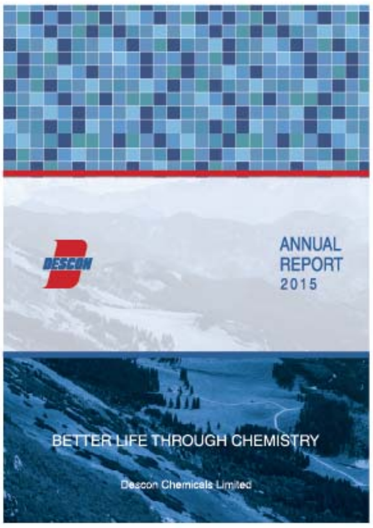
DESCON

ANNUAL REPORT
2015

BETTER LIFE THROUGH CHEMISTRY

Descon Chemicals Limited



COVER CONCEPT

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

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

ANNUAL REPORT

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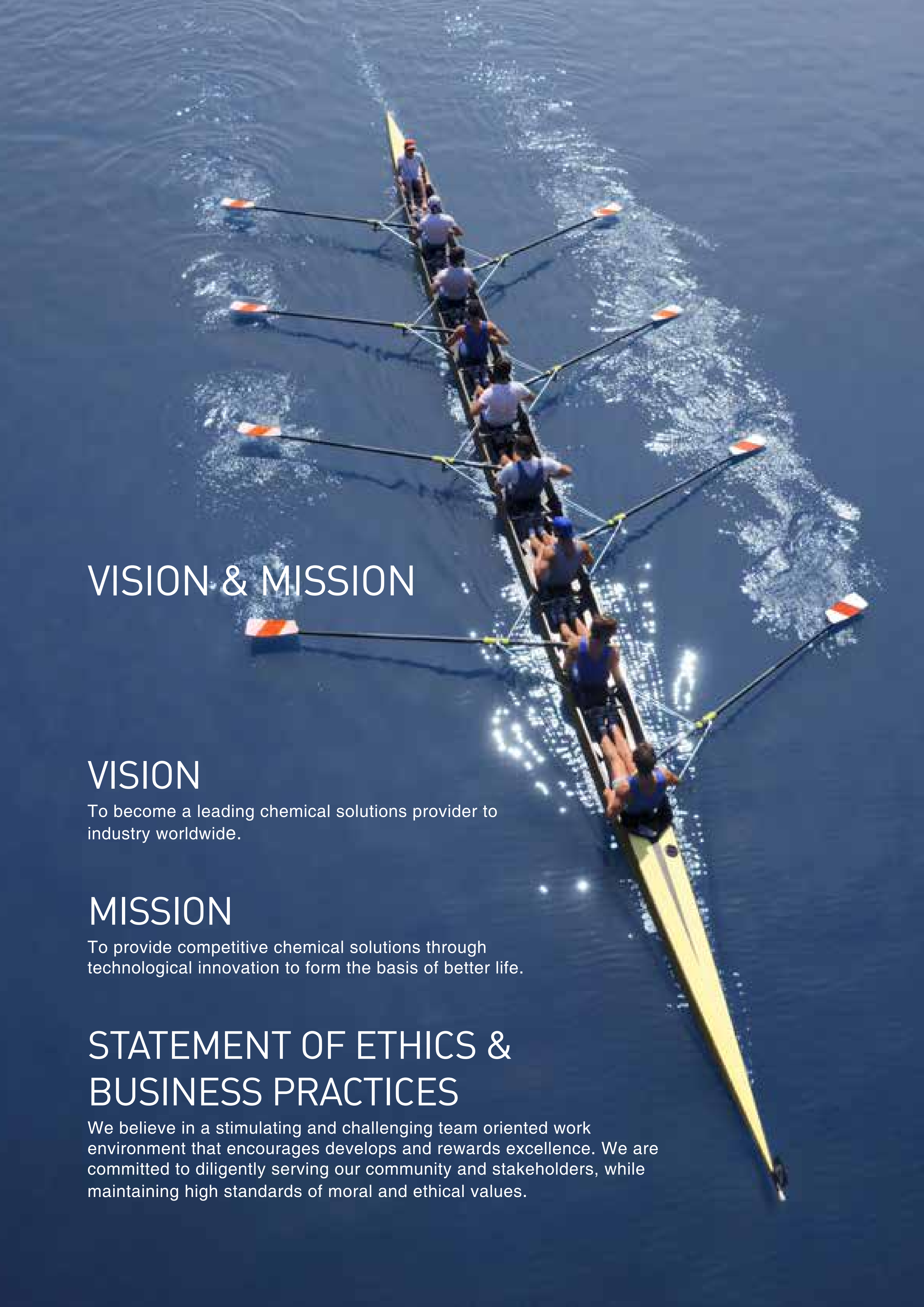


VISION & MISSION

VISION
To become a leading chemical solutions provider to industry worldwide.

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

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

COMPANY INFORMATION

Board of Directors
Abdul Razak Dawood
Chairman

Aamir Niazi
Chief Executive Officer

Farooq Nazir
Taimur Dawood
Faisal Dawood

Chief Financial Officer
Yasir Siddique Sheikh

Company Secretary
Abdul Sohail

Auditors
Horwath Hussain Chaudhury & Co.
Chartered Accountants

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

Legal Advisors
M/s Hassan & Hassan
Advocates

Bankers
Bank Al Habib Limited
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 35813931

Plant Site
Site 1:
14.5-KM
Lahore - Sheikhupura Road,
Lahore, Pakistan.
Tel: +92 42 37970 962
Fax: +92 42 37970 229

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

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

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

BOARD AND MANAGEMENT COMMITTEES

Audit Committee

Audit committee has been constituted by the Board in compliance with the Listing Regulations. The committee oversees the Internal Audit function, and also reviews internal audit plans and reports. The committee conducts its meetings as and when required. The committee apprises the Board about the significant discussions and decisions at its meetings and recommendations in respect of Company's operations and financial results.

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

Farooq Nazir	Chairman
Taimur Dawood	Member
Faisal Dawood	Member

Enterprise Risk Management Committee

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

Taimur Dawood	Board Nominee
Aamir Niazi	Chief Executive Officer
Abdul Sohail	Company Secretary
Yasir Siddique Sheikh	Chief Financial Officer
Zulfiqar Ahmad	Head Shared Services
Bilal Malik	Head HR
Saqib Abbas	Manager Compliance & Reporting

Human Resource & Remuneration Committee

The Committee has been constituted by the Board to recommend human resource management policies to the Board and fulfill the requirements of the Code of Corporate Governance. It comprises of three members, of whom two are non-executive directors including the Chairman of the committee who is a non-executive director.

Taimur Dawood	Chairman
Farooq Nazir	Member
Aamir Niazi	Member

Compliance Committee

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

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

DIRECTORS' REPORT

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

Financial Review

	2015	2014
	Rupees in thousands	
Sales	1,806,427	2,199,528
Gross profit	151,789	184,555
EBITDA	67,050	91,259
Operating profit	38,476	58,964
Finance cost	94,645	111,522
Loss before tax and share of loss of associate undertaking	(49,739)	(51,285)
Share of net loss of associate	(12,586)	(6,472)
Loss before tax	(62,325)	(57,758)
Loss after tax	(82,367)	(69,074)
EPS – (Rupees)	(0.41)	(0.35)

The Company faced various challenges during the year posed by macroeconomic & industry specific factors resulting in reduced demand for our products. The reduction in sales volumes has contributed significantly in the loss for the year. We sold 11,362 MTs, a decrease of 2,582 MTs or 18.52% less compared to the previous year. The competitive environment for the products manufactured by the Company has become very challenging due to unfair competition from the unorganized sector, which has mushroomed in the last decade. The unorganized resin manufacturers are not subject to the same regulatory environment that your Company has to comply with, hence becoming uncompetitive. Gross margin remained at 8.4%, which was not sufficient to absorb the overheads and interest cost. As a result, the Company suffered net loss of PKR 82 mln during the year which is higher by 19% compared to the last year.

Operating profit of the Company registered a decrease of approximately PKR 20 mln or 35% over last year mainly due to the reduction in volume. The interest cost has decreased substantially compared to last year due to strong monitoring / control over working capital which will continue with stringent working capital controls as is evident from reduction in receivables & inventories.

The Company's investment in Descon Oxychem Limited, an associated Company, was disposed-off during the period which injected the cash for repayment of long term debts of the Company. Furthermore, major sponsors of the company injected PKR 40 million as sub-ordinated loan in the company, which was also used to repay the long-term loan installment. These cash injections helped the company to abide by all its financial commitments, towards its lenders & other stakeholders, despite a very tough & challenging year.

Subsequent Events

Subsequent to the balance sheet date, the Company has received an offer for purchase of its major shareholding. The Board of Directors is considering this offer; however, any decision to accept / reject the offer has yet not been finalized.

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 the Stock Exchanges. The Company ensures best practices of Corporate Governance by adopting a set of processes, customs and policies, to help us direct and control management activities with good business sense, objectivity, accountability and integrity. We have made corporate governance a system of structuring, operating and controlling the Company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers.

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

Best Corporate Practices

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

Composition of the Board of Directors

Keeping in mind the Legal and Regulatory framework defining the factors regarding qualification and composition of the Board of Directors, the Company has on its Board highly capable and dedicated personnel with vast experience, knowledge integrity, and strong sense of responsibility for safe guarding of Shareholders' interest. The Board consisted of 8 Directors including the Chief Executive Officer, effectively representing the interest of shareholders. There were six (6) non-executive Directors and two (2) Executive Directors including the Chief Executive Officer in the fiscal year under review.

Meetings of the Board

The Board is legally required to meet at least once every quarter to monitor the Company's performance aimed at effective and timely accountability of its management. The Board held 5 such meetings during the year, agendas of which were circulated in a timely manner. The decisions made by the Board during the meetings were recorded, and were duly circulated to all the Directors for endorsement and were approved in the following Board meetings. All meetings of the Board had minimum quorum for attendance prescribed by the Code of Corporate Governance and were also attended by the Chairman and the Company Secretary. Details of attendance by Directors at each Board meeting are as follows:

Name of Director	Meetings Attended	Remarks
Abdul Razak Dawood	5	-
Salman Zakaria	0	Leave of absence was granted in two meetings and later resigned.
Taimur Dawood	5	-
Farooq Nazir	3	Leaves of absence was granted in two meetings.
Muhammad Sadiq	2	Died.
Syed Zamanat Abbas	0	Leave of absence was granted in two meetings and later resigned.
Faisal Dawood	2	Leave of absence was granted in three meetings.
Taimur Saeed	4	Resigned
Aamir Niazi	1	Newly appointed

Training of the Board

As per requirements of the listing regulations, each member of the Board shall be subject to orientation and training for enhancing their director skills. The Board had arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate Governance for its directors. However during the year no director has obtained certification under director's training program as required under clause XI of the Code.

