Descon Chemicals Limited

Contents

Vision

To become a leading chemical solutions provider to industry worldwide

Mission

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

Statement of Ethics & Business Practices

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

Company Information

Board of Directors

Abdul Razak Dawood
Chairman

Taimur Saeed
Chief Executive Officer

Dr. Salman Zakaria
Farooq Nazir
Syed Zamanat Abbas
Taimur Dawood
Muhammad Sadiq
Faisal Dawood

Chief Financial Officer

Yasir Siddique Sheikh

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
Askari Bank Limited
United Bank Limited
Standard Chartered Bank Limted
Habib Metropolitan Bank Limited

Share Registrar

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

Registered Office

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

Plant Site

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

Site 2: 14.8-km, Sheikhupura -Faisalabad Road Mouza Bhikki District Sheikhupura Pakistan.
Tel: 92 56 3090955, 3091294
Fax: 92 56 3882189

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

Chairman's Statement

I am pleased to report that the Company has shown an improvement in its operations despite a challenging year for the Company. The Company faced numerous challenges however the management of the Company managed to develop effective strategies to mitigate risks posed by these challenges. Despite the tough circumstances, the Company has operated profitably and has managed to effectively reduce overheads through efficient deployment of resources.

Management's priority is continuous product development, innovation and optimization of resources, to provide competitive advantage in the challenging economic climate. The dwindling demand due to shortages of energy resources along with rise in prices of inputs are putting pressure on margins, however, we are continuously exploring new technologies and taking measures that will enable your Company to be the chosen destination for our customers.

I am confident that even though the volatility in the external environment remains, the management is fully competent and have resources, both operational and technical, to manage the dynamic business environment. Improvement in operational efficiencies reflects management's ability to deal with resource deficiencies and adverse economic scenario.

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 through import substitution.

The Company has a robust governance structure, driven by strong sense of duty to colleagues and all stakeholders. The Board of Directors has put in place mechanisms to evaluate performance of the Company, so that the Company performs at its best.

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. I congratulate the management and employees for extraordinary efforts in a very challenging year and wish them growth and success in future.

Abdul Razak Dawood
Chairman
September 20, 2012

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 business.

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

In 1977, he started 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 25000 employees, 50% of them based overseas.

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 former 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 Chief Executive Officer of the Company, while also serving on the board of Descon Oxychem Limited as a Chief Executive Officer.

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 Chemicals Limited as GM Sales & Marketing before his appointment 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 & Management Committees

Audit Committee

Members

Farooq Nazir	Chairman
Taimur Dawood	Member
Syed Zamanat Abbas	Member
Muhammad Sadiq	Member

Human Resource & Remuneration Committee

Members

Taimur Dawood	Chairman
Farooq Nazir	Member
Taimur Saeed	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
Ahmad Ali Masood	Head of Internal Audit
Muhammad Sohail Iftikhar	HR Business Partner

Compliance Committee

Members

Taimur Saeed	Chief Executive Officer
Abdul Sohail	Company Secretary
Ather Mahmood Khan	Head Shared Services
Zia Ullah Sheikh	Plant Manager
Ahmad Ali Masood	Head of Internal Audit
Muhammad Sohail Iftikhar	HR Business Partner

Key Operating and Financial Data

	2012	2011	2010	2009	2008	2007
		(Rs. "000")				
Summary of Profit and Loss						
Sales	2,560,856	2,601,734	2,383,950	2,769,953	3,109,803	2,398,506
Cost of Goods Sold	(2,341,702)	(2,287,690)	(2,072,600)	(2,551,882)	(2,681,459)	(2,124,713)
Gross Profit	219,154	314,044	311,350	218,071	428,344	273,793
Operating profit	118,305	151,084	136,970	38,057	264,946	166,506
Finance Cost	(125,670)	(159,160)	(159,606)	(186,705)	(111,953)	(95,252)
(Loss) / profit before tax	(4,264)	1,222	(53,183)	(164,924)	173,650	70,460
(Loss) / profit after tax	(61,704)	(19,280)	(49,409)	(134,690)	162,581	49,639
Financial Position						
Share Capital	997,789	997,789	997,789	315,670	363,408	363,408
Reserves including unappropriated profit	(612,147)	(550,718)	(531,642)	199,631	37,418	(142,804)
Short term borrowings	474,350	803,513	949,647	821,370	890,618	583,485
Property, plant and equipment	548,457	581,143	625,230	708,264	495,664	526,590
Current Assets	928,404	1,068,960	1,272.239	1,025,911	1,363,081	927,272
Current Liabilities	818,759	1,195,380	1,336,317	1,071,482	1,202,221	838,452
Investor Information						
Gross profit margin (%)	8.56%	12.07%	13.06%	7.87%	13.77%	11.42%
Pre tax margin (%)	-0.17%	0.05%	-2.23%	-5.95%	5.58%	2.94%
Net profit margin (%)	-2.41%	-0.74%	-2.07%	-4.86%	5.23%	2.07%
Return on equity (%)	-16.00%	-4.31%	-10.60%	-26.13%	40.56%	22.50%
Return on capital employed (%)	-8.11%	-3.35%	-7.45%	-17.84%	18.26%	6.97%
Current Ratio	1.13	0.89	0.95	0.96	1.13	1.11
Quick Ratio	0.72	0.55	0.55	0.60	0.60	0.65
Debtors turnover (days)	60	65	74	71	62	69
Inventory turnover (days)	59	76	81	74	70	65
Creditors turnover (days)	42	46	44	29	28	30
Operating cycle (days)	77	95	111	116	104	104
Debt: Equity (Ratio)	66%	65%	68%	63%	62%	61%
Interest cover (Times)	0.96	1.01	0.67	0.12	2.55	1.75
Earnings / (loss) per share (pre tax) (Rupees)	(0.02)	0.01	(0.27)	(2.61)	2.39	0.97
Earnings / (loss) per share (after tax) (Rupees)	(0.31)	(0.10)	(0.25)	(0.67)	2.24	0.68

Horizontal Analysis Balance Sheet

	2012 Rs. "000"	12 Vs. 11 %	2011 Rs. "000"	11 Vs. 10 %	2010 Rs. "000"	10 Vs. 09 %
EQUITY AND LIABILITIES						
EQUITY						
Share Capital	997,789	0%	997,789	0%	997,789	216%
Reserves	(612,146)	(11%)	(550,718)	(3%)	(531,642)	(366%)
Surplus on Revaluation of Property, Plant & Equipment	38,527	0%	38,642	0%	38,765	0%
	424,170	13%	485,713	(3%)	504,912	(9%)
NON - CURRENT LIABILITIES						
Long Term Financing	287,000	757%	33,500	(67%)	100,375	(22%)
Deferred Liability	50,059	(11%)	56,405	0%	57,567	(19%)
	337,059	275%	89,906	(42%)	157,942	(21%)
CURRENT LIABILITIES						
Trade and other payables	272,163	2%	267,542	(13%)	309,153	65%
Accrued mark up	23,731	(21%)	29,961	(18%)	36,321	6%
Short Term Borrowings	474,351	(41%)	803,513	(15%)	949,647	16%
Current Portion of long term borrowings	23,000	(66%)	68,375	133%	29,310	1%
Provision for Taxation	25,514	(2%)	25,989	119%	11,886	100%
	818,759	(32%)	1,195,380	(11%)	1,336,317	25%
	1,579,988	(11%)	1,770,999	(11%)	1,999,171	9%
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	548,457	(6%)	581,143	(7%)	625,230	(12%)
Intangible assets	32,345	(12%)	36,966	(11%)	41,587	
Long term investments	70,034	(16%)	83,173	43%	58,205	(34%)
Long term deposits and advances	747	(1%)	757	(60%)	1,910	(46%)
	651,583	(7%)	702,039	(3%)	726,932	(9%)
CURRENT ASSETS						
Stores, spares and loose tools	10,337	(30%)	14,849	36%	10,921	(4%)
Stock in trade	337,753	(19%)	416,374	(21%)	532,048	38%
Trade debts	417,265	(5%)	439,262	(10%)	486,175	2%
Loans and advances	111,434	(15%)	130,434	(21%)	164,468	57%
Short term prepayments and other receivables	26,402	26%	20,913	(44%)	37,417	127%
Cash and bank balances	25,213	(47%)	47,128	14%	41,210	47%
	928,404	(13%)	1,068,960	(16%)	1,272,239	24%
	1,579,988	11%	1,770,999	(11%)	1,999,171	9%

Vertical Analysis Balance Sheet

	2012 Rs. "000"	%	2011 Rs. "000"	%	2010 Rs. "000"	%
EQUITY AND LIABILITIES						
EQUITY						
Share Capital	997,789	63%	997,789	56%	997,789	50%
Reserves	(612,146)	(39%)	(550,718)	(31%)	(531,642)	(27%)
Surplus on Revaluation of Property, Plant & Equipment	38,527	2%	38,642	2%	38,765	2%
	424,170	27%	485,713	27%	504,912	25%
NON - CURRENT LIABILITIES						
Long Term Financing	287,000	18%	33,500	2%	100,375	5%
Deferred Liability	50,059	3%	56,405	3%	57,567	3%
	337,059	21%	89,906	5%	157,942	8%
CURRENT LIABILITIES						
Trade and other payables	272,163	17%	267,542	15%	309,153	15%
Accrued mark up	23,731	2%	29,961	2%	36,321	2%
Short Term Borrowings	474,351	30%	803,513	45%	949,647	48%
Current Portion of long term borrowings	23,000	1%	68,375	4%	29,310	1%
Provision for Taxation	25,514	2%	25,989	1%	11,886	1%
	818,759	52%	1,195,380	67%	1,336,317	67%
	1,579,988	100%	1,770,999	100%	1,999,171	100%
ASSETS						
Property, plant and equipment	548,457	35%	581,143	33%	625,230	31%
Intangible assets	32,345	2%	36,966	2%	41,587	2%
Long term investments	70,034	4%	83,173	5%	58,205	3%
Long term deposits and advances	747	0%	757	0%	1,910	0%
	651,583	41%	702,039	40%	726,932	36%
CURRENT ASSETS						
Stores, spares and loose tools	10,337	1%	14,849	1%	10,921	1%
Stock in trade	337,753	21%	416,374	24%	532,048	27%
Trade debts	417,265	26%	439,262	25%	486,175	24%
Loans and advances	111,434	27%	130,434	7%	164,468	8%
Short term prepayments and other receivables	26,402	2%	20,913	1%	37,417	2%
Cash and bank balances	25,213	2%	47,128	3%	41,210	2%
	928,404	59%	1,068,960	60%	1,272,239	64%
	1,579,988	100%	1,770,999	100%	1,999,171	100%

