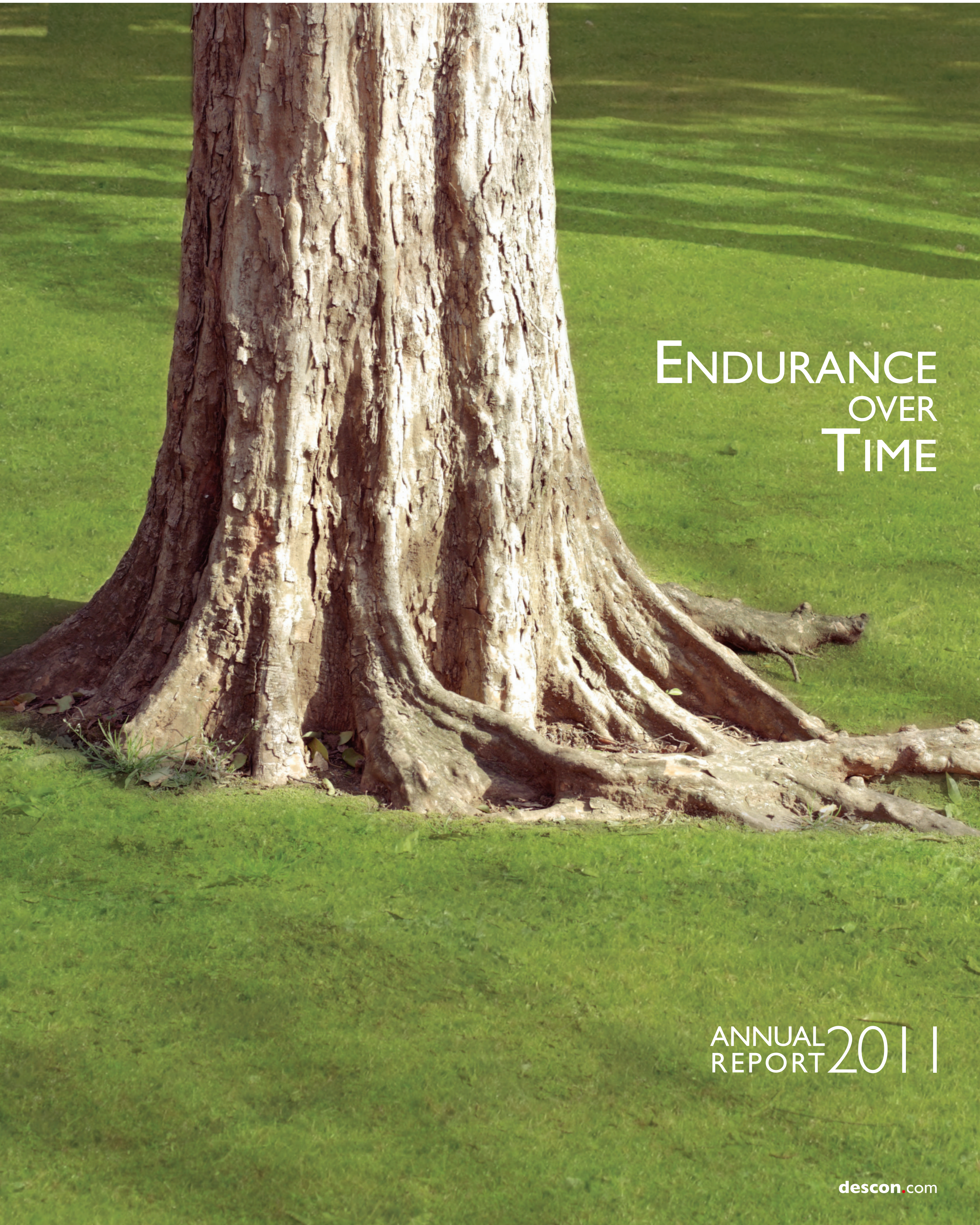
Descon Chemicals Limited



Contents

Vision

To become a leading chemical solutions provider to industry worldwide

Mission

To provider 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.

Chairman's Review

I am pleased to report that the company has endured through very difficult time indeed, brought about by significant changes to the external environment, both within and outside the country. Due to the nature of our business, we are directly affected by the challenges faced by the economy. Despite the tough circumstances, the company has shown operational profitability for the year.

We have made significant changes in our organization, to make us leaner, efficient and productive. The emphasis is firmly on product development, innovation and optimization of resources, to provide us with competitive advantage in the challenging economic climate. We will endeavor to be the chosen destination for our customers, for all our products and would work with them in the accomplishing their objectives as well.

The problems faced by many of our customers, due to the shortage of electricity, natural gas, and rise in prices of inputs, have led to a dwindling of demand for our products, rendering it difficult for us to maintain consistent volumes for our extensive product range.

I am confident that even though the volatility in the external environment remains, the management has the right and resources, both operational and technical opportunities within the changed circumstances. The company has put in place a process of continuous improvement in its working capital utilization, operational efficiencies and reduces its overheads.

Our contribution to society is not limited to delivering profitability to stakeholders but engulfs a wider scope including gainful employment, technical advice for our customers and savings of foreign exchange in terms of import substitution.

The company has a strong governance structure, based on integrity, business ethics and honesty, driven by a strong sense of duty to our colleagues and all stakeholders. The Board of Directors have mechanisms in place to evaluate performance of the Company.

I would like to thank my fellow Directors and all stakeholders, particularly our customers, shareholders and lenders for their assistance and commitment throughout the year. We would continue to support management in its relentnes efforts to restore profitable growth.

Abdul Razak Dawood
Chairman
September 8, 2011

Company Information

Board of Directors

Abdul Razak Dawood
Chairman
Taimur Saeed
Chief Executive Officer
Dr. Salman Zakaria
Farooq Nazir
Chief Financial Officer
Syed Zamanat Abbas
Taimur Dawood
Muhammad Sadiq
Faisal Dawood

Company Secretary

Abdul Sohail

Auditors

Horwath Hussain Chaudhary & Co.
Chartered Accountants

Internal Auditors

M/s KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

Hassan & Hassan
Advocates

Bankers

Allied Bank Limited
Bank Al Habib Limited
Habib Bank Limited
Askari Bank Limited
United Bank Limited
Standard Charted Bank Ltd

Share Registrar

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

Registered Office

Descon Headquarters
18-KM Ferozepur Road
Lahore - 53000 Pakistan.
Tel : 92 42 35923721-9
Fax : 92 42 35923749

Plant Site

Site 1:14.5-KM Lahore - Sheikhupura Road, Lahore, Pakistan.
Te : 92 42 37970962
Fax : 92 42 37970229

Site 2: 14.8 Km Lahore-Sheikhupura -Faisalabad Road
Mouza Bhikki District Sheikhupura Pakistan.
Tel: 92 56 3090 955, 3091 294
Fax: 92 56 3882 189

Karachi Office

Business Avenue, 26/A, 9th Floor, Block 6, PECHS,
Shahra-e-Faisal, Karachi, Pakistan
Tel : 92-21-34544485-6
Fax : 92-21-34382674

Web Presence

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

Profile of the Chairman and CEO

Abdul Razak Dawood

Abdul Razak Dawood is the Chairman of Descon, which is involved in Engineering, Chemicals, and Power.

He started his career as Managing Director of Lawrencepur Woolen Mills, before assuming responsibility of Managing Director at Dawood Hercules Chemicals Limited.

In 1981, he moved to Descon Engineering Limited Company and since then has been associated with it. Currently, he is the Chairman of Descon Engineering Limited, the premier Pakistani multinational company, which is operating in five countries, and holding four overseas manufacturing units, It has more than 25,000 employees, 50% of them based overseas.

Razak Dawood also served as a Federal Minister of Commerce, Industries, Production and Investment from November 1999 - November 2002.

He is one of the founders of Lahore University of Management Sciences (LUMS) and has been its Rector since inception. He has also served the Lahore Chapter of Management Association of Pakistan as Chairman. He was a trustee for the first ten years of Shaukat Khanam Memorial Hospital.

He has graduated in Engineering from Newcastle University, UK and obtained his MBA from Columbia University, USA.

Taimur Saeed

Taimur Saeed is the new Chief Executive Officer of the company, while also serving on the board of Descon Oxychem Limited.

He had an illustrious career of over 18 years at BOC Pakistan, (Linde Group, Germany), where he last held the post of Head of Sales & Customer Services and also was Business Manager Industrial Product in Malaysia, Indonesia, India, Bangladesh and Pakistan. He joined Descon Oxychem Limited as GM Sales & Marketing before taking over as CEO.

He has attended management Leadership course at INSEAD, Singapore. He is an MBA from Mercer University, Atlanta, US and a B.Com, from Karachi University.

Board Committees

Audit Committee

Members

Abdul Razak Dawood
Chairman

Muhammad Sadiq
Member

Syed Zamanat Abbas
Member

Enterprise Risk Management Committee

Members

Farooq Nazir
Chief Risk Officer

Taimur Dawood
Board Nominee

Taimur Saeed
Chief Executive Officer

Abdul Sohail
Company Secretary

Ather Mahmood Khan
Head Shared Services

Adeel Ahmad Khan
HR Business Partner

Compliance Committee

Members

Taimur Saeed
Chief Compliance Officer

Abdul Sohail
Company Secretary

Ather Mahmood Khan
Head Shared Services

Zia Ullah Sheikh
Plant Manager

Hammad Rashid
Finance Manager

Adeel Ahmad Khan
HR Business Partner

Key Operating and Financial Data

(Rupees in thousand)	2011	2010	2009	2008	2007	2006
Summary of Profit and Loss						
Sales	2,607,610	2,383,950	2,769,953	3,109,803	2,398,506	2,019,942
Cost of Goods Sold	(2,284,047)	(2,072,600)	(2,551,882)	(2,681,459)	(2,124,713)	(1,772,616)
Gross Profit	323,563	311,350	218,071	428,345	273,793	247,326
Operating profit	156,960	136,970	38,057	264,946	166,506	158,575
Finance Cost	(159,160)	(159,606)	(186,708)	(111,953)	(95,252)	(74,378)
Profit / (loss) before tax	1,222	(53,183)	(164,927)	173,650	70,460	41,151
Profit / (loss) after tax	(19,339)	(53,387)	(134,694)	162,581	49,639	8,605
Financial Position						
Share Capital	997,789	997,789	315,670	363,408	363,408	363,408
Reserves including unappropriated profit	(548,423)	(531,642)	200,775	37,418	(142,804)	(205,372)
Short term borrowings	803,513	949,647	821,370	890,618	583,485	408,429
Property, plant and equipment	581,143	625,230	708,264	495,664	526,590	481,560
Current Assets	1,072,218	1,272,239	1,025,911	1,363,081	927,272	716,891
Current Liabilities	1,195,439	1,336,317	1,071,483	1,202,221	838,452	632,074
Investor Information						
Gross profit margin (%)	12.41%	13.06%	7.87%	13.77%	11.42%	12.24%
Pre tax margin (%)	0.05%	-2.23%	-5.95%	5.58%	2.94%	2.04%
Net profit margin (%)	-0.74%	-2.24%	-4.86%	5.23%	2.07%	0.43%
Return on equity (%)	-4.30%	-11.45%	-26.08%	40.56%	22.50%	5.44%
Return on capital employed (%)	-3.34%	-8.05%	-17.84%	18.26%	6.97%	1.36%
Current Ratio (Times)	0.90	0.95	0.96	1.13	1.11	1.13
Quick Ratio (Times)	0.55	0.55	0.60	0.60	0.65	0.73
Debtors turnover (days)	65	74	71	62	63	68
Inventory turnover (days)	76	81	74	27	54	53
Creditors turnover (days)	46	44	30	29	30	34
Operating cycle (no. of days)	95	111	115	61	87	87
Debt: Equity (Ratio)	63%	68%	63%	62%	61%	61%
Interest cover (Times)	1.01	0.67	0.12	2.55	1.74	1.55
Earnings / (loss) per share (pre tax) (Rupees)	0.01	(0.27)	(2.61)	2.39	0.97	0.57
Earnings / (loss) per share (after tax) (Rupees)	(0.10)	(0.27)	(2.13)	2.24	0.68	0.12

Horizontal Analysis Balance Sheet

	2011 Rs. "000"	11 Vs 10 %	2010 Rs. "000"	10 Vs 09 %	2009 Rs. "000"	09 Vs 08 %
EQUITY AND LIABILITIES						
EQUITY						
Share Capital	997,789	0%	997,789	216%	315,670	(13%)
Capital Reserve	1,769	16%	1,524	(100%)	683,389	-
Revenue Reserve	(550,192)	3%	(533,167)	10%	(482,614)	(1,378%)
Surplus on Revaluation of Property, Plant & Equipment	38,643	0%	38,765	0%	38,894	(84%)
	488,009	(3%)	504,912	(9%)	555,339	(13%)
NON - CURRENT LIABILITIES						
Long Term Financing	33,500	(67%)	100,375	(22%)	128,185	(21%)
Deferred Liability	57,651	0%	57,567	(19%)	71,355	(18%)
	91,151	(42%)	157,942	(21%)	199,540	(21%)
CURRENT LIABILITIES						
Trade and other payables	267,542	(13%)	309,153	65%	186,883	(20%)
Accrued mark up	29,961	(18%)	36,321	6%	34,347	13%
Short Term Borrowings	803,513	(15%)	949,647	16%	821,370	(8%)
Current Portion of long term borrowings	68,375	133%	29,310	1%	28,882	73%
Provision for Taxation	26,047	119%	11,886	-	-	(100%)
	1,195,439	(11%)	1,336,317	25%	1,071,483	(11%)
	1,774,599	**(11%)**	**1,999,171**	**9%**	**1,826,362**	**(13%)**
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	581,143	(7%)	625,230	(12%)	708,264	43%
Intangible assets	36,966	(11%)	41,587	-	-	(100%)
Long term investments	83,514	43%	58,205	(34%)	88,660	(50%)
Long term deposits and advances	757	(60%)	1,910	(46%)	3,527	(52%)
	702,381	(3%)	726,932	(9%)	800,451	10%
CURRENT ASSETS						
Stores, spares and loose tools	14,849	36%	10,921	(4%)	11,366	(9%)
Stock in trade	419,633	(21%)	532,048	38%	386,825	(40%)
Trade debts	439,262	(10%)	486,175	2%	478,767	(21%)
Loans and advances	130,434	(21%)	164,468	57%	104,427	360%
Short term prepayments and other recievables	20,913	(44%)	37,417	127%	16,482	(70%)
Cash and bank balances	47,128	14%	41,210	47%	28,044	41%
	1,072,218	(16%)	1,272,239	24%	1,025,911	(25%)
	1,774,599	**(11%)**	**1,999,171**	**9%**	**1,826,362**	**(13%)**