Changes to the Board

Muhammad Sadiq has died during the year, Mr. Salman Zakaria and Mr. Syed Zamanat Abbas has been resigned from the position of director.

Directors' Statement

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

i. Presentation of Financial Statements

The financial statements, prepared by the management of the Company, fairly present its state of affairs, the results of its operations, its other comprehensive loss, cash flows and changes in equity.

ii. Books of Accounts

The Company has maintained proper books of accounts.

iii. Accounting Policies

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

iv. International Financial Reporting Standards (IFRS)

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

v. Accounting Year

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

vi. Safety and Environments

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

vii. Going Concern

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

viii. Internal Control System

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

ix. Trading Company's Shares

Mr. Abdul Razak Dawood sold 16,000,000 shares of the Company, Mr. Taimur Dawood sold 88,500 shares of the Company during the year. No other director, CEO, CFO, Company Secretary and their spouse 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 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, 2016.

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 the year, four audit committee meetings were held. The following are the members of the audit committee

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

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

Acknowledgements

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

For and on behalf of the Board

Lahore
October 02, 2015

Aamir Niazi
Chief Executive Officer

KEY OPERATING AND FINANCIAL DATA

	2015	2014	2013	2012	2011	2010
	..........(Rs.in 000)..........					
Summary of Profit and Loss						
Sales	1,806,427	2,199,528	2,402,440	2,560,856	2,601,734	2,383,950
Cost of Goods Sold	(1,654,639)	(2,014,973)	(2,186,080)	(2,341,702)	(2,287,690)	(2,072,600)
Gross Profit	151,789	184,555	216,361	219,155	314,044	311,350
Operating profit	38,476	58,964	106,612	118,305	151,084	136,970
Finance Cost	(94,645)	(111,522)	(110,466)	(125,670)	(159,160)	(159,606)
Profit / (loss) before tax	(62,325)	(57,758)	(43,338)	(4,264)	1,222	(53,183)
Profit / (loss) after tax	(82,367)	(69,074)	(42,115)	(61,704)	(19,280)	(49,409)
Financial Position						
Share Capital	997,789	997,789	997,789	997,789	997,789	997,789
Reserves including unappropriated profit	(804,019)	(721,985)	(652,365)	(611,616)	(550,718)	(531,642)
Long term borrowings	121,277	179,333	269,000	287,000	33,500	100,375
Property, plant and equipment	486,102	515,068	534,998	548,457	581,143	625,230
Net Current Assets	(123,315)	(76,033)	56,058	109,645	(126,420)	(64,078)
Investor Information						
Gross profit margin (%)	8.40%	8.39%	9.01%	8.56%	12.07%	13.06%
Pre tax margin (%)	-3.5%	-2.63%	(1.80%)	(0.17%)	0.05%	(2.23%)
Net profit margin (%)	-4.6%	-3.14%	(1.75%)	(2.41%)	(0.74%)	(2.07%)
Return on equity (%)	-42.5%	-25.04%	(12.19%)	(15.98%)	(4.31%)	(10.60%)
Return on capital employed (%)	-21.05%	-13.05%	(6.10%)	(8.10%)	(3.35%)	(7.45%)
Current Ratio	0.86	0.92	1.07	1.13	0.89	0.95
Quick Ratio	0.52	0.61	0.66	0.72	0.55	0.55
Debtors turnover (days)	65	68	57	59	62	74
Inventory turnover (days)	69	54	57	53	66	94
Creditors turnover (days)	63	32	35	42	43	54
Operating cycle (no. of days)	70	90	79	70	85	114
Debt: Equity (Ratio)	78%	77%	70%	65%	62%	68%
Interest cover (Times)	0.34	0.48	0.61	0.97	1.01	0.67
Earnings / (loss) per share (pre tax) (Rupees)	(0.31)	(0.29)	(0.22)	(0.02)	0.01	(0.27)
Earnings / (loss) per share (after tax) (Rupees)	(0.41)	(0.35)	(0.21)	(0.31)	(0.10)	(0.25)

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 Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

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

Category	Names
Executive Directors	-
Non-Executive Directors	Mr. Abdul Razak Dawood Mr. Farooq Nazir Mr. Taimur Dawood Mr. Faisal Dawood
Independent Director *	

* Currently, the Board do not have any independent director. Moreover, there is no representation of minority shareholders on the Board.

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

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

4. Three casual vacancies had occurred on the Board during the year under review. Muhammad Sadiq has died during the year, Mr. Salman Zakaria and Mr. Syed Zamanat Abbas has been resigned from the position of director.

5. The Company has prepared a "Code of Conduct", which has been approved by the Board of Directors and signed by the senior executives and employees of the Company, and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

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

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors have been taken by the board of directors/shareholders.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose, the Board met at least once in every quarter or when deemed necessary. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated. The Chief Financial Officer and the Company Secretary also attended the meetings of the Board.

9. The Board ensures arrangement of orientation courses for its directors to apprise them of their duties and responsibilities. Board had previously arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate Governance Corporate for its directors. The majority of directors had obtained certification of CGLS and are familiarized themselves on their responsibilities with the Code. However during the year no director has obtained certification under any director's training program as required under the clause XI of the Code.

10. The Board has approved appointment of Chief Financial Officer and Head of Internal Audit including their remuneration and terms and conditions of employment.

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

12. The Chief Executive Officer and Chief Financial Officer have duly endorsed the financial statement of the Company before its approval from the Board.

13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the Pattern of Shareholding.

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

15. The Board has formed an Audit Committee. It comprises of three members, all are non-executive directors, including the Chairman of the Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Audit Committee have been formulated and communicated to the Committee for compliance.

17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are Non-executive directors and the chairman of the Committee is a non-executive director.

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

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

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

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

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

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

for and on behalf of the Board

Lahore
October 02, 2015

Aamir Niazi
Chief Executive Officer

Crowe Horwath™

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of Descon Chemicals Limited for the year ended June 30, 2015 to comply with requirements of 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 is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

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

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not 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 as applicable to the Company for the year ended June 30, 2015.

Further, we would like to highlight instances of non-compliance with the requirements of the Code as reflected in the Statement of Compliance;

- Serial No.1, that currently, there is no independent director and representation of minority shareholders on the Board of Directors.
- Serial No. 4, casual vacancy has not been filled till the end of the year.
- Serial No. 9, the company has not organized training program for its directors during the year.

Horwath Hussain Ch'y & Co

Lahore
October 02, 2015

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement Partner: Amin Ali)

Crowe Horwath™

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of DESCON CHEMICALS LIMITED as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) in our opinion, proper books of accounts have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion;

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;

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

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

(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, 2015 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).

We draw attention to Note 43 to the financial statements which states the facts with regard to offer received for sale of shares of the company. Our opinion is not qualified in respect of this matter.

Horwath Hussain Ch'y & Co

Lahore
October 02, 2015

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement Partner: Amin Ali)

BALANCE SHEET AS AT JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
ASSETS			
Non Current Assets			
Property, plant and equipment	4	486,101,762	515,068,003
Intangible assets	5	18,482,976	23,103,720
Long term investments	6	-	56,944,599
Long term deposits		7,649,956	8,297,219
Retirement benefit asset - prepayments	7	2,438,088	2,062,799
		514,672,782	605,476,340
Current Assets			
Stores and spares		12,623,714	11,951,063
Stock in trade	8	310,962,253	296,484,029
Trade debts	9	321,961,579	410,343,355
Loans and advances	10	115,995,531	150,488,236
Short term prepayments and other receivables	11	10,847,437	7,554,502
Bank balances	12	1,947,185	8,891,201
		774,337,699	885,712,386
Total Assets		1,289,010,481	1,491,188,726
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital 230,000,000 (2014: 230,000,000) Ordinary shares of Rs. 5 each		1,150,000,000	1,150,000,000
Issued, subscribed and paid up share capital	13	997,789,280	997,789,280
Reserves	14	(804,018,820)	(721,984,840)
		193,770,460	275,804,440
Surplus on Revaluation of Property, Plant and Equipment	15	47,149,031	47,059,136
Non Current Liabilities			
Long term financing from banking companies	16	89,666,672	179,333,336
Long term financing from director	17	31,610,558	-
Deferred revenue		1,048,680	-
Deferred tax liability	18	29,161,545	27,246,917
		151,487,455	206,580,253
Current Liabilities			
Trade and other payables	19	287,349,743	175,630,033
Accrued mark up	20	14,485,877	22,390,581
Short term borrowings	21	479,571,170	652,062,335
Current portion of long term financing	16	89,666,661	89,666,664
Current portion of Deferred revenue		7,340,762	-
Provision for taxation	22	18,189,322	21,995,284
		896,603,535	961,744,897
Contingencies and Commitments	23	-	-
Total Equity and Liabilities		1,289,010,481	1,491,188,726

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

CHIEF EXECUTIVE **DIRECTOR**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
Sales	24	1,806,427,261	2,199,528,399
Cost of sales	25	(1,654,638,619)	(2,014,973,045)
Gross Profit		151,788,642	184,555,354
Distribution cost	26	(62,110,144)	(70,484,321)
Administrative expenses	27	(50,608,885)	(50,758,322)
Research and development expenses	28	(593,811)	(4,348,871)
		(113,312,840)	(125,591,514)
Operating Profit		38,475,802	58,963,840
Other operating expenses	29	(19,203,070)	(12,752,368)
Finance cost	30	(94,645,423)	(111,522,387)
Other income	31	25,633,469	14,025,532
Share of net loss of associate	6.2	(12,585,993)	(6,472,330)
Loss before Taxation		(62,325,215)	(57,757,713)
Taxation	32	(20,041,701)	(11,316,495)
Net Loss for the Year		(82,366,916)	(69,074,208)
Loss per Share - Basic and Diluted	33	(0.41)	(0.35)

