth ranking charge over plant and machinery of the Company for Rs 150 million.

- 9.2 This represents the outstanding against Export refinance loans of Rs 50 million (2014: Rs 50 million) from Bank Al-Habib Limited. It carries markup of SBP rate on export refinancing plus 1% per annum. The markup charged during the year ranges from Rs. 0.1644 to Rs. 0.2055 per diem per thousand on the outstanding balance or part thereof.

The aggregate facilities have been secured through a first charge over current assets of the company for Rs 530 million, a third ranking charge over the land and building, a fourth ranking charge over plant and machinery of the Company for Rs 150 million.

- 9.3 Of the aggregate facility of Rs 175 million (2014: Rs 145 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, 2015 was Rs 84.186 million (2014: Rs 115.559 million).

		2015 (Rupees in thousand)	2014
10. TRADE AND OTHER PAYABLES			
Trade creditors	- note 10.1	34,000	25,817
Bills payable		65,748	27,527
Associated undertakings	- note 10.2	6,138	4,719
Advances from customers		2,513	-
Accrued liabilities	- note 10.3	52,131	53,322
Other liabilities		771	125
		<u>161,301</u>	<u>111,510</u>

- 10.1 Trade creditors includes interest free amounts due to associated companies amounting to Rs 0.791 million (2014: Rs 0.613 million) in the normal course of business.

- 10.2 These are interest free and represent expenses incurred by related parties on behalf of the company:

		2015 (Rupees in thousand)	2014
Descon Chemicals Limited		460	956
Descon Engineering Limited		5,559	3,746
Gray Mackenzie Engineering Services Limited Liability Company		117	-
Inspectest (Private) Limited		2	-
Descon Corporation (Private) Limited		-	17
		<u>6,138</u>	<u>4,719</u>

- 10.3 These includes interest free amounts due to associated companies amounting to Nil (2014: Rs 0.125 million) in the normal course of business.

		2015 (Rupees in thousand)	2014
11. ACCRUED FINANCE COST			
Finances under markup arrangements - secured		776	2,063
Long term finances - secured		19,718	28,718
		<u>20,494</u>	<u>30,781</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract amounting to Rs 48.64 million (2014: Rs 48.64 million).

Two post dated cheques has been furnished by the company in favour of National Tariff Commission as a fees for anti dumping case filed against the Bangladesh amounting Rs 0.240 million (2014: Nil).

12.2 Commitments

The company has commitments in respect of letters of credit other than capital expenditure amounting to Rs. 90.814 million (June 2014: Rs. 115.559 million) and in respect of agreement with Descon Power Solutions (Private) Limited amounting to Rs. 6.705 million (June 2014: Rs. 15.645 million) for installation of power auxiliary equipment at Descon Oxychem Limited site for a period of 3 years commencing from April 2013.

		2015	2014
		(Rupees in thousand)	
13. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	- note 13.1	1,752,421	1,899,701
Capital work-in-progress	- note 13.2	5,386	308
Major spare parts, catalysts and standby equipment		13,245	14,553
		<u>1,771,052</u>	<u>1,914,562</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

13.1 Operating assets

2015

(Rupees in thousand)

	Cost as at July 1, 2014	Additions/ (deletions) (write off)*	Cost as at June 30, 2015	Accumulated depreciation as on July 1, 2014	Depreciation charge/ (deletions) (write off)* for the year	Accumulated depreciation as on June 30, 2015	Net book value as on June 30, 2015	Rate of deprec- iation %
Owned assets								
Freehold land	101,316	-	101,316	-	-	-	101,316	-
Buildings on freehold land	293,381	998	294,379	74,029	14,673	88,702	205,677	5
Plant, machinery and equipment	2,302,747	12,726 (16,830)	2,298,643	748,918	144,106 (6,136)	886,888	1,411,755	6.25
Plant, machinery and equipment-catalyst	4,192	12,749 (4,192)	12,749	1,572	3,176 (2,096)	2,652	10,097	10 - 50
Laboratory equipment	14,604	-	14,604	4,747	913	5,660	8,944	6.25
Material handling	2,447	477	2,924	259	518	777	2,147	20
Tools and equipment	5,434	-	5,434	1,395	357	1,752	3,682	6.25
Computer equipment	5,854	971	6,825	5,159	465	5,624	1,201	33.33
Electrical equipment	391	-	391	378	3	381	10	20
Office equipment	4,807	782	5,589	4,698	92	4,790	799	20
Furniture and fixture	6,595	161	6,756	3,193	672	3,865	2,891	10
Vehicles	6,752	2,505 (850)	8,407	4,471	884 (850)	4,505	3,902	20
2015	2,748,520	31,369 (21,872)	2,758,017	848,819	165,859 (9,082)	1,005,596	1,752,421	

* Deletions include cost of assets scrapped/written off of Rs 21.022 million (book value Rs 12.790 million).