Horizontal and Vertical Analysis Profit & Loss account

	2012 Rs. "000"	12 Vs. 11 %	2011 Rs. "000"	11 Vs. 10 %	2010 Rs. "000"	10 Vs. 09 %
Sales	2,560,856	(2%)	2,601,733	9%	2,383,950	(14%)
Cost of Sales	(2,341,702)	2%	(2,287,690)	10%	(2,072,600)	(19%)
Gross Profit	219,155	(30%)	314,043	4%	311,350	43%
Administration and General Expenses	(58,892)	(29%)	(79,940)	(20%)	(100,691)	2%
Distribution Cost	(41,958)	(48%)	(83,020)	13%	(73,689)	(9%)
Operating Profit	118,305	(22%)	151,084	10%	136,970	260%
Other operating charges	(6,691)	(81%)	(35,599)	122%	(16,036)	1%
Finance Cost	(125,670)	(21%)	(159,160)	(0%)	(159,606)	(15%)
Other operating income	23,090	(15%)	27,124	93%	14,054	(3%)
Profit / (loss) before Taxation and Share of profit / (loss) of Associated Undertaking	9,035	(155%)	(16,551)	(33%)	(24,618)	(84%)
Share of net (loss) / profit of associated undertaking	(13,299)	(175%)	17,773	(162%)	(28,565)	(93%)
Net Profit before taxation	(4,264)	(449%)	1,222	(102%)	(53,183)	(68%)
Taxation	(57,439)	180%	(20,501)	643%	3,773	(101%)
Net profit after taxation	(61,704)	220%	(19,280)	(66%)	(56,956)	(60%)

	2012 Rs. "000"	%	2011 Rs. "000"	%	2010 Rs. "000"	%
Sales	2,560,856	100%	2,601,733	100%	2,383,950	100%
Cost of Sales	(2,341,702)	(91%)	(2,287,690)	(88%)	(2,072,600)	(87%)
Gross Profit	219,155	9%	314,043	12%	311,350	13%
Administration and General Expenses	(58,892)	2%	(79,940)	(3%)	(100,691)	(4%)
Distribution Cost	(41,958)	2%	(83,020)	(3%)	(73,689)	(3%)
Operating Profit	118,305	5%	151,084	6%	136,970	6%
Other operating charges	(6,691)	(0%)	(35,599)	(1%)	(16,036)	(1%)
Finance Cost	(125,670)	(5%)	(159,160)	(6%)	(159,606)	(7%)
Other operating income	23,090	1%	27,124	1%	14,054	1%
Profit / (loss) before Taxation and Share of profit / (loss) of Associated Undertaking	9,035	0%	(16,551)	(1%)	(24,618)	(1%)
Share of net loss/profit of associated undertaking	(13,299)	(1%)	17,773	1%	(28,565)	(1%)
Net Profit before taxation	(4,264)	(0%)	1,222	0%	(53,183)	(2%)
Taxation	(57,439)	(2%)	(20,501)	(1%)	3,773	(0%)
Net profit after taxation	(61,704)	(2%)	(19,280)	(1%)	(56,956)	(2%)

CEO's Review

Descon Chemicals Limited maintained a continuous growth of its technology base to build a portfolio strong enough to build a sustainable business with diverse presence.

The Company has generated profit from operations of PKR 9mln, against a loss of PKR 16mln last year, a turnaround of PKR 25mln. The company still has a loss after tax of PKR 61mln due to adverse economic conditions in the country coupled with increased energy shortages, which decreased demand for many of our products. Growth of the major business segments of coating suffered due to slow activity in the paint market.

We aim for product development through Innovation to provide customers with superior products. Management has taken steps to enhance product development and innovation, with technical collaboration within and outside Pakistan, which will help to optimize our resources and provide the competitive advantage in a challenging economic climate. Increase of the product range in optical brighteners and paper sizing decreased Company's dependency on a single business segment and has increased customer confidence.

Continuous increase in raw material prices has placed significant pressure on our margins. The management has taken various initiatives to reduce overheads through efficient utilization of resources. We have successfully reduced significant administrative costs by sharing common services between Group companies. We have reduced borrowings as a result of stringent working capital controls which have consequently decreased the financial expenses. This area is still under focus 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 their patience as we battle the ravages of the current economic condition in the country and continue to strive to meet the challenges. I would also like to appreciate the efforts of Management and employees for their hard work and loyalty to the company in these times.

Taimur Saeed
Chief Executive Officer
September 20, 2012

Financial Review

	2012	2011
	(Rupees in thousands)	
Sales	2,560,856	2,601,733
Gross Profit	219,154	314,013
EBITDA	176,506	196,670
Operating profit	118,305	151,083
Finance Cost	125,670	(159,160)
Profit / (loss) before tax and share of (loss) / profit of associated undertaking	9.035	(16,551)
Net (loss) / profit of associated undertaking	(13,298)	17,772
(Loss) / profit before tax	(4,264)	1,222
Loss after tax	(61,703)	(19,280)
EPS - (Rupees)	(0.31)	(0.10)

The financial year was better for the company, where it achieved a Profit of PKR 9 mln before tax and share of loss of associate, which shows turnaround of PKR 25 mln compared to last year. We sold 18,150 MTs, a decrease of 1,719MTs or 9% over last year. An increase of price by 8% only partially off-set the increase of 16% in raw material price. Consequently, gross profit margin registered a decrease of 3 percentage points over last year.

The distribution cost of the company decreased by PKR 24mln or 29%, due to efficient management of carriage and forwarding expenses. Most encouragingly, the company was able to substantially reduce the administration expenses by PKR 38 mln or 48% by sharing common services between Group companies. Other operating expenses decreased due to a reduction in provisions for doubtful debts and stock. Other operating income mainly consisted of investment income from bank deposits, insurance claims, indenting commission and sale of waste material.

The finance cost decreased by 33 mln or 21% as compared to last year.This became possible with stringent working capital controls, reducing the investment in trade debts and inventories.The Company also paid off PKR 121mln of short term and long-term financing.

The Company's investment in Descon Oxychem Limited, a related party, suffered loss during the year, giving a share of loss of PKR 13 mln to the Company against a profit of PKR 18mln last year contributing significantly in the increase of loss after taxation to PKR 61 mln as compared to PKR 19 mln last year.

Contribution to the National Exchequer

Descon Chemicals Limited contributed an amount of PKR 43.645 million to the national exchequer. A detailed distribution of the value added to the economy is as under

Value Added Statement

Wealth Generated	2012	2011
	(Rupees in thousands)	
Sales for the year	2,560,856	2,601,733
Other Operating Income	23,089	27,124
Share of investments in associate	(13,298)	17,773
Deferred Tax (Liability) / asset	(14,495)	5,486
	2,556,152	2,652,116
Wealth Distributed		
Cost of Sales (excluding employees remuneration)	2,295,252	2,241,291
Marketing, Selling & General Administration Expenses (excluding employees remuneration)	78,788	133,776
Employees Remuneration	74,500	110,702
Finance Costs	125,670	159,160
Government Taxes (including income tax, WPPF, other duties)	43,645	26,467
Retained in the company	(61,703)	(19,280)
	2,556,152	2,652,116

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.

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 uncertainties 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 Risk Management Committee, and is confident that we have sufficient mitigating factors 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 of 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 detailed below.

Coatings and Emulsions
Textile and Paper
Polyester Resins
Trading

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. Market share of low cost manufacturers has increased rendering this industry as extremely price sensitive and exerting pressure on our margins. Imposition of various taxation measures has also affected demand of our products. These continued developments have resulted in reorganization of some major players in the industry.

We continuously strive to improve our current products in terms of quality, suitability, and economy. Additionally our dedicated team of experts fights hard to develop new products, which can bring success in the world of cut throat 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 is an authorized distributor or is a substantial player in the market. The idea is to leverage our sourcing and buying efficiencies and earn a healthy margin. 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 an indenting company, which introduce high quality product range and a staunch commitment to excellent customer service.

Trading General business has been always a profitable segment for the Company for the 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 in a timely manner.

Exports

The company plans to export some of its products, where it has significant regional competitive advantage.

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 years 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.

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 unorganized 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 2012.

Marketing

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

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 (within and outside the Company with other Group companies) that help to provide exposure and further develop talent for future leadership roles.

Employees are rewarded for the performance by Des-Icon; an award that acknowledges exceptional effort of an employee that he may have displayed in any assigned project or in the normal course of work. 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 takes initiatives to develop a feel of "Descon family and we are in this together" among its 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, Des-Icon and Variable Pay Policies are some of the few examples.