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

CHIEF EXECUTIVE **DIRECTOR**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rupees	2014 Rupees
Net Loss for the Year	(82,366,916)	(69,074,208)
Other comprehensive income		
Items that will not be re-classified subsequently to the profit or loss		
Remeasurement of retirement benefits asset / (liability)	542,480	(1,228,783)
Less: Related tax impact	(162,744)	405,498
Items that may be re-classified subsequently to the profit or loss		
Unrealized (loss) / gain on available for sale investment	(76,000)	115,200
Share of unrealized gain on available for sale investment of associate	-	57,832
Fair value reserve transferred to profit and loss account on disposal of investments classified as 'available for sale'	(181,438)	-
Other comprehensive income / (loss) for the year	122,298	(650,253)
Total Comprehensive Loss for the Year	(82,244,618)	(69,724,461)

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

CHIEF EXECUTIVE **DIRECTOR**

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rupees	2014 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	245,816,936	74,413,594
Finance cost paid		(102,550,127)	(111,257,493)
Gratuity paid		-	(178,316)
Income tax refunded / (paid)		12,870,198	(10,424,198)
Long term deposits		-	(4,585,156)
		(89,679,929)	(126,445,163)
Net Cash generated from / (used in) Operating Activities		156,137,007	(52,031,569)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(1,028,069)	(3,358,773)
Capital work-in-progress		(397,095)	(683,992)
Proceeds from disposal of property, plant and equipment		590,418	1,974,635
Proceeds from disposal of investment		59,532,399	-
Interest income received		379,156	665,778
Net Cash generated from / (used in) Investing Activities		59,076,809	(1,402,352)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing by banking companies repaid		(89,666,667)	(18,000,000)
Loan term financing from director		40,000,000	-
Short term borrowings (repaid) / acquired - net		(172,491,165)	68,887,358
Net Cash (used in) / generated from Financing Activities		(222,157,832)	50,887,358
Net Decrease in Cash and Cash Equivalents		(6,944,016)	(2,546,563)
Cash and cash equivalents at the beginning of the year		8,891,201	11,437,764
Cash and Cash Equivalents at the End of the Year		1,947,185	8,891,201

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

CHIEF EXECUTIVE | **DIRECTOR**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2015

Particulars	Share Capital	Reserves				Total
		Share Premium Reserve	Fair Value Reserve	Revaluation Reserve	Accumulated Loss	
	----------- Rupees -----------					
Balance as at June 30, 2013	997,789,280	1,281,303	84,406	612,862	(654,343,764)	345,424,087
Net loss for the year	-	-	-	-	(69,074,208)	(69,074,208)
Other comprehensive loss for the year	-	-	173,032	-	(823,285)	(650,253)
Total comprehensive loss for the year	-	-	173,032	-	(69,897,493)	(69,724,461)
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	104,814	-	104,814
Balance as at June 30, 2014	997,789,280	1,281,303	257,438	717,676	(724,241,257)	275,804,440
Net loss for the year	-	-	-	-	(82,366,916)	(82,366,916)
Other comprehensive loss for the year	-	-	(257,438)	-	379,736	122,298
Total comprehensive loss for the year	-	-	(257,438)	-	(81,987,180)	(82,244,618)
Incremental depreciation for the year on surplus on revaluation of property, plant and equipment - net of deferred tax	-	-	-	210,638	-	210,638
Balance as at June 30, 2015	997,789,280	1,281,303	-	928,314	(806,228,437)	193,770,460

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

CHIEF EXECUTIVE **DIRECTOR**

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

1. 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.

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, polyesters, optical brightener and textile auxiliaries.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

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

Certain property, plant and equipment	Note 4	Revalued / Fair value
Investment in quoted companies	Note 6	Fair value
Employee retirement benefits (Gratuity)	Note 7	Present 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. These 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 on going 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 and obsolete 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 Changes in accounting standards, interpretations and pronouncements

2.5.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

The following amendments to standards are relevant that became effective during the year. These amendments are not likely to have any impact on the Company's financial statement.

i) Amendments to IAS 32 that address inconsistencies in applying the offsetting criteria in IAS 32 (Financial Instruments: Presentation). These amendments clarify the meaning of "currently has a legally enforceable right of set-off" and certain gross settlement systems that may be considered equivalent to net settlement.

ii) Amendments to IAS - 36 "Impairment of Assets" that address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal and require the disclosure of additional information about the fair value measurement and discount rates used in present value technique.

iii) Amendments to IAS 19 "Employee Benefits" that introduce a narrow scope amendment to simplify the requirements for contributions from employees or third parties to a defined benefit plan, when those contributions are applied to a simple contributory plan that is linked to services.

2.5.2 Standards, interpretations and amendments to approved accounting standards which became effective during the year but are not relevant

"There were certain amendments to the approved accounting standards which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements.

2.5.3 Standards, interpretations and amendments to approved accounting standards that are relevant but not yet effective

The following standards, amendments and interpretations of approved accounting standards are relevant and will be effective for accounting periods beginning on or after July 01, 2015. These amendments are not likely to have any impact on the Company's financial statements:

i) Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introducing severe restrictions on the use of revenue-based amortization for intangible assets. This amendment explicitly states that revenue-based methods of depreciation cannot be used for property, plant and equipment. These amendments have no impact on Company's financial statements as the Company has the policy of depreciating / amortizing its property, plant and equipment and intangible assets based on the assessed useful lives.

ii) Amendments to IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) aim to improve consistency and reduce complexity by providing a precise definition of fair value. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The adoption of this standard is not likely to have an impact on the Company's financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2.5.4 Standards, interpretations and amendments to approved accounting standards that are neither relevant and nor yet effective

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IFRS 10 'Consolidated Financial Statements'	January 1, 2016
- IFRS 11 'Joint Arrangements'	January 1, 2016
- IFRS 12 'Disclosure of Interest in Other Entities'	January 1, 2016
- IFRS 14 'Regulatory Deferral Accounts'	January 1, 2016
- IFRS 15 'Revenue from Contracts with Customers'	January 1, 2017
- IAS 27 'Separate Financial Statement'	January 1, 2016
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41]	January 1, 2016
- Investment entities applying the consolidation exception (amendments to IFRS 10, IFRS 12, and IAS-28)	January 1, 2016

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 Property, plant and equipment

Owned

Property, plant and equipment are stated at cost / revalued amounts less accumulated depreciation and identified impairment losses, if any, 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 assets to their 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 4. 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 future periods to allocate the asset's revised carrying amount over its estimated useful life. Freehold land and buildings on freehold land are revalued every three years. Latest revaluation of land and buildings was carried out by an independent valuer as at June 30, 2014.

Depreciation method, residual value and useful lives of assets are reviewed at least at each balance sheet date and adjusted if impact on depreciation is significant.

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment is impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in the profit and loss account. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Where an impairment loss is recognised, the depreciation charge is adjusted in 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.

3.2 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 to 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.

All 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 the cost of an asset over its estimated useful life. The amortisation period and the amortisation method for an intangible asset are reviewed, at each balance sheet date, and adjusted if impact on amortisation is significant. ERP software is being amortised over 10 years based on estimated useful life.

3.3 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 the significant influence is established until the date when that significant influence ceases.

3.4 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.

3.5 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	-	Invoice value plus incidental charges
Work in process	-	Estimated manufacturing cost
Finished goods	-	Average manufacturing cost
Wastes	-	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 estimated selling price in the ordinary course of business less necessary cost to make the sale.

3.6 Trade debts

Trade debts are recognised at fair value less provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation, and default or delinquency in payments are considered indicators that the trade receivable has been impaired. Debts, considered irrecoverable, are written off, as and when identified.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3.7 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.

3.8 Provisions

A provision is recognised 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.

3.9 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 basic 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 recognised fund for gratuity scheme of employees was established during the year 2012 and related liabilities and assets were transferred to that fund.

Actuarial gains / (losses) arising from experience adjustments and changes in actuarial assumptions for the defined benefits plan are charged or credited to other comprehensive income in the period in which they arise. Past service costs are recognized immediately as income.

Defined contribution plan

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

3.10 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax expense is recognised in the profit and loss account except to the extent that relates to items recognised directly in equity, in which case it is recognised 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 case of loss for the year, income tax expense is recognised as minimum tax liability on turnover of the Company in accordance with the provisions of the Income Tax Law.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount of assets and liabilities and their tax bases.

Deferred tax liabilities are recognised for all major taxable temporary differences.

Deferred tax assets are recognised for all major deductible temporary differences to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Carrying amount of the deferred tax asset is reviewed at each balance sheet date and is recognised only to the extent that it is probable that future taxable profits will be available against which assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent of probable future taxable profit available that will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is utilised or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

3.11 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.

3.12 Contingent liabilities

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

A contingent liability is also disclosed when there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

3.13 Borrowing cost

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

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, if any, which are converted at the contracted rates. Exchange differences are included in income currently.

3.15 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 recognised on a time proportion basis that takes into account the effective yield on deposits.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 Financial instruments

3.17.1 Financial assets

The classification depends on the purpose for which the financial assets were acquired. The management determines the classification of its financial assets at the time of initial recognition. The Company classifies its financial assets in the following categories:

At fair value through profit or loss

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

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 loans, deposits and other receivables in the balance sheet.

Held to maturity

Held to maturity are financial assets with fixed or determinable payments and fixed maturity, management has the intention and ability to hold till maturity are carried at amortised cost.

Available-for-sale

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. These are included in non-current assets unless the management intends to dispose off the investments within twelve months from the balance sheet date, in which case these financial assets are classified as short term investments in the balance sheet.

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

Measurement criteria

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised at trade date that is the date on which the Company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and their transaction costs are expensed in the profit and loss account.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. 'Loans and receivables' and 'held to maturity' investments are carried at amortised cost using the effective interest rate method.

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

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired.

3.17.2 Financial liabilities

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

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

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

3.17.3 Off-setting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements if the Company has a legally enforceable right to set-off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.18 Impairment

Carrying amounts of the Company's assets are 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 recognised as expense in the profit and loss account.

3.19 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.