2014

(Rupees in thousand)

	Cost as at July 1, 2013	Additions/ transfer in/ (deletions)*	Cost as at June 30, 2014	Accumulated depreciation as on July 1, 2013	Depreciation charge/ transfer in*/ (deletions) for the year	Accumulated depreciation as on June 30, 2014	Net book value as on June 30, 2014	Rate of deprec- iation %
Owned assets								
Freehold land	101,316	-	101,316	-	-	-	101,316	-
Buildings on freehold land	293,278	103	293,381	59,362	14,667	74,029	219,352	5
Plant, machinery and equipment	2,129,774	177,165	2,306,939	572,933	141,267 36,290*	750,490	1,556,449	6.25
Laboratory equipment	14,604	-	14,604	3,834	913	4,747	9,857	6.25
Material handling	101	2,346	2,447	53	206	259	2,188	20
Tools and equipment	5,265	169	5,434	1,078	317	1,395	4,039	6.25
Computer equipment	5,350	504	5,854	4,915	244	5,159	695	33.33
Electrical equipment	376	15	391	368	10	378	13	20
Office equipment	4,742	65	4,807	4,060	638	4,698	109	20
Furniture and fixture	6,467	128	6,595	2,542	651	3,193	3,402	10
Vehicles	5,172	1,580	6,752	3,553	918	4,471	2,281	20
	2,566,445	182,075	2,748,520	652,698	159,831	848,819	1,899,701	
	-	-	-	-	36,290	-	-	
Leased assets								
Plant, machinery and equipment	142,197	- (142,197)	-	31,846	4,444 (36,290)	-	-	6.25
2014	2,708,642	39,878	2,748,520	684,544	164,275	848,819	1,899,701	

* This represents depreciation transferred from leased assets of Rs 36.290 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

		2015 (Rupees in thousand)	2014 (Rupees in thousand)
13.1.1 The depreciation charge has been allocated as follows:			
Cost of goods sold	- note 24	165,256	163,664
Administrative expenses	- note 25	536	520
Distribution and selling cost	- note 26	67	91
		<u>165,859</u>	<u>164,275</u>

13.1.2 Disposal of owned assets

Detail of owned assets disposed off during the year is as follows:

		2015 (Rupees in thousand)				
Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
Plant and machinery	Assets written off	16,830	6,136	10,694	-	Write off
Plant and machinery - catalyst	Assets written off	4,192	2,096	2,096	-	Write off
Vehicle	Employee Amir Afzal	850	850	-	144	Negotiation
		<u>21,872</u>	<u>9,082</u>	<u>12,790</u>	<u>144</u>	

13.1.2.1 There was no disposal of Property, Plant and Equipment during the year ended June 30, 2014.

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

	2015 (Rupees in thousand)	2014 (Rupees in thousand)
13.2 Capital work-in-progress		
Plant and machinery	3,386	308
Advances	<u>2,000</u>	<u>-</u>
	<u>5,386</u>	<u>308</u>

14. INTANGIBLE ASSETS

Carrying value as at July 1	-	11,903
Addition during the year	5,361	-
Amortization during the year	(447)	(11,903)
Carrying value as at June 30	<u>4,914</u>	<u>-</u>

15. LONG TERM DEPOSITS

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

2015
(Rupees in thousand)

2014

16. DEFERRED TAXATION

The asset for deferred taxation comprises temporary differences in:

Accelerated tax depreciation	(276,933)	(337,410)
Unused tax losses	499,937	584,729
	<u>223,004</u>	<u>247,319</u>

The company has not recognized deferred tax asset of Rs 48.783 million (2014: Rs 39.920 million) in respect of minimum tax under section 113 of the Income Tax Ordinance, 2001 available for carry forward based on prudence principle as sufficient tax profits may not be available to set it off.

2015
(Rupees in thousand)

2014

17. STORES AND SPARES

General stores and spares [including in transit of Rs 2.285 million (2014: nil)]	- note 17.1	117,808	101,033
Working solution		82,579	78,060
		<u>200,387</u>	<u>179,093</u>

17.1 General stores and spares include raw material for working solution of Rs 34.593 million (2014: Rs 42.351 million) and items which may result in fixed capital expenditure but are not distinguishable.