Vertical Analysis Balance Sheet

	2011 Rs. "000"	%	2010 Rs. "000"	%	2009 Rs. "000"	%
EQUITY AND LIABILITIES						
EQUITY						
Share Capital	997,789	56%	997,789	50%	315,670	17%
Capital Reserve	1,769	0%	1,524	0%	683,389	37%
Revenue Reserve	(550,192)	(31%)	(533,167)	(27%)	(482,614)	(26%)
Surplus on Revaluation of Property, Plant & Equipment	38,643	2%	38,765	2%	38,894	2%
	488,009	27%	504,912	25%	555,339	30%
NON - CURRENT LIABILITIES						
Long Term Financing	33,500	2%	100,375	5%	128,185	7%
Deferred Liability	57,651	3%	57,567	3%	71,355	4%
	91,151	5%	157,942	8%	199,540	11%
CURRENT LIABILITIES						
Trade and other payables	267,542	15%	309,153	15%	186,883	10%
Accrued mark up	29,961	2%	36,321	2%	34,347	2%
Short Term Borrowings	803,513	45%	949,647	48%	821,370	45%
Current Portion of long term borrowings	68,375	4%	29,310	1%	28,882	2%
Provision for Taxation	26,047	1%	11,886	1%	-	0%
	1,195,439	67%	1,336,317	67%	1,071,483	59%
	1,774,599	**100%**	**1,999,171**	**100%**	**1,826,362**	**100%**
ASSETS						
NON - CURRENT ASSETS						
Property, plant and equipment	581,143	33%	625,230	31%	708,264	39%
Intangible assets	36,966	2%	41,587	2%	-	0%
Long term investments	83,514	5%	58,205	3%	88,660	5%
Long term deposits and advances	757	0%	1,910	0%	3,527	0%
	702,381	40%	726,932	36%	800,451	44%
CURRENT ASSETS						
Stores, spares and loose tools	14,849	1%	10,921	1%	11,366	1%
Stock in trade	419,633	24%	532,048	27%	386,825	21%
Trade debts	439,262	25%	486,175	24%	478,767	26%
Loans and advances	130,434	7%	164,468	8%	104,427	6%
Short term prepayments and other recievables	20,913	1%	37,417	2%	16,482	1%
Cash and bank balances	47,128	3%	41,210	2%	28,044	2%
	1,072,218	60%	1,272,239	64%	1,025,911	56%
	1,774,599	**100%**	**1,999,171**	**100%**	**1,826,362**	**100%**

Horizontal and Vertical Analysis Profit & Loss account

	2011 Rs. "000"	11 Vs 10 %	2010 Rs. "000"	10 Vs 09 %	2009 Rs. "000"	09 Vs 08 %
Sales	2,607,610	9%	2,383,950	(14%)	2,769,953	(11%)
Cost of Sales	(2,284,047)	10%	(2,072,600)	(19%)	(2,551,882)	(5%)
Gross Profit	**323,563**	**4%**	**311,350**	**43%**	**218,071**	**(49%)**
Administration and General Expenses	(83,583)	(17%)	(100,691)	2%	(99,085)	40%
Distribution Cost	(83,020)	13%	(73,689)	(9%)	(80,928)	(13%)
Operating Profit	**156,960**	**15%**	**136,970**	**260%**	**38,057**	**-86%**
Other operating charges	(35,599)	122%	(16,036)	1%	(15,892)	(1%)
Finance Cost	(159,160)	(0%)	(159,606)	(15%)	(186,708)	67%
Other operating income	21,248	51%	14,054	(3%)	14,427	(40%)
Profit / (Loss) before Taxation and Share of Profit / (Loss) of Associated Undertaking	(16,551)	(33%)	(24,618)	(84%)	(150,115)	-
Share of net Profit / (Loss) of associated undertaking	17,773	(162%)	(28,565)	(93%)	(14,812)	-
Net Profit before taxation	**1,222**	**(102%)**	**(53,183)**	**(68%)**	**(164,927)**	**-**
Taxation	(20,561)	9945%	(205)	(101%)	30,234	(373%)
Net profit after taxation	**(19,339)**	**(64%)**	**(53,387)**	**(60%)**	**(134,694)**	**(183%)**

	2011 Rs.	%	2010 Rs.	%	2009 Rs.	%
Sales	2,607,610	100%	2,383,950	100%	2,769,953	100%
Cost of Sales	(2,284,047)	(88%)	(2,072,600)	(87%)	(2,551,882)	(92%)
Gross Profit	**323,563**	**12%**	**311,350**	**13%**	**218,071**	**8%**
Administration and General Expenses	(83,583)	(3%)	(100,691)	(4%)	(80,928)	(3%)
Distribution Cost	(83,020)	(3%)	(73,689)	(3%)	(99,085)	(4%)
Operating Profit	**156,960**	**6%**	**136,970**	**6%**	**38,057**	**1%**
Other operating charges	(35,599)	(1%)	(16,036)	(1%)	(15,892)	(1%)
Finance Cost	(159,160)	(6%)	(159,606)	(7%)	(186,708)	(7%)
Other operating income	21,248	1%	14,054	1%	14,427	1%
Profit / (Loss) before Taxation and Share of Profit / (Loss) of Associated Undertaking	(16,551)	(1%)	(24,618)	(1%)	(150,115)	(5%)
Share of net Profit / (Loss) of associated undertaking	17,773	1%	(28,565)	(1%)	(14,812)	(1%)
Net Profit before taxation	**1,222**	**0%**	**(53,183)**	**(2%)**	**(164,927)**	**(6%)**
Taxation	(20,561)	(1%)	(205)	(0%)	30,234	1%
Net profit after taxation	**(19,339)**	**(1%)**	**(53,387)**	**(2%)**	**(134,694)**	**(5%)**

CEO's Review

In difficult economic environment which has persisted for several years, Descon Chemical Limited's operating environment continues to change significantly. Descon Chemicals will continue to build a business structure for continued growth and implement two basic policies to revamp its business structure; "Revamp to achieve a more efficient management style"; and "Develop strong businesses with strong products".

Your company has turned a profit before tax PKR 1mln, against a loss of PKR 53mln last year, a turnaround of PKR54mln. The company still has a loss after tax of PKR 19mln. However, this has reduced from PKR 49mln last year. Due to the nature of our business, which is dependent on the health of the general economy, we have faced numerous challenges throughout the year. There has been low demand due to the many problems faced by majority of our customers, like shortage of electricity, natural gas, and rise in input prices. Even though, we are a B2B company, the changes in demand from the end consumer has a direct effect on our sales.

The general reduction in the housing and construction market, and the many documented problems in the textile sector, which are two of our major business lines, has meant that it has been difficult to maintain consistent volumes for our extensive product range. As a company focused development through Innovation, Descon Chemicals uses original Technology and inventive ideas to provide its customers with superior products. Descon Chemicals will continue its ongoing pursuit of innovation. The Management has taken steps to enhance product development and innovation, with technical collaboration within and outside Pakistan, which would help us to optimize our resources and provide us with the competitive advantage in the challenging economic climate. This would, Inshaullah, yield results that you would see in the coming year.

Our challenges were compounded by the fact that there has been considerable volatility in the global environment, which have placed significant pressures on the input prices of raw materials. As our raw materials are commodity products, and at an all time high, places consistent pressure on our margins. Recently, due to these prices linked generally with the prices of oil, they have come down, which gives us and our customers a breather.

The management has concentrated in increasing its efficiency by making the company leaner and productive, in turn reducing costs and tightening the working capital. And we have been successful in this, as can be seen from the significant fall in our administrative costs. This has led to your company being slicker and quicker to adapting change. We are still concentrating on this area, and I am confident that the improvements in our systems and controls would lead to further reduction in the coming year.

We thank all our stakeholders, especially our shareholders and lenders, and request them for continued support, for persevering with us, while we continue to strive to meet the challenges in the future. I would also like to appreciate the efforts of Management and employees for their hard work and loyalty to the company in these tough times.

Taimur Saeed
Chief Executive Officer
September 8, 2011

Financial Review

(Rupees in thousands)	2011	2010
Sales	2,607,610	2,383,950
Gross Profit	323,563	311,350
EBITDA	226,325	204,049
Operating profit	156,960	136,970
Finance Cost	(159,160)	(159,606)
Net Profit / (loss) of associated undertaking	17,772	(28,565)
Profit / (loss) before tax	1,222	(53,183)
Profit / (loss) after tax	(19,339)	(49,409)
EPS - (Rupees)	(0.10)	(0.25)

The financial year was better for the company, where it achieved a Profit before tax of PKR 1mln, against a loss of PKR 53mln last year, a turnaround of PKR 54mln. We produced 19,869 MTs, a decrease of 2,107or 10% over last year. However, even with the volume decrease, The company had a turnover of PKR 2,608mln, against a turnover of PKR 2,384mln last year. This was due to a price increase of 20% over last year. These were the raw material input cost increase passed on to the customers, which brought about 21% increases in cost of sales. Other increases were seen in electricity and gas prices. Consequently, the gross profit margin registered a slight decrease of 0.65% percentage points over last year, even though the gross profit increased by PKR 12mln.

The distribution cost of the company increased by PKR 9mln or 12%, due to the general increase in the fuel prices, salaries & wages and freight insurance. Most encouragingly, the company was able to substantially reduce the administration expenses by PKR 17mln or 17%, due to the synergies as part of merger with Nimir, and with sharing some departments. Other operating expenses increased due to higher provisioning for the doubtful debts and stock, which is due to some items becoming obsolete because of our extensive product range. Other operating income mainly consisted of investment income from bank deposits, writing back of the liabilities, insurance claims and commission for indenting.

There were no variance in the finance costs as compared to last year, even though the sales increased by 10%, and there was an increase in KIBOR in the year. This was possible with stringent working capital controls, reducing the trade debts and inventories. The company was also able to pay off PKR 174mln of short term and long-term financing. Additionally, this improved the leveraging ratio to 65% from 69% last year.

The company's investment in Descon Oxychem Limited, a Related Party, bore fruit this year, with its share of DOL's profit coming at PKR 18mln, against a loss last year of PKR 29mln. This meant that the loss after taxation reduced to PKR 19mln from PKR 49mln last year.

Cash Flow Management

The Company has a strong working capital management system, which is regularly monitored through rolling forecasts. Receipts and payments of cash and other liquid assets, including investments, are diligently managed to achieve optimal working capital cycle. Since, the company has had a strong cash flow from operations this year; working capital requirement is met with internally generated cash.

Furthermore, working capital management has been institutionalized through controls built in the ERP system, which helps coordinate the activities amongst various departments including marketing, supply chain and finance. This cash focused strategy has enabled the company to survive through difficult times when both sales volumes and profit margins are under immense pressure. Moreover, this strategy has also kept the overall credit risk of the company under strict check and balance.

Risk Management

The Company's activities expose it to a variety of risks, operational and financial. The company's overall risk management program focuses on the unpredictability of these risks and seeks to minimize potential adverse effects on the financial performance, through appropriate strategies for their mitigation. Risk management is an ongoing process involving assessing and identifying individual risks posed to the Company, and evaluating the potential impact, while devising appropriate course of action to counter them.

Economic, political and environmental instabilities of a business environment and inherent risks within the nature of a business expose even the strongest of companies to a certain level of external risk. The Board manages these risks through its ERM Committee, and is confident that we have sufficient mitigates in place to respond to these risks, as they arise.

Subsequent Events

There are no subsequent events to report after the year-end.

Sales & Marketing

With over 30 years experience, Descon Chemicals Limited prides itself at providing its customers the best possible chemical solutions in the industry. Catering to a multitude of industrial sectors, our solutions and services provide the best value and quality that our customers deserve.

Innovation is an integral part towards Descon Chemical's business philosophy. Descon Chemicals is a technology leader for new development in commercial and advanced application. We are constantly redefining ourselves in terms of products and services that we offer to meet the growing and changing need of our customers. Our product offerings are categorized under Four Business Lines, which cater to specific sectors of the industry as detail below.

Global Business Environment

There are lot of concerns about the global economy, with growth in the developed and developing world dwindling, amid concerns of double dip recession in America and Europe. The sovereign debt crisis of the major industrialized countries, a result of year of fiscal mismanagement, is the main driver for the negative growth outlook. In hindsight, the massive fiscal incentive packages provided to companies in many countries has not worked, which has only lead to inflationary pressures. Nevertheless, the recent results for industrial corporate have been positive, which are the ultimate customers of specialty chemicals. There has been major volatility in prices of oil, both Crude and Brent, which are the determinants for majority of our raw materials. This has meant that the growth in specialty chemicals is inconsistent and incoherent. The prices have reduced, after the record highs in 3QFY11, albeit are not stable yet.

Domestic Chemical Market

The chemical sector in Pakistan is made up of large multinationals, large to medium sized local companies and small companies, mostly in the unregistered sector. The market is highly fragmented with competition for specific products, instead of business lines. The companies are working in Niche products, and the competitive advantage is only maintained by investing resources and energy in innovation, and continuous improvement of a product line. Due to the general macroeconomic conditions in the country, and coupled with the energy shortages, the chemical sector has suffered a slowdown, which affected demand throughout 2011.

Marketing

The Sales and Marketing Department is a well-organized establishment managed by competent and experienced employees, committed towards the success and growth of the Company. The year brought new challenges for, as the competition in the market grew stronger due to the flagging of demand and the significant instability in prices.

Coating & Emulsions

Our range of chemicals includes a wide assortment of Binders and Additives for the Paints & Coatings industry. In spotlight are Long Oil-based medium viscosity and low viscosity enamels with the highest quality in hardness, water-resistance and durability for decorative paints.

Coatings & Emulsions form the backbone of our company, and form almost half of the total turnover. Therefore, difficult conditions in the area meant that the recovery of the company was not as swift. They started from the implementation of sales tax on our products, at end of June 2010 last year, which made it more expensive and so reduced demand. The flooding in September 2010, which affected demand substantially, exacerbated the problems. The frequent changes, mostly upward, in the raw materials meant that there was constant pressure on our margins, with cost increases of as much as 33%. This has meant that we were not able to sell the volumes as previously.

We continuously strive to improve our current products in terms of quality, suitability, and economy. Additionally our dedicated team of expert fights hard to develop new products, which can bag success in the world of cutthroat competition. There is positive news in that we have started to sell more additives. Moreover, the efficient and timely, sourcing and procurement, lead us to be competitive in prices. The focus of our endeavors is to provide the best-suited, efficient and cost-effective solutions to the coatings and emulsions industry. It is for this reason that we lay so much emphasis on collaborating with our customers in technical development.

Polyester Resins

Descon is one of Pakistan's largest suppliers of unsaturated polyester and vinyl ester resins for composites applications. Descon offers the broadest manufacturing presence to produce a complete line of resin products, Gel-coats and bonding pastes for customers who fabricate composite products ranging from bathtubs to sewerage pipes. Innovation is the key to Descon's success. Descon is a technology leader for development of new materials for both conventional and advanced composites applications. Descon offers resin systems that meet and exceed customer expectations of application properties, environmental compliance and end use performance. Introduction of new version of general-purpose resins in combination with high performance properties shows the dedication of Descon's commitment to development of custom solutions for the industry.

Textile & Paper

The Textile Auxiliaries Business provides special chemicals for pre-treatment, dyeing and finishing of textiles. We no longer only simply sell a single product to our customers; whenever possible we strive to be their partner by helping them select the best package or a process for their needs. Our customer segments include Woven, Knitwear, and Denim & Towel manufacturers. We focus strongly on our technical expertise and countrywide presence so that we can meet the needs of our customers and be close to them.

Descon is a leading producer of Optical Brightener and Fortified Rosen. Both these products are widely used by the leading Paper and Board manufacturers of Pakistan. Additionally, Descon's Fortified Rosen is an ideally suited option for controlling the roughness, developing smoothness, and controlling the spreading of ink on paper.

Trading

Due to Descon being a substantial user of specialty and commodity chemicals, it also trades in select chemicals, for which it has distributor ship or is a substantial player in the market. The idea is to leverage our sourcing and buying efficiencies and earn a tidy profit. We represent some agencies in Pakistan of internationally acclaimed suppliers like Genencore, Exxon Mobil etc. We continuously endeavor to develop strong sources for supply with which we can serve our valuable customers. Petrochemicals have been our key focus area where we have been working extremely hard for the last three years. We are growing as indenting company, which introduce your high quality product range and a staunch commitment to excellent customer service.