Retirement Benefit Plans

Our policies such as Provident Fund cover for employee retirement benefit plan. The value of investments of Provident fund is as follows:

	2012	2011
	(Un-audited)	(Audited)
Provident Fund(PKR)	11,966,464	32,073,487
Gratuity Fund (PKR)	4,998,228	-

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 world-class one and we:

- Are committed to Ethical Behavior
- Embrace the Company Code, Policies, and other applicable laws
- Report suspected non-compliance
- Value and safeguard relationship with our customers
- Value and safeguard employee relationships
- Comply with Health, Safety, Security and Environmental Laws
- Value and safeguard our relationships with Suppliers and contractors
- Protect our property and property of others
- Use our electronic communications and internet accesses for company purposes
- Protect Company Confidential information
- Gather Processes information ethically and lawfully
- Avoid conflict of interest
- Award contracts fairly and without prejudice
- Do not speak on behalf of the Company
- Protect the Company documents and proprietary information

Safety and Health

Descon's dedication to meeting the principles of safety and environment is a key component in our commitment to sustainable development and 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.
- Run our plants and transport our products safely, protecting our neighbors and employees, and minimizing the impact of our activities on our environment.

- Inform and debate with all stakeholders on matters affecting health, safety and the environment, in a spirit of openness and mutual respect.
- Encouraging our subcontractors, suppliers and customers to adopt a policy on health, safety and environment equivalent to our own.
- Comply with all relevant local, national and international regulations relating to health, safety and environment

Environment

The company manages its impact on environment by minimizing harmful effects of its emissions, both gaseous and liquid. Strict monitoring of plant effluents is done on continuous basis to control their disposal within National Environmental Quality Standards (NEQS) limits. The company continues to introduce most modern and environmental friendly technologies in its manufacturing processes.

Corporate Governance

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

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

Best Corporate Practices

The company surpasses the minimum legal requirements for good corporate governance imposed by applicable laws and regulations, 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 adoption on October 22, 2012.

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 safe guarding of shareholders' interest. The Board consists of 8 Directors including the Chief executive officer, effectively representing the interest of shareholders. There are 7 non-executive Directors and only one executive Director (which is CEO).

Meetings of the Board

The Board is legally required to meet at least once every quarter to monitor the Company's performance aimed at effective and timely accountability of its management. The Board held 5 such meetings during the year, agendas of which were circulated in a timely manner. The decisions made by the Board during the meetings were 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, five (05) 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	5	
Dr. Salman Zakaria	1	Leave for absence was granted in four meetings
Taimur Dawood	5	
Farooq Nazir	5	
Muhammad Sadiq	5	
Syed Zamanat Abbas	1	Leave for absence was granted in four meetings
Faisal Dawood	0	Leave for absence was granted in five meetings
Taimur Saeed	5	

Training of the Board
As per requirements of the listing regulations, each member of the Board shall be subject to orientation and training for enhancing their director skills. During the year, the board has arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate Governance for its directors. Two directors have been certified, while one other director and CEO have qualified three out of five parts of CGLS.

Changes to the Board
There were no changes to the Board during the year.

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 Financial Reporting Standards (IFRS)
International Financial Reporting 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, 2013.

xvi. Audit Committee

The Board of Directors in compliance to the Code of Corporate Governance has established an audit committee comprising of non-executive Directors. During year, four audit committee meetings were held. The following non-executive Directors are the members of the audit committee:

Name of Director	Designation
Farooq Nazir	Chairman
Taimur Dawood	Member
Syed Zamanat Abbas	Member
Muhammad Sadiq	Member

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

Acknowledgements

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

For and on behalf of the Board

Lahore

September 20, 2012

Taimur Saeed
Chief Executive Officer

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in Regulation No. 35 of listing regulations of both 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 non-executive directors and directors representing minority interests on its board of directors. At present the board includes seven (07) non-executive directors and one (1) executive director.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a member of a stock exchange, has been declared as defaulter by that stock exchange.

4. No casual vacancy occured during the year under review.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

7. All the powers of the board have been duly exercised and decisions on 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/shareholders.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board has arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate Governance Corporate for its directors during the year. Two directors have been certified while one other director and CEO have qualified three out of five parts of CGLS.

10. The board has approved appointment of CFO and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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

13. 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.

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

15. The board has formed an audit committee. It comprises of four members, all of whom are non-executive directors, including the Chairman.

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

17. The Company has a Human Resource committee; however, it currently does not have a majority of non-executive directors as its members. The Board is in process of reconstituting this committee as its HR and Remuneration Committee to include majority of non-executive directors pursuant to the requirements of the Code.

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

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the 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.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period' prior to the announcement of interim/final results and business decisions which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. 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.

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

For and on behalf of the Board

Taimur Saeed
Chief Executive Officer

Lahore
September 20, 2012

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 ('the Company') 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 control 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, 2012.

We draw attention to note 17 of statement of compliance, which indicates that the Company's Human Resource Committee does not have a majority of non-executive directors as its members. The Board is in process of reconstituting this committee as its HR and Remuneration Committee to include majority of non-executive directors pursuant to the requirements of sub regulation (xxv) of the Code of Corporate Governance. Our report is not qualified in respect of this matter.

Horwath Hussain Ch& Co.

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

Lahore
Dated: September 20, 2012

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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, 2012 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 except for changes as stated in Note 2.5.1 to the accompanying financial statements with which we conquer;

   (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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, 2012 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

Horwath Hussain Ch Co.

Lahore
Dated: September 20, 2012

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

BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
CAPITAL AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital			
230,000,000 (2011: 230,000,000) Ordinary shares of Rs. 5 each		1,150,000,000	1,150,000,000
Issued, subscribed and paid up share capital	4	997,789,280	997,789,280
Reserves	5	(612,146,518)	(550,718,245)
		385,642,762	447,071,035
Surplus on Revaluation of Property, Plant and Equipment	6	38,526,824	38,642,962
Non Current Liabilities			
Long term financing	7	287,000,000	33,500,000
Deferred liability	8	50,059,046	56,405,682
		337,059,046	89,905,682
Current Liabilities			
Trade and other payable	9	272,163,211	267,541,965
Accrued mark up	10	23,730,918	29,960,987
Short term borrowings	11	474,350,860	803,513,169
Current portion of long term financing	7	23,000,000	68,375,116
Provision for taxation	12	25,514,179	25,988,561
		818,759,168	1,195,379,798
Contingencies and Commitments	13	-	-
		1,579,987,800	1,770,999,477

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

CHIEF EXECUTIVE

DIRECTOR

	Note	2012 Rupees	2011 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	14	548,457,070	581,143,032
Intangible assets	15	32,345,206	36,965,949
Long term investments	16	70,033,769	83,173,393
Long term deposits and loans	17	747,263	757,263
		651,583,308	702,039,637
Current Assets			
Stores and spares		10,337,304	14,848,784
Stock in trade	18	337,753,292	416,374,977
Trade debts	19	417,264,757	439,261,656
Loans and advances	20	111,433,998	130,433,944
Short term prepayments and other receivables	21	26,402,247	20,912,898
Cash and bank balances	22	25,212,894	47,127,581
		928,404,492	1,068,959,840
		1,579,987,800	1,770,999,477

CHIEF EXECUTIVE

DIRECTOR

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Sales	23	2,560,856,250	2,601,733,809
Cost of sales	24	(2,341,701,743)	(2,287,690,003)
Gross Profit		219,154,507	314,043,806
Distribution cost	25	(58,891,540)	(83,019,941)
Administrative expenses	26	(41,957,778)	(79,940,232)
		(100,849,318)	(162,960,173)
Operating Profit		118,305,189	151,083,633
Other operating expenses	27	(6,690,783)	(35,599,218)
Finance cost	28	(125,669,614)	(159,159,598)
Other operating income	29	23,089,715	27,124,126
Profit / (Loss) before Taxation and Share of (Loss) / Profit of Associated Undertaking		9,034,507	(16,551,057)
Share of net (loss) / profit of associated undertaking		(13,298,842)	17,772,742
(Loss) / Profit before Taxation		(4,264,335)	1,221,685
Taxation	30	(57,439,294)	(20,501,776)
Net Loss for the Year		(61,703,629)	(19,280,091)
Loss per Share - Basic and Diluted	31	(0.31)	(0.10)

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2012

	2012 Rupees	2011 Rupees
Net Loss for the Year	(61,703,629)	(19,280,091)
Other comprehensive income		
Unrealized gain / (deficit) on available for sale investment	36,300	(46,500)
Share of unrealized gain on available for sale investment of associate	122,918	128,241
Transfer from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current year	116,138	122,251
Other comprehensive income for the year	275,356	203,992
Total Comprehensive Loss for the Year	(61,428,273)	(19,076,099)

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

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
CASH GENERATED FROM OPERATIONS	32	281,281,396	332,129,390
Finance cost paid		(131,899,683)	(165,520,018)
Gratuity paid		(21,928,633)	(4,639,518)
Income tax (paid) / refunded - net		(29,713,250)	27,741,020
Workers' (profit) participation fund paid		-	(2,782,570)
Long term deposits and loans		10,000	1,408,320
		(183,531,566)	(143,792,766)
Net Cash generated from Operating Activities		97,749,830	188,336,624
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(3,519,069)	(2,869,223)
Capital work-in-progress		(3,830,634)	(3,851,367)
Investment in associate		-	(7,114,000)
Proceeds from disposal of property, plant and equipment		6,552,369	3,710,719
Interest income received		2,170,242	1,648,985
Net Cash from / (used in) Investing Activities		1,372,908	(8,474,886)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing repaid		(66,875,116)	(27,810,000)
Long term financing acquired		275,000,000	-
Short term borrowings repaid - net		(329,162,309)	146,133,878)
Net Cash used in Financing Activities		(121,037,425)	(173,943,878)
Net (Decrease) / Increase in Cash and Cash Equivalents		(21,914,687)	5,917,860
Cash and cash equivalents at the beginning of the year		47,127,581	41,209,721
Cash and Cash Equivalents at the End of the Year		25,212,894	47,127,581

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2012

Particulars	Share Capital	Reserves				Total
		Share Premium Reserve	Fair Value Reserve	Revaluation Reserve	Accumulated Loss	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2010	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, 2011	-	-	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
Total comprehensive loss for the year ended June 30, 2012	-	-	159,218	116,138	(61,703,629)	(61,428,273)
Balance as at June 30, 2012	997,789,280	1,281,303	219,905	502,531	(614,150,257)	385,642,762

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, 2012

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.