2015
(Rupees in thousand)

2014

18. STOCK IN TRADE

Raw materials [including in transit of Rs 67.900 million (2014: Rs 22.168 million)]		96,424	56,933
Work-in-process		291	259
Finished goods	- note 18.1	6,836	11,360
		<u>103,551</u>	<u>68,552</u>

18.1 Finished goods include unused packing material of Rs 1.768 million (2014: Rs 0.530 million).

2015
(Rupees in thousand)

2014

19. TRADE DEBTS

Considered good - unsecured	- note 19.1	87,365	82,185
Considered doubtful		1,015	1,285
		<u>88,380</u>	<u>83,470</u>
Less: Provision for doubtful debts	- note 19.2	(1,015)	(1,285)
		<u>87,365</u>	<u>82,185</u>

19.1 These include amount due from following related parties.

Descon Chemicals Limited	184	-
Descon Engineering Limited	1	377
	<u>185</u>	<u>377</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

		2015 (Rupees in thousand)	2014 (Rupees in thousand)
19.2 Provision for doubtful debts			
Balance as at January 1		1,285	1,381
Provision during the year	- note 27	-	(96)
Written off against provision		(270)	-
Balance as at June 30		<u>1,015</u>	<u>1,285</u>
		2015 (Rupees in thousand)	2014 (Rupees in thousand)
20. INVESTMENTS - AVAILABLE FOR SALE			
Available for sale - at cost			
Investment in nil units (2014: 63,785 units) of MCB Cash Optimizer Fund		-	6,089
Investment in nil units (2014: 515,492 units) of ABL Cash Fund		-	4,921
Investment in nil units (2014: 46,697 units) of HBL Money Market Fund		-	4,495
		-	15,505
Add : Cumulative fair value gain	- note 20.2	-	720
		<u>-</u>	<u>16,225</u>
20.1	The investments have been made in open ended money market mutual funds which makes investments in fixed income instruments with a maximum maturity of 180 days and weighted average maturity up to 90 days. The return on the fund is in form of bonus units and cash dividend.		
20.2 Cumulative fair value gain			
As at July 01		720	172
Fair value gain during the year		171	3,557
Transferred to profit and loss account on derecognition of investment		(891)	(3,009)
As at June 30		<u>-</u>	<u>720</u>
		2015 (Rupees in thousand)	2014 (Rupees in thousand)
21. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to suppliers		10,106	3,937
Advances to employees and short term loans to employees		641	401
Prepayments		1,188	458
Sales tax recoverable		97,858	80,454
Associated undertakings	- note 21.1	1,680	-
Other receivables		1,630	1,993
		<u>113,103</u>	<u>87,243</u>
21.1 These are interest free and represent expenses incurred by the company on behalf of related parties.			
Descon Corporation (Private) Limited		1,679	-
Descon Power Solutions (Private) Limited		1	-
		<u>1,680</u>	<u>-</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

		2015 (Rupees in thousand)	2014
22. CASH AND BANK BALANCES			
At banks on:			
- Current accounts		5,098	1,039
- Saving accounts	- note 22.1	70,381	4,503
		<u>75,479</u>	<u>5,542</u>

22.1 It carries mark-up at the rate ranging from 4.50% to 8.00% per annum.

		2015 (Rupees in thousand)	2014
23. SALES			
Gross sales:			
- Local		1,225,871	1,180,089
- Export		232,912	349,597
		<u>1,458,783</u>	<u>1,529,686</u>
Less: Commission and discount on sales		(49,701)	(31,139)
		<u>1,409,082</u>	<u>1,498,547</u>

23.1 Gross sales include sale of finished goods purchased for resale amounting to Rs 6.949 million (2014: Rs 7.249 million)

		2015 (Rupees in thousand)	2014
24. COST OF SALES			
Raw materials consumed	- note 24.1	492,644	492,405
Salaries, wages and other benefits	- note 24.2	67,943	64,933
Repair and maintenance		32,222	32,554
Production supplies		747	930
Fuel and power		287,392	324,945
Printing and stationery		503	514
Services through contractors		35,590	31,868
Traveling		2,042	2,100
Annual shutdown expenses		-	15,266
Communication		459	251
Rent and rates		36,024	37,739
Depreciation on property, plant and equipment	- note 13.1.1	165,256	163,664
Amortization on intangible assets	- note 14	-	11,904
Insurance		7,981	8,115
Fees		-	3,506
Safety items consumed		568	615
Miscellaneous		302	1,028
		<u>1,129,673</u>	<u>1,192,337</u>
Add: Opening work in process		259	225
Less: Closing work in process		(291)	(259)
		<u>(32)</u>	<u>(34)</u>
Cost of goods produced		<u>1,129,641</u>	<u>1,192,303</u>
Add: Opening finished goods		11,360	10,970
Less: Closing finished goods		(6,836)	(11,360)
		<u>4,524</u>	<u>(390)</u>
Cost of goods sold - own manufactured		<u>1,134,165</u>	<u>1,191,913</u>
Cost of goods purchased for resale		6,701	7,111
		<u>1,140,866</u>	<u>1,199,024</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

24.1 This includes Gas Infrastructure Development Cess levied during the year under Gas Infrastructure Development Cess Act, 2015 amounting to Rs 12.415 million (2014: Rs 21.944 million).