Trading General business has been always a profitable segment for the company from past few years. Although business ability to perform on consistent basis has been a challenge, due to external challenges like market demand, pricing, and product availability, but still trading has been able to cope with these challenges very well most of the times. Most of the products, had their highest prices ever, and so to minimize risk, the company traded about the same revenue in the year.

Exports
The company plans to exports some of the products, where it has significant regional competitive advantage. We also plan to nominate distributors and use this channel for increase out revenue.

Initiatives in the Year
The company has the vision to provide support and after sales services in order to build and maintain its brand equity not only in Pakistan but around the globe as well. To achieve this, Descon Chemicals Limited operated a fully functional Customer Care Center (3Cs). The customers log their queries, issues, etc. That query is followed and standard closing timelines have been developed to close off the queries. Our strategic goal is to develop further follow-ups on our customers' requests, through expanding our capacities and improving our performance.

Human Resource & Social Responsibility

At Descon, HR focuses on enabling its Human Capital to add valuable contribution to the Organization. We focus at grooming leaders for the future by hiring right people and challenging them to display exceptional results through performance. We intend to be innovative while using best practices to provide our work force with an environment that enables peak performance and motivates them to do more.

Human Resource Development
We aim to provide our Organization with a strategic edge by focusing on the following

- Employer brand of choice
- Doing the right thing
- Leaders for future
- Learning aligned with business goals

Employee Retention
We believe in retaining talent by engaging employees and rewarding them for performance. Our top performers are offered career opportunities (abroad and with other companies under the banner of Descon) that help to provide exposure and further develop talent for future leadership roles.

Employees are rewarded for their performance by DesIcon; DesIcon Award acknowledges exceptional effort of an employee that he may have displayed in any assigned project or during a course of period. Kaizen award acknowledges new ideas that may have value adding impact. Kaizen encourages and engages employees to share their ideas and take ownership of continuous development

Moreover, HR continuously take initiatives to develop a feel of "Descon family and we are in this together" among its employees. Desfest 2011 was celebrated earlier this year where various games along with a mega cricket festival induced fresh wave of energy in all employees.

Employee Benefits
We believe in providing equal opportunity & see ourselves as an institution where employees are treated as one family, given opportunity to learn, challenged and rewarded for optimum performance. We intend to continuously build better reward structure for our employees. Long service award, Hajj & Umrah Award, DesIcon and variable pay are some of the few examples.

Retirement Benefit Plans
Our policies such as Provident Fund & Gratuity both cover for employee retirement benefit plan.

Code of Ethics for Employees

The Company is committed to have quality in its people and products. The company works hard every day to earn a reputation of trust, honesty and candor, while being mindful of its responsibilities to shareholders, customers, partners and each other. The Code describes what acting with integrity means at the Company and how it relates to core beliefs and leadership. The Code and each employees commitment to it, is an essential component of the plan for catapulting the company to a world-class one.

Safety and Health

Descon's dedication to meeting the principles of safety and environment is a key component in our commitment to sustainable development.

- We are committed to develop and supply products and services that best meet the needs of our customers, are safe, and have minimal impacts on health and the environment throughout their life cycle.
- We are committed to run our plants and transport our products safely, protecting our neighbors and employees, and minimizing the impact of our activities on our environment.
- We are committed to inform and debate with all stakeholders on matters affecting health, safety and the environment, in a spirit of openness and mutual respect.
- We encourage our subcontractors, suppliers and customers to adopt a policy on health, safety and environment equivalent to our own.
- We are committed to comply with all relevant local, national and international regulations relating to health, safety and environment

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 and incorporated in the listing regulations of stock exchanges issued by SECP. 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, 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 Annual General Meeting for approval on October 20, 2011.

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, effectively representing the interest of shareholders. There are 5 non-executive Directors and only 3 executive Director, which conforms to and surpasses the legal requirement of 25% representation by non-executive 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 8 such meetings during the year, agendas of which were circulated in a timely manner. The decisions made by the Board during the meetings were minuted, 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 attendance prescribed by the Code of Corporate Governance and were also attended by the Chairman and the Company Secretary of the Company. Details of attendance by Directors at each Board meeting are as follows:

During the year under review, eight (08) meetings of the Board of Directors were held and the attendance of the Directors was as under:

Name of Director	Meetings Attended	Remarks
Abdul Razak Dawood	8	
Dr. Salman Zakaria	5	Leave for absence was granted in three meetings
Taimur Dawood	7	Leave for absence was granted in one meeting
Farooq Nazir	7	Leave for absence was granted in one meeting
Muhammad Sadiq	8	
Syed Zamanat Abbas	5	Leave for absence was granted in three meetings
Faisal Dawood	2	Leave for absence was granted in six meetings

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 directorship skills. During the year, the Company organized a customized Directors Education Program through Pakistan Institute of Corporate Governance for its existing directors. The program was held on December 6, 2010. These courses help the Directors reassess their role in the Company's progress and hone their competencies for the betterment of the Company.

Changes to the Board

There were no changes to the Board during the year. Subsequent to the year-end, Mr. Taimur Saeed joined the Board in the capacity of Chief Executive Officer. We would like to welcome him to the Board and hope that Company would benefit from this change in the composition of the Board. We would also like to thank Taimur Dawood for his tremendous services of over 10 years to the company, and his presence on the board would be immense.

Directors Statement

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

i. Presentation of Financial Statement

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 Accounting Standards (IAS)

International Accounting Standards, as applicable in Pakistan, have been followed in 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 environmental 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

During the year under review no Director, CEO, CFO, Company Secretary and their spouses and minor children has sold or purchased any 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 the 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. Horwath Hussain Chaudhury & Co., Chartered Accountants, as Auditors of the Company for the year ending June 30, 2012.

xvi. Audit Committee

The Board of Directors in compliance to the Code of Corporate Governance has established an audit committee and majority of the following members is non-executive Directors:

Name of Director	Designation
Abdul Razak Dawood	Chairman
Syed Zamanat Abbas	Member
Muhammad Sadiq	Member

M/s. KPMG Taseer Hadi and Co., Chartered Accountants effectively looking after the internal audit function of the Company. During the year under review, the audit committee has performed its functions satisfactory 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 surpassing targets set for the year. We also acknowledge the support and cooperation received from our esteemed customers, supplies, bankers and stakeholders towards the development of the Company.

For and on behalf of the Board

Taimur Saeed
Chief Executive Officer

Lahore
September 08, 2011

Crowe Horwath™

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Descon Chemicals Limited to comply with the Listing Regulation No. 35 (Chapter XI) of both the Karachi Stock Exchange and Lahore Stock Exchange, 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 of Corporate Governance and report if it does not. 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 controls systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the Board of Directors for their consideration and approval 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, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2011.

Horwath Hussain Ch & Co.

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement Partner: Muhammad Nasir Muneer)

Lahore
Dated: September 8, 2011

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 listing regulations of Karachi Stock Exchange and Lahore 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 and non-executive Directors on its Board. At present, the Board includes five (5) non-executive directors and three (3) executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten (10) listed companies, including this Company.

3. All the directors of the Company have given declaration that they are aware of their duties and powers under the relevant laws and the Company's Memorandum and Articles of Association and the listing regulation of the stock exchanges of Pakistan.

4. All the 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 NBFI, or being a member of a stock exchange, has been declared as defaulter by that stock exchange.

5. A casual vacancy occurred on the board on June 30, 2011, which was filled up by the director on July 1, 2011.

6. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by all directors and employees of the Company.

7. 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.

8. 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 CEO and other executive directors have been taken by the Board.

9. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven (07) clear days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. To enhance the governance proficiency of the Directors, three (3) Directors of the Company are going through the Corporate Governance Leadership Skills Program (CGLS) of Pakistan Institute of Corporate Governance. The Company also intends to nominate its other Directors, one by one, to the CGLS in future.

11. The Board had arranged an orientation workshop for its directors to apprise them of their duties and responsibilities, and to keep them informed about the enforcement of new laws, rules and regulations thereof.

12. There were no new appointments as Head of Internal Audit, CFO or Company Secretary during this year. However, all such appointments including their remuneration and terms and conditions of employment are approved by the Board.

13. 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.

14. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

15. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

16. The Company has complied with all the corporate and financial reporting requirements of the Code.

17. The Board has formed an audit committee. It comprises of three (03) members, majority of whom are non-executive directors, including the Chairman.

18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

19. The Board has set-up an effective internal audit function managed by a suitably qualified audit firm who are conversant with the policies and procedures of the Company and are involved in the internal audit function on a full time basis.

20. All material information as required by under the relevant rules has been provided to the Stock Exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time.

21. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Programme 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 ICAP.

22. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.

23. 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.

24. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore
September 08, 2011

Taimur Saeed
Chief Executive Officer

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DESCON CHEMICALS LIMITED
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of DESCON CHEMICALS LIMITED as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, 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 accounts 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 the accounting policies consistently applied.
   (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;

(d) 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, cash flow statement and statement of changes in equity 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, 2011 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

(e) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Horwath Hussain Ch & Co.

Lahore
Dated: Septrmber 08,2011.

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement partner: Muhammad Nasir Muneer)

Balance Sheet
As at June 30, 2011

	Note	2011 Rupees	2010 Rupees (Restated)	2009 Rupees (Restated)
CAPITAL AND LIABILITIES				
Share Capital and Reserves				
Authorized share capital				
230,000,000 (2010: 230,000,000) Ordinary shares of Rs. 5 each		**1,150,000,000**	**1,150,000,000**	**700,000,000**
Issued, subscribed and paid up share capital	4	997,789,280	997,789,280	315,670,390
Reserves	5	(550,718,245)	(531,642,146)	199,631,225
		447,071,035	**466,147,134**	**515,301,615**
Surplus on Revaluation of Property, Plant and Equipment	6	38,642,962	38,765,213	38,893,897
Non Current Liabilities				
Long term financing	7	33,500,000	100,375,116	128,185,116
Deferred liability	8	56,405,682	57,567,014	72,498,534
		89,905,682	**157,942,130**	**200,683,650**
Current Liabilities				
Trade and other payables	9	267,541,965	309,152,595	186,883,420
Accrued mark up	10	29,960,987	36,321,407	34,347,427
Short term borrowings	11	803,513,169	949,647,047	821,369,921
Current portion of long term financing	7	68,375,116	29,310,000	28,881,773
Provision for taxation	12	25,988,561	11,885,822	-
		1,195,379,798	**1,336,316,871**	**1,071,482,541**
Contingencies and Commitments	13	-	-	-
		1,770,999,477	**1,999,171,348**	**1,826,361,703**

Chief Executive **Director**

	Note	2011 Rupees	2010 Rupees (Restated)	2009 Rupees (Restated)
ASSETS				
Non Current Assets				
Property, plant and equipment	14	581,143,032	625,230,335	708,264,427
Intangible assets	15	36,965,949	41,586,691	-
Long term investments	16	83,173,393	58,204,910	88,659,614
Long term deposits and loans	17	757,263	1,910,262	3,526,579
		702,039,637	**726,932,198**	**800,450,620**
Current Assets				
Stores and spares		14,848,784	10,921,246	11,365,692
Stock in trade	18	416,374,977	532,048,413	386,825,499
Trade debts	19	439,261,656	486,174,552	478,766,673
Loans and advances	20	130,433,944	164,468,242	104,427,065
Short term prepayments and other receivables	21	20,912,898	37,416,976	16,482,365
Cash and bank balances	22	47,127,581	41,209,721	28,043,789
		1,068,959,840	**1,272,239,150**	**1,025,911,083**
		1,770,999,477	**1,999,171,348**	**1,826,361,703**

Chief Executive

Director

Profit and Loss Account
For the Year Ended June 30, 2011

	Note	2011 Rupees	2010 Rupees (Restated)
Sales	23	2,601,733,809	2,383,949,676
Cost of sales	24	(2,284,047,091)	(2,072,599,912)
Gross Profit		**317,686,718**	**311,349,764**
Distribution cost	25	(83,019,941)	(73,688,564)
Administrative expenses	26	(83,583,144)	(100,691,461)
		(166,603,085)	(174,380,025)
Operating Profit		**151,083,633**	**136,969,739**
Finance cost	27	(159,159,598)	(159,605,644)
Other operating expense	28	(35,599,218)	(16,035,569)
Other operating income	29	27,124,126	14,053,772
Loss before Taxation and Share of Profit/(Loss) of Associated Undertaking		(16,551,057)	(24,617,702)
Share of net profit / (loss) of associated undertaking		17,772,742	(28,564,875)
Profit / (Loss) before Taxation		**1,221,685**	**(53,182,577)**
Taxation	30	(20,501,776)	3,773,465
Net Loss for the Year		**(19,280,091)**	**(49,409,112)**
Loss per Share - Basic	**31**	**(0.10)**	**(0.25)**

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

Chief Executive

Director

Statement of Comprehensive Income
For the Year Ended June 30, 2011

	Note	2011 Rupees	2010 Rupees (Restated)
Net Loss for the Year		(19,280,091)	(49,409,112)
Other comprehensive income			
Unrealized (deficit) / gain on available for sale investment		(46,500)	82,800
Share of unrealized gain on available for sale investment of associate		128,241	43,146
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year		122,251	128,685
Other comprehensive income for the year		203,992	254,631
Total Comprehensive Loss for the Year		**(19,076,099)**	**(49,154,481)**

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

Chief Executive

Director

Cash Flow Statement
For the Year Ended June 30, 2011

	Note	2011 Rupees	2010 Rupees (Restated)
CASH GENERATED FROM OPERATIONS	32	332,129,390	65,243,170
Finance cost paid		(165,520,018)	(157,631,663)
Gratuity paid		(4,639,518)	(7,266,847)
Income tax refunded / paid - net		27,741,020	(62,874,776)
Workers' (profit) participation fund paid		(2,782,570)	-
Long term deposits and loans		1,408,320	1,616,317
		(143,792,766)	(226,156,969)
Net Cash generated from / (used in) Operating Activities		**188,336,624**	**(160,913,799)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(2,869,223)	(22,622,327)
Capital work-in-progress		(3,851,367)	13,589,872
Investment in associate		(7,114,000)	-
Proceeds from disposal of property, plant and equipment		3,710,719	3,507,511
Interest income received		1,648,985	-
Defence saving certificates matured		-	2,081,580
Net Cash used in Investing Activities		**(8,474,886)**	**(3,443,364)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long term financing		(27,810,000)	(26,310,000)
Liabilities against assets subject to finance lease		-	(1,071,773)
Short term borrowings		(146,133,878)	204,904,868
Net Cash (used in) / generated from Financing Activities		**(173,943,878)**	**177,523,095**
Net Increase in Cash and Cash Equivalents		**5,917,860**	**13,165,932**
Cash and cash equivalents at the beginning of the year		41,209,721	28,043,789
Cash and Cash Equivalents at the End of the Year		**47,127,581**	**41,209,721**

Chief Executive

Director

Statement of Changes in Equity
For the Year Ended June 30, 2011

Particulars	Share Capital Rupees	Reserves: Shares to be Issued - Net Rupees	Share Premium Rupees	Fair Value Reserve Rupees	Revaluation Reserve Rupees	Accumulated Loss Rupees	Total Rupees
Balance as at June 30, 2009 as Previously Reported	315,670,390	682,118,890	1,281,303	(147,000)	135,457	(376,748,221)	622,310,819
Effect of correction of deferred tax (Refer to Note 38)	-	-	-	-	-	(107,009,204)	(107,009,204)
Balance as at June 30, 2009 as Restated	315,670,390	682,118,890	1,281,303	(147,000)	135,457	(483,757,425)	515,301,615
Shares issued pursuant to the scheme of amalgamation	682,118,890	(682,118,890)	-	-	-	-	-
Restated total comprehensive loss for the year ended June 30, 2010	-	-	-	125,946	128,685	(49,409,112)	(49,154,481)
Balance as at June 30, 2010 as Restated	**997,789,280**	**-**	**1,281,303**	**(21,054)**	**264,142**	**(533,166,537)**	**466,147,134**
Balance as at June 30, 2010 as Previously Reported	997,789,280	-	1,281,303	(21,054)	264,142	(430,135,478)	569,178,193
Effect of correction of deferred tax (Refer to Note 38)	-	-	-	-	-	(103,031,059)	(103,031,059)
Balance as at June 30, 2010 as Restated	997,789,280	-	1,281,303	(21,054)	264,142	(533,166,537)	466,147,134
Total comprehensive loss for the year ended June 30, 2010	-	-	-	81,741	122,251	(19,280,091)	(19,076,099)
Balance as at June 30, 2011	**997,789,280**	**-**	**1,281,303**	**60,687**	**386,393**	**(552,446,628)**	**447,071,035**

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

Chief Executive

Director

Notes to and Forming Part of the Financial Statements For the Year Ended June 30, 2011

1. The Company and its Operations

Descon Chemicals Limited (the Company) was initially incorporated in Pakistan on December 17, 1964 as a private limited company under the Companies Act, 1913 (now the Companies Ordinance, 1984) and was converted into public limited company on August 19, 1991 with the name of Nimir Resins Limited. The name of the Company was changed to Descon Chemicals Limited on April 01, 2010 when the Company entered into a scheme of arrangement for merger / amalgamation with Descon Chemicals (Private) Limited.