3.20 Dividend

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT	Note	2015 Rupees	2014 Rupees
Operating fixed assets	4.1	486,003,485	513,936,677
Capital work in progress	4.5	98,277	1,131,326
		486,101,762	515,068,003

4.1 Operating fixed assets

Year Ended June 30, 2015

Description	Freehold land	Buildings on freehold land	Plant and machinery	Office equipment, furniture and fixtures	IT equipment	Laboratory equipment	Vehicles	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Owned assets								
Cost								
Balance as at July 01, 2014	185,133,000	167,687,819	531,904,815	20,540,763	36,878,781	7,019,970	11,573,476	960,738,624
Additions	-	-	1,430,144	-	939,669	88,400	-	2,458,213
Disposals	-	-	-	(306,907)	(232,967)	-	(2,309,297)	(2,849,171)
Balance as at June 30, 2015	185,133,000	167,687,819	533,334,959	20,233,856	37,585,483	7,108,370	9,264,179	960,347,666
Accumulated depreciation								
Balance as at July 01, 2014	-	50,942,291	343,679,130	12,095,530	25,555,548	5,635,334	8,894,114	446,801,947
Charge for the year	-	5,837,276	18,795,108	849,282	3,069,885	213,362	1,344,162	30,109,075
Disposals	-	-	-	(215,037)	(89,549)	-	(2,262,255)	(2,566,841)
Balance as at June 30, 2015	-	56,779,567	362,474,238	12,729,775	28,535,884	5,848,696	7,976,021	474,344,181
Total as at June 30, 2015	185,133,000	110,908,252	170,860,721	7,504,081	9,049,599	1,259,674	1,288,158	486,003,485
Year Ended June 30, 2014								
Owned assets								
Cost								
Balance as at July 01, 2013	178,365,000	164,605,955	523,667,537	20,546,326	34,398,987	6,921,470	13,324,938	941,830,213
Additions	-	127,450	9,917,377	200,490	2,479,794	98,500	37,538	12,861,149
Revaluation Surplus	6,768,000	2,954,414	-	-	-	-	-	9,722,414
Disposals	-	-	(1,680,099)	(206,053)	-	-	(1,789,000)	(3,675,152)
Balance as at June 30, 2014	185,133,000	167,687,819	531,904,815	20,540,763	36,878,781	7,019,970	11,573,476	960,738,624
Accumulated depreciation								
Balance as at July 01, 2013	-	44,959,434	324,101,239	11,266,099	22,108,511	5,399,913	8,946,259	416,781,455
Charge for the year	-	5,982,857	20,568,393	919,059	3,447,037	235,421	1,721,188	32,873,955
Disposals	-	-	(990,502)	(89,628)	-	-	(1,773,333)	(2,853,463)
Balance as at June 30, 2014	-	50,942,291	343,679,130	12,095,530	25,555,548	5,635,334	8,894,114	446,801,947
Total as at June 30, 2014	185,133,000	116,745,528	188,225,685	8,445,233	11,323,233	1,384,636	2,679,362	513,936,677
Depreciation rates	-	5%	10%	10%	25%	15%	20% to 25%	

4.2 Apportionment of depreciation charge for the year

Depreciation charge for the year has been apportioned as follows:

			2015	2014
Cost of sales	Note	25	22,581,806	24,655,466
Administrative expenses	Note	27	7,527,269	8,218,489
			30,109,075	32,873,955

4.3 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 proceeds	Gain on disposal	Buyer Name	Mode of sale
	Rupees	Rupees	Rupees	Rupees	Rupees		
Assets with book value exceeding Rs. 50,000							
IT Equipments							
Mobile phone	89,999	20,625	69,374	69,374	-	Descon Engineering Limited	At book value
Laptop	142,968	68,924	74,044	74,044	-	Descon Engineering Limited	At book value
Sub-total	232,967	89,549	143,418	143,418	-		
Assets with book value of less than Rs. 50,000	2,616,204	2,477,292	138,912	447,000	308,088	Various	Company Policy
Total 2015	**2,849,171**	**2,566,841**	**282,330**	**590,418**	**308,088**		
Total 2014	**3,675,152**	**2,853,463**	**821,689**	**1,974,635**	**1,152,946**		

4.4 Cost, accumulated depreciation and book value of revalued assets

Latest revaluation of land and buildings was carried out by an independent valuer as at June 30, 2014. Had there been no revaluation, the cost, accumulated depreciation and book values of revalued assets would have been as follows:

	As at June 30, 2015		
	Cost	Accumulated Depreciation	Written Down Value
	Rupees	Rupees	Rupees
Freehold land	142,044,797	-	142,044,797
Factory buildings on freehold land	158,423,373	53,469,419	104,953,954

	2015	2014
	Rupees	Rupees
4.5 Capital Work in Progress - Plant and machinery		
Opening balance	1,131,326	9,949,711
Additions during the year	397,095	683,992
Transferred to operating fixed assets	(1,430,144)	(9,502,377)
Closing balance	98,277	1,131,326

4.6 There were fully depreciated assets, costing Rs. 3.886 milliion, with the company as at the balance sheet date.

5 INTANGIBLE ASSETS

			2015	2014
			Rupees	Rupees
Net Carrying Value				
Net carrying value - opening balance			23,103,720	27,724,463
Additions during the year			-	-
			23,103,720	27,724,463
Amortization during the year			(4,620,744)	(4,620,743)
Net carrying value as at June 30,			18,482,976	23,103,720
Gross Carrying Value				
Cost			46,207,435	46,207,435
Accumulated amortization			(27,724,459)	(23,103,715)
Net book value			18,482,976	23,103,720
Amortization rate			10%	10%

5.1 Apportionment of amortization charge for the year

Amortization charge for the year has been apportioned as follows:

			2015	2014
Cost of sales	Note	25	3,493,507	3,493,507
Administrative expenses	Note	27	1,127,237	1,127,236
			4,620,744	4,620,743

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. LONG TERM INVESTMENTS	Note	2015 Rupees	2014 Rupees
Related Parties - Associates			
Quoted - Measured using the Equity Method	6.1		
Descon Oxychem Limited			
- Cost of investment		107,737,000	107,737,000
- Post acquisition loss brought forward - net		(52,168,394)	(45,753,896)
		55,568,606	61,983,104
- Share of net loss for the period / year	6.2	(12,585,993)	(6,472,330)
- Share of un-realised (loss) / gain on available-for-sale investment of associate		(76,000)	57,832
- Disposal of investment - NBV		(42,906,613)	-
		-	55,568,606
Unquoted - Measured at cost	6.1		
Jotun Powder Coatings Pakistan (Private) Limited			
- Nil (2014: 220,000) fully paid ordinary shares of Rs. 10 each		-	2,200,000
- Equity holding Nil (2014: 0.41%)			
Impairment charged during the year			(1,244,907)
		-	955,093
Others - Quoted (Available-for-Sale)	6.1		
TRG Pakistan Limited			
- Nil (2014: 30,000) fully paid ordinary shares of Rs. 10 each		-	420,900
- Cost of investment - Nil (2014: Rs. 300,000)			
- Nil (2014: Rs. 14.03) per share			
		-	56,944,599

6.1 The Company has disposed off its investments entirely during the year.

6.2 Share of net loss for the period is calculated till the date of disposal of investment (March 9, 2015).

7. RETIREMENT BENEFIT ASSET - PREPAYMENTS	2015 Rupees	2014 Rupees
Retirement benefit asset	2,438,088	2,062,799

7.1 As stated in note 3.9, the Company operates an approved gratuity scheme for its permanent employees subject to attainment of retirement age and minimum service of prescribed period. Actuarial valuation of the scheme is carried out every year by an independent actuary and the latest actuarial valuation was carried out as at June 30, 2015. The disclosures made in note 7.2 are based on the information included in that actuarial report. Actuarial valuation of the scheme resulted in retirement benefit asset in current year as presented in the following notes:

		Note	2015 Rupees	2014 Rupees
7.2	**Actuarial assumptions**			
	Discount rate used for interest cost - charge for profit and loss account		13.5%	10.5%
	Discount rate used for year end obligation		10.5%	13.5%
	Expected rate of salary increase for year end obligation		N/A	12.5%
	Expected rate of salary increase in future years		8.75%	12.5%
	Average expected remaining working lives of employees		10 years	
	Actuarial valuation method		Projected Unit Credit Method	
	Mortality rate		SLIC 2001-2005 setback 1 year	
7.2.1	**Reconciliation of the funded status**			
	Present value of defined benefit obligation	7.2.3	6,435,881	5,851,596
	Fair value of plan assets	7.2.4	(8,873,969)	(7,914,395)
			(2,438,088)	(2,062,799)
7.2.2	**Company's asset**			
	Opening balance		(2,062,799)	(3,401,842)
	Remeasurements chargeable in other comprehensive income		(542,480)	1,228,783
	Charge for the year	7.2.6	167,191	288,576
			(2,438,088)	(1,884,483)
	Transferred to the gratuity fund		-	(178,316)
	Closing balance		(2,438,088)	(2,062,799)
7.2.3	**Movement in present value of defined benefit obligation**			
	Opening balance		5,851,596	4,609,720
	Current service cost for the year		445,668	524,734
	Interest cost for the year		789,966	584,057
	Benefits paid during the year		-	(578,290)
	Actuarial (gain) / loss from changes in financial assumptions			
	- Experience adjustment		(651,349)	711,375
	Closing balance		6,435,881	5,851,596
7.2.4	**Movement in fair value of plan assets**			
	Opening balance		7,914,395	8,011,562
	Expected return on plan assets		1,068,443	820,215
	Contributions made during the year		-	178,316
	Benefits paid during the year		-	(578,290)
	Return on plan assets		(108,869)	(517,408)
	Closing balance		8,873,969	7,914,395
7.2.5	**Plan assets composition**			
	Investment in treasury bills		6,226,864	5,339,842
	Investment in listed shares		1,844,898	1,980,973
	Cash at bank		801,319	399,677
	Other assets		888	193,903
			8,873,969	7,914,395

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

		Note	2015 Rupees	2014 Rupees
7.2.6	**Charge for the year**			
	Current service cost		445,668	524,734
	Interest cost		789,966	584,057
	Expected return on plan assets		(1,068,443)	(820,215)
			167,191	288,576

7.2.7	**Estimated Charge for the year 2015-2016**	
	Current service cost	446,746
	Interest cost	663,503
	Expected return on plan assets	(919,503)
		190,746

7.2.8 Year end sensitivity analysis on defined benefit obligation

Reasonably possible changes at the balance sheet date to one of the relevant actuarial assumptions, holding other assumptions constant, would have resulted in defined benefit obligation as stated below:

Discount rate + 100 bps	5,859,728
Discount rate - 100 bps	7,108,387
Salary increase + 100 bps	7,118,200
Salary increase - 100 bps	5,841,340

7.2.9 Comparison of last five years	2015 Rupees	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees
Present value of defined benefit obligation	6,435,881	5,851,596	4,609,720	4,458,879	21,093,469
Fair value of plan assets	(8,873,969)	(7,914,395)	(8,011,562)	(4,998,228)	-
	(2,438,088)	(2,062,799)	(3,401,842)	(539,349)	21,093,469

8.	**STOCK IN TRADE**	Note	2015 Rupees	2014 Rupees
	Raw and packing materials		160,351,383	168,410,215
	Work in process		-	1,662,810
	Raw materials in transit		30,332,940	32,555,595
	Finished goods		124,061,870	96,428,145
			314,746,193	299,056,765
	Less: Provision for obsolescence of stock	8.1	(3,783,940)	(2,572,736)
			310,962,253	296,484,029

		2015 Rupees	2014 Rupees
8.1	**Provision for obsolescence of stock**		
	Opening balance	2,572,736	380,961
	Provision for the year	2,510,204	2,191,775
		5,082,940	2,572,736
	Less: Obsolete stocks written off	(1,299,000)	-
		3,783,940	2,572,736

8.2 Certain long term financing and short term borrowings are secured against stocks of raw materials and finished goods as disclosed in Note 16 to these financial statements.