24.2 Salaries, wages and other benefits include Rs 1.485 million (2014: Rs 1.383 million) in respect of provident fund contribution by the Company and are net off accumulating compensated absences of Rs 1.934 million (2014: (0.302) million).

		2015	2014
		(Rupees in thousand)	(Rupees in thousand)
25. ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	- note 25.1	29,935	21,672
Services through contractor		410	634
Vehicle running and maintenance		1,404	1,353
Entertainment		366	325
Communication		1,322	979
Printing and stationary		1,904	2,548
Traveling and conveyance		3,286	2,277
Repair and maintenance		1,346	994
Insurance		171	151
Fees and subscriptions		9,487	4,295
Rent and rates		814	994
Legal and professional fee	- note 25.2	8,615	12,625
Amortization on intangible assets	- note 14	447	-
Depreciation on property, plant and equipment	- note 13.1.1	536	520
Others		7,313	5,539
		<u>67,356</u>	<u>54,906</u>

25.1 Salaries, wages and other benefits include Rs 0.390 million (2014: Rs 0.403 million) in respect of provident fund contribution by the Company.

25.2 Auditors remuneration

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

Statutory audit	1,065	968
Half yearly review	400	363
Certification charges	133	121
Out of pocket expenses	71	14
	<u>1,669</u>	<u>1,466</u>

		2015	2014
		(Rupees in thousand)	(Rupees in thousand)
26. DISTRIBUTION AND SELLING COST			
Salaries, allowances and other benefits	- note 26.1	6,288	3,990
Entertainment		35	57
Communication		320	299
Traveling and conveyance		1,880	1,235
Advertisement		303	873
Insurance		978	1,946
Freight and forwarding		60,125	62,250
Depreciation on property, plant and equipment	- note 13.1.1	67	91
Printing and stationary		515	584
Others		3,913	3,956
		<u>74,424</u>	<u>75,281</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

- 26.1 Salaries, wages and other benefits include Rs 0.122 million (2014: Rs 0.114 million) in respect of provident fund contribution by the Company.

	2015 (Rupees in thousand)	2014
27. OTHER INCOME		
Income from financial assets		
Interest on bank deposits	1,165	552
Exchange gain	958	-
Gain on sale of investment	891	3,009
Reversal of provision against doubtful debts	-	96
	<u>3,014</u>	<u>3,657</u>
Income from non-financial assets		
Gain on sale of fixed assets	144	-
Scrap sales	2,744	2,194
Liabilities written back	12,172	-
Others	534	5,063
	<u>15,594</u>	<u>7,257</u>
	<u>18,608</u>	<u>10,914</u>

- 27.1 Liabilities written back include Rs 11.870 million (2014: Nil) in respect of Gas Infrastructure Development Cess levied during the previous year under the Gas Infrastructure Development Cess Act, 2011 (Act XXI of 2011) and the Gas Infrastructure Development Cess Ordinance, 2014 (Ordinance No. VI of 2014) in respect of period upto June 30, 2014. The Company had not paid the above Gas Infrastructure Development Cess along with Gas Infrastructure Development Cess levied during the period of July 2014 to April 2015 under the above referred Act and the Ordinance on the basis of stay order obtained from the Honourable Lahore Highcourt. However, as per proviso to clause 8 of the Gas Infrastructure Development Cess Act, 2015 enacted during the year, the Company is not liable to pay any cess levied under the previous 2011 Act and 2014 Ordinance. Consequently the Company has reversed the provision of Rs 11.870 million relating to period upto June 30, 2014 and also has not accrued any Gas Infrastructure Development Cess for period July 2014 to April 2015.

	2015 (Rupees in thousand)	2014
28. OTHER EXPENSES		
Fixed assets written off	12,787	-
Exchange loss	-	3,042
	<u>12,787</u>	<u>3,042</u>

29. FINANCE COST

Interest and mark-up on:

- Long term finances		
- secured	- note 29.1	150,838
- unsecured	- note 29.2	51,933
- Finances under markup arrangement - secured		4,885
- Liabilities against assets subject to finance lease		-
- Bank charges and others		4,532
		<u>212,188</u>
		<u>225,340</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

29.1 This includes finance cost accrued on loans from associated companies amounting to Rs 84.215 million (2014: 81.779 million).