The shares of the Company are quoted on Karachi and Lahore Stock Exchanges. The registered office of the Company is situated at Descon Headquarters, 18 KM, Ferozepur Road, Lahore. The principal activity of the Company is to manufacture surface coating resins and polyesters for paint industry and optical brightener and textile auxiliaries for textile industry.

2. Basis of Preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the Companies Ordinance, 1984 (the Ordinance) and the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board as are notified under the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of IFRS the requirements of the Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

2.2 Basis of measurement

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

Employee retirement benefits (Gratuity)	Note 8	Present value
Certain property, plant and equipment	Note 14	Revalued / Fair value
Investment in quoted companies	Note 16	Fair value

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and related assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

The estimates and related assumptions are reviewed on an ongoing basis. Accounting estimates are revised in the period in which such revisions are made. Significant management estimates in these financial statements relate to the useful life and residual values of property, plant and equipment, amortization of intangible assets, provisions for doubtful receivables, provisions for defined benefit plans, slow moving inventory, obsolescence of inventory and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these financial statements.

Change in accounting estimate

During the year, the Company has reviewed its estimate of remaining useful lives of assets and revised the depreciation rates of following assets:

- *Vehicles*	*From 20% to a range of 20% to 25% based upon the cylindrical capacity of the vehicle*
- *IT Equipment*	*From 10% to 25%*

Furthermore, method of charging depreciation on vehicles has been changed from reducing balance to straight line.

Had there have been no change in accounting estimate, the depreciation charge and net loss for the year would have been lower by Rs. 10.675 million.

2.5 New and revised standards and interpretations

International Accounting Standard Board (IASB) has made amendments into certain standards and further introduced new standards during the year. These standards are applicable to the financial statements of the Company covering annual period, beginning on or after the following dates:

2.5.1 Amendments to published standards effective in current year and applicable to the Company

There are certain new approved accounting standards, amendments to approved accounting standards and interpretations that are mandatory for accounting periods beginning on or before January 1, 2010 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.5.2 Amendments to published standards effective in current year and not applicable to the Company

IFRS 3 - Business Combinations — *Annual periods beginning on or after July 1, 2010*

IASB has amended IFRS 3 - Business Combinations. The amendments include transition requirements for contingent consideration from a business combination that occurs before the effective date of revised IFRS, measurement on non-controlling interests and un-replaced and voluntarily replaced share based payment awards.

2.5.3 Amendments to published standards applicable to the Company and not yet effective

- *IAS 1 - Presentation of Financial Statements* — *Annual periods beginning on or after July 1, 2012*

IASB has made amendments to IAS 1 in presentation of items of other comprehensive income. The amendments have not only given equal prominence to statement of other comprehensive income and the profit and loss account but also focused on improved presentation of items to be included in the statement of comprehensive income. The amendments require an entity to group items presented in the statement of other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently or not. Further, the requirement to present tax separately, in respect of items presented before tax, has been laid down. Amendments in IAS 1 have resulted in editorial and other cross-referencing changes in certain other standards.

- *IAS 12 - Income Taxes* — *Annual periods beginning on or after January1, 2012*

IASB has amended IAS 12 - Income Taxes. The amendments provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model in IAS 40 - Investment Property by introducing a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. These amendments incorporate SIC 21 - Income Taxes - Recovery of Revalued Non-Depreciable Assets in the amended IAS 12.

- *IAS 19 - Employee Benefits* — *Annual periods beginning on or after January 1, 2013*

IASB has revised IAS 19 that has given specific guidance on classification of multi-employer plans, state plans and plans with insured benefits. The revised Standard has elaborated defined contribution and defined benefit plans and laid down detailed requirements for an entity following defined benefit plan. The revised Standard has defined other long-term employee benefits and requires that all changes in the carrying amount of liabilities for these benefits to be recognized in the profit and loss account. The Standard has also defined termination benefits and laid down criteria for recognizing these termination benefits.

- *IAS 24 - Related Party Disclosures* — *Annual periods beginning on or after January 1, 2011*

IASB has amended IAS 24 - Related Party Disclosures. The amendments simplifies the disclosure requirements for government related entities and clarifies the definition of a related party. The revised standard provides a partial exemption for government related entities but still requires disclosures that are important to users of financial statements and eliminates requirements to disclose information that is costly to gather and of less value to users.

- *IAS 28 - Investments in Associates and Joint Ventures* — *Annual periods beginning on or after January 1, 2013*

IASB has revised IAS 28 - Investment in Associates (as revised in 2003) and introduced a revised standard that prescribes the accounting treatment for investments in associates and sets out the requirements for application of the equity method when accounting for investments in associates and joint ventures. The Standard defines significant influence and establishes principles for the financial reporting of parties to joint arrangements.

The revised IAS prescribes an entity to determine the type of joint arrangement in accordance with IFRS 11 and recognize the investment and accounts for it using the equity method in accordance with IAS 28 unless the entity is exempted from applying the equity method. The disclosure requirements for entities with joint control of, or significant influence over, an investee are specified in IFRS 12 - Disclosure of Interests in Other Entities.

- *IAS 34 - Interim Financial Reporting* — *Annual periods beginning on or after January 1, 2011*

IASB has amended IAS 34 - Interim Financial Reporting. The revised standard includes amendments in significant events and transactions.

- *IFRS 1 - First-time Adoption of International Financial Reporting Standards* — *Annual periods beginning on or after July 1, 2011*

IASB has amended IFRS 1. The amendments in this IFRS provide relief for first-time adopters of IFRSs from reconstructing transactions that occurred before their date of transition to IFRSs. Amendments in respect of severe hyperinflation have also been introduced that require entities emerging from severe hyperinflation to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

- *IFRS 7 - Financial Instruments: Disclosures* — *Annual periods beginning on or after July 1, 2011*

The requirements of IFRS 7 have been further amended that facilitate the users of financial statements in evaluating risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position. These requirements have increased the transparency in the reporting of transfer transactions, particularly those that involve securitization of financial assets.

- *IFRS 9 - Financial Instruments* *Annual periods beginning on or after January 1, 2013*

IASB has revised IFRS 9 - Financial Instruments and withdrawn IFRIC 9 - Reassessment of Embedded Derivatives by adding the requirements for classification and measurement of financial liabilities to IFRS. In the revisions to IFRS 9, most of the requirements in IAS 39 for classification and measurement of financial liabilities have been carried forward unchanged. Consistent with the requirements in IFRS 9 for investments in unquoted equity instruments, the exception from fair value measurement has been eliminated for derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument. Moreover, the requirements related to the fair value option for financial liabilities have also been changed to address own credit risk.

- *IFRS 12 - Disclosures of Interest in Other Entities* *Annual periods beginning on or after January 1, 2013*

IASB has introduced IFRS 12 - Disclosure of Interests in Other Entities that applies to entities having an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. The IFRS requires an entity to disclose information about the nature of interests in other entities and risks associated with those interests in its financial statements. IFRS 12 specifies minimum disclosures that an entity must provide and requires an entity to consider the level of detail necessary to satisfy the disclosure objective for better understanding of the users of financial statements.

- *IFRS 13 - Fair Value Measurement* *Annual periods beginning on or after January 1, 2013*

IASB has introduced IFRS 13 on fair value measurement that sets out the framework for measuring fair values. The Standard has defined fair value and requires disclosures about fair value measurements. This Standard is applicable on all the other IFRSs that require measurement or disclosures about fair value measurements with certain exceptions. The IFRS explains how to measure fair value for financial reporting and does not establish valuation standards or affect valuation practices outside financial reporting.

The Company expects that the adoption of above standards, amendments and interpretations will have no material impact on the Company's financial statements in the period of initial application.

2.5.4 Amendment to published standards not applicable to Company and not yet effective

- *IAS 27 - Separate Financial Statements* *Annual periods beginning on or after January 1, 2013*

IASB has withdrawn IAS 27 - Consolidated and Separate Financial Statements (as amended in 2008) and issued revised IAS 27. The revised Standard prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates while preparing separate financial statements. The revised Standard requires that an entity shall comply with the requirements of IFRS 9 to account for its investments at cost while preparing separate financial statements.

- *IFRS 10 - Consolidated Financial Statements* *Annual periods beginning on or after July 1, 2013*

IASB has issued this IFRS by superseding IAS 27 - consolidated and Separate Financial Statements and SIC 12 - Consolidation - Special Purpose Entities. The standard has redefined the principle of control and set requirements for the preparation of consolidated financial statements. The disclosure requirements for interest in subsidiaries are specified in IFRS 12 - Disclosure of Interests in Other Entities.

- *IFRS 11 - Joint Arrangements* *Annual periods beginning on or after January 1, 2013*

The new Standard supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. The new Standard caters for shortcomings in IAS 31 and establishes principles that are applicable to accounting for all joint arrangements.

IFRS 11 requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The new IFRS defines joint ventures; joint controls; joint arrangements and further classifies joint arrangements.

IFRS 11 requires a joint venturer to recognize an investment and to account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures, unless the entity is exempted from applying the equity method as specified in that standard. The disclosure requirements for parties with joint control of a joint arrangement are specified in IFRS 12 - Disclosure of Interests in Other Entities.

3. 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 otherwise stated.

3.1 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.2 Staff retirement benefits

Defined benefits plan

The Company operates an unfunded gratuity scheme for management and non-management employees, whose period of service is seven years or more. Under this scheme, gratuity is paid to retiring employees on the basis of their last drawn gross salary for each completed year of service by applying the following factor:

Service period in the Company	Factor
Less then 7 years	Nil
7 years or more but less than 10 years	50%
10 years or more but less than 15 years	60%
15 years or more but less than 20 years	72%
20 years or more but less then 25 years	85%
25 year or more(Maximum of 25 Basic Salaries)	100%

Actuarial valuations are carried out annually and the latest valuation was conducted at the balance sheet date. Previously, the Company operated gratuity scheme for all its employees who did not opt for provident fund.

Net cumulative unrecognized actuarial gains / losses relating to previous reporting periods in excess of the higher of 10% of present value of defined benefit obligation or 10% of the fair value of plan assets are recognized as income or expense over the estimated remaining working lives of the employees.

Defined contribution plan
The Company operates an approved provident fund scheme for all its permanent employees. The Company and the employees make equal monthly contributions to the fund at the rate of 10% of basic salary.

3.3 Trade and other payables
Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid or given in future for goods and services received or to be delivered or for any other amount, whether or not billed to the Company.

3.4 Taxation
Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that relates to items recognized directly in equity, in which case it is recognized in equity.

Current
The charge for current tax is based on taxable income for the year determined in accordance with the prevailing laws of taxation. All tax credits and tax rebates are taken into account in calculating this charge. However, in the case of loss for the year, income tax expense is recognized as minimum tax liability on turnover of the Company in accordance with the provisions of Income Tax Law.

Deferred
Deferred tax is accounted fo r 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, as required by IAS-12 (Income Taxes), 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.

3.5 Property, plant and equipment

Owned
Property, plant and equipment are stated at cost / revalued amounts less accumulated depreciation and identified impairment losses except freehold land which is stated at revalued amount. Cost of property, plant and equipment consists of historical cost, borrowing cost pertaining to the construction and erection period and directly attributable cost of bringing the assets to working condition.

Depreciation is charged to income on reducing balance method except vehicles that are depreciated using straight line method at the rates specified in Note 14. Full month's depreciation is charged on additions during the month, whereas no depreciation is charged on the assets disposed off during the month. 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.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized. Gains or losses on disposal of property, plant and equipment are included in the current year's income.

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

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

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

Intangibles are measured initially at cost and subsequently stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to income on the straight line basis so as to write off cost of an asset over its estimated useful life. The amortization period and the amortization method for an intangible asset are reviewed, at each financial year end, and adjusted if impact on amortization is significant. ERP software is being amortized over 10 years based on estimated useful life.

3.7 Investment in associate

The Company considers its associate to be such enterprise in which the Company has ownership of not less than 20% but not more than 50% of the voting power and / or has significant influence but not control.

Investments in associated undertakings as required by the provisions of IAS - 28 (Investment in Associates) are accounted for using the equity method. The equity method is applied from the date when significant influence is established until the date when that significant influence ceases.

3.8 Stores and spares

These are valued at lower of moving average cost and net realizable value; whilst items considered obsolete are carried at nil value. Cost of items in transit comprises invoice value plus incidental charges paid thereon.

3.9 Stock in trade

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

Raw and packing materials	-	Moving average cost
Materials in transit	-	Cost and incidental charges
Work in process	-	Estimated manufacturing cost
Finished goods	-	Average manufacturing cost
Wastes	-	At net realizable value

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

3.10 Trade debts

All outstanding debts are reviewed at the balance sheet date. The Company recognizes and carries these debts at original invoice amount less an allowance for any uncollectible amounts. Bad debts, if any, are written off as incurred and provision is made against debts considered doubtful when collection of the full amount is no longer probable.

3.11 Financial instruments

Financial instruments are recognized in the financial statements when the Company becomes a party to the contract and ceases to recognize when it loses control of contractual rights, in case of financial assets, and in case of financial liability when liability is extinguished.

3.11.1 Financial assets

The Company classifies its financial assets in the following categories:

At fair value through profit or loss
These are securities which are acquired for the purpose of generating profit from short-term fluctuations in market price or dealer's margin, securities in a portfolio in which a pattern of short term profit taking exists or derivatives other than those held as hedging instruments.

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 advances, deposits and other receivables and cash and cash equivalents in the balance sheet

Held to maturity
Held to maturity investments are financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity.