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

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. The standards that are not considered relevant or have any significant effect on the Company's operations are not disclosed in these financial statements.

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

- 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 under 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 have incorporated the requirements of SIC 21 – Income Taxes - Recovery of Revalued Non-Depreciable Assets in the amended IAS 12.

- IAS 24 – Related Party Disclosures; the amendments simplify the disclosure requirements for government related entities and clarify 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 34 – Interim Financial Reporting; the revised standard includes amendments in significant events and transactions.

- IFRS 7 - Financial Instruments: Disclosures; its requirements 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.

The management assesses that the effect of adopting these standards and amendments to existing standards do not have any material impact on the financial statements of the Company.

2.5.2 Amendments to published standards that are yet not effective and not early adopted by the Company

- IAS 1 'Presentation of Financial Statement' (Amendment). This amendment has been issued as part of annual improvements project and is applicable on accounting periods beginning on or after January 1, 2013. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet. When an entity produces balance sheet as required by IAS 8 'Accounting policies, changes in accounting estimates and errors' in which case the balance sheet should be as at the date of the beginning of the preceding period i.e. the opening position. No notes are required to support this balance sheet. When management provides additional comparative information voluntarily e.g. statement of profit and loss, balance sheet, it should present the supporting notes to these additional statements.

- IAS 16 'Property, plant and equipment' (Amendment). This amendment has been issued as part of annual improvements project and is applicable on accounting periods beginning on or after January 1, 2013. The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.

- IAS-19 'Employee Benefits': the amendments in the standard are effective for periods beginning on or after January 1, 2013. The amendments in the standard have eliminated the corridor approach resultantly recognizing the entire actuarial gains / losses in other comprehensive income as they are incurred. These amendments have also resulted in recognizing all the past service costs immediately and replaced the interest cost and expected return on plan assets with a net interest amount that would be calculated by applying the discount rate to the net defined liability / asset.

- IAS 32 - ‘Financial instruments: Presentation’ (Amendment). This amendment has been issued part of annual improvements project and is applicable on accounting periods beginning on or after January 1, 2013. Prior to the amendment, IAS 32 was ambiguous as to whether the tax effects of distributions and the tax effects of equity transactions should be accounted for in the income statement or in equity. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognized in the income statement, and income tax related to the costs of equity transactions is recognized in equity. The Company will apply this amendment from July 1, 2013.

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, unless stated otherwise.

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 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.

3.3 Staff retirement benefits

Defined benefits plan

The Company operates a funded gratuity scheme for 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 years or more (Maximum of 25 Basic Salaries)	100%

A recognized fund for gratuity scheme of employees has been established during the year and related liabilities and assets have been transferred to that fund.

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.

3.4 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 for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which 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 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 Company and the cost of such asset can be measured reliably. Cost of intangible assets i.e. ERP software includes purchase cost and directly attributable expenses incidental to bring the software for its intended use.

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

Intangibles are measured initially at cost and subsequently stated at cost less accumulated amortization and identified impairment losses, if any. Amortization is charged to income using the straight line method so as to write off 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

An enterprise is considered to be the associate of the Company in which the Company has ownership of not less than 20% and not more than 50% of the voting power and / or has significant influence but not control. Investments 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 the 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. These 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 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 or 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 the initial recognition, investments at fair value through profit or 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 the investments is taken into 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 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 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

2012 No. of Shares	2011 No. of Shares		2012 Rupees	2011 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)	Ordinary shares of Rs. 5 each 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.

	2012	2011
Opening balance	199,557,856	199,557,856
Issued / cancelled during the year	-	-
Closing balance	199,557,856	199,557,856

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

5. Reserves

	2012 Rupees	2011 Rupees
Capital reserves:		
- Share premium reserve	1,281,303	1,281,303
- Fair value reserve	219,905	60,687
	1,501,208	1,341,990
Revenue reserves:		
- Revaluation reserve	502,531	386,393
- Accumulated loss	(614,150,257)	(552,446,628)
	(613,647,726)	(552,060,235)
	(612,146,518)	(550,718,245)

6. Surplus on Revaluation of Property, Plant and Equipment

	2012 Rupees	2011 Rupees
Land - freehold	36,320,203	36,320,203
Buildings on freehold land	2,322,759	2,445,010
	38,642,962	38,765,213
Incremental depreciation charged on revalued property, plant and equipment in current year - net of deferred tax	(116,138)	(122,251)
	38,526,824	38,642,962

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 was not incorporated in the financial statements. Previously, the revaluation of land and buildings 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

	Note	2012 Rupees	2011 Rupees
Banking companies - Secured			
Habib Bank Limited	7.1	46,875,116	54,685,116
Bank Al-Habib Limited	7.2	55,000,000	75,000,000
Bank Al-Habib Limited	7.3	225,000,000	-
Habib Metropolitan Bank Limited	7.5	50,000,000	-
		376,875,116	129,685,116
Less:			
- Repayment		(66,875,116)	(27,810,000)
- Current portion		(23,000,000)	(68,375,116)
		287,000,000	33,500,000

7.1 This represented long term financing obtained from Habib Bank Limited to repay loans obtained from Knightsbridge Chemicals Limited, Bermuda pursuant to Share Purchase Agreement. The loan carried mark up at 3 months KIBOR + 0.6% per annum. The entire loan has been repaid during the year.

7.2 This represents term finance of Rs. 100.0 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% (2011: 6 months average KIBOR + 2%) per annum and is payable on quarterly basis in arrears on outstanding principal amount.

7.3 This represents term finance of Rs. 225.0 million obtained from Bank Al-Habib Limited to meet the long term / working capital requirements of the business. The amount is repayable in 5 years in 6 equal half yearly installments with two years' grace period from the date of disbursement. The loan carries mark-up at 6 months KIBOR + 2% per annum and is payable on quarterly basis in arrears on outstanding principal amount.

7.4 Financing from Bank Al-Habib Limited (both long term and short term) is secured against the following securities:

		Rupees in Million
-	Pari passu charge over current and fixed assets of the Company	230
-	Pari passu charge over present and future fixed assets of the Company	230
-	Ranking charge over current assets of the Company	1,004
-	Joint pari passu charge over current assets of the Company	700
-	Pari passu mortgage charge over factory	105
-	First mortgage charge over factory	163
-	Personal guarantees of directors of the Company	3,450
-	Lien over certain local bills / receivables / shipping documents etc.	-

7.5 This represents financing of Rs. 50.0 million obtained from Habib Metropolitan Bank Limited to meet the working capital requirements of the Company. The amount is repayable in 5 years in 60 monthly installments starting from July 1, 2012. The loan carries mark-up at 3 months KIBOR + 2% per annum and is payable on quarterly basis in arrears on outstanding principal amount. This loan is secured against joint pari passu charge over the current assets of the Company to the tune of Rs. 650 million.

8. Deferred Liabilities

	Note	2012 Rupees	2011 Rupees
Defined benefits plan - Gratuity	8.1	251,746	21,093,469
Deferred tax liability	8.2	49,807,300	35,312,213
		50,059,046	56,405,682

8.1 Actuarial assumptions

Latest actuarial valuation of retirement benefits payable was carried out as at June 30, 2012 by an independent actuary using the following significant assumptions:

Discount rate	13%	14%
Expected rate of salary increase in future years	12%	13%
Expected rate of return on plan assets during 2011-2012	13%	-
Expected rate of return on plan assets during 2012-2013	13%	-
Average expected remaining working life of employees	14 years	
Actuarial valuation method	Projected Unit Credit Method	

8.1.1 Reconciliation of the funded status

	Note	2012 Rupees	2011 Rupees
Present value of defined benefit obligation	8.1.3	4,458,879	22,139,149
Unrecognized actuarial loss / (gain)		791,095	(1,045,680)
Fair value of plan assets	8.1.4	(4,998,228)	-
		251,746	21,093,469

8.1.2 Company's liability

	Note	2012 Rupees	2011 Rupees
Opening balance		21,093,469	16,768,015
Charge for the year	8.1.6	1,086,910	8,964,972
		22,180,379	25,732,987
Transferred to the fund		(21,550,213)	-
Benefits paid to outgoing employees		(378,420)	(4,639,518)
Closing balance		251,746	21,093,469

8.1.3 The movement in present value of defined obligations is as follows:

	2012 Rupees	2011 Rupees
Opening balance	22,139,149	16,768,015
Current service cost for the year	1,775,227	1,452,041
Interest cost for the year	3,099,481	2,012,162
Payable to staff	(17,350,006)	-
Gain due to settlement made during the year	(2,441,171)	-
Past service cost charge for worker	-	5,500,769
Benefits paid during the year	(1,211,299)	(4,639,518)
Actuarial (gain) / loss on present value of defined benefit obligation	(1,552,502)	1,045,680
Closing balance	4,458,879	22,139,149

8.1.4 The movement in fair value of plan assets is as follows:

	2012 Rupees	2011 Rupees
Opening balance	-	-
Expected return on plan assets	1,346,627	-
Contributions made during the year	21,550,213	-
Payable to staff	(17,350,006)	-
Benefits paid during the year	(832,879)	-
Actuarial gain / (loss) on plan assets	284,273	-
Closing balance	4,998,228	-

Plan assets comprise bank balances.