29.2 This represents finance (2014: 81.779) million cost payable to associated companies.

	2015	2014
	(Rupees in thousand)	
30. TAXATION		
Current		
- For the year	14,603	15,300
- Prior years	-	(146)
	14,603	15,154
Deferred	24,315	(1,995)
	38,918	13,159

30.1 In view of the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001. Minimum tax under section 113 is available for set off for five 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, 2015 are estimated approximately at Rs 1,612.701 million (2014: Rs 1,670.653 million).

	2015	2014
	%	%
30.2 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	33.00	34.00
Inadmissible expenses	-	(1.29)
Effect of change in tax rate	(43.84)	0.31
Minimum tax and losses not recognized	(18.68)	(24.56)
Tax effect under presumptive regime and others	(19.18)	(35.79)
	(81.70)	(61.33)
Average effective tax rate charged to profit and loss account	(48.70)	(27.33)

	2015	2014
--	------	------

31. LOSS PER SHARE

31.1 Basic loss per share

Loss for the year	Rupees in thousand	(118,849)	(61,291)
Weighted average number of ordinary shares in issue during the year	Number	102,000	102,000
Loss per share	Rupees	(1.17)	(0.60)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

31.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Company does not have any convertible instrument in issue as at June 30, 2015 and June 30, 2014 which would have any effect on the earnings per share if the option to convert is exercised.

	2015 (Rupees in thousand)	2014 (Rupees in thousand)
32. CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(79,931)	(48,132)
Adjustment for:		
- Depreciation on property, plant and equipment - note 13.1.1	165,859	164,275
- Amortization of intangible assets - note 14	447	11,903
- Reversal of provision for accumulating compensated absences - note 24	(1,933)	(2,202)
- Loss on fixed assets written off - note 28	12,787	-
- Gain on disposal of fixed assets - note 27	(144)	-
- Net exchange (gain)/loss - note 27	(958)	3,042
- Interest from bank deposits - note 27	(1,165)	(552)
- Provision for doubtful debts - note 27	-	(96)
- Gain on sale of investment - note 27	(891)	(3,009)
- Liabilities written back - note 27	(12,172)	-
- Finance cost - note 29	212,188	225,340
Profit before working capital changes	294,087	350,569
Effect on cash flow due to working capital changes:		
(Increase)/ decrease in current assets		
- Stores, spares and loose tools	(29,199)	(46,219)
- Stock in trade	(43,005)	(7,073)
- Trade debts	(4,222)	32,923
- Advances, deposits, prepayments and other receivables	(25,860)	29,518
Increase /(decrease) in current liabilities		
- Creditors, accrued and other liabilities	63,896	(22,721)
	(38,390)	(13,572)
Cash generated from operations	255,697	336,997

33. TRANSACTIONS WITH RELATED PARTIES

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. 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 36. Other significant transactions with related parties are as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Transactions with related parties		2015 (Rupees in thousand)	2014
i. Associated undertakings	Purchase of goods and services	30,643	17,398
	Purchases in respect of fixed capital expenditure	-	1,075
	Sale of goods	3,429	2,041
	Share of common expenses charged from associated companies	46,624	35,627
	Share of common expenses charged to associated companies	9,445	11,582
	Mark-up expense	135,679	127,479
ii. Post employment benefit plans	Expense charged in respect of retirement contribution plans	1,998	1,900

All transactions with related parties are carried out on mutually agreed terms and conditions.

34. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

(Rupees in thousand)

	Chief Executive		Executive Directors		Non-Executive Directors		Executives	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Remuneration	5,810	4,032	486	605	1,881	2,273	13,299	9,221
Provident Fund	212	201	-	-	76	76	212	348
Medical facility	200	134	503	178	-	-	86	91
Reimbursable expenses	355	373	-	85	14	67	389	198
	6,577	4,740	989	868	1,971	2,416	13,986	9,858
No. of persons	1	1	1	1	2	2	5	5

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

	2015 (Rupees in thousand)	2014
35. CASH AND CASH EQUIVALENTS		
Cash and bank balances	75,479	5,542
Finances under mark up arrangements - secured - note 9	(52,070)	(59,536)
	23,409	(53,994)



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

36. CAPACITY AND PRODUCTION

		Production Capacity	Actual production 2015	Actual production 2014
Production of hydrogen peroxide (on 100% concentration and based on 360 working days)	Metric Tonnes	14,000	16,049	16,253
Production of packing material (based on 360 working days)	Number	1,080,000	754,741	729,969

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES

37.1 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 United 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:

	2015 (FCY in thousand)	2014
Trade debts - US Dollars	226	336
Bills payable - US Dollars	(642)	(239)

The following significant exchange rates were applicable during the year:

Rupees per USD

Average rate	101.69	102.88
Reporting date rate	101.79	98.80

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 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 loss before tax	Effect on Equity
	(Rupees in thousand)		
2015	10%	(4,234)	(2,752)
	-10%	4,234	2,752
2014	10%	958	623
	-10%	(958)	(623)

(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:

	2015	2014
	(Rupees in thousand)	
Fixed rate instruments		
Financial assets		
Savings Account	70,381	4,503
	<u>70,381</u>	<u>4,503</u>
Floating rate instruments		
Financial liabilities		
Long term finances		
- secured	336,565	540,000
- unsecured	408,785	408,785
Finances under markup arrangement - secured	52,070	59,536
	<u>797,420</u>	<u>1,008,321</u>



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 loss before tax	Effect on Equity
(Rupees in thousand)				
Financial Assets				
	2015	1%	704	458
		-1%	(704)	(458)
	2014	1%	45	29
		-1%	(45)	(29)
Financial Liabilities				
	2015	1%	(7,974)	(5,183)
		-1%	7,974	5,183
	2014	1%	(10,083)	(6,554)
		-1%	10,083	6,554

(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:

	2015 (Rupees in thousand)	2014 (Rupees in thousand)
Trade debts	87,365	82,185
Advances, deposits, prepayments and other receivables	11,736	5,930
Investment - Available for sale	-	16,225
Bank balances	75,479	5,542
	<u>174,580</u>	<u>109,882</u>

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 short term investments in open ended money market mutual funds and 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 counter party default rate:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	Rating Short term	Long term	Rating Agency	2015	2014
Investment - Available for sale					
MCB Cash Optimizer Fund	N/A	AA(f)	Pacra	-	6,378
ABL Cash Fund	N/A	AA(f)	JCR-VIS	-	5,162
HBL Money Market Fund	N/A	AA(f)	JCR-VIS	-	4,685
				-	16,225
Cash and bank					
Habib Metropolitan Bank Limited	A1+	AA+	Pacra	22,158	2,583
Habib Bank Limited	A-1+	AAA	JCR-VIS	3,346	1,343
Allied Bank Limited	A1+	AA+	Pacra	55	295
NIB Bank Limited	A1+	AA-	Pacra	192	-
Bank Al-Habib Ltd.	A1+	AA+	Pacra	49,728	1,321
				75,479	5,542

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, 2015 the company had borrowing limits available from financial institutions at Rs 147.930 million (2014: Rs 140.464 million), investment available for sale at Nil (2014: Rs 16.225 million) and Rs 75.479 million (2014: Rs 5.542 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.

The following are the contractual maturities of financial liabilities as at June 30, 2015:

	Carrying amount	Less than one year	More than one year	More than five years
		(Rupees in thousand)		
Finance under markup arrangements	52,070	52,070	-	-
Accrued finance cost	444,278	20,494	423,784	-
Trade and other payables	161,301	161,301	-	-
Long term finances				
- secured	1,210,000	163,435	1,046,565	-
- unsecured	408,785	-	408,785	-
	2,276,434	397,300	1,879,134	-



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The following were the contractual maturities of financial liabilities as at June 30, 2014:

	Carrying amount	Less than one year	More than one year	More than five years
	(Rupees in thousand)			
Finance under markup arrangements	59,536	59,536	-	-
Accrued finance cost	318,886	30,781	288,105	-
Trade and other payables	111,510	111,510	-	-
Long term finances				
- secured	1,270,000	20,000	1,250,000	-
- unsecured	408,785	-	408,785	-
Liabilities against assets subject to finance lease	-	-	-	-
	<u>2,168,717</u>	<u>221,827</u>	<u>1,946,890</u>	<u>-</u>

37.2 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.

Loss and receivables 2015 2014 (Rupees in thousand)

37.3 Financial instruments by categories

Long term deposits	16,554	16,554
Trade debts	87,365	82,185
Advances, deposits, prepayments and other receivables	15,245	6,789
Cash and bank balances	75,479	5,542
	<u>194,643</u>	<u>111,070</u>

Available for sale 2015 2014 (Rupees in thousand)

Short term investments	-	16,225
------------------------	---	--------

Financial liabilities at amortised cost 2015 2014 (Rupees in thousand)

Long term finances	1,618,785	1,678,785
Finances under mark up arrangements - secured	52,070	59,536
Trade and other payables	161,301	111,510
Accrued finance cost	444,278	318,886
	<u>2,276,434</u>	<u>2,168,717</u>

37.4 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. Borrowings represent long term loan obtained by the company as referred to in notes 6 and 7. Total capital employed includes equity as shown in the balance sheet, plus total long term borrowings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The gearing ratio for the year is 79.5% (2014: 77%). The company paid significant portion of consortium loan in the current period but the debt has been paid substantially by obtaining loans from associated companies.