Available for sale
These are investments that do not fall under investments at fair value through profit and loss or held to maturity categories.

Measurement criteria

Investments are initially recognized at cost, comprising the consideration paid and cost of transaction except in the case of investments at fair value through profit or loss where transaction costs are charged to the profit and loss account when incurred. For listed securities, closing quotations of stock exchanges on last working day of the accounting year are considered for determining the fair value, while for unquoted securities, cost is usually considered as fair value of securities.

Subsequent to initial recognition, investments at fair value through profit and loss and available for sale are carried at fair value. Realized gains and losses are included in the profit and loss account in the period in which they arise. Unrealized gains and losses arising from changes in fair value of investments at fair value through profit or loss are included in the profit and loss account in the period in which they arise. Surplus / deficit arising from changes in the fair value of available for sale investments is taken to equity. Interest earned whilst holding investments is reported as interest income using the effective yield method.

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

3.11.3 Off-setting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set-off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.12 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand and cash at banks in current and saving accounts.

3.13 Impairment

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. In the absence of any information about the fair value, the recoverable amount is determined to be the value in use. Impairment losses are recognized as expense in the profit and loss account.

3.14 Foreign currency transactions

Transactions denominated in foreign currencies are initially recorded at Pak Rupees by applying the foreign exchange rate ruling on the date of transaction. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rate prevailing at the balance sheet date except for balances covered under forward exchange contracts, which are converted at the contracted rates. Exchange differences are included in income currently.

3.15 Borrowing cost

Borrowing cost are charged to income as and when incurred except costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

3.16 Related party transactions

Transactions in relation to sales, purchases and services with related parties are made at arm's length prices determined in accordance with the Company's policy except for the allocation of expenses such as utilities, rental and common overheads relating to the corporate office shared with related parties, which are on actual basis.

3.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (the Chief Executive Officer of the the Company). Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and intangible assets.

3.18 Revenue recognition

- Local sales are recorded on dispatch of goods to customers.
- Export sales are recorded on the receipt of bills of lading.
- Profit on bank deposits is recognized on a time proportion basis that takes into account the effective yield on the deposits.

3.19 Dividend

Dividends are recognized as a liability in the period in which these are declared.

4. Issued, Subscribed and Paid up Capital

2011	2010		2011	2010
No. of Shares			Rupees	Rupees
23,825,648	23,825,648	Ordinary shares of Rs. 5 each fully paid in cash	119,128,240	119,128,240
33,550,588	33,550,588	Ordinary shares of Rs. 5 each issued at 60 % discount	167,752,940	167,752,940
2,699,247	2,699,247	Ordinary shares of Rs. 5 each issued for consideration other than cash	13,496,235	13,496,235
3,058,595	3,058,595	Ordinary shares of Rs. 5 each issued as fully paid bonus shares	15,292,975	15,292,975
143,689,875	143,689,875	Ordinary shares of Rs. 5 each issued pursuant to scheme of amalgamation	718,449,375	718,449,375
(7,266,097)	(7,266,097)	Shares cancelled pursuant to the scheme of amalgamation	(36,330,485)	(36,330,485)
199,557,856	**199,557,856**		**997,789,280**	**997,789,280**

4.1 Reconciliation of the number of shares outstanding at the beginning and at the end of the year.

(Rupees)	2011	2010
Opening balance	199,557,856	63,134,078
Issued during the year	-	143,689,875
Cancelled during the year	-	(7,266,097)
Closing balance	**199,557,856**	**199,557,856**

4.2 There are no rights, preferences and restrictions attached to any class of shares including restrictions on the distribution of dividends and the repayment of capital.

4.3 There are no shares of the Company held by its associates.

4.4 There are no shares reserved for issue under options and contracts for the sale of shares, including terms and amounts.

5. Reserves

Rupees	2011	2010
Capital reserves		
- Share premium reserve	1,281,303	1,281,303
- Fair value reserve	60,687	(21,054)
	1,341,990	1,260,249
Revenue reserves		
- Revaluation reserve	386,393	264,142
- Accumulated loss	(552,446,628)	(533,166,537)
	(552,060,235)	(532,902,395)
	(550,718,245)	**(531,642,146)**

6. Surplus on Revaluation of Property, Plant and Equipment

Rupees	2011	2010
Land - freehold	36,320,203	36,320,203
Buildings on freehold land	2,445,010	2,573,695
	38,765,213	38,893,898
Incremental depreciation charged on revalued property, plant and equipment in current year - net of deferred tax	(122,251)	(128,685)
	38,642,962	**38,765,213**

6.1 The latest revaluation was carried out as on June 30, 2011 by an approved independent valuer using the replacement value method that resulted in net revaluation surplus of Rs. 4,865,549 which being immaterial has not been incorporated in these financial statements. The previous revaluation was carried out as on December 31, 2006 by an approved independent valuer using the replacement value method that resulted in revaluation surplus of Rs. 40,819,989.

6.2 Incremental depreciation charged on revalued building on freehold land during the year has been transferred to statement of comprehensive income to record realization of surplus to the extent of incremental depreciation.

7. Long Term Financing

Rupees	Note	2011	2010
Banking companies - Secured			
Habib Bank Limited	7.1	54,685,116	62,495,116
Bank Al Habib Limited	7.2	75,000,000	93,500,000
		129,685,116	155,995,116
Less:			
- Repayment		(27,810,000)	(26,310,000)
- Current portion		(68,375,116)	(29,310,000)
		33,500,000	**100,375,116**

7.1 This represents long term financing facility obtained from Habib Bank Limited to repay loans obtained from Knightsbridge Chemicals Limited, Bermuda pursuant to Share Purchase Agreement. The loan was repayable in seven years, with grace period of two years and the first principal installment being due on December 01, 2007. The loan carries mark-up at 3 months KIBOR + 0.6% (2010: 3 months KIBOR + 0.6%) per annum and is payable on quarterly basis in arrears on outstanding principal amount. The loan is secured by lien on bank deposit of USD 565,000 (2010: USD 680,000) in the name of Knightsbridge Chemicals Limited, Bermuda and charge to the extent of Rs. 30 million on existing and future current assets of the Company.

7.2 This represents term finance of Rs. 97.0 million obtained from Bank Al Habib Limited for the purpose of installation of new unit. The amount is repayable in 6 years in 10 equal half yearly installments with one year grace period from the date of disbursement. The loan carries mark-up at 6 months average KIBOR + 2% (2010: 6 months average KIBOR + 2%) per annum and is payable on quarterly basis in arrears on outstanding principal amount. The loan is secured against joint pari passu charge over current assets, first mortgage charge over factory building, ranking charge over current assets, lien over certain local bills / receivables, shipping documents, trust receipt and personal guarantee of directors of the Company.

8. Deferred Liabilities

Rupees	Note	2011	2010
			(Restated)
Defined benefits plan - Gratuity	8.1	21,093,469	16,768,015
Deferred tax liability	8.2	35,312,213	40,798,999
		56,405,682	**57,567,014**

8.1 **Actuarial assumptions**

Latest actuarial valuation of retirement benefits payable was carried out as at June 30, 2011 by an independent actuary using the following significant assumptions:

Discount rate	14%	12%
Expected rate of salary increase in future years	13%	11%
Average expected remaining working life of employees	14 years	13 Years
Actuarial valuation method	Projected Unit Credit Method	

8.1.1 **Company's liability**

Based upon the actuarial valuation, the Company's liability works out to be as follows:

Rupees	Note	2011	2010
Opening balance		16,768,015	16,040,249
Charge for the year	8.1.3	8,964,972	7,994,613
		25,732,987	24,034,862
Benefits paid to outgoing employees		(4,639,518)	(7,266,847)
Closing balance		**21,093,469**	**16,768,015**

8.1.2 Reconciliation of the funded status

Rupees	2011	2010
Present value of defined benefit obligation	22,139,149	16,768,015
Unrecognized (actuarial loss) / gain	(1,045,680)	-
	21,093,469	**16,768,015**

8.1.3 Charge for the year

Rupees	2011	2010
Current service cost	1,452,041	1,451,972
Interest cost	2,012,162	1,930,407
Actuarial losses charge	-	46,473
Past service cost	5,500,769	4,521,339
Loss due to settlements	-	44,422
	8,964,972	**7,994,613**

8.1.4 Comparison for 5 years

Rupees	2010	2009	2008	2007	2006
Present value of defined benefit obligation	16,768,015	16,040,249	14,693,094	2,854,148	1,778,619
Fair value of plan asset	-	-	-		
	16,768,015	**16,040,249**	**14,693,094**	**2,854,148**	**1,778,619**

8.2 **Deferred tax liability**

Deferred tax liability comprises as follows:

Rupees	2011	2010 (Restated)
Taxable temporary differences		
- Accelerated tax depreciation	107,851,458	118,961,398
- Surplus on revaluation of property, plant and equipment	1,316,544	1,385,836
	109,168,002	120,347,234
Deductible temporary differences		
- Share of net profit / (loss) of associated undertaking	(9,439,027)	(9,997,706)
- Recognized losses	(46,436,837)	(58,665,784)
- Provisions for staff retirement benefits and others	(17,979,925)	(10,884,745)
	(73,855,789)	(79,548,235)
	35,312,213	**40,798,999**

9. Trade and Other Payables

Rupees	Note	2011	2010 (Restated)
Creditors	9.1	130,910,709	184,764,237
Bills payable		107,804,570	76,627,742
Accrued liabilities		11,527,017	13,395,546
Advances from customers		4,258,283	3,184,715
Unclaimed dividend		292,819	292,819
Workers' (profit) participation fund	9.2	-	8,820,581
Sales tax payable - net		11,022,147	6,064,612
Provident fund payable		447,816	-
Due to associated undertakings		1,108,604	15,832,343
Other liabilities		170,000	170,000
		267,541,965	**309,152,595**

9.1 Creditors include due to related parties amounting to Rs.1,8998,30 (2010: Rs. 4,104,787) arising in the normal course of business.

9.2 Workers' (profit) participation fund

Rupees	2011	2010
Opening balance	8,820,581	8,350,327
Interest on funds utilized in Company's business	458,231	470,254
	9,278,812	8,820,581
Payments / adjustments	(9,278,812)	-
	-	**8,820,581**

10. Accrued Mark up

Rupees	Note	2011	2010
Long term financing	7	3,870,970	4,526,769
Short term borrowings			
- Banking companies	11.1	23,807,835	27,913,014
- Associated company	11.2	19,188	1,618,630
- Other		2,262,994	2,262,994
		29,960,987	**36,321,407**

11. Short Term Borrowings

Rupees	Note	2011	2010
			Restated
Banking companies - Secured	11.1		
- Running finance		409,629,743	381,303,321
- Borrowings / FATRs		393,883,426	563,343,726
		803,513,169	944,647,047
Associated company - Unsecured	11.2	-	5,000,000
		803,513,169	**949,647,047**

11.1 Terms and conditions of borrowings

Purpose

These facilities have been obtained from various banking companies with sanctioned limit, funded and unfunded, of Rs. 2,035 million (2010: 2,140 million) for working capital requirements, retirement of local and foreign LCs, discounting local bills / receivables and loan against trust receipts etc.

Mark up

Mark up on short term borrowings is based upon KIBOR with a treasury spread and monthly / quarterly KIBOR with a spread of 1% to 3% (2010: 1% to 3%). All the mark up is payable on quarterly basis in arrears. Further, some limits carry commission against foreign and local LCs at 0.1% to 0.25% (2010: 0.1% to 0.25%) per quarter.

Securities

	Rupees in Million
These facilities are secured as against:	
- Joint pari passu charge over current and fixed assets of the Company	1,779
- First pari passu charge over current and fixed assets of the Company	463
- Ranking charge over current assets of Company	1,170
- 1st mortgage charge over factories of the Company	268
- Corporate guarantee of Descon Engineering Limited, an associated company, on behalf of the Company	467
- Lien over certain local bills / receivables	-
- Shipping documents and trust receipts	-
- Personal guarantees of directors of the Company	-

These facilities have been renewed during the year.

11.2 This represented unsecured short term loan obtained from Descon Engineering Limited, an associated company, to meet the working capital requirements at a mark up of 14% (2010: 14%) per annum. Entire loan has been repaid during the year.

12. Provision for Taxation

Rupees	2011	2010
Opening balance	11,885,822	-
Add: Charge for the year	25,988,561	11,885,822
	37,874,383	11,885,822
Less: Payment / adjustments against advance tax	(11,885,822)	-
	25,988,561	**11,885,822**

12.1 Income tax assessments have been deemed to be finalized up to Tax Year 2010 as tax returns were filed under self assessment scheme.

13. Contingencies and Commitments

Contingencies

13.1 The Custom Department passed an order under Section 25 of the Customs Act in the case of Ravi Resins Limited (previous name of the Company) creating a demand of Rs. 1.02 million (2010: Rs.1.02 million). The Tribunal has dismissed the appeal filed against this order and the management has filed an appeal in the Lahore High Court that is pending adjudication. The Company has also filed an application before Alternate Dispute Resolution Committee for resolution of this pending issue. Furthermore, Customs Department has raised a demand of Rs. 3.190 million against the Company during the year to cater for difference in valuation of certain imported raw materials. No provision has been made in respect of these demands as the management believes that these cases would be decided in its favour.

13.2 Bank guarantee amounting to Rs. 6.065 million (2010: Rs. 6.451 million) was issued in favour of Sui Northern Gas Pipelines Limited.