8.1.5 Actual return on plan assets

Expected return on plan assets	1,346,627	-
Actuarial gain / (loss) on plan assets	284,273	-
	1,630,900	-

8.1.6 Charge for the year

Current service cost	1,775,227	1,452,041
Interest cost	3,099,481	2,012,162
Curtailment / settlement	(2,441,171)	-
Expected return on plan assets	(1,346,627)	-
Past service cost	-	5,500,769
	1,086,910	8,964,972

8.1.7 Comparison for 5 years

	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees
Present value of defined benefit obligation	4,458,879	21,093,469	16,768,015	16,040,249	14,693,094
Fair value of plan asset	(4,998,228)	-	-	-	-
Actuarial gain	791,095	-	-	-	-
	251,746	21,093,469	16,768,015	16,040,249	14,693,094

8.2 Deferred tax liability

	Note	2012 Rupees	2011 Rupees
Deferred tax liability comprises as follows:			
Taxable temporary differences			
- Accelerated tax depreciation		102,427,612	107,851,458
- Surplus on revaluation of property, plant and equipment		1,250,717	1,316,544
		103,678,329	109,168,002
Deductible temporary differences			
- Share of net loss of associate		(4,001,633)	(9,439,027)
- Recognized losses	8.2.1	(42,649,302)	(46,436,837)
- Provisions and others		(7,220,094)	(17,979,925)
		(53,871,029)	(73,855,789)
		49,807,300	35,312,213

8.2.1 Being prudent, the management has not recognized deferred tax asset on account of tax credit on minimum tax paid amounting to Rs. 63.389 million.

9. Trade and Other Payables

	Note	2012 Rupees	2011 Rupees
Creditors	9.1	110,122,893	130,910,709
Bills payable		140,667,443	107,804,570
Accrued liabilties		6,237,458	11,527,017
Advances from customers		7,960,575	4,258,283
Workers' (profit) participation fund	9.2	475,500	-
Provident fund payable		745,872	447,816
Unclaimed dividend		292,819	292,819
Sales tax payable - net		2,178,254	11,022,147
Due to associate / related parties		3,482,397	1,108,604
Other liabilities		-	170,000
		272,163,211	267,541,965

9.1 Creditors include due to related parties amounting to Rs. 331,102 (2011: Rs. 1,899,830) arising in the normal course of business.

9.2 Workers' (profit) participation fund

	Note	2012 Rupees	2011 Rupees
Opening balance		-	8,820,581
Provision for the year		475,500	-
Interest on funds utilized in Company's business		-	458,231
		475,500	9,278,812
Payments / adjustments		-	(9,278,812)
		475,500	-

10. Accrued Mark up

	2012 Rupees	2011 Rupees
Long term financing	9,381,997	3,870,970
Short term borrowings		
- Banking companies	14,348,921	23,807,835
- Associated company	-	19,188
- Other	-	2,262,994
	23,730,918	29,960,987

11. Short Term Borrowings

	2012 Rupees	2011 Rupees
Banking companies - Secured		
- Running finance	203,721,543	409,629,743
- Borrowings / FATRs	270,629,317	393,883,426
	474,350,860	803,513,169

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. 1,500 million (2011: 2,035 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 charged using 1 to 6 Months KIBOR + 1% to 2.75% (2011: 1 to 3 Months KIBOR + 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% (2011: 0.1% to 0.25%) per quarter.

Securities

These facilities are secured against:

	Rupees in Million
- Joint pari passu charge over present and future current assets of the Company	800
- First pari passu charge over current and fixed assets of the Company	233
- Perfected security	166
- Ranking charge over present and future fixed assets of the Company	336
- Lien over certain local bills / shipping documents / trust receipts	-
- Personal guarantees of directors of the Company	-

As long term financing and short term borrowings obtained from Bank Al-Habib Limited are jointly secured against the assets of the Company; securities pertaining to them have been disclosed in Note 7.4.

All these facilities are renewable latest by January 31, 2013.

12. Provision for Taxation

	2012 Rupees	2011 Rupees
Opening balance	25,988,561	11,885,822
Add: Charge for the year	25,514,179	25,988,561
	51,502,740	37,874,383
Less: Payment / adjustments against advance tax	(25,988,561)	(11,885,822)
	25,514,179	25,988,561

12.1 Income tax assessments are deemed finalized by the management up to the Tax Year 2011 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 (2011: 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 the resolution of this pending issue. Furthermore, Customs Department raised a demand of Rs. 3.190 million against the Company during the year 2011 to cater for difference in valuation of certain imported raw materials. No provision has been made in these financial statements in respect of these demands as the management believes that these cases would be decided in its favour.

13.2 The Income Tax Department has adjusted Rs. 20.163 million in respect of demands raised against the Tax Years 2003, 2004, 2005 and 2006. The Company has not admitted these demands and filed appeals against these adjustments. No provision has been incorporated in these financial statements as the management is confident that these matters would be settled in the favour of the Company.

Furthermore one departmental appeal in respect of Tax Year 2003 is pending in the Appellate Tribunal having a tax impact Rs. 2.04 million. The management has not provided against this case as it is confident that the case would be settled in the favour of the Company.

The return for Tax Year 2009 has been selected for audit u/s 177 of the Income Tax Ordinance, 2001; proceedings in this respect have been initiated by the Income Tax Department that have been not completed yet.

13.3 Guarantees:

	2012	2011
	Rupees in Million	
- Sui Northern Gas Pipelines Limited	6.065	6.065
- Shipping guarantees	37.271	-
	43.336	6.065

Commitments

Commitments as at the balance sheet date were as under:

	2012	2011
	Rupees in Million	
- Irrecoverable letters of credit	164.864	230.936
- Contract against ERP	-	3.085
	164.864	234.021

14. Property, Plant and Equipment

	Note	2012 Rupees	2011 Rupees
Operating fixed assets	14.1	547,125,460	580,979,726
Capital work in progress	14.5	1,331,610	163,306
		548,457,070	581,143,032

14.1 Operating fixed assets

Year Ended June 30, 2012

Description	Land freehold	Buildings on freehold land	Plant and machinery	Tools and equipment	Office equipment	IT equipment	Furniture and fixtures	Laboratory equipment	Vehicles	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Owned assets										
Cost										
Balance as at July 01, 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
Additions	-	-	1,269,012	864,800	661,216	2,166,508	-	429,863	790,000	6,181,399
Deletion	-	-	(2,741,588)	(2,000,000)	(67,500)	(169,300)	-	-	(4,574,900)	(9,553,288)
Balance as at June 30, 2012	178,365,000	164,605,955	512,176,127	8,590,816	5,745,002	29,249,578	14,398,514	6,921,470	12,120,469	932,172,931
Accumulated depreciation										
Balance as at July 01, 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
Charge for the year	-	6,628,616	23,770,126	363,697	26,297	2,931,613	759,883	303,289	2,397,751	37,181,272
Deletion	-	-	(1,117,125)	(899,420)	(36,482)	(131,326)	-	-	(4,514,542)	(6,698,895)
Balance as at June 30, 2012	-	38,662,249	297,413,808	4,887,032	2,723,068	19,687,134	7,636,795	5,131,402	8,905,983	385,047,471
Total as at June 30, 2012	178,365,000	125,943,706	214,762,319	3,703,784	3,021,934	9,562,444	6,761,719	1,790,068	3,214,486	547,125,460
Depreciation rates	-	5%	10%	10%	10%	25%	10%	15%	20% to 25%	

Year Ended June 30, 2011

Description	Land freehold	Buildings on freehold land	Plant and machinery	Tools and Equipment	Office Equipment	IT Equipment	Furniture and fixtures	Laboratory Equipment	Vehicles	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
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%	

14.2 Allocation of depreciation charge

Depreciation charge for the year has been apportioned as follows:

	Note	2012 Rupees	2011 Rupees
Cost of sales	24	28,110,851	37,379,868
Administrative expenses	26	9,070,421	12,061,219
		37,181,272	49,441,087

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							
Plant and machinery:							
Diesel Generators	2,715,165	1,110,527	1,604,638	1,982,759	378,121	Power Link Services & Trading, Faisalabad	Negotiation
Tools and equipment:							
Material handling fork lifters	2,000,000	899,419	1,100,581	1,293,103	192,522	Zia ud Din Contractor, Sheikhupura	Negotiation
Sub-total	4,715,165	2,009,946	2,705,219	3,275,862	570,643		
Assets with book value of less than Rs. 50,000							
Vehicles	4,574,900	4,514,542	60,358	3,182,554	3,122,196	Various parties	Company Policy
Plant and machinery	26,423	6,599	19,824	21,552	1,728	Popular Travel & Tours, Lahore	Negotiation
Office equipment	67,500	36,482	31,018	25,000	(6,018)	Various parties	Company Policy
IT equipment	169,300	131,326	37,974	47,401	9,427	Inspectest (Private) Limited, Lahore	Negotiation
Sub-total	4,838,123	4,688,949	149,174	3,276,507	3,127,333		
Total 2012	9,553,288	6,698,895	2,854,393	6,552,369	3,697,976		
Total 2011	7,988,950	6,621,935	1,367,015	3,710,719	2,343,704		

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

Latest 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, 2012		
	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	14,406,587	13,229,209