9.	**TRADE DEBTS**	Note	2015 Rupees	2014 Rupees
Unsecured				
	Considered good		321,961,579	408,624,318
	Considered doubtful		58,745,446	62,518,280
Secured				
	Foreign debtors		-	1,719,037
			380,707,025	472,861,635
	Less: Provision for doubtful debts	9.2	(58,745,446)	(62,518,280)
			321,961,579	410,343,355

9.1 Trade debts include Rs. Nil due from related parties (2014: Nil).

		2015 Rupees	2014 Rupees
9.2	**Provision for doubtful debts**		
	Opening balance	62,518,280	52,661,761
	Provision for the year	17,395,507	9,856,519
		79,913,787	62,518,280
	Less: Bad debts written off	(21,168,341)	-
		58,745,446	62,518,280

10.	**LOANS AND ADVANCES**	Note	2015 Rupees	2014 Rupees
	Advances (Unsecured - Considered good):			
	- Suppliers and contractors		6,523,609	4,552,365
	- Employees	10.1	274,931	243,871
	- Letters of credit		-	320,032
	Short term loans to employees (Secured - Considered good)	10.2	1,031,787	919,910
	Income tax deducted at source and advance tax		100,500,298	135,165,742
	Sales tax refundable - Net		7,664,906	9,286,316
			115,995,531	150,488,236

10.1 Advances to employees include Rs. 21,382 (2014: Rs. 241,722) given to directors and executives of the Company for business travel purposes as per the Company's policy.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

11. SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES	**Note**	**2015 Rupees**	**2014 Rupees**
Prepayments		2,873,952	3,972,818
Due from associates / related parties	11.1	7,943,485	2,995,756
Imprest with employees		30,000	56,000
Other receivables		-	529,928
		10,847,437	7,554,502

11.1 This represents amounts due from associates / related parties as under:

Descon Oxychem Limited	460,177	956,201
Gray Mackenzie Engineering Services LLC	754,685	169,880
Gray Mackenzie Engineering Services WLL Qatar	107,311	139,895
Inspectest (Private) Limited	83,351	503,092
Inspectest Industrial Solutions LLC	4,296,804	168,021
Rousch (Pakistan) Power Limited	22,800	80,990
Descon Power Solutions (Private) Limited	71,588	725,293
Interworld Travels (Private) Limited	97,649	232,401
Olyan Descon Industrial Company Limited	167,703	19,983
Altern Energy Limited	1,730,550	-
Descon Training Institute	22,867	-
Descon Chemicals Provident Fund Trust	55,868	-
Descon Oxychem Provident Fund Trust	21,680	-
Descon Power Solutions (Private) Limited Provident Fund Trust	40,444	-
Inpectest (Private) Limited Provident Fund Trust	10,008	-
	7,943,485	2,995,756

11.1.1 These balances represent receivables on account of sharing of common expenses; none of the balance is past due.

12. BANK BALANCES	**Note**	**2015 Rupees**	**2014 Rupees**
Cash at bank - in current accounts		66,510	1,033,329
Cash at bank - in saving accounts	12.1	1,880,675	7,857,872
		1,947,185	8,891,201

12.1 It carries interest at the rates ranging from 4.5% to 8.0% (2014: 7.0% to 9.5%) per annum.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

13. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2015 No. of Shares	2014 No. of Shares		Note	2015 Rupees	2014 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 the 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

13.1. Reconciliation of the number of shares outstanding as at the beginning and at the end of the year is as under:

	2015	2014
Opening balance	199,557,856	199,557,856
Issued / cancelled during the year	-	-
Closing balance	199,557,856	199,557,856

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

14. RESERVES

	Note	2015 Rupees	2014 Rupees
Capital reserves:			
-Share premium reserve		1,281,303	1,281,303
-Fair value reserve	14.1	-	257,438
		1,281,303	1,538,741
Revenue reserves:			
-Revaluation reserve	14.2	928,314	717,676
-Accumulated loss		(806,228,437)	(724,241,257)
		(805,300,123)	(723,523,581)
		(804,018,820)	(721,984,840)

14.1 Fair value reserve represents the cumulative gains and losses arising on the revaluation of long term investments of the Company (both available-for-sale and through equity method). Due to the disposal of long term investments, these have been transferred to the profit and loss account during the year.

14.2 Revaluation reserve arises on the revaluation of land and buildings. When revalued land and/or buildings are sold, or re-covered through use / depreciation the relevant portion of the revaluation reserve that relates to that asset is transferred directly to retained earnings.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

15. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	2015 Rupees	2014 Rupees
Land - freehold		
Opening balance	43,088,203	36,320,203
Add: Surplus on revaluation arisen during the year	-	6,768,000
	43,088,203	43,088,203
Buildings on freehold land		
Opening balance	3,970,933	2,096,290
Add: Surplus on revaluation arisen during the year	-	2,954,414
Less: Related deferred taxation	-	(974,957)
	3,970,933	4,075,747
Add: Effect of change in rate	300,533	-
Less: Incremental depreciation charged on revalued property, plant and equipment in current year - net of deferred tax	(210,638)	(104,814)
	47,149,031	47,059,136

15.1 Latest revaluation of property, plant and equipment was carried out as on June 30, 2014 by an approved, independent valuer using the replacement value method that resulted in net revaluation surplus of Rs. 9,722,414. Previous revaluations of land and buildings were carried out as on December 31, 2011 and December 31, 2006 by an approved independent valuer using the replacement value method that resulted in revaluation surplus of Rs. 4,865,549 and Rs. 40,819,989 respectively.

15.2 Incremental depreciation charged on revalued building has been transferred to the statement of changes in equity to record realization of surplus to the extent of incremental depreciation.

16. LONG TERM FINANCING	Note	2015 Rupees	2014 Rupees
Banking companies - Secured			
Bank Al-Habib Limited	16.1	150,000,000	225,000,000
Habib Metropolitan Bank Limited	16.3	29,333,333	44,000,000
		179,333,333	269,000,000
Less: Current portion		(89,666,661)	(89,666,664)
		89,666,672	179,333,336

16.1 This represents term finance of Rs. 225 million obtained from Bank Al-Habib Limited to meet the long term requirements of the Company. The amount is repayable in 5 years in 6 equal half-yearly instalments with two years' grace period from the date of disbursement. The loan carries mark-up at 6 months KIBOR + 2% (2014: 6 months average KIBOR + 2%) per annum and is payable on quarterly basis in arrears on the outstanding principal amount.

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

	2015 Rupees	2014 Rupees
	Rupees in Million	
- First charge over present and future fixed assets of the Company	230	230
- Joint pari passu charge over current assets of the Company	1,950	1,950
- First mortgage charge over factory property including land, building and machinery	105	105
- First mortgage charge over factory	163	163
- Personal guarantees of directors of the Company	3,450	3,450
- Lien over original inland documents, shipping documents, trust receipts etc.		

16.3 This represents financing of Rs. 50 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 instalments starting from July 1, 2012. The loan carries mark-up at 3 months KIBOR + 2% (2014: 3 months KIBOR + 2%) per annum and is payable on quarterly basis in arrears on outstanding principal amount.

16.4 Financing from Habib Metropolitan Bank Limited (both long term and short term) is secured against the following securities:

	2015	2014
	Rupees in Million	
- Joint pari passu hypothecation charge over current assets of the Company with 25% margin	650	650
- Second Ranking charge over fixed assets of the Company	170	170
- Personal guarantees of directors of the Company		
- Lien over original inland documents		

17. LONG TERM FINANCING FROM DIRECTOR

	2015 Rupees	2014 Rupees
Financing from director - at amortized cost	31,610,558	-

17.1 This represents long term financing obtained from one of the directors of the Company. The total amount is repayable over a period of 3 years including a moratorium of 2 years on the principal and interest amount, starting from the date of disbursement of loan. The Company has granted option to the director to subscribe for upto 8,000,000 ordinary shares of Rs. 5 each of the Company at a subscription price of Rs. 5 per ordinary share against this loan during the period from October 1, 2017 upto the date of repayment of loan by the Company.

18. DEFERRED TAX LIABILITY

	Note	2015 Rupees	2014 Rupees
Taxable temporary differences			
- Accelerated tax depreciation		71,670,315	85,484,219
- Surplus on revaluation of property, plant and equipment		1,893,470	2,103,730
		73,563,785	87,587,949
Deductible temporary differences			
- Share of net loss of associate		-	(5,216,839)
- Recognised losses	18.1	(26,374,850)	(34,324,882)
- Provisions and others		(18,027,390)	(20,799,311)
		(44,402,240)	(60,341,032)
		29,161,545	27,246,917

18.1 Being prudent, the management has not recognised deferred tax asset on account of tax credit on minimum tax paid amounting to Rs. 51.972 million. Breakup of this amount is as follows:

Tax Year	Amount
	Rupees in Million
2015	18.189
2014	21.795
2013	11.988
	51.972

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

19.	TRADE AND OTHER PAYABLES	Note	2015 Rupees	2014 Rupees
	Creditors	19.1	98,085,472	73,070,138
	Letter of credit payable		82,254,338	46,008,828
	Bills payable		29,310,100	42,790,800
	Accrued liabilities		14,976,433	6,715,879
	Advances from customers		59,895,562	2,347,398
	Provident fund payable		55,137	61,663
	Unclaimed dividends		292,819	292,819
	Due to associate / related parties		2,479,882	4,342,508
			287,349,743	175,630,033

19.1 Creditors include due to related parties amounting to Rs. 207,370 (2014: Rs. 408,870) arising in the normal course of business.