Commitments

Commitments as at balance sheet date are as under:

Rupees in Million	2011	2010
Irrecoverable letters of credit	230.936	153.873
Contract against ERP	3.085	3.085

14. Property, Plant and Equipment

Rupees	Note	2011	2010
Operating fixed assets	14.1	580,979,726	623,196,649
Capital work in progress	14.5	163,306	2,033,686
		581,143,032	**625,230,335**

14.1 Operating fixed assets

Year Ended June 30, 2011

Rupees	Land freehold	Buildings on freehold land	Plant and machinery	Tools and equipment	Office equipment	IT equipment	Furniture and fixtures	Laboratory equipment	Vehicles	Total
Owned assets										
Cost										
Balance as at July 01, 2010	178,365,000	163,998,716	509,152,020	9,726,016	4,447,622	27,285,628	14,414,014	6,491,607	21,061,969	934,942,592
Additions	-	607,239	4,496,683	-	803,664	856,092	-	-	1,827,500	8,591,178
Deletion	-	-	-	-	(100,000)	(889,350)	(15,500)	-	(6,984,100)	(7,988,950)
Balance as at June 30, 2011	178,365,000	164,605,955	513,648,703	9,726,016	5,151,286	27,252,370	14,398,514	6,491,607	15,905,369	935,544,820
Accumulated depreciation										
Balance as at July 01, 2010	-	25,077,449	248,531,759	4,944,615	2,594,848	9,032,012	6,056,678	4,534,555	10,974,026	311,745,942
Charge for the year	-	6,956,184	26,229,048	478,140	204,285	8,572,985	835,734	293,558	5,871,153	49,441,087
Deletion	-	-	-	-	(65,880)	(718,150)	(15,500)	-	(5,822,405)	(6,621,935)
Balance as at June 30, 2011	-	32,033,633	274,760,807	5,422,755	2,733,253	16,886,847	6,876,912	4,828,113	11,022,774	354,565,094
Total as at June 30, 2011	**178,365,000**	**132,572,322**	**238,887,896**	**4,303,261**	**2,418,033**	**10,365,523**	**7,521,602**	**1,663,494**	**4,882,595**	**580,979,726**
Depreciation rates	-	5%	10%	10%	10%	25%	10%	15%	20% to 25%	

Year Ended June 30, 2010

Rupees	Land freehold	Buildings on freehold land	Plant and machinery	Tools and equipment	Office equipment	IT equipment	Furniture and fixtures	Laboratory equipment	Vehicles	Total
Owned assets										
Cost										
Balance as at July 01, 2009	178,365,000	159,519,932	500,854,443	9,494,266	4,031,257	27,587,848	7,291,737	6,941,607	17,376,215	911,462,305
Additions	-	4,478,784	8,417,576	231,750	416,365	210,780	7,122,277	-	1,744,797	22,622,329
Deletion	-	-	(120,000)	-	-	(513,000)	-	(450,000)	(7,127,821)	(8,210,821)
Transfers / Adjustments	-	-	-	-	-	-	-	-	9,068,778	9,068,778
Balance as at June 30, 2010	178,365,000	163,998,716	509,152,019	9,726,016	4,447,622	27,285,628	14,414,014	6,491,607	21,061,969	934,942,591
Accumulated depreciation										
Balance as at July 01, 2009	-	17,889,960	220,273,965	4,414,515	2,295,742	7,472,402	5,261,698	4,290,071	7,851,030	269,749,383
Charge for the year	-	7,187,489	28,349,120	530,100	299,106	2,024,823	794,980	326,210	2,465,791	41,977,619
Deletion	-	-	(91,326)	-	-	(465,212)	-	(81,724)	(4,635,169)	(5,273,431)
Transfers / Adjustments	-	-	-	-	-	-			5,292,371	5,292,371
Balance as at June 30, 2010	-	25,077,449	248,531,759	4,944,615	2,594,848	9,032,013	6,056,678	4,534,557	10,974,023	311,745,942
Sub-total	**178,365,000**	**138,921,267**	**260,620,260**	**4,781,401**	**1,852,774**	**18,253,615**	**8,357,336**	**1,957,050**	**10,087,946**	**623,196,649**
Leased assets										
Cost										
Balance as at July 01, 2009	-	-	-	-	-	-	-	-	9,068,778	9,068,778
Transfers	-	-	-	-	-	-	-	-	(9,068,778)	(9,068,778)
Balance as at June 30, 2010	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation										
Balance as at July 01, 2009	-	-	-	-	-	-	-	-	4,348,269	4,348,269
Charge for the year	-	-	-	-	-	-	-	-	944,102	944,102
Transfers	-	-	-	-	-	-	-	-	(5,292,371)	(5,292,371)
Balance as at June 30, 2010	-	-	-	-	-	-	-	-	-	-
Sub-total	-	-	-	-	-	-	-	-	-	-
Total as at June 30, 2010	**178,365,000**	**138,921,267**	**260,620,260**	**4,781,401**	**1,852,774**	**18,253,615**	**8,357,336**	**1,957,050**	**10,087,946**	**623,196,649**
Depreciation rates	-	5%	10%	10%	10%	10%	10%	15%	20%	

Cost and accumulated depreciation as at July 01, 2009 of certain assets have been grossed up by Rs. 86,614,374 for better presentation of the financial statements. This has casted no impact on the financial statements.

14.2 Allocation of depreciation charge

Depreciation charge for the year has been apportioned as follows:

Rupees	Note	2011	2010
Cost of sales	24	37,379,868	32,450,910
Administrative expenses	26	12,061,219	10,470,811
		49,441,087	**42,921,721**

14.3 Disposal of property, plant and equipment

Detail of property, plant and equipment disposed off during the year is as follows:

Particulars	Cost	Accumulated depreciation	Written down value	Sale proceed	Gain / (Loss) on disposal	Buyer Name	Mode of sale
	Rupees	Rupees	Rupees	Rupees	Rupees		
Assets with book value exceeding Rs. 50,000							
Vehicles							
Suzuki Mehran	391,580	313,264	78,316	211,864	133,548	Mr. Naeem, Lahore	Negotiation
Suzuki Cultus	621,710	487,006	134,704	394,068	259,364	Mr. Amjad Waqar Saigol, Lahore	Negotiation
Toyota Corolla Altis	1,337,000	667,279	669,721	1,055,508	385,787	Mr. Ziaullah Sheikh, Lahore	Negotiation
Suzuki Mehran	395,000	296,250	98,750	100,424	1,674	Mr. Aamir (Employee)	Company Policy
Suzuki Cultus	621,710	487,006	134,704	105,375	(29,329)	Mr. Tariq Jabbar (Employee)	Company Policy
Sub-total	3,367,000	2,250,805	1,116,195	1,867,239	751,044		
Assets with book value of less than Rs. 50,000							
Vehicles	3,617,100	3,571,600	45,500	1,840,443	1,794,943	Various parties	Negotiation
Furniture and fixture	15,500	15,500	-	2,200	2,200	Various parties	Scrap sales
Office equipment	100,000	65,880	34,120	837	(33,283)	Various parties	Donations and scrap sales
IT equipment	889,350	718,150	171,200	-	(171,200)	Various parties	Donations
Sub-total	4,621,950	4,371,130	250,820	1,843,480	1,592,660		
Total 2011	**7,988,950**	**6,621,935**	**1,367,015**	**3,710,719**	**2,343,704**		
Total 2010	**8,210,821**	**5,273,431**	**2,937,390**	**3,507,511**	**570,121**		

14.4 Cost, accumulated depreciation and book value of revalued assets, had there been no revaluation

Revaluation of land and buildings was carried out by an independent valuer as at June 30, 2011. Had there been no revaluation, the cost, accumulated depreciation and book values of revalued assets would have been as follows:

	As at June 30, 2011		
	Cost	Accumulated Depreciation	Written Down Value
	Rupees	Rupees	Rupees
Land - freehold	11,169,797	-	11,169,797
Factory buildings on freehold land	27,635,796	13,710,313	13,925,483

14.5 Capital Work in Progress

Rupees	2011	2010
Opening balance	2,033,686	17,253,558
Additions during the year	3,851,367	4,009,457
Transferred to operating fixed assets	(5,721,747)	(19,229,329)
Closing balance	**163,306**	**2,033,686**

15. Intangible Assets

Rupees	2011	2010
ERP software	46,207,435	46,207,434
Less: Accumulated amortization	(9,241,486)	(4,620,743)
	36,965,949	**41,586,691**

15.1 Allocation of amortization charge

Amortization charge for the year has been apportioned as follows:

Rupees	Note	2011	2010
- Cost of sales	24	3,493,507	3,493,507
- Administrative expenses	26	1,127,236	1,127,236
		4,620,743	**4,620,743**

16. Long Term Investments

Rupees	Note	2011	2010
Related Parties - Associated Companies			
Quoted - Equity method	16.1		
Descon Oxychem Limited			
Cost of investment		107,737,000	100,623,000
Post acquisition loss brought forward		(44,741,390)	(16,219,661)
		62,995,610	84,403,339
- Share in net profit / (loss) for the year		17,772,742	(28,564,875)
- Share of un-realized gain on available for sale			
investment of associate		128,241	43,146
		80,896,593	**55,881,610**
Un - Quoted - Available for sale	16.2		
Jotun Powder Coatings Pakistan (Private) Limited		**2,200,000**	**2,200,000**
- 220,000 (2010: 220,000) fully paid ordinary shares of Rs. 10 each			
- Equity holding 3.67% (2010: 3.67%)			
Other Investments			
Quoted - Available for sale	16.3		
TRG Pakistan Limited			
- 30,000 (2010: 30,000) fully paid ordinary shares of Rs. 10 each		**76,800**	**123,300**
- Cost of investment Rs. 300,000 (2010: Rs. 300,000)			
- Market value Rs. 2.56 (2010: 4.11) per share			
		83,173,393	**58,204,910**

16.1 The Company's investment in Descon Oxychem Limited is less than 20% but this is considered to be associate as per the requirements of IAS - 28 "Investment in Associates" because the Company has significant influence over the financial and operating policies of the investee company through common directorship.

Summarized audited financial results of Descon Oxychem Limited are as follows:

(Rupees in Million)	2011	2010
Total assets	3,265.59	3,117.65
Total liabilities	2,528.76	2,562.47
Sales	1,432.58	709.67
Profit / (Loss) after tax	179.97	(289.41)
Equity held	10.56%	9.87%

16.2 Jotun Powder Coatings Pakistan (Private) Limited is an associated company as per the Companies Ordinance, 1984. However, for the purpose of measurement, this investment has been classified as available for sale and measured at fair value. As this is an unquoted investments, cost is considered as fair value of the investment.

16.3 Available for sale investments are measured at fair value and any change in fair value resulting in gain or loss is recognized directly to equity through Statement of Comprehensive Income in accordance with IAS - 39 (Financial Instruments: Recognition and Measurement).

17. Long Term Deposits and Loans

Rupees	Note	2011	2010
Security deposits		747,263	1,797,263
Loans to employees (Secured - Considered good)	17.1	835,000	1,193,320
Less: Current portion		(825,000)	(1,080,321)
		10,000	112,999
		757,263	**1,910,262**

17.1 This represents interest free loans given to employees for purchase of motor vehicles and construction of houses as per the Company's policy. These loans shall be recovered in monthly installments from salary and are secured against provident fund balances / title documents of respective assets.

18. Stock in Trade

Rupees	Note	2011	2010
Raw and packing materials		312,307,060	290,271,019
Work in process		-	6,096,347
Raw materials in transit		45,397,744	136,763,741
Finished goods		71,928,544	107,689,264
		429,633,348	540,820,371
Less: Provision for obsolescence of stock	18.1	(13,258,371)	(8,771,958)
		416,374,977	**532,048,413**

18.1 Provision for obsolescence of stock

Rupees	Note	2011	2010
Opening balance		8,771,958	8,500,000
Provision for the year		20,590,850	8,771,958
		29,362,808	17,271,958
Less: Obsolete stocks written off		(16,104,437)	(8,500,000)
		13,258,371	**8,771,958**

18.2 Certain long term and short term borrowings are secured against stocks of raw material and finished goods as disclosed in Note 7 and 11 to these financial statements, respectively.

19. Trade Debts

Rupees	Note	2011	2010
Unsecured			
Considered good		439,161,656	484,708,374
Considered doubtful		17,230,308	5,726,980
Secured			
Foreign debtors		100,000	1,466,178
		456,491,964	491,901,532
Less: Provision for doubtful debts	19.3	(17,230,308	(5,726,980)
		439,261,656	**486,174,552**

19.1 Trade debts include receivables of Rs. 102.914 million (2010: 142.63 million) that are under lien against long term financing and short term borrowings provided by a banking company.

19.2 Trade debts include due from related parties amounting to Rs. Nil (2010: 14,028,424) which comprises the following:

Rupees	2011	2010
Descon Oxychem Limited	-	9,056,531
Descon Corporation (Pvt) Limited	-	4,250,543
Descon Engineering Limited	-	721,350
	-	**14,028,424**

19.3 **Provision for doubtful debts**

Rupees	2011	2010
Opening balance	5,726,980	16,636,347
Provision for the year	13,607,336	5,488,410
	19,334,316	22,124,757
Less: Bad debts written off	(2,104,008)	(16,397,777)
	17,230,308	**5,726,980**

20. Loans and Advances

Rupees	Note	2011	2010
Advances - Considered good:			
- Suppliers and contractors		10,690,396	4,316,153
- Employees	20.1	680,812	1,052,158
- Letters of credit		261,904	540,723
Short term loans to employees (Secured - considered good)	20.2	123,787	-
Current portion of long term loans to employees	17	825,000	1,080,321
Income tax deducted at source and advance tax		117,852,045	157,478,887
		130,433,944	**164,468,242**

20.1 Advances to employees include amounts of Rs. 138,808 (2010: Rs. 229,080) given to directors and executives of the Company for business travel purposes as per Company's policy.

20.2 This represents interest free loans given to employees for purchase of motor vehicles and construction of houses as per the Company's policy.These loans shall be recovered in monthly installments from salary and are secured against provident fund balances / title documents of respective assets.

21. Short Term Prepayments and Other Receivables

Rupees	Note	2011	2010
Prepayments		3,345,108	4,157,503
Imprest with employees		23,054	58,500
Due from associated undertakings	21.1	17,481,926	33,138,163
Other receivable		62,810	62,810
		20,912,898	**37,416,976**

21.1 This includes amounts due from associated undertakings comprising of as follows:

Rupees	2011	2010
Descon Oxychem Limited	9,333,436	24,719,010
Descon Holding (Pvt.) Limited	-	7,114,000
Gray Mackenzie Engineering Services LLC	1,159,741	1,018,972
Inspectest (Pvt.) Limited	507,012	-
Rousch Pakistan (Pvt.) Limited	240,516	262,501
Descon Power Solution (Pvt.) Limited	6,146,288	-
Interworld Travels (Pvt.) Limited	94,933	23,680
	17,481,926	**33,138,163**

21.1.1 The above balances represent receivables on account of sharing of common expenses.

22. Cash and Bank Balances

Rupees	Note	2011	2010
Cash in hand		1,216,467	1,576,503
Cash at bank - in current accounts		19,140,759	39,591,589
Cash at bank - in saving accounts	22.1	26,770,355	41,629
		47,127,581	**41,209,721**

22.1 It carries interest at the rates ranging from 4% to 10% (2010: 4% to 6%) per annum.

23. Sales

Rupees	2011	2010
Local sales	2,998,828,739	2,703,481,727
Less: Sales tax	(399,972,656)	(326,317,360)
	2,598,856,083	2,377,164,367
Export sales	2,823,945	6,552,373
Export rebate	53,781	232,936
	2,601,733,809	**2,383,949,676**

24. Cost of Sales

Rupees	Note	2011	2010
Raw materials consumed	24.1	2,062,407,220	1,864,258,767
Chemicals consumed		4,615,862	1,506,844
Packing material consumed		4,376,492	5,774,400
Stores and spares consumed		18,486,245	18,472,535
Fuel and power		37,094,720	34,472,868
Salaries, wages and benefits	24.2	46,398,582	48,766,231
Services on contrac		13,379,822	13,509,799
Repairs and maintenance		2,058,202	1,387,014
Travelling and entertainment		1,535,288	3,128,406
Insurance		2,313,579	1,781,323
Transportation		7,397,136	6,820,081
Communication		450,863	741,977
Miscellaneous		802,638	3,422,944
Amortization	15.1	3,493,507	3,493,507
Depreciation	14.2	37,379,868	32,450,910
		2,242,190,024	2,039,987,606
Work in process			
- Opening work in process		6,096,347	-
- Closing work in process		-	(6,096,347)
		6,096,347	(6,096,347)
Cost of goods manufactured		2,248,286,371	2,033,891,259
Finished goods			
- Opening finished goods		107,689,264	146,397,917
- Closing finished goods		(71,928,544)	(107,689,264)
		35,760,720	38,708,653
		2,284,047,091	**2,072,599,912**

24.1 Raw materials consumed:

Rupees	Note	2011	2010
- Opening stock		290,271,019	218,717,029
- Purchases		2,091,775,740	1,935,812,757
		2,382,046,759	2,154,529,786
- Closing stock		(312,307,060)	(290,271,019)
- Obsolete stock written off		(7,332,479)	-
		(319,639,539)	(290,271,019)
		2,062,407,220	**1,864,258,767**