14.5 Capital Work in Progress

	2012 Rupees	2011 Rupees
Opening balance	163,306	2,033,686
Additions during the year	3,830,634	3,851,367
Transferred to operating fixed assets	(2,662,330)	(5,721,747)
Closing balance	1,331,610	163,306

15. Intangible Assets

	2012 Rupees	2011 Rupees
Cost		
Opening balance	46,207,435	46,207,435
Additions / deletion	-	-
Closing balance	46,207,435	46,207,435
Accumulated amortization		
Opening balance	9,241,486	4,620,743
Charge for the year	4,620,743	4,620,743
Deletion	-	-
Closing balance	13,862,229	9,241,486
Net book value as at June 30	32,345,206	36,965,949
Amortization rate	10%	10%

15.1 Allocation of amortization charge

Amortization charge for the year has been apportioned as follows:

	2012 Rupees	2011 Rupees
Cost of sales (refer to Note 24)	3,493,507	3,493,507
Administrative expenses (refer to Note 26)	1,127,236	1,127,236
	4,620,743	4,620,743

16. Long Term Investments

	Note	2012 Rupees	2011 Rupees
Related Parties			
Associates			
Quoted - Equity method	16.1		
Descon Oxychem Limited			
Cost of investment		107,737,000	107,737,000
Post acquisition loss brought forward - net		(26,840,407)	(44,741,390)
		80,896,593	62,995,610
- Share in net (loss) / profit for the year		(13,298,842)	17,772,742
- Share of un-realized gain on available for sale investment of associate		122,918	128,241
		67,720,669	80,896,593
Unquoted - At cost			
Jotun Powder Coatings Pakistan (Private) Limited	16.3	2,200,000	2,200,000
- 220,000 (2011: 220,000) fully paid ordinary shares of Rs. 10 each			
- Equity holding 3.67% (2011: 3.67%)			
Others - Quoted (Available for Sale)			
TRG Pakistan Limited	16.4	113,100	76,800
- 30,000 (2011: 30,000) fully paid ordinary shares of Rs. 10 each			
- Cost of investment - Rs. 300,000 (2011: Rs. 300,000)			
- Market value Rs. 3.57 (2011: 2.56) per share			
		70,033,769	83,173,393

16.1 The Company's investment in Descon Oxychem Limited is less than 20% but this is considered to be an associate because the Company has significant influence over the financial and operating policies of the investee company through common directorship.

16.2 The summarized audited financial results of Descon Oxychem Limited are as follows:

	Rupees in million	
Total assets	3,082.59	3,265.59
Total liabilities	2,470.53	2,528.76
Sales	1,192.44	1,432.58
(Loss) / Profit after tax	(125.94)	179.97
Equity held	10.56%	10.56%

16.3 Jotun Powder Coatings Pakistan (Private) Limited is an associate 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 investment, cost is considered as the fair value of the investment.

16.4 This investment is measured at fair value and any change in the fair value resulting in gain or loss is recognized directly into equity through statement of comprehensive income.

17. Long Term Deposits and Loans

	Note	2012 Rupees	2011 Rupees
Security deposits		747,263	747,263
Loans to employees (Secured - Considered good)	17.1	10,000	835,000
Less: Current portion / recovered		(10,000)	(825,000)
		-	10,000
		747,263	757,263

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 are recovered in monthly installments from salary and secured against provident fund balances / title documents of respective assets.

18. Stock in Trade

	Note	2012 Rupees	2011 Rupees
Raw and packing materials		194,439,040	312,307,060
Work in process		940,355	-
Raw materials in transit		53,256,316	45,397,744
Finished goods		89,117,581	71,928,544
		337,753,292	429,633,348
Less: Provision for obsolescence of stock	18.1	-	(13,258,371)
		337,753,292	416,374,977

18.1 Provision for obsolescence of stock

	2012	2011
Opening balance	13,258,371	8,771,958
Provision for the year	750,882	20,590,850
	14,009,253	29,362,808
Less: Obsolete stocks written off	(14,009,253)	(16,104,437)
	-	13,258,371

18.2 Certain long term financing 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.

19. Trade Debts

	Note	2012 Rupees	2011 Rupees
Unsecured			
Considered good		414,309,449	439,161,656
Considered doubtful		20,377,647	17,230,308
Secured			
Foreign debtors		2,955,308	100,000
		437,642,404	456,491,964
Less: Provision for doubtful debts	19.3	(20,377,647)	(17,230,308)
		417,264,757	439,261,656

19.1 Trade debts include receivables of Rs. 23.812 million (2011: 102.914 million) that are under lien against long term financing and short term borrowings provided by a banking company.

19.2 Trade debts do not include any amount due from related parties (2011: Nil).

19.3 Provision for doubtful debts

Opening balance	17,230,308	5,726,980
Provision for the year	4,316,672	13,607,336
	21,546,980	19,334,316
Less: Bad debts written off	(1,169,333)	(2,104,008)
	20,377,647	17,230,308

20. Loans and Advances

	Note	2012 Rupees	2011 Rupees
Advances - Considered good:			
- Suppliers and contractors		4,999,435	10,690,396
- Employees	20.1	946,696	680,812
- Letters of credit		448,142	261,904
Short term loans to employees (Secured - Considered good)	20.2	893,019	123,787
Current portion of long term loans to employees	17	-	825,000
Income tax deducted at source and advance tax		104,146,706	117,852,045
		111,433,998	130,433,944

20.1 Advances to employees include amounts of Rs. 126,500 (2011: Rs. 138,808) given to directors and executives of the Company for business travel purposes as per the Company's policy.

20.2 This represents interest free loans given to employees as per the Company's policy. These loans are recoverable in monthly installments from salary and are secured against provident fund balances of employees.

21. Short Term Prepayments and Other Receivables

	Note	2012 Rupees	2011 Rupees
Prepayments		5,489,990	3,345,108
Imprest with employees		51,462	23,054
Due from associates / related parties	21.1	20,797,985	17,481,926
Other receivable		62,810	62,810
		26,402,247	20,912,898

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

	Note	2012 Rupees	2011 Rupees
Descon Oxychem Limited		3,565,529	9,333,436
Gray Mackenzie Engineering Services LLC		1,576,812	1,159,741
Gray Mackenzie Engineering Services WLL Qatar		1,320,060	-
Inspectest (Pvt.) Limited		2,601,431	507,012
Inspectest Industrial Solutions LLC		1,300,479	-
Rousch Pakistan (Pvt.) Limited		260,198	240,516
Descon Power Solution (Pvt.) Limited		10,017,857	6,146,288
Interworld Travels (Pvt.) Limited		45,509	94,933
Descon Integrated Projects (Pvt.) Limited		46,998	-
Presson Descon International (Pvt.) Limited		8,662	-
Olyan Descon Industrial Company Limited		54,450	-
		20,797,985	17,481,926

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

22. Cash and Bank Balances

	Note	2012 Rupees	2011 Rupees
Cash in hand		-	1,216,467
Cash at bank - in current accounts		9,938,238	19,140,759
Cash at bank - in saving accounts	22.1	15,274,656	26,770,355
		25,212,894	47,127,581

22.1 It carries interest at the rates ranging from 4% to 10% (2011: 4% to 10%) per annum.

23. Sales

	2012 Rupees	2011 Rupees
Local sales	2,914,923,417	2,998,828,739
Less: Sales tax	(363,505,534)	(399,972,656)
	2,551,417,883	2,598,856,083
Export sales	9,347,600	2,823,945
Export rebate	90,767	53,781
	2,560,856,250	2,601,733,809

24. Cost of Sales

	Note	2012 Rupees	2011 Rupees
Raw materials consumed	24.1	2,183,070,191	2,062,407,220
Chemicals consumed		3,049,116	4,615,862
Packing material consumed		2,798,188	4,376,492
Stores and spares consumed		19,717,629	18,486,245
Fuel and power		33,679,936	37,094,720
Salaries, wages and benefits	24.2	46,448,990	46,398,582
Services on contract		10,698,249	13,379,822
Repairs and maintenance		2,182,496	2,058,202
Travelling and entertainment		1,852,619	1,535,288
Insurance		6,157,793	5,956,491
Transportation		7,428,124	7,397,136
Communication		429,905	450,863
Miscellaneous		820,408	802,638
Amortization	15.1	3,493,507	3,493,507
Depreciation	14.2	28,110,851	37,379,868
		2,349,938,002	2,245,832,936
Work in process			
- Opening work in process		-	6,096,347
- Closing work in process		(940,355)	-
		(940,355)	6,096,347
Cost of goods manufactured		2,348,997,647	2,251,929,283
Finished goods			
- Opening finished goods		71,928,544	107,689,264
- Closing finished goods		(79,224,448)	(71,928,544)
		(7,295,904)	35,760,720
		2,341,701,743	2,287,690,003

24.1 Raw materials consumed:

	2012 Rupees	2011 Rupees
- Opening stock	312,307,060	290,271,019
- Purchases	2,060,423,157	2,091,775,740
	2,372,730,217	2,382,046,759
- Closing stock	(189,660,026)	(312,307,060)
- Obsolete stock written off	-	(7,332,479)
	(189,660,026)	(319,639,539)
	2,183,070,191	2,062,407,220