20.	ACCRUED MARK UP	2015 Rupees	2014 Rupees
	Long term financing - Banking companies	5,178,166	8,248,890
	Short term borrowings - Banking companies	9,307,711	14,141,691
		14,485,877	22,390,581

21.	SHORT TERM BORROWINGS	2015 Rupees	2014 Rupees
	Banking companies - Secured		
	Running finance	173,421,336	225,895,849
	Borrowings / FATRs	306,149,834	426,166,486
		479,571,170	652,062,335

21.1 Terms and conditions of borrowings

Purpose

This represents utilized portion of various facilities that have been obtained from certain banking companies with sanctioned limit, funded and unfunded, of Rs. 1,275 million (2014: Rs. 1,275 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 3 to 6 Months KIBOR + 1% to 1.5% (2014: 3 to 6 Months KIBOR + 1% to 1.50%) per annum. 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% (2014: 0.1% to 0.25%) per quarter.

Securities

Securities against short term borrowings have been disclosed in Note 16.2 and 16.4 to the financial statements. All these facilities are renewable latest by January 31, 2016.

22. PROVISION FOR TAXATION	2015 Rupees	2014 Rupees
Opening balance	21,995,284	11,988,140
Add: Charge for the year	18,189,322	21,995,284
Add: Adjustment for prior years	(200,038)	186,434
	39,984,568	34,169,858
Less: Payment / adjustments against advance tax	(21,795,246)	(12,174,574)
	18,189,322	21,995,284

22.1 Income tax assessments are deemed finalised by the management up to the Tax Year 2014 as tax returns were filed under the self assessment scheme.

23. CONTINGENCIES AND COMMITMENTS

23.1 Contingencies

23.1.1 The Customs 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 (2014: 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.

23.1.2 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. The return for Tax Year 2011 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 not been completed yet.

23.1.3 The Company has filed a suit against a material supplier and certain customers for the recovery of advance and trade debts amounting to Rs. 35.653 million. The Company expects a favourable outcome of these suits; therefore, no provision has been made in these financial statements.

23.2 Guarantees	2015	2014
	Rupees in (000)	
Sui Northern Gas Pipelines Limited	3,090	3,090
23.3 Commitments		
Letters of credit	194,471	160,961

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

24.	SALES	2015 Rupees	2014 Rupees
	Local sales	2,085,382,814	2,526,385,870
	Less: Sales tax	(282,867,521)	(346,861,254)
		1,802,515,293	2,179,524,616
	Export sales	3,911,968	19,982,083
	Export rebate	-	21,700
		1,806,427,261	2,199,528,399

25.	COST OF SALES	Note	2015 Rupees	2014 Rupees
	Raw materials consumed	25.1	1,520,811,186	1,827,277,445
	Chemicals consumed		1,750,726	1,785,764
	Packing materials consumed		1,281,095	1,881,468
	Stores and spares consumed		16,395,899	18,621,814
	Fuel and power		38,090,864	43,275,372
	Salaries, wages and benefits	25.2	46,754,636	55,835,268
	Services through contract		14,202,819	13,724,143
	Repairs and maintenance		1,481,316	2,110,709
	Travelling and entertainment		3,005,123	4,483,087
	Insurance		4,540,001	4,715,353
	Transportation		5,053,545	8,569,052
	Communication		396,993	528,621
	Miscellaneous		770,018	672,746
	Amortization	5.1	3,493,507	3,493,507
	Depreciation	4.2	22,581,806	24,655,466
			1,680,609,534	2,011,629,815
	Work in process			
	-Opening work in process		1,662,810	2,054,015
	-Closing work in process		-	(1,662,810)
			1,662,810	391,205
	Cost of goods manufactured		1,682,272,344	2,012,021,020
	Finished goods			
	-Opening finished goods		96,428,145	99,380,170
	-Closing finished goods		(124,061,870)	(96,428,145)
			(27,633,725)	2,952,025
			1,654,638,619	2,014,973,045
25.1	**Raw materials consumed:**			
	Opening stock		168,410,215	147,231,937
	Purchases		1,512,752,354	1,848,455,723
			1,681,162,569	1,995,687,660
	Closing stock		(160,351,383)	(168,410,215)
		25.1.1	1,520,811,186	1,827,277,445

25.1.1 This includes Rs. 2,510,204 (2014: Rs. 2,191,775) in respect of provision for obsolescence of stock .

25.2 This includes Rs. 1,371,260 (2014: Rs. 1,798,644) in respect of employee benefits.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

26.	DISTRIBUTION COST	Note	2015 Rupees	2014 Rupees
	Salaries, wages and benefits	26.1	21,748,681	21,635,656
	Travelling, boarding and lodging		1,945,439	3,827,125
	Insurance and license fee		1,954,541	2,460,054
	Entertainment		119,252	336,508
	Communication		750,012	683,737
	Sales promotion expenses		345,108	2,416,011
	Sampling		1,657,098	1,283,489
	Packing, carriage and forwarding		22,026,035	28,915,161
	Rent, rates and taxes		1,064,751	995,711
	Electricity charges / generator running expenses		2,333,639	2,797,559
	Water and gas charges		39,579	40,759
	Repairs and maintenance		112,523	167,492
	Vehicles' running cost		3,077,283	3,212,875
	Advertisement		100,560	19,700
	Commission and discount		4,198,028	-
	Public relations		161,739	852,441
	Miscellaneous		475,876	840,043
			62,110,144	70,484,321

26.1 This includes Rs. 908,030 (2014: Rs. 893,790) in respect of employee benefits.

27.	ADMINISTRATIVE EXPENSES		2015 Rupees	2014 Rupees
	Salaries, wages and benefits	27.1	31,112,560	31,026,785
	Travelling and conveyance		1,556,324	2,751,001
	Vehicles' running cost		1,953,086	2,746,255
	Repairs and maintenance		837,187	17,571
	Insurance		192,916	258,258
	Printing and stationery		3,996,542	2,310,050
	Communication		1,372,109	1,111,564
	Fees and subscription		7,178,864	2,429,977
	Advertisement		49,500	176,060
	Entertainment		257,972	447,442
	Manpower development		199,289	123,523
	Legal and professional charges		2,883,578	3,995,861
	Miscellaneous		568,498	952,350
	Amortization	5.1	1,127,237	1,127,236
	Depreciation	4.2	7,527,269	8,218,489
			60,812,931	57,692,422
	Less: Recovery from associates		(10,204,046)	(6,934,100)
			50,608,885	50,758,322

27.1 This includes Rs. 2,078,914 (2014: Rs. 1,732,733) in respect of employee benefits.

28.	RESEARCH AND DEVELOPMENT EXPENSES	2015 Rupees	2014 Rupees
	Consultancy	593,811	3,168,157
	Travelling, boarding and lodging	-	1,180,714
		593,811	4,348,871

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

29.	OTHER OPERATING EXPENSES	Note	2015 Rupees	2014 Rupees
	Auditors' remuneration	29.1	1,060,300	1,060,300
	Tax penalties		-	217,868
	Exchange loss		-	372,774
	Provision for doubtful debts	9.2	17,395,507	9,856,519
	Impairment loss on investment		-	1,244,907
	Security deposits written off		747,263	-
			19,203,070	12,752,368

29.1	Auditors' remuneration	2015 Rupees	2014 Rupees
	Audit fee	632,500	632,500
	Half yearly review and corporate governance certifications	379,500	379,500
	Out of pocket expenses	48,300	48,300
		1,060,300	1,060,300

30.	FINANCE COST	2015 Rupees	2014 Rupees
	Long term financing from banking companies	26,478,256	32,123,210
	Short term borrowings from banking companies	66,473,896	77,301,336
	Workers' (profit) participation fund	-	41,293
	Bank charges	1,693,271	2,056,548
		94,645,423	111,522,387

31.	OTHER INCOME	2015 Rupees	2014 Rupees
	Income from financial assets		
	Profit on bank accounts	379,156	665,777
	Gain on disposal of investments	15,431,231	-
	Exchange gain	227,780	-
		16,038,167	665,777
	Sale of waste material / scrap	5,697,317	8,113,844
	Gain on disposal of property, plant and equipment	308,088	1,152,946
		6,005,405	9,266,790
	Others		
	Indenting commission	2,500,985	711,910
	Accrued liabilities reversed during the year	-	2,781,055
	Advances provision written off during the year	394,526	-
	Rental income	600,000	600,000
	Others	94,386	-
		3,589,897	4,092,965
		25,633,469	14,025,532

32. TAXATION

	2015 Rupees	2014 Rupees
Current tax:		
- Current year	18,189,322	21,995,284
- Adjustment for prior years	(200,038)	186,434
	17,989,284	22,181,718
Deferred tax	2,052,417	(10,865,223)
	20,041,701	11,316,495

32.1 The charge for taxation is based on minimum tax under section 113(c) of the Income Tax Ordinance, 2001.

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

33. LOSS PER SHARE

		2015	2014
Net loss for the year	Rupees	(82,366,916)	(69,074,208)
Weighted average number of ordinary shares outstanding during the year	Numbers	199,557,856	199,557,856
Loss per share - basic	Rupees	(0.41)	(0.35)

33.1 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.

34. CASH GENERATED FROM OPERATIONS

	2015 Rupees	2014 Rupees
Loss before taxation and share of loss of associate	(49,739,222)	(51,285,383)
Adjustments for:		
-Depreciation	30,109,075	32,873,955
-Amortization of intangible asset	4,620,744	4,620,743
-Provision for gratuity	167,191	288,576
-Provision for obsolescence of stock	2,510,204	2,191,775
-Provision for doubtful debts	17,395,507	9,856,519
-Liabilities written back	-	(2,781,055)
-Security deposits written off	647,263	-
-Gain on disposal of property, plant and equipment	(308,088)	(1,152,946)
-Gain on disposal of investment	(15,431,231)	-
-Exchange gain	(227,780)	-
-Finance cost	94,645,423	111,522,387
-Impairment loss on investment	-	1,244,907
-Interest income	(379,156)	(665,777)
	133,749,152	157,999,084
Operating profit before working capital changes	84,009,930	106,713,701
(Increase) / decrease in current assets		
-Stores and spares	(672,651)	(1,746,295)
-Stock in trade	(16,988,428)	44,883,659
-Trade debts	71,214,049	(45,970,806)
-Loans and advances	(172,739)	4,145,935
-Short term prepayments and other receivables	(3,292,935)	(713,322)
Increase / (decrease) in current liabilities		
-Trade and other payables	111,719,710	(32,899,278)
	161,807,006	(32,300,107)
Cash generated from operations	245,816,936	74,413,594

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

35. 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:

	Chief Executive		Executive Director		Non-Executive Directors		Executives	
	2015	2014	2015	2014	2015	2014	2015	2014
	Rupees in Thousand							
Managerial remuneration	5,531	4,032	486	907	1,881	2,377	21,899	16,667
Car and other allowances	279	-	-	-	-	-	2,949	3,428
Staff retirement benefits	212	202	-	-	76	76	659	750
	6,022	4,234	486	907	1,957	2,453	25,507	20,845
Number of persons	1	1	1	1	2	2	16	17

35.1 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.