24.2 This includes Rs. 6,462,792 (2010: Rs. 5,952,288) in respect of employee benefits.

25. Distribution Cost

Rupees	Note	2011	2010
Salaries, wages and benefits	25.1	24,427,480	22,285,653
Travelling, boarding and lodging		2,286,410	2,868,746
Insurance and license fee		2,390,912	541,396
Entertainment		272,264	184,087
Communication		989,157	1,274,045
Sampling		912,733	1,096,595
Packing, carriage and forwarding		36,357,270	30,264,017
Rent, rates and taxes		4,960,376	5,488,646
Electricity charges		3,394,597	2,348,209
Water and gas charges		221,137	72,124
Repair and maintenance		239,634	316,481
Vehicles running cost		2,248,408	2,570,391
Advertisement		103,513	350,500
Public relations		3,811,908	3,332,001
Miscellaneous		404,142	695,673
		83,019,941	**73,688,564**

25.1 This includes Rs. 1,871,532 (2010: Rs. 2,923,633) in respect of employee benefits.

26. Administrative Expenses

Rupees	Note	2011	2010
Salaries, wages and benefits	26.1	39,877,092	57,578,843
Travelling and conveyance		2,111,869	2,679,923
Vehicle running cost		2,387,569	1,992,983
Repairs and maintenance		2,669,575	1,575,402
Insurance		5,975,380	5,386,790
Printing and stationery		2,548,124	1,881,366
Communication		2,478,297	2,435,900
Fees and subscription		3,589,470	2,258,938
Advertisement		109,020	1,056,804
Charity and donations	26.2	220,550	1,270,800
Entertainment		845,189	477,756
Manpower development		446,068	629,654
Legal and professional charges		2,804,500	2,943,365
Legal fees for merger		-	4,618,238
Research and development		2,000,000	-
Miscellaneous		2,331,986	2,306,652
Amortization	15.1	1,127,236	1,127,236
Depreciation	14.2	12,061,219	10,470,811
		83,583,144	**100,691,461**

26.1 This includes Rs. 4,399,574 (2010: Rs. 4,649,776) in respect of employee benefits.

26.2 None of the directors and their spouses had any interest in any of the donees.

27. Finance Cost

Rupees	Note	2011	2010
Markup on long term financing		16,498,352	19,915,922
Markup on short term borrowings from:			
- Banking companies		139,499,919	135,987,682
- Associated company		483,287	699,999
Interest on workers' (profit) participation fund		458,231	470,254
Finance lease charges		-	1,429
Bank charges		2,219,809	2,530,358
		159,159,598	**159,605,644**

28. Other Operating Expenses

Rupees	Note	2011	2010
Auditors' remuneration	28.1	922,000	1,740,000
Tax penalties		479,032	35,201
Provision for doubtful debts		13,607,336	5,488,410
Provision for obsolescence of stock		20,590,850	8,771,958
		35,599,218	**16,035,569**

28.1 Auditors' remuneration

Rupees	Note	2011	2010
Audit fee		550,000	500,000
Half yearly review and corporate governance certifications		330,000	300,000
Certifications for merger		-	900,000
Out of pocket expenses		42,000	40,000
		922,000	**1,740,000**

29. Other Operating Income

Rupees	2011	2010
Income from financial assets		
Profit on investments		
	981,890	63,765
Exchange gain	22,109	100,511
Profit on bank accounts	667,306	2,040
	1,671,305	166,316
Income from non - financial assets		
Gain on disposal of property, plant and equipment	2,343,704	570,121
Sale of waste material / scrap	5,876,274	13,317,335
	8,219,978	13,887,456
Others		
Insurance claim	4,129,940	-
Liabilities written back	10,161,051	-
Indenting commission	2,941,852	-
	17,232,843	-
	27,124,126	**14,053,772**

30. Taxation

Rupees	Note	2011	2010 (Restated)
Net loss for the year			
- Current		25,988,561	11,885,822
- Deferred		(5,486,785)	(15,659,287)
		20,501,776	**(3,773,465)**

30.1 The assessments of the Company upto the Tax Year 2010 are deemed to be finalized under self assessment scheme.

30.2 Numerical reconciliation between the average effective tax rate and the applicable tax rate is not given due to accounting and tax losses.

31. Loss per Share

	Note	2011	2010 (Restated)
Net loss for the year (Rupees)		(19,280,091)	(49,409,112)
Weighted average number of ordinary shares outstanding during the year		199,557,856	199,557,856
Loss per share - basic (Rupees per share)		**(0.10)**	**(0.25)**

31.1 Diluted earnings per share

There is no dilution effect on the basic earnings per share of the Company as the Company has no such commitments that would result in dilution of earnings of the Company.

32. Cash Generated from Operations

Rupees	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation and share of profit / (loss) of associated undertaking	(16,551,057)	(24,617,702)
Adjustments for:		
- Depreciation	49,441,087	42,921,721
- Amortization of intangible asset	4,620,743	4,620,743
- Provision for gratuity	8,964,972	7,994,613
- Provision for obsolescence of stock	20,590,850	8,771,958
- Provision for doubtful debts	13,607,336	5,488,410
- Liabilities written back	(10,161,051)	-
- Gain on disposal of property, plant and equipment	(2,343,704)	(570,121)
- Exchange gain	(22,109)	(100,511)
- Finance cost	158,701,367	159,605,644
- Interest income	(1,649,196)	(65,805)
	241,750,295	228,666,652
Operating profit before working capital changes	225,199,238	204,048,950
(Increase) / decrease in current assets		
- Stores and spares	(3,927,538)	444,446
- Stock in trade	95,082,586	(153,994,872)
- Trade debts	33,327,669	(12,795,778)
- Loans and advances	(5,847,865)	2,833,602
- Short term prepayments and other receivables	16,504,078	(20,934,611)
(Decrease) / increase in current liabilities		
- Trade and other payables	(28,208,778)	45,641,433
	106,930,152	(138,805,780)
Cash generated from operations	**332,129,390**	**65,243,170**

33. Remuneration of Chief Executive, Directors and Executives

The aggregate amounts charged in the accounts for the year as remuneration and benefits to the Chief Executive, directors and executives of the Company are as follows:

	2011			2010		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives (Restated)
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	2,549,235	2,787,212	18,897,440	2,276,028	1,771,984	24,439,624
House rent allowance	1,176,570	1,286,406	8,455,192	1,050,480	395,124	10,523,423
Utilities	196,995	216,126	1,718,915	175,980	66,756	1,880,007
Car and other allowances	-	-	1,867,025	-	-	1,356,744
Staff retirement benefits	467,793	-	3,479,231	440,473	-	4,243,736
	4,390,593	**4,289,744**	**34,417,803**	**3,942,961**	**2,233,864**	**42,443,534**
Number of persons	1	2	21	1	2	26

33.1 An executive is defined as an employee, other than the Chief Executive and directors, whose basic salary exceeds Rs. 500,000 in a financial year.

33.2 Chief Executive, two directors and fourteen executives are provided with free use of Company maintained vehicles.

33.3 No meeting fee has been paid to any director of the Company.

34. Transaction with Related Parties

Related parties and associated companies comprise related group companies, associated companies, staff retirement funds, directors and key management personnel. Transactions with related parties and associated companies, other than remuneration and benefits to key management personnel under the terms of their employment, are as follows:

Rupees	2011	2010
Associates and related parties		
Purchase of material, goods and utilities	5,973,607	19,526,487
Sale of material and goods	12,046,015	16,459,395
Managerial services and common expenses - net	16,739,188	25,119,152
Short term loan repaid	(5,000,000)	-
Interest paid on short term loan	(483,287)	(699,999)
Investment in associate	7,114,000	-
Staff retirement fund		
Company's contribution to:		
- Employees' provident fund	3,768,926	5,531,084
- Gratuity	8,964,972	7,994,613

There were no transactions with key management personnel other than undertaken as per terms of their employment as disclosed in Note 33.

Sale and purchase transactions have been carried out on commercial terms and conditions as per the Company's policy.

35. Segment Reporting

35.1 A business segment is a group of assets and operations engaged in providing products that are subject to risks and returns that are different from those of other business segments. Management has determined the operating segments based on the information that is presented to the Chief Executive Officer for allocation of resources and assessments of performance. Based on internal management reporting structure and products produced and sold, the Company is organised into following four operating segments:

- Coating and Emulsion
- Polyester
- Textile and Paper
- Trading

Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment. Segment performance is generally evaluated based on certain key performance indicators including business volume, gross profit, profit from operations, reduction in operating cost and free cash flows.

Segment assets include all operating assets used by a segment and consist principally of receivables, inventories and property, plant and equipment, net of impairment and provisions but do not include deferred taxes. Segment liabilities include all operating liabilities and consist principally of trade and bills payable.

35.2 Segment analysis

The segment information for the reportable segments for the year ended June 30, 2011 is as follows.

Rupees in thousand	Coating and Emulsion	Polyester	Textile and Paper	Trading	Total
Segment Results for the year ended June 30, 2011					
Revenue	1,264,814	247,519	720,830	368,572	2,601,734
Segment results June 30, 2011	43,012	10,421	74,270	23,382	151,084
Finance costs					(159,160)
Other operating expenses					(35,599)
Other operating income					27,124
Net profit before tax and share of profit / (loss) of associate					**(16,551)**
Segment Results for the year ended June 30, 2010					
Revenue	1,249,378	194,455	570,289	369,828	2,383,950
Segment results June 30, 2010	45,588	3,907	75,258	12,217	136,970
Finance costs					(159,606)
Other operating expenses					(16,036)
Other operating income					14,054
Net profit before tax and share of profit / loss of associate for the year					**(24,618)**

Rupees in thousand	Coating and Emulsion	Polyester	Textile and Paper	Trading	Total
Segment asset and liabilities as at June 30, 2011					
Segment assets	633,908	136,106	339,075	87,944	1,197,034
Segment liabilities	143,764	14,235	51,032	29,684	238,715
Segment asset and liabilities as at June 30, 2010					
Segment assets	694,883	129,386	320,536	122,201	1,267,006
Segment liabilities	157,421	15,587	55,880	32,504	261,392

Reportable segments' assets are reconciled to total assets as follows:

Rupees in thousand	2011	2010
Segment assets for reportable segments	1,197,034	1,267,006
Corporate assets unallocated	362,921	478,149
Cash and bank balances	47,128	41,210
Others	163,916	212,806
Total assets as per balance sheet	**1,770,999**	**1,999,171**

Reportable segments' liabilities are reconciled to total liabilities as follows:

Rupees in thousand	2011	2010
Segment liabilities for reportable segments	238,715	261,392
Corporate liabilities unallocated	905,388	1,079,332
Trade and other payables	115,193	141,649
Taxation - net	25,989	11,886
Total liabilities as per balance sheet	**1,285,285**	**1,494,259**

35.3 Entity-wide disclosures regarding reportable segment are as follows:

- Information about products
  One product of the Company comprises 10.61% (2010: 16%) of total sales for the year.

- Information about major customers
  One customer of the Company accounts for 19.91% (2010: 31%) of total sales for the year.

- Information about geographical area
  All non-current assets of the Company are located in Pakistan as at the reporting date.
  Revenues from external customers attributed to foreign countries in aggregate are not material.

36. Financial Risk Management

36.1 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 policies focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the financial performance.

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

(a) Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, interest rate, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

(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 currency risk arising from various currency exposures, primarily with respect to foreign payables. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from / payable to foreign entities. The Company's exposure to currency risk is as follows:

	2011	
	Rupees	USD
Trade debts	100,000	1,162
Gross balance sheet exposure	100,000	1,162
Outstanding letters of credit	(126,643,829)	(1,471,747)
Net exposure	**(126,543,829)**	**(1,470,585)**

	2010	
	Rupees	USD
Trade debts	1,466,178	17,168
Gross balance sheet exposure	1,466,178	17,168
Outstanding letters of credit	(133,872,633)	(1,567,595)
Net exposure	**(132,406,455)**	**(1,550,427)**

The following exchange rates were applied during the year:

	2011	2010
Rupees per foreign currency rate		
Average rate	86.24	84.25
Reporting date rate	86.05	85.40

If the functional currency, at reporting date, had weakened / strengthened by 5% against the foreign currencies with all other variables held constant, the impact on profit before taxation for the year would have been Rs. 6.327 million (2010: Rs. 6.620 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(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 instrument traded in the market. The Company is exposed to equity / commodity price risk in respect of long term investments in quoted companies.

Sensitivity analysis

A change of 5% in the value of investments available for sale would have increased / decreased equity investments by Rs. 3,840 (2010: Rs. 6,165) on the basis that all other variables remain constant.

Fair value hierarchy

Financial instruments carried at fair value are categorized as follows:

Level 1 Quoted market prices
Level 2 Valuation techniques (market observable)
Level 3 Valuation techniques (non market observable)

The Company held following financial instruments measured at fair value:

Rupees	2011			
	Total	Level 1	Level 2	Level 3
Financial assets - Available for sale investments				
- TRG Pakistan Limited	76,800	76,800	-	-
- Jotun Powder Coatings Pakistan (Private) Limited	2,200,000	-	2,200,000	-
	2,276,800	**76,800**	**2,200,000**	**-**

Rupees	2010			
	Total	Level 1	Level 2	Level 3
Financial assets - Available for sale investments				
- TRG Pakistan Limited	123,300	123,300	-	-
- Jotun Powder Coatings Pakistan (Private) Limited	2,200,000	-	2,200,000	-
	2,323,300	**123,300**	**2,200,000**	**-**

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from long term financing and short term borrowings. As the borrowings are obtained at variable rates, these expose the Company to cash flow interest rate risk.

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

Rupees	2011	2010
Floating rate instruments		
Financial liabilities		
Long term financing	101,875,116	129,685,116
Short term borrowings	803,513,169	949,647,047
Financial assets		
Bank balances - saving accounts	26,770,355	41,629

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date, fluctuate by 1% higher / lower with all other variables held constant, loss before taxation for the year would have been Rs. 9.321 million (2010: Rs. 10.793 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amounts of liabilities outstanding at balance sheet dates were outstanding for the whole year.

(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. Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Rupees	2011	2010
Long term investments	2,276,800	2,323,300
Long term deposit and advances	1,582,263	2,990,583
Trade debts	439,261,656	486,174,552
Loans and advances	123,787	-
Other receivables	17,544,736	33,200,973
Bank balances	45,911,114	39,633,218
The aging of trade debts as at balance sheet date is as follows:		
Past due 1 - 30 days	168,378,084	201,322,373
Past due 31 - 60 days	131,340,918	143,223,288
Past due 61 - 120 days	49,339,762	72,716,763
More than 120 days	90,202,892	68,912,128
	439,261,656	**486,174,552**

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 based on customer credit history.

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

	Rating		Rating	2011	2010
	Short term	Long term	Agency	Rupees	Rupees
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	19,020,171	14,646,693
MCB Bank Limited	A1+	AA+	PACRA	-	172,459
KASB Bank Limited	A2	A-	PACRA	42,444	41,629
Bank AlHabib Limited	A1+	AA+	PACRA	26,841,397	24,772,437
				45,904,012	**39,633,218**

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 the availability of funding through an adequate amount of committed credit facilities. As at the balance sheet date, the Company had Rs. 2,035 million (2010: Rs. 2,140 million) worth short term borrowing limits available from financial institutions and Rs. 47.127 million (2010: Rs. 41.180 million) cash and bank balances. Following are the contractual maturities of financial liabilities, including interest payments.