24.2 This includes Rs. 2,006,868 (2011: Rs. 6,462,792) in respect of employee benefits.

25. Distribution Cost

	Note	2012 Rupees	2011 Rupees
Salaries, wages and benefits	25.1	16,652,390	24,427,480
Travelling, boarding and lodging		2,526,105	2,286,410
Insurance and license fee		2,148,417	2,390,912
Entertainment		229,468	272,264
Communication		770,406	989,157
Sampling		1,984,369	912,733
Packing, carriage and forwarding		24,213,608	36,357,270
Rent, rates and taxes		1,742,105	4,960,376
Electricity charges		2,348,782	3,394,597
Water and gas charges		178,839	221,137
Repairs and maintenance		187,851	239,634
Vehicles' running cost		2,457,141	2,248,408
Advertisement		80,968	103,513
Public relations		2,683,215	3,811,908
Miscellaneous		687,876	404,142
		58,891,540	83,019,941

25.1 This includes Rs. 866,698 (2011: Rs. 1,871,532) in respect of employee benefits.

26. Administrative Expenses

	Note	2012 Rupees	2011 Rupees
Salaries, wages and benefits	26.1	11,397,938	39,877,092
Travelling and conveyance		1,674,064	2,111,869
Vehicles' running cost		464,577	2,387,569
Repairs and maintenance		610,529	2,669,575
Insurance		1,569,279	2,332,468
Printing and stationery		1,417,521	2,548,124
Communication		1,139,368	2,478,297
Fees and subscription		2,094,767	3,589,470
Advertisement		45,300	109,020
Charity and donations		-	220,550
Entertainment		756,654	845,189
Manpower development		672,336	446,068
Legal and professional charges		7,308,000	2,804,500
Research and development		1,549,662	2,000,000
Miscellaneous		1,060,126	2,331,986
Amortization	15.1	1,127,236	1,127,236
Depreciation	14.2	9,070,421	12,061,219
		41,957,778	79,940,232

26.1 This includes Rs. 861,308 (2011: Rs. 4,399,574) in respect of employee benefits.

27. Other Operating Expenses

	Note	2012 Rupees	2011 Rupees
Auditors' remuneration	27.1	922,000	922,000
Tax penalties		225,729	479,032
Workers' profit (participation) fund		475,500	-
Provision for doubtful debts / bad debts written off		4,316,672	13,607,336
Provision for obsolescence of stock		750,882	20,590,850
		6,690,783	35,599,218

27.1 Auditors' remuneration

	2012 Rupees	2011 Rupees
Audit fee	550,000	550,000
Half yearly review and corporate governance certifications	330,000	330,000
Out of pocket expenses	42,000	42,000
	922,000	922,000

28. Finance Cost

	2012 Rupees	2011 Rupees
Markup on long term financing	17,749,645	16,498,352
Markup on short term borrowings from:		
- Banking companies	105,877,096	139,499,919
- Associated company	-	483,287
Interest on workers' (profit) participation fund	-	458,231
Bank charges	2,042,873	2,219,809
	125,669,614	159,159,598

29. Other Operating Income

	2012 Rupees	2011 Rupees
Income from financial assets		
Profit on investments	719	981,890
Exchange gain	918,767	22,109
Profit on bank accounts	2,169,523	667,306
	3,089,009	1,671,305
Income from non - financial assets		
Gain on disposal of property, plant and equipment	3,697,976	2,343,704
Sale of waste material / scrap	10,073,891	5,876,274
	13,771,867	8,219,978
Others		
Insurance claim	-	4,129,940
Liabilities written back	4,891,169	10,161,051
Indenting commission	1,337,670	2,941,852
	6,228,839	17,232,843
	23,089,715	27,124,126

30. Taxation

	Note	2012 Rupees	2011 Rupees
Current	30.1	42,944,207	25,988,561
Deferred		14,495,087	(5,486,785)
		57,439,294	20,501,776

30.1 This includes Rs. 17.430 million (2011: Nil) on account of prior year taxation.

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

		2012	2011
Net loss for the year	Rupees	(61,703,629)	(19,280,091)
Weighted average number of ordinary shares outstanding during the year	Numbers	199,557,856	199,557,856
Loss per share - basic	Rupees	(0.31)	(0.10)

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

	2012 Rupees	2011 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation and share of (loss) / profit of associated undertaking	9,034,507	(16,551,057)
Adjustments for:		
- Depreciation	37,181,272	49,441,087
- Amortization of intangible asset	4,620,743	4,620,743
- Provision for gratuity	1,086,910	8,964,972
- Provision for obsolescence of stock	750,882	20,590,850
- Provision for doubtful debts	4,316,672	13,607,336
- Liabilities written back	(4,891,169)	(10,161,051)
- Gain on disposal of property, plant and equipment	(3,697,976)	(2,343,704)
- Exchange gain	(918,767)	(22,109)
- Finance cost	125,669,614	158,701,367
- Interest income	(2,170,242)	(1,649,196)
	161,947,939	241,750,295
Operating profit before working capital changes	170,982,446	225,199,238
(Increase) / decrease in current assets		
- Stores and spares	4,511,480	(3,927,538)
- Stock in trade	77,870,803	95,082,586
- Trade debts	18,598,994	33,327,669
- Loans and advances	5,294,607	(5,847,865)
- Short term prepayments and other receivables	(5,489,349)	16,504,078
(Decrease) / increase in current liabilities		
- Trade and other payables	9,512,415	(28,208,778)
	110,298,950	106,930,152
Cash generated from operations	281,281,396	332,129,390

33. Remuneration of Chief Executive, Directors and Executives

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

	2012			2011		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	1,319,814	1,817,424	14,969,808	2,549,235	2,787,212	18,897,440
House rent allowance	959,868	726,970	7,997,844	1,176,570	1,286,406	8,455,192
Utilities	119,982	181,742	1,655,580	196,995	216,126	1,718,915
Car and other allowances	358,536	-	3,430,980	-	-	1,867,025
Staff retirement benefits	263,963	-	1,561,439	467,793	-	3,479,231
	3,022,163	2,726,136	29,615,651	4,390,593	4,289,744	34,417,803
Number of persons	1	2	18	1	2	21

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:

	2012 Rupees	2011 Rupees
Associates and related parties		
Purchase of material, goods and utilities	2,881,442	5,973,607
Sale of material and goods	21,799,171	12,046,015
Managerial services and common expenses - net	36,768,934	16,739,188
Short term loan repaid	-	(5,000,000)
Interest paid on short term loan	-	(483,287)
Investment in associate	-	7,114,000

Staff retirement fund

		2012 Rupees	2011 Rupees
Company's contribution to:			
-	Employees' provident fund	2,647,964	3,768,926
-	Gratuity	1,086,910	8,964,972

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. The 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 organized into following four operating segments:

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

The 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, 2012 is as follows.

	Coating and Emulsion	Polyester	Textile and Paper	Trading	Total
			Rupees in Thousands		
Segment Results for the year ended June 30, 2012					
Revenue	1,214,678	155,725	541,557	648,896	2,560,856
Segment results June 30, 2012	23,623	5,905	63,473	25,305	118,306
Other operating expenses					(6,691)
Finance costs					(125,670)
Other operating income					23,090
Net profit before tax and share of profit / (loss) of associate					9,035
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
Other operating expenses					(35,599)
Finance costs					(159,160)
Other operating income					27,124
Net loss before tax and share of profit / (loss) of associate for the year					(16,551)
Segment asset and liabilities as at June 30, 2012					
Segment assets	567,205	122,277	302,528	78,120	1,070,130
Segment liabilities	116,891	15,127	69,209	49,446	250,673
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

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

	2012	2011
	Rupees in Thousands	
Segment assets for reportable segments	1,070,130	1,197,034
Corporate assets unallocated	346,062	362,921
Cash and bank balances	25,213	47,128
Others	138,583	163,916
Total assets as per the balance sheet	1,579,988	1,770,999

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

	2012	2011
	Rupees in Thousands	
Segment liabilities for reportable segments	250,673	238,715
Corporate liabilities unallocated	784,351	905,388
Trade and other payables	95,280	115,193
Taxation - net	25,514	25,989
Total liabilities as per the balance sheet	1,155,818	1,285,285

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

- Information about products
  One product of the Company comprises 10.64% (2011: 10.61%) of total sales for the year.

- Information about major customers
  One customer of the Company accounts for 21.61% (2011: 19.91%) 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:

	2012	
	Rupees	USD
Trade debts	2,955,308	31,356
Gross balance sheet exposure	2,955,308	31,356
Outstanding letters of credit	(106,875,165)	(1,133,954)
Net exposure	(103,919,857)	(1,102,598)

	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)

The following exchange rates were applied during the year:

	2012	2011
Rupees per foreign currency rate		
Average rate - Rupees per US Dollar	89.93	86.24
Reporting date rate - Rupees per US Dollar	94.25	86.05

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. 5.196 million (2011: Rs. 6.327 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. 5,655 (2011: Rs. 3,840) 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:

	2012			
	Total	Level 1	Level 2	Level 3
	Rupees	Rupees	Rupees	Rupees
Financial assets - Available for sale investments				
- TRG Pakistan Limited	113,100	113,100		
- Jotun Powder Coatings Pakistan (Private) Limited	2,200,000	-	2,200,000	-
	2,313,100	113,100	2,200,000	-

	2011			
	Total	Level 1	Level 2	Level 3
	Rupees	Rupees	Rupees	Rupees
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	-

(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:

	2012 Rupees	2011 Rupees
Floating rate instruments		
Financial liabilities		
Long term financing	310,000,000	101,875,116
Short term borrowings	474,350,860	803,513,169
Financial assets		
Bank balances - saving accounts	15,274,656	26,770,355

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. 7.691 million (2011: Rs. 8.786 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:

	2012 Rupees	2011 Rupees
Long term investments	2,313,100	2,276,800
Long term deposit and advances	757,263	1,582,263
Trade debts	417,264,757	439,261,656
Loans and advances	893,019	123,787
Other receivables	20,860,795	17,544,736
Bank balances	25,212,894	45,911,114
The aging of trade debts as at balance sheet date is as follows:		
Past due 1 - 30 days	162,802,032	168,378,084
Past due 31 - 60 days	107,429,539	131,340,918
Past due 61 - 120 days	31,625,319	49,339,762
More than 120 days	115,407,867	90,202,892
	417,264,757	439,261,656