35.2 Chief executive, two directors and certain executives are provided with free use of Company maintained vehicles.

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

35.4 There has been no increase in the salary of chief executive officer / directors. The variation is due to time allocation of the chief executive officer / directors in group companies.

36. BALANCES AND TRANSACTION WITH RELATED PARTIES

Related parties comprise related group companies, associated companies, staff retirement funds, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. The Company enters into transactions with related parties on the basis of mutually agreed terms. Significant balances and transactions with related parties are as follows:

Transactions during the year

Related party	Relationship	Nature of Transaction	June 2015	June 2014
			Rupees in thousand	
Altern Energy Limited	Associate	Sale of goods, services provided and reimbursement of expenses	1,731	5
Descon Corporation (Private) Limited	Associate	Sale of goods, services provided and reimbursement of expenses	47	40
		Rent expense	1,907	1,860
		Purchase of goods, services received and reimbursement of expenses	-	253
Descon Engineering Limited	Associate	Sale of goods, services provided and reimbursement of expenses	7,730	6,306
		Purchase of goods, services received and reimbursement of expenses	8,981	4,448
		Disposal of fixed assets	168	-
Descon Oxychem Limited	Associate	Sale of goods, services provided and reimbursement of expenses	50,698	33,818
		Purchase of goods, services received and reimbursement of expenses	12,852	13,605
		Disposal of fixed assets	-	1,265
Descon Power Solutions (Private) Limited	Associate	Sale of goods, services provided and reimbursement of expenses	12,501	12,237
		Purchase of goods, services received and reimbursement of expenses	-	30
Descon Training Institute	Associate	Sale of goods, services provided and reimbursement of expenses	1,548	-

			June 2015	June 2014
			Rupees in thousand	
Gray Mackenzie Engineering Services LLC	Associate	Sale of goods, services provided and reimbursement of expenses	4,598	6,529
		Purchase of goods, services received and reimbursement of expenses	237	3,923
Gray Mackenzie Engineering Services WLL Qatar	Associate	Sale of goods, services provided and reimbursement of expenses	4,163	3,495
		Purchase of goods, services received and reimbursement of expenses	-	-
Inspectest Industrial Solutions LLC	Associate	Sale of goods, services provided and reimbursement of expenses	4,129	3,659
		Purchase of goods, services received and reimbursement of expenses	-	195
Interworld Travels (Private) Limited	Associate	Sale of goods, services provided and reimbursement of expenses	1,767	2,971
		Purchase of goods, services received and reimbursement of expenses	709	4,236
		Disposal of fixed assets	-	232
Inspectest (Private) Limited	Associate	Sale of goods, services provided and reimbursement of expenses	9,510	11,286
		Purchase of goods, services received and reimbursement of expenses	73	95
Olyan Descon Industrial Company Limited	Associate	Sale of goods, services provided and reimbursement of expenses	148	-
Popular Travels and Tours	Associate	Purchase of goods, services received and reimbursement of expenses	651	346
Rousch (Pakistan) Power Limited	Associate	Sale of goods, services provided and reimbursement of expenses	5,353	2,931
Abdul Razak Dawood	Director	Loan obtained from director - unamortized amount	40,000	-
		Disposal of investment to director	58,977	-
			228,478	113,765

Balance outstanding as at June 30,	June 2015	June 2014
	Rupees in thousand	
Due from associates / related parties		
Descon Oxychem Limited	460	956
Gray Mackenzie Engineering Services LLC	755	170
Gray Mackenzie Engineering Services WLL Qatar	107	140
Inspectest (Private) Limited	83	503
Inspectest Industrial Solutions LLC	4,297	168
Rousch (Pakistan) Power Limited	23	81
Descon Power Solutions (Private) Limited	72	725
Interworld Travels (Private) Limited	98	232
Olyan Descon Industrial Company Limited	168	20
Altern Energy Limited	1,731	-
Descon Training Institute	23	-
Descon Chemicals Provident Fund Trust	56	-
Descon Oxychem Provident Fund Trust	22	-
Descon Power Solutions (Private) Limited Provident Fund Trust	40	-
Inpectest (Private) Limited Provident Fund Trust	10	-
	7,945	2,995
Due to associate / related parties		
Descon Engineering Limited	2,480	4,343

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

	June 2015	June 2014
	Rupees in thousand	
Contribution to staff retirement benefits		
Chemicals Limited Employees' Provident Fund	4,191	4,344
Descon Chemicals Limited Employees' Gratuity Fund	-	178
	4,191	4,522

There were no transactions with key management personnel other than undertaken as per terms of their employment as disclosed in Note 35.

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

37 SEGMENT REPORTING

37.1 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 its 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 the 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. Segment liabilities include all operating liabilities and consist principally of trade and bills payable.

37.2 Segment analysis

The segment information for the reportable segments for the year ended June 30, 2015 is as follows.

	Coating and Emulsion	Polyester	Textile and Paper	Trading	Total
	Rupees in Thousand				
Segment Results for the year ended June 30, 2015					
Revenue	1,051,930	64,931	440,639	248,927	1,806,427
Segment results	47,924	(8,070)	15,856	(17,234)	38,476
Other operating expenses					(19,203)
Finance costs					(94,646)
Other income					25,634
Share of net loss of associate					(12,586)
Loss before taxation					(62,325)
Segment Results for the year ended June 30, 2014					
Revenue	1,143,844	72,065	533,460	450,159	2,199,528
Segment results June 30, 2014	40,615	(9,989)	18,643	9,695	58,964
Other operating expenses					(12,752)
Finance costs					(111,523)
Other income					14,026
Share of net loss of associate					(6,473)
Loss before taxation					(57,758)
Segment asset and liabilities as at June 30, 2015					
Segment assets	393,972	121,311	182,727	127,613	825,623
Segment liabilities	124,591	11,978	70,081	5,601	212,251
Segment asset and liabilities as at June 30, 2014					
Segment assets	448,492	136,433	226,222	106,340	917,487
Segment liabilities	99,049	11,439	50,314	10,984	171,786

Reportable segments' assets are reconciled to total assets as follows:	June 2015	June 2014
	Rupees in thousand	
Segment assets for reportable segments	825,623	917,487
Corporate assets unallocated	327,148	336,933
Cash and bank balances	1,947	8,891
Others	134,292	227,877
Total assets as per the balance sheet	1,289,010	1,491,189

Reportable segments' liabilities are reconciled to total liabilities as follows:	June 2015	June 2014
	Rupees in thousand	
Segment liabilities for reportable segments	212,251	171,786
Corporate liabilities unallocated	658,905	921,062
Trade and other payables	158,746	53,482
Taxation - net	18,189	21,995
Total liabilities as per the balance sheet	1,048,091	1,168,325

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

- Information about products

One product of the Company comprises 12.53% (2014: 9.73%) of total sales for the year.

- Information about major customers

One customer of the Company accounts for 16.97% (2014: 15.48%) of total sales for the year. Revenue from such customer was Rs. 355.93 million (2014: Rs. 340.44 million).

- Information about geographical area

  - All non-current assets of the Company are located in Pakistan as at the reporting date.
  - Revenue from external customers attributed to foreign countries in aggregate is not material.

38 Financial Risk Management

38.1 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 effect 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 receivables and 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:

	2015	
	Rupees	USD
Outstanding letters of credit - Net exposure	(79,023,000)	(777,021)

	2014	
	Rupees	USD
Trade debts	1,719,037	17,408
Outstanding letters of credit	(76,411,000)	(773,782)
Net exposure	(74,691,963)	(756,374)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The following exchange rates were applied during the year:

	2015	2014
Rupees per foreign currency rate		
Average rate - Rupees per US Dollar	100.23	98.78
Reporting date rate - Rupees per US Dollar	101.70	98.75

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. 3.951 million (2014: Rs. 3.735 million) respectively lower / higher, mainly as a result of exchange losses / gain on translation of foreign exchange denominated financial instruments.

(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 price risk in respect of available for sale investment in quoted company.

Sensitivity analysis

A change of 5% in the value of investments available for sale would have increased / decreased equity investments by Nil (2014: Rs. 21,045) on the basis that all other variables remain constant.

(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 asset. 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:

	2015 Rupees	2014 Rupees
Floating rate instruments		
Financial liabilities		
Long term financing	179,333,333	269,000,000
Long term financing from director	31,610,558	-
Short term borrowings	479,571,170	652,062,335
Financial assets		
Bank balances - saving accounts	1,880,675	7,857,872

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. 6.570 million (2014: Rs. 9.132 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming that amounts of liabilities outstanding as at the balance sheet date are 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:

	2015 Rupees	2014 Rupees
Long term investments	-	1,375,993
Long term deposits and advances	7,649,956	8,297,219
Trade debts	321,961,579	410,343,355
Other receivables	7,943,485	3,525,684
Bank balances	1,947,185	8,891,201
The aging of trade debts as at balance sheet date is as follows:		
Past due 1 - 30 days	99,854,596	163,429,332
Past due 31 - 60 days	105,788,975	113,752,953
Past due 61 - 120 days	23,789,489	56,963,692
More than 120 days	92,528,519	76,197,378
	321,961,579	410,343,355

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

	Rating Short term	Rating Long term	Rating Agency	2015 Rupees	2014 Rupees
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	192,780	3,906,787
Bank Al-Habib Limited	A1+	AA+	PACRA	1,754,405	4,984,414
				1,947,185	8,891,201

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, the 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. 796 million (2014: Rs. 623 million) worth unutilized short term borrowing limits available from financial institutions and Rs. 1.947 million (2014: Rs. 8.891 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, 2015:

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	179,333,333	204,500,226	107,614,509	96,885,717	-	-
Long term financing from director	31,610,558	-	-	-	31,610,558	-
Trade and other payables	144,851,887	144,851,887	144,851,887	-	-	-
Accrued mark up	14,485,877	14,485,877	14,485,877	-	-	-
Short term borrowings	479,571,170	523,253,341	523,253,341	-	-	-
	849,852,825	887,091,331	790,205,614	96,885,717	31,610,558	-

Contractual maturities of financial liabilities as at June 30, 2014:

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	269,000,000	325,995,927	119,526,992	108,665,309	97,803,626	-
Trade and other payables	172,928,153	172,928,153	172,928,153	-	-	-
Accrued mark up	22,390,581	22,390,581	22,390,581	-	-	-
Short term borrowings	652,062,335	725,583,595	725,583,595	-	-	-
	1,116,381,069	1,246,898,256	1,040,429,321	108,665,309	97,803,626	-

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, 2015. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.