	2015	2014
38. NUMBER OF EMPLOYEES		
Total number of employees as at June 30	98	98
Average number of employees during the year	97	97
	2015	2014
	(Rupees in thousand)	
39. PROVIDENT FUND		
Size of the fund	19,341	17,821
Cost of investments made	13,826	14,098
Percentage of investments made	71%	79%
Fair value of investments	14,035	14,640

39.1 The breakup of fair value of investments is:

Break up of investments	2015 (Rs in '000)	%	2014 (Rs in '000)	%
Investment in Term Finance Certificates	575	4.10%	582	3.98%
Investment in Listed Shares	3,330	23.73%	3,604	24.62%
Investment in Pakistan Investment Bonds	10,130	72.17%	10,454	71.40%
	<u>14,035</u>	<u>100%</u>	<u>14,640</u>	<u>100%</u>

The figures for 2015 are based on un-audited financial statements of the provident fund. Investments out of the provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance and the rules formulated for this purpose.

40. DATE OF AUTHORIZATION FOR ISSUE

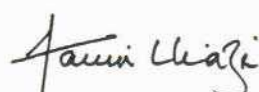
These financial statements were authorized for issue on October 02, 2015 by the Board of Directors.

41. SUBSEQUENT EVENTS

Subsequent to the year end, the Company initiated the process of rights issue of 110 million 12% preference shares at par value and has entered into underwriting agreement with Arif Habib Limited.

42. CORRESPONDING FIGURES

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



CHIEF EXECUTIVE



DIRECTOR



PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT JUNE 30, 2015

No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
141	1	100	2,976
1,929	101	500	950,803
441	501	1,000	436,431
745	1,001	5,000	2,265,886
258	5,001	10,000	2,159,590
88	10,001	15,000	1,104,858
92	15,001	20,000	1,672,476
64	20,001	25,000	1,523,500
30	25,001	30,000	848,025
19	30,001	35,000	615,803
17	35,001	40,000	662,300
17	40,001	45,000	736,066
31	45,001	50,000	1,533,091
11	50,001	55,000	584,341
13	55,001	60,000	763,085
5	60,001	65,000	316,938
4	65,001	70,000	280,000
6	70,001	75,000	441,000
5	75,001	80,000	386,500
5	80,001	85,000	413,000
2	85,001	90,000	180,000
4	90,001	95,000	365,608
19	95,001	100,000	1,900,000
1	100,001	105,000	101,000
1	110,000	115,000	112,000
1	115,001	120,000	117,000
4	120,001	125,000	497,000
2	125,001	130,000	253,000
1	130,001	135,000	134,000
2	135,001	140,000	280,000
1	140,001	145,000	141,500

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT JUNE 30, 2015

No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
4	145,001	150,000	600,000
3	155,001	160,000	472,000
1	185,001	190,000	190,000
5	195,001	200,000	1,000,000
1	210,001	215,000	214,000
1	255,001	260,000	260,000
2	295,001	300,000	600,000
1	320,001	325,000	325,000
1	325,001	330,000	325,500
1	350,001	355,000	352,505
1	445,001	450,000	450,000
1	465,001	470,000	470,000
1	470,001	475,000	475,000
1	480,001	485,000	481,500
1	490,001	495,000	493,500
1	495,001	500,000	500,000
1	545,001	550,000	546,618
1	595,001	600,000	600,000
1	650,001	655,000	655,000
1	880,001	885,000	881,500
1	1,120,001	1,125,000	1,124,800
1	1,995,001	2,000,000	2,000,000
1	2,105,001	2,110,000	2,106,000
1	4,125,001	4,130,000	4,129,000
1	5,320,001	5,325,000	5,322,300
2	5,640,001	5,645,000	11,289,000
1	6,415,001	6,420,000	6,419,000
1	7,435,001	7,440,000	7,439,800
1	8,725,001	8,730,000	8,725,250
1	21,770,001	21,775,000	21,774,950
4,000			102,000,000



CATEGORIES OF SHAREHOLDERS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2015

Sr. No.	Categories of shareholders	Shares Held	Percentage
1	Directors, Chief Executive Officers, and their spouse and minor children	39,219,450	38.4504%
2	Associated Companies, undertakings related parties. (Parent Company)	17,498,904	17.1558%
3	NIT and ICP	0	0.0000%
4	Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
5	Insurance Companies	0	0.0000%
6	Modarabas and Mutual Funds	0	0.0000%
7	Share holders holding 10% or more	23,774,950	23.3088%
8	General Public	44,229,290	43.3620%
9	Others (to be specified) Joint Stock Companies	1,052,356	1.0317%

CATEGORIES OF SHAREHOLDERS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2015