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		
	Short term	Long term	Agency	2012	2011
				Rupees	Rupees
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	10,342,404	19,020,171
KASB Bank Limited	A3	BBB	PACRA	99	42,444
Bank Al-Habib Limited	A1+	AA+	PACRA	14,870,391	26,841,397
				25,212,894	45,904,012

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. 1,500 million (2011: Rs. 2,035 million) worth short term borrowing limits available from financial institutions and Rs. 25.213 million (2011: Rs. 47.128 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, 2012:

Description	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	Above 5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Long term finances	310,000,000	351,600,850	24,510,350	20,520,000	306,570,500	
Trade and other payables	260,510,191	260,510,191	260,510,191	-	-	-
Accrued mark up	23,730,918	23,730,918	23,730,918	-	-	-
Short term borrowings	474,350,860	537,879,637	537,879,637	-	-	-
	1,068,591,969	1,173,721,596	846,631,096	20,520,000	306,570,500	-

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

Description	Carrying Amount	Contractual cash flows	Within 1 year	1-2 Years	2-5 Years	Above 5 Years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Long term finances	101,875,116	115,223,357	88,055,007	21,387,850	5,780,500	-
Trade and other payables	251,520,900	251,520,900	251,520,900	-	-	-
Accrued mark up	29,960,987	29,960,987	29,960,987	-	-	-
Short term borrowings	803,513,169	925,366,339	925,366,339	-	-	-
	1,186,870,172	1,322,071,583	1,294,903,233	21,387,850	5,780,500	-

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, 2012. 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:

	2012 Rupees	2011 Rupees
Total borrowings	784,350,860	905,388,285
Cash and bank balances	(25,212,894)	(47,127,581)
Net debt	759,137,966	858,260,704
Equity	385,642,762	447,071,035
Total capital employed	1,144,780,728	1,305,331,739
Gearing ratio	66.31%	65.75%

38. Plant Capacity and Production

	2012	2011
	Metric Ton	Metric Ton
Actual production	14,384	17,806

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

39. Authorization of Financial Statements

These financial statements were authorized for issue on September 20, 2012 by the Board of Directors of the Company.

40. General

Comparative figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. Following re-arrangements / reclassifications have been made in these financial statements for better presentation:

	From	To	Amount Rupees
Insurance	Administrative Expenses	Cost of Sales	3,642,912
Accumulated Depreciation	Office Equipment	Vehicles	268,124

CHIEF EXECUTIVE

DIRCETOR

Pattern of holding of the Shares held by the Shareholders
As at June 30, 2012

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
775	1	100	28,983
632	101	500	185,603
547	501	1,000	469,367
742	1,001	5,000	2,143,262
236	5,001	10,000	2,022,172
67	10,001	15,000	872,285
55	15,001	20,000	1,022,730
40	20,001	25,000	956,744
23	25,001	30,000	655,119
12	30,001	35,000	389,602
12	35,001	40,000	470,525
6	40,001	45,000	258,500
19	45,001	50,000	944,537
11	50,001	55,000	596,309
9	55,001	60,000	528,394
2	60,001	65,000	126,201
7	65,001	70,000	480,721
5	70,001	75,000	367,650
7	75,001	80,000	540,462
4	80,001	85,000	330,500
7	85,001	90,000	622,100
1	90,001	95,000	93,000
11	95,001	100,000	1,092,698
3	100,001	105,000	314,203
4	105,001	110,000	434,137
1	110,001	115,000	115,000
3	120,001	125,000	366,605
2	130,001	135,000	268,000
1	135,001	140,000	136,953
3	140,001	145,000	424,570
2	145,001	150,000	300,000
1	155,001	160,000	159,500
1	160,001	165,000	165,000

Number of Shareholders	Shareholding		Total Shares Held
	From	To	
3	170,001	175,000	518,206
1	175,001	180,000	179,000
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	235,001	240,000	236,140
2	245,001	250,000	500,000
1	270,001	275,000	272,500
1	300,001	305,000	302,000
2	305,001	310,000	614,597
2	315,001	320,000	638,084
1	405,001	410,000	405,692
1	475,001	480,000	475,003
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	660,001	665,000	663,100
1	685,001	690,000	687,792
1	805,001	810,000	806,250
1	1,260,001	1,265,000	1,264,000
1	1,700,001	1,705,000	1,702,783
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
3,289			199,557,856

Categories of Shareholders Required Under Code of Corporate Governance as on June 30, 2012

		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 RAZAK DAWOOD		143,238,378	71.78%
	MR. ABDUL RAZAK 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 ABDUL RAZAK 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%
	NATIONAL BANK OF PAKISTAN(CDC)		49,567	0.02%
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	585,891	0.29%
FINANCIAL INSTITUTION				
1	N. D. F. C.		1,623	0.00%
2	AL FAYSAL INVESTMENT BANK LTD.		300	0.00%
3	ISLAMIC INVESTMENT BANK LTD.		287	0.00%
4	ESCORTS INVESTMENT BANK LTD. (CDC)		200	0.00%
		4	2,410	0.01%
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%

		NUMBER	HOLDING	% AGE
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.I. SECURITES (PVT) LTD. (CDC)		10,00	0.05%
6	ACE SECURITIES (PVT.) LIMITED (CDC)		54,900	0.03%
7	AFSA (PVT) LTD. (CDC)		33	0.00%
8	AWJ SECURITIES (SMC-PRIVATE) LIMITED. (CDC)		500	0.00%
9	AXIS GLOBAL LTD. (CDC)		3,000	0.00%
10	BAWA SECURITIES (PVT) LTD. (CDC)		10,000	0.01%
11	CAPITAL VISION SECURITIES (PVT) LIMITED (CDC)		100	0.00%
12	COOPER & CO.(PRIVATE) LIMITED (CDC)		100,000	0.05%
13	DARSON SECURITIES (PRIVATE) LIMITED (CDC)		66,520	0.03%
14	FAIRTRADE CAPITAL SECURITIES (PVT.) LIMITED (CDC)		500	0.00%
15	HARAL SONS (SMC-PVT) LTD (CDC)		74,650	0.04%
16	IMPEIAL INVESTMENT (PVT) LTD. (CDC)		12,399	0.03%
17	INVEST CAPITAL MARKETS LTD. (CDC)		500	0.00%
18	ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LMITED (CDC)		5,000	0.03%
19	MOOSA,NOOR MOHAMMAD,SHAHZADA&CO.PVT.LTD (CDC)		81,000	0.04%
20	NCC - SQUARING - UP ACCOUNT (CDC)		1	0.00%
21	NH SECURITIES (PVT) LIMITED. (CDC)		60,000	0.03%
22	PEARL CAPITAL MANAGEMENT (PRIVATE) LIMITED (CDC)		5,608	0.00%
23	S.H. BUKHARI SECURITIES (PVT) LIMITED (CDC)		2	0.00%
24	SARFRAZ MAHMOOD (PRIVATE) LTD (CDC)		167	0.00%
25	SHAFFI SECURITIES (PVT) LIMITED (CDC)		353	0.00%
26	SNM SECURITIES (PVT) LTD. (CDC)		272,500	0.14%
27	STOCK MASTER SECURITIES (PVT) LIMITED (CDC)		26,00	0.00%
28	TAURUS SECURITIES LIMITED (CDC)		1,000	0.00%
29	THREE STARS CEMENT (PVT) LTD (CDC)		10,000	0.01%
30	TIME SECURITIES LIMITED (CDC)		3,338	0.00%
31	UNI - COMMERCE (PVT) LIMITED (CDC)		50,000	0.03%
31	MYK (PRIVATE) LIMITED. (CDC)		517,099	0.26%
		31	1,349,093	0.67%
EXECUTIVES		-	-	-
SHARES HELD BY THE GENERAL PUBLIC		3,238	33,423,386	16.74%
	TOTAL:	3,289	199,557,856	100.00%

List of Shareholders Holding more than equal to 5% 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 ANNUAL GENERAL MEETING
DESCON CHEMICALS LIMITED

Notice is hereby given that 48th Annual General Meeting of Descon Chemicals Limited will be held on Monday, October 22, 2012, at 11.00 am, at Descon Headquarters, 18-Km Ferozepur Road, Lahore, to transact the following business:

ORDINARY BUSINESS

1. To confirm minutes of the last Annual General Meeting of the Company held on October 20, 2011.

2. To receive, consider and adopt the audited accounts of the Company for the year ended 30th June 2012 together with the Director's and Auditor's Reports thereon.

3. To appoint Auditors and fix their remuneration for the year ending June 30, 2013. (The present auditors M/s. Horwath Hussain Chaudhry & 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
October 01, 2012

Notes:-

1. The share transfer books of the Company shall remain closed from 12-10-2012 to 22-10-2012 (both days inclusive).

2. Member 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 also 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, l8-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 Eighth Annual General Meeting of the Company to be held at Descon Headquarters, 18-KM Ferozepur Road, Lahore on Thursday, October 22, 2012 at 11:00 hrs. and at any adjournment thereof.

As witness my/our hand this ________________ day of ____________ 2012

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 ______________

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

BUSINESS AVENUE, 26/A,
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,
SHEIKHUPURA - FAISALABAD ROAD,
MOUZA BHIKKI DISTRICT,
SHEIKHUPURA, PAKISTAN.
T : 92 56 3 090955, 3 091294
F : 92 56 3 882189