(c) Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences may arise between the carrying value and the fair value estimates.

As at June 30, 2015 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying values.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The fair values of all other financial assets and liabilities are not considered to be significantly different from their carrying values.

The Company classifies the financial instruments measured in the balance sheet at fair value in accordance with the following fair value measurement hierarchy:

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

As at June 30, 2015 the company does not have any financial instruments classified as available for sale investments (2014: Rs. 420,900).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

38.2 Financial instruments by categories

Financial assets as at June 30, 2015

	Cash and Cash Equivalents	Loans and advances	Available-for-sale	Total
	Rupees			
Long term deposits	-	7,649,956	-	7,649,956
Trade debts	-	321,961,579	-	321,961,579
Other receivables	-	7,943,485	-	7,943,485
Bank balances	1,947,185	-	-	1,947,185
	1,947,185	337,555,020	-	339,502,205

Financial assets as at June 30, 2014

	Cash and Cash Equivalents	Loans and advances	Available-for-sale	Total
	Rupees			
Long term investments	-	-	1,375,993	1,375,993
Long term deposits	-	8,297,219	-	8,297,219
Trade debts	-	410,343,355	-	410,343,355
Other receivables	-	3,525,684	-	3,525,684
Bank balances	8,891,201	-	-	8,891,201
	8,891,201	422,166,258	1,375,993	432,433,452

Financial liabilities at amortized cost

	2015 Rupees	2014 Rupees
Long term finances	179,333,333	269,000,000
Long term financing from director	31,610,558	-
Trade and other payables	144,851,887	172,928,153
Accrued mark up	14,485,877	22,390,581
Short term borrowings	479,571,170	652,062,335
	849,852,825	1,116,381,069

38.3 Fair values of financial assets and liabilities

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

39 CAPITAL RISK MANAGEMENT

While managing capital, the objectives of the Company are to ensure that it continues to meet the going concern assumption, enhances 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 repurchasing 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:

	2015 Rupees	2014 Rupees
Total borrowings	690,515,061	921,062,335
Cash and bank balances	(1,947,185)	(8,891,201)
Net debt	688,567,876	912,171,134
Equity	193,770,460	275,804,440
Total capital employed	882,338,336	1,187,975,574
Gearing ratio	78.04%	76.78%

40 PLANT CAPACITY AND PRODUCTION

	2015 Metric Ton	2014 Metric Ton
Actual production	14,487	13,944

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

41 PROVIDENT FUND RELATED DISCLOSURES

The Company runs a recognized provident fund (Descon Chemicals Limited Staff Provident Fund Trust) established on April 30, 1987 in which equal contributions are made by the Company and employees.

The fund has been formed to accumulate certain sums to the benefit of employees of Descon Chemicals Limited and their families in the event of employees' termination of service, retirement or death as provided by the fund rules. Following information is based on audited financials of the Fund:

	Note	2015 Rupees	2014 Rupees
Total assets of the fund		52,106,658	45,663,474
Fair value of the investments	41.2	37,753,439	37,553,681
Investments as a percentage of total assets		72.45%	82.24%

41.1 The cost of above investments amount to Rs. 33.19 million (2014: Rs. 35.19 million).

41.2 The break-up of fair value of investments is as follows:

	2015 Percentage	2014 Percentage	2015 Rupees	2014 Rupees
- Listed securities	26.03%	28.62%	13,567,917	13,072,169
- GOP Treasury Bills	1.91%	3.16%	993,190	1,441,200
- National Saving Certificates	9.07%	10.35%	4,725,000	4,725,000
- GOP - PIBs	35.44%	40.11%	18,467,332	18,315,312
	72.45%	82.24%	37,753,439	37,553,681

41.3 The provident fund has invested its funds in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for that purpose.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

42 NUMBER OF EMPLOYEES

	2015 Number	2014 Number
Employees as at June 30,		
- Permanent	146	155
- Contractual	20	23
Average employees during the year		
- Permanent	151	160
- Contractual	22	25

43 SUBSEQUENT EVENT

Subsequent to the balance sheet date, the Company has received an offer for purchase of its major shareholding. However, any decision to accept / reject the offer has yet not been finalized.

44 AUTHORIZATION OF FINANCIAL STATEMENTS

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

45 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.

Nature	From	To	Amount (Rupees)
Provision for obsolescence of stock	Other operating expenses	Raw material consumed	2,191,775

CHIEF EXECUTIVE **DIRECTOR**

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT JUNE 30, 2015

No. of Shareholders	------Shareholding------ From	To	Total Shares Held
763	1	100	27,458
676	101	500	213,160
604	501	1,000	528,971
871	1,001	5,000	2,661,146
354	5,001	10,000	3,109,965
107	10,001	15,000	1,393,047
71	15,001	20,000	1,330,810
71	20,001	25,000	1,714,060
44	25,001	30,000	1,258,045
22	30,001	35,000	736,600
34	35,001	40,000	1,322,500
20	40,001	45,000	884,195
62	45,001	50,000	3,088,104
7	50,001	55,000	379,000
18	55,001	60,000	1,055,528
2	60,001	65,000	129,000
8	65,001	70,000	550,000
9	70,001	75,000	665,650
5	75,001	80,000	391,000
5	80,001	85,000	415,500
1	85,001	90,000	90,000
34	95,001	100,000	3,400,000
4	100,001	105,000	415,000
3	105,001	110,000	329,000
3	110,001	115,000	344,500
2	115,001	120,000	240,000
3	120,001	125,000	371,105
1	125,001	130,000	128,500
5	130,001	135,000	667,500
3	135,001	140,000	418,500
1	145,001	150,000	150,000

	------Shareholding------		
No. of Shareholders	From	To	Total Shares Held
2	155,001	160,000	319,500
3	170,001	175,000	524,500
1	180,001	185,000	185,000
2	190,001	195,000	388,000
6	195,001	200,000	1,200,000
1	205,001	210,000	210,000
1	210,001	215,000	212,000
1	215,001	220,000	220,000
2	225,001	230,000	451,502
1	230,001	235,000	231,000
3	245,001	250,000	750,000
1	255,001	260,000	260,000
1	260,001	265,000	260,500
1	275,001	280,000	279,500
2	305,001	310,000	614,097
1	310,001	315,000	310,981
1	320,001	325,000	325,000
1	345,001	350,000	350,000
1	450,001	455,000	454,500
1	465,001	470,000	468,895
1	485,001	490,000	490,000
2	495,001	500,000	1,000,000
1	655,001	660,000	656,500
1	675,001	680,000	679,000
1	765,001	770,000	769,412
1	995,001	1,000,000	1,000,000
1	1,195,001	1,200,000	1,200,000
1	1,260,001	1,265,000	1,264,000
1	1,635,001	1,640,000	1,637,683
1	1,660,001	1,665,000	1,664,500
1	1,680,001	1,685,000	1,681,185
1	2,995,001	3,000,000	3,000,000
1	4,850,001	4,855,000	4,854,379
1	143,235,001	143,240,000	143,238,378
3,861			**199,557,856**

CATEGORIES OF SHAREHOLDERS

REQUIRED UNDER CODE OF CORPORATE GOVERNANCE (CCG)
AS AT JUNE 30, 2015

Sr. No.	Name	No. of Shares Held	Percentage
1	Directors, Chief Executive Officers, and their spouse and minor children	152,678,539	76.5084
2	Associated Companies, undertakings and related parties. (Parent Company)	-	0.0000
3	NIT and ICP	9,813	0.0049
4	Banks Development Financial Institutions, Non Banking Financial Institutions.	2,210	0.0011
5	Insurance Companies	1,000	0.0005
6	Modarabas and Mutual Funds	469,043	0.2350
7	Share holders holding 10% or more	144,007,790	72.1634
8	General Public	45,261,584	22.6809
9	Others (to be specified)		
	1- Joint Stock Companies	945,597	0.4738
	2- Investment Companies	796	0.0004
	3- Pension Funds	47,604	0.0239
	4- Others	141,670	0.0710

SHAREHOLDING INFORMATION

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related	**Parties (Name Wise Detail):**	-	0.0000
Mutual Funds (Name Wise Detail)			
1	PRODENTIAL STOCKS FUND LTD.	58	0.0000
2	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	468,985	0.2350
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. TAIMUR DAWOOD	1,863,435	0.9338
2	MR. ABDUL RAZAK DAWOOD	144,007,790	72.1634
3	MR. FAISAL DAWOOD	1,951,935	0.9781
4	MR. FAROOQ NAZIR (CDC)	1,000	0.0005
5	MRS. BILQUIS DAWOOD W/O A. RAZZAK DAWOOD (CDC)	4,854,379	2.4326
Executives:		-	0.0000
Public Sector Companies & Corporations:		-	0.0000
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		50,814	0.0255
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)			
1	MR. ABDUL RAZZAK DAWOOD	144,007,790	72.1634

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

		Sale	Purchase
1	MR. TAIMUR DAWOOD (CDC)	3,450,817	-
2	MR. ABDUL RAZZAK DAWOOD (CDC)	16,000,000	-
3	MR. FAISAL DAWOOD (CDC)	3,318,815	-
4	MRS. BILQUIS DAWOOD W/O A. RAZZAK DAWOOD (CDC)	145,621	-

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 51st Annual General Meeting of Descon Chemicals Limited will be held on Wednesday, October 28th, 2015, at 10.00 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 30, 2014.

2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended 30th June 2015 together with the Auditors' and Directors' reports thereon.

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

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

Lahore
October 02, 2015

(ABDUL SOHAIL)
Company Secretary