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	DESCON ENGINEERING LIMITED	7,439,800	7.2939
3	DESCON HOLDING (PVT.) LIMITED	1,124,800	1.1027
4	INTERWORLD TRAVELS (PVT) LIMITED	92,054	0.0902
5	INSPECTEST (PVT) LIMITED	117,000	0.1147

Mutual Funds (Name Wise Detail)

- -

Directors and their Spouse and Minor Children (Name Wise Detail):

1	MR. A. RAZZAK DAWOOD	23,774,950	23.3088
2	MR. TAIMUR DAWOOD	5,644,500	5.5338
3	MR. FAISAL DAWOOD	5,644,500	5.5338
4	MR. FAROOQ NAZIR (CDC)	500	0.0005
5	MR. ALI ASRAR HOSSAIN AGA	500	0.0005
6	MR. ASIF QADIR	500	0.0005
7	MR. AHMED RAZI GHAZALI (CDC)	25,000	0.0245
8	MRS. BILQUEES DAWOOD W/O A. RAZZAK DAWOOD	4,129,000	4.0480

Executives: 44,000 0.0431

Public Sector Companies & Corporations: - -

Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds: - -

Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail):

1	MR. A. RAZZAK DAWOOD	23,774,950	23.3088
2	MR. TAIMUR DAWOOD	5,644,500	5.5338
3	MR. FAISAL DAWOOD	5,644,500	5.5338
4	DESCON CORPORATION (PVT.) LIMITED	8,725,250	8.5542
5	DESCON ENGINEERING LIMITED	7,439,800	7.2939
6	MST. MEHREEN DAWOOD	5,322,300	5.2179
7	MR. SHAHID MALIK (CDC)	6,419,000	6.2931

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. A. RAZZAK DAWOOD	-	10,773,700



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that a 11th Annual General Meeting of Descon Oxychem Limited (the "Company") will be held on Wednesday, October 28th 2015 at 11:00 am at Descon Headquarters, 18-K.M, Ferozepur Road Lahore – 54760 to transact the following business:

ORDINARY BUSINESS:

1. To confirm minutes of the last Annual General Meeting of the Company held on October 30, 2014;
2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended 30th June 2015 together with the Directors' and Auditors' reports 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 transact any other business with the permission of the Chair.

By Order of the Board of Directors



Abdul Sohail
Company Secretary

Place : Lahore
Date: October 02, 2015

NOTES:

1. The share transfer books of the Company shall remain closed from 20-10-2015 to 28-10-2015 (both days inclusive).
2. 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.
3. 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.
4. 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 area, Model Town, Lahore and also furnish attested photocopy of their CNIC as per Listing Regulations, if not provided earlier.

NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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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 eleventh Annual General Meeting of the Company to be held at Descon Headquarters, 18-Km, Ferozepur Road, Lahore on Wednesday, October 28, 2015 at 11:00 hours and at any adjournment thereof.

As witness my / our hand this _____ day of _____ 2015

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



FORM OF PROXY



Sanghar Sugar Mills Limited

The Company Secretary
Sanghar Sugar Mills Limited
C-27, Plot No. F-24, Block-9,
Clifton, Karachi-75600

I/We (Full name) CNIC No.

of being a member of **SANGHAR SUGAR MILLS LIMITED**

and holding ordinary shares, as per Folio No. / CDC Participant's

I.D.No. and Sub Account No. hereby appoint

..... (Full name) CNIC No.

as my/our Proxy in my/our absence to attend and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Saturday January 30, 2016 at 11:00 a.m. at Shangrila Garden, near Shaheed-e-Millat Flyover, opposite City School, P.A.F. Chapter, Baloch Colony, Karachi and at any adjournment thereof.

As witness my/our hand this day of
....., 2016 signed in the presence of:

Signature on
Five Rupees Revenue Stamp

Witness 1

Signature :

Name :

CNIC No.:

Address :

Witness 2

Signature :

Name :

CNIC No.:

Address :

NOTES:

- 1) A member entitled to attend and vote at this meeting may appoint another member as Proxy to attend and vote instead of his/her. The Form of Proxy, duly completed and signed must be deposited at the Company's Registered Office not less than 48 hours before the time for holding the meeting.
- 2) Any individual beneficial owner of CDC, entitled to attend and vote at this meeting, must bring his/her Original CNIC, CDC Account and Participant's ID Number to prove his/her identity, and in case of Proxy, must enclose attested copy of his/her CNIC, CDC Participant's ID and Account Number. Representatives of corporate members should bring the necessary documents as required for such purpose.
- 3) Signature must agree with the specimen signature registered with the Company.



www.descon.com

DESCON OXYCHEM LIMITED

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E: info@desconchemicals.com **W:** www.desconchemicals.com