Contractual maturities of financial liabilities as at June 30, 2011:

Rupees	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	Above 5 Years
Long term finances	101,875,116	115,223,357	88,055,007	21,387,850	5,780,500	-
Trade and other payables	267,541,965	267,541,965	267,541,965	-	-	-
Accrued mark up	29,960,987	29,960,987	29,960,987	-	-	-
Short term borrowings	803,513,169	1,033,068,332	1,033,068,332	-	-	-
	1,202,891,237	**1,445,794,641**	**1,418,626,291**	**21,387,850**	**5,780,500**	-

Contractual maturities of financial liabilities as at June 30, 2010:

Rupees	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	Above 5 Years
Long term finances	129,685,116	154,547,882	41,103,051	75,509,584	37,935,247	-
Trade and other payables	309,152,595	309,152,595	309,152,595	-	-	-
Accrued mark up	36,321,407	36,321,407	36,321,407	-	-	-
Short term borrowings	949,647,047	1,076,618,912	1,076,618,912	-	-	-
	1,424,806,165	1,576,640,796	1,463,195,965	75,509,584	37,935,247	-

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at June 30, 2011. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.

36.2 Fair values of financial assets and liabilities

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

37. Capital Risk Management

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

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

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

Rupees	**2011**	**2010**
Total borrowings	905,388,285	1,079,332,163
Cash and bank balances	(47,127,581)	(41,209,721)
Net debt	858,260,704	1,038,122,442
Equity	447,071,035	466,147,134
Total capital employed	1,305,331,739	1,504,269,576
Gearing ratio	**65.75%**	**69.01%**

38. Restatement of Financial Statements

During the year, the management identified certain differences in taxable / deductible temporary differences as computed in previous year while combining the financial statements of the Company with the merged entity with effect from July 1, 2008 pursuant to the Scheme of Amalgamation approved by the Honorable Lahore High Court, Lahore. Based on the professional advice of the tax advisor, the management has reworked the deferred tax liability and the correction of error has been made with retrospective effect as allowed by IAS-8 (Accounting Policies Changes in Accounting Estimates and Errors).

The effect of retrospective restatement on profit and loss accounts for the years 2010 and 2009 is tabulated below:

Rupees	2011	2010
Increase in tax expense for the year	3,978,145	6,143,306
Increase in loss for the year	3,978,145	6,143,306
Increase in basic loss per share	0.02	0.03

The effect of retrospective restatement on balance sheets for the years 2010 and 2009 is tabulated below:

Deferred tax asset as previously reported	62,232,060	50,550,919
Deferred tax liability as restated	(40,798,999)	(56,458,285)

39. Plant Capacity and Production

	2011	2010
	Metric Ton	Metric Ton
Actual production	17,806	21,614

The plant production capacity is indeterminable because it is a multi-product plant involving varying processes of manufacturing.

40. Authorization of Financial Statements

These financial statements were authorized for issue on September 8, 2011 by the Board of Directors of the Company.

41. General

- Figures have been rounded off to the nearest rupee
- Comparative figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. Following re-arrangements / reclassification have been made in these financial statements for better presentation:

	From	Amount	To	Amount
		Rupees		Rupees
Bills payable	Borrowings / FATRs	(76,627,742)	Bills payable	76,627,742
	(Note 11)	(Note 9)		
Property, plant	Plant and machinery	(3,379,672)	Tools and equipment	3,379,672
and equipment	(Note 14)	(Note 14)		
	Office equipment	(19,664,818)	Furniture and fixtures	9,474
	(Note 14)		IT equipment	18,253,615
			Tools and equipment	1,401,729
			(Note 14)	
	Laboratory equipment	82,101	Office equipment	(336,965)
	Vehicles	254,864	(Note 14)	
	(Note 14)			

Chief Executive

Director

Pattern of holding of the Shares held by the Shareholders As at June 30, 2011

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
770	1	100	29,394
672	101	500	201,817
581	501	1,000	501,641
796	1,001	5,000	2,324,169
238	5,001	10,000	2,019,609
83	10,001	15,000	1,113,344
59	15,001	20,000	1,121,581
45	20,001	25,000	1,057,341
24	25,001	30,000	692,204
14	30,001	35,000	458,575
8	35,001	40,000	315,180
5	40,001	45,000	215,506
19	45,001	50,000	936,657
8	50,001	55,000	424,029
10	55,001	60,000	586,465
1	60,001	65,000	62,201
2	65,001	70,000	135,500
9	70,001	75,000	663,650
4	75,001	80,000	316,288
4	80,001	85,000	334,192
7	85,001	90,000	616,508
2	90,001	95,000	184,000
15	95,001	100,000	1,497,000
2	100,001	105,000	208,703
2	105,001	110,000	214,628
1	110,001	115,000	115,000
1	115,001	120,000	120,000
5	120,001	125,000	620,605
1	125,001	130,000	126,140
1	135,001	140,000	135,001
2	140,001	145,000	280,770
2	145,001	150,000	300,000
1	150,001	155,000	154,207

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
2	155,001	160,000	317,500
1	170,001	175,000	174,500
1	175,001	180,000	178,692
4	195,001	200,000	800,000
1	205,001	210,000	209,753
1	210,001	215,000	210,013
2	225,001	230,000	451,502
1	240,001	245,000	241,000
2	245,001	250,000	500,000
1	270,001	275,000	272,500
1	285,001	290,000	286,046
1	300,001	305,000	302,000
2	305,001	310,000	614,597
1	315,001	320,000	320,000
1	320,001	325,000	321,500
1	510,001	515,000	513,395
1	515,001	520,000	517,099
1	570,001	575,000	570,997
1	655,001	660,000	656,500
1	785,001	790,000	789,006
1	795,001	800,000	800,000
2	1,260,001	1,265,000	2,526,286
1	1,410,001	1,415,000	1,411,047
4	4,995,001	5,000,000	20,000,000
1	5,250,001	5,255,000	5,253,640
1	143,235,001	143,240,000	143,238,378
3,431			**199,557,856**

Categories of Shareholders Required Under Code of Corporate Governance as on June 30, 2011

		NUMBER	HOLDING	% AGE
Directors, CEO Their Spouse And Minor Children				
1	MR. TAIMUR DAWOOD		225,752	0.11%
	MR. TAIMUR DAWOOD (CDC)		5,000,000	2.51%
	MR. TAIMUR DAWOOD (CDC)		88,500	0.04%
2	MR. ABDUL RAZZAK DAWOOD		143,238,378	71.78%
	MR. ABDUL RAZZAK DAWOOD (CDC)		5,253,640	2.63%
3	MR. FAISAL DAWOOD		225,750	0.11%
	MR. FAISAL DAWOOD (CDC)		5,000,000	2.51%
	MR. FAISAL DAWOOD (CDC)		45,000	0.02%
4	MR. MUHAMMAD SADIQ		1	0.00%
	CH. MUHAMMAD SADIQ (CDC)		15,000	0.01%
5	SYED ZAMANAT ABBAS (CDC)		1,000	0.00%
6	MR. SALMAN ZIKRIA (CDC)		40,000	0.02%
7	MR. FAROOQ NAZIR (CDC)		1,000	0.00%
8	MRS. BILQUIS DAWOOD W/O A.			
	RAZZAK DAWOOD (CDC)		5,000,000	2.51%
		8	**164,134,021**	**82.25%**
ASSOCIATED COMPANIES		**0**	**0**	**0.0000**
NIT & ICP				
1	NATIONAL BANK OF PAKISTAN		500	0.00%
2	NATIONAL INVESTMENT TRUST LIMITED. (CDC)		13,409	0.01%
3	INVESTMENT CORP. OF PAKISTAN		9,020	0.00%
4	NATIONAL BANK OF PAKISTAN, TRUSTEE DEPTT. (CDC)		513,395	0.26%
		4	**536,324**	**0.27%**
FINANCIAL INSTITUTION				
1	NATIONAL BANK OF PAKISTAN (CDC)		49,567	0.02%
2	N. D. F. C.		1,623	0.00%
3	AL FAYSAL INVESTMENT BANK LTD.		300	0.00%
4	ISLAMIC INVESTMENT BANK LTD.		287	0.00%
5	ESCORTS INVESTMENT BANK LTD. (CDC)		200	0.00%
		5	**51,977**	**0.03%**
INVESTMENT COMPANIES				
1	SAUDI-PAK INDUSTRIAL & AGRICULTURE CO. (PVT) LTD.		297	0.00%
2	PAK LIBYA HOLDING CO. (PVT) LTD.		499	0.00%
		2	**796**	**0.00%**
MODARABAS & MUTUAL FUNDS				
1	PRODENTIAL STOCK FUND LTD.		58	0.00%
2	FIRST AL-NOOR MODARABA (CDC)		62,201	0.03%
		2	**62,259**	**0.03%**
JOINT STOCK COMPANIES				
1	FATEH TEXTILE MILLS LIMITED		2,561	0.00%
2	FATEH TEXTILE MILLS LIMITED		77	0.00%
3	AFZA (PVT) LIMITED		45	0.00%
4	MOLASSES TRADING & EXPORT CO. (PVT) LTD.		4,640	0.00%
5	A.H.K.D. SECURITES (PVT) LTD. (CDC)		500	0.00%

		NUMBER	HOLDING	% AGE
6	ACE SECURITIES (PVT.) LIMITED (CDC)		1,000	0.00%
7	AFSA (PVT) LTD. (CDC)		33	0.00%
8	AMCAP SECURITIES (PVT) LTD. (CDC)		5,000	0.00%
9	AWJ SECURITIES (SMC-PRIVATE) LIMITED (CDC)		500	0.00%
10	AXIS GLOBAL LTD. (CDC)		3,000	0.00%
11	B & B SECURITIES (PRIVATE) LIMITED (CDC)		32,000	0.02%
12	BAWA SECURITIES (PVT) LTD. (CDC)		10,000	0.01%
13	CAPITAL VISION SECURITIES (PVT) LIMITED (CDC)		999	0.00%
14	CAPITAL VISION SECURITIES (PVT) LTD (CDC)		4,502	0.00%
15	CAPITAL VISION SECURITIES (PVT) LTD. (CDC)		4,598	0.00%
16	COOPER & CO. (PRIVATE) LIMITED (CDC)		100,000	0.05%
17	DARSON SECURITIES (PRIVATE) LIMITED (CDC)		58,500	0.03%
18	DARSON SECURITIES (PVT) LIMITED (CDC)		50,020	0.03%
19	EXCEL SECURITIES (PVT) LTD (CDC)		5,000	0.00%
20	FAIRTRADE CAPITAL SECURITIES (PVT.) LIMITED (CDC)		500	0.00%
21	FIRST CAPITAL EQUITIES LIMITED (CDC)		422	0.00%
22	FOUNDATION SECURITIES (PVT) LTD (CDC)		135,001	0.07%
23	HARAL SONS (SMC-PVT) LTD (CDC)		74,650	0.04%
24	IMPERIAL INVESTMENT (PVT) LTD. (CDC)		6,000	0.00%
25	INVEST CAPITAL MARKETS LTD. (CDC)		1,500	0.00%
26	ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED (CDC)		5,000	0.00%
27	M/S RANG COMMODITIES (PVT) LTD (CDC)		286,046	0.14%
28	MONEY LINE SECURITIES (PVT.) LTD (CDC)		100,000	0.05%
29	MOOSA,NOOR MOHAMMAD, SHAHZADA & CO. PVT. LTD (CDC)		91,000	0.05%
30	NH SECURITIES (PVT) LIMITED (CDC)		60,000	0.03%
31	PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED (CDC)		4,650	0.00%
32	S.H. BUKHARI SECURITIES (PVT) LIMITED (CDC)		2	0.00%
33	SALIM SOZER SECURITIES (PVT) LIMITED (CDC)		5,871	0.00%
34	SARFRAZ MAHMOOD (PRIVATE) LTD. (CDC)		167	0.00%
35	SHAFFI SECURITIES (PVT) LIMITED (CDC)		353	0.00%
36	SNM SECURITIES (PVT) LTD. (CDC)		272,500	0.14%
37	TAURUS SECURITIES LIMITED (CDC)		1,000	0.00%
38	THREE STARS CEMENT (PVT) LTD (CDC)		10,000	0.01%
39	TIME SECURITIES LIMITED (CDC)		5,338	0.00%
40	UNI - COMMERCE (PVT) LIMITED (CDC)		50,000	0.03%
41	ZHV SECURITIES (PVT) LIMITED (CDC)		6,500	0.00%
42	MYK (PRIVATE) LIMITED (CDC)		517,099	0.26%
		42	**1,916,574**	**0.96%**
SHARES HELD BY THE GENERAL PUBLIC		**3,368**	**32,855,905**	**16.46%**
	TOTAL:	**3,431**	**199,557,856**	**100.00%**

List of Shareholders Holding more than equal to 10% of total Capital

S. No.	Name		Holding	Percentage
1	MR. ABDUL RAZAK DAWOOD		148,492,018	74.41%
			148,492,018	**74.41%**

Notice of Meeting

Notice is hereby given that 47th Annual General Meeting of Descon Chemicals Limited, will be held on Thursday October 20, 2011, at 11.00 am, at Descon Headquarters, 18-Km Ferozepur Road, Lahore, to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last Extra ordinary General Meeting of the Company held on December 30, 2010.

2. To receive, consider and adopt the audited accounts of the Company for the year ended 30 June 2011 together with the Director's and Auditor's Reports thereon.

3. To appoint the Auditors, and fix their remuneration for the year ending June 30 2012.The present Auditors M/s. Horwath Hussain Chaudhury & Co, Chartered Accountants, retire and have offered themselves for re-appointment.

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

By Order of the Board
(ABDUL SOHAIL)
COMPANY SECRETARY

Lahore
September 8, 2011

Notes:-

1. The share transfer books of the Company shall remain closed from 13-10-2011 to 20-10-2011 (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 participants, I.D. Numbers to prove his / her identity, and in case of proxy 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, Model Town, Lahore and furnish attested photocopy of their CNIC as per Listing Regulations, if not provided earlier.

FORM OF PROXY

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 befre 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 Chemicals 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 Forty Seventh Annual General Meeting of the Company to be held at Descon Headquarters, 18-KM Ferozepur Road, Lahore on Thursday, October 20, 2011 at 11:00 hrs. and at any adjournment thereof.

As witness my/our hand this ______________ day of ______________ 2011

Signed by the said ______________________________ in the presence of

____

____
(Member's Signature)

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

Place ______________

Date ______________

____
(Witness's Signature)

descon.com

IF UNDELIVERED PLEASE RETURN TO

DESCON CHEMICALS LIMITED

LAHORE

DESCON HEADQUARTERS,
18 KM FEROZEPUR ROAD,
LAHORE, PAKISTAN.
T : +92 42 3 5923721-9
F : +92 42 3 5923749
E : info@desconchemicals.com
W : www.desconchemicals.com

KARACHI

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9TH FLOOR, BLOCK 6, PECHS,
SHAHRAH-E-FAISAL, KARACHI,
PAKISTAN.
T : +92 21 3 4544485-6
F : +92 21 3 4382674

PLANT

SITE 1:14.5-KM LAHORE
SHEIKHUPURA ROAD,
LAHORE, PAKISTAN.
T : 92 42 3 7970962
F : 92 42 3 7970229

SITE 2: 14.8 KM LAHORE
SHEIKHUPURA-FAISALABAD ROAD
MOUZA BHIKKI DISTRICT
SHEIKHUPURA PAKISTAN.
T : 92 56 3 090955, 3 091294
F : 92 56 3 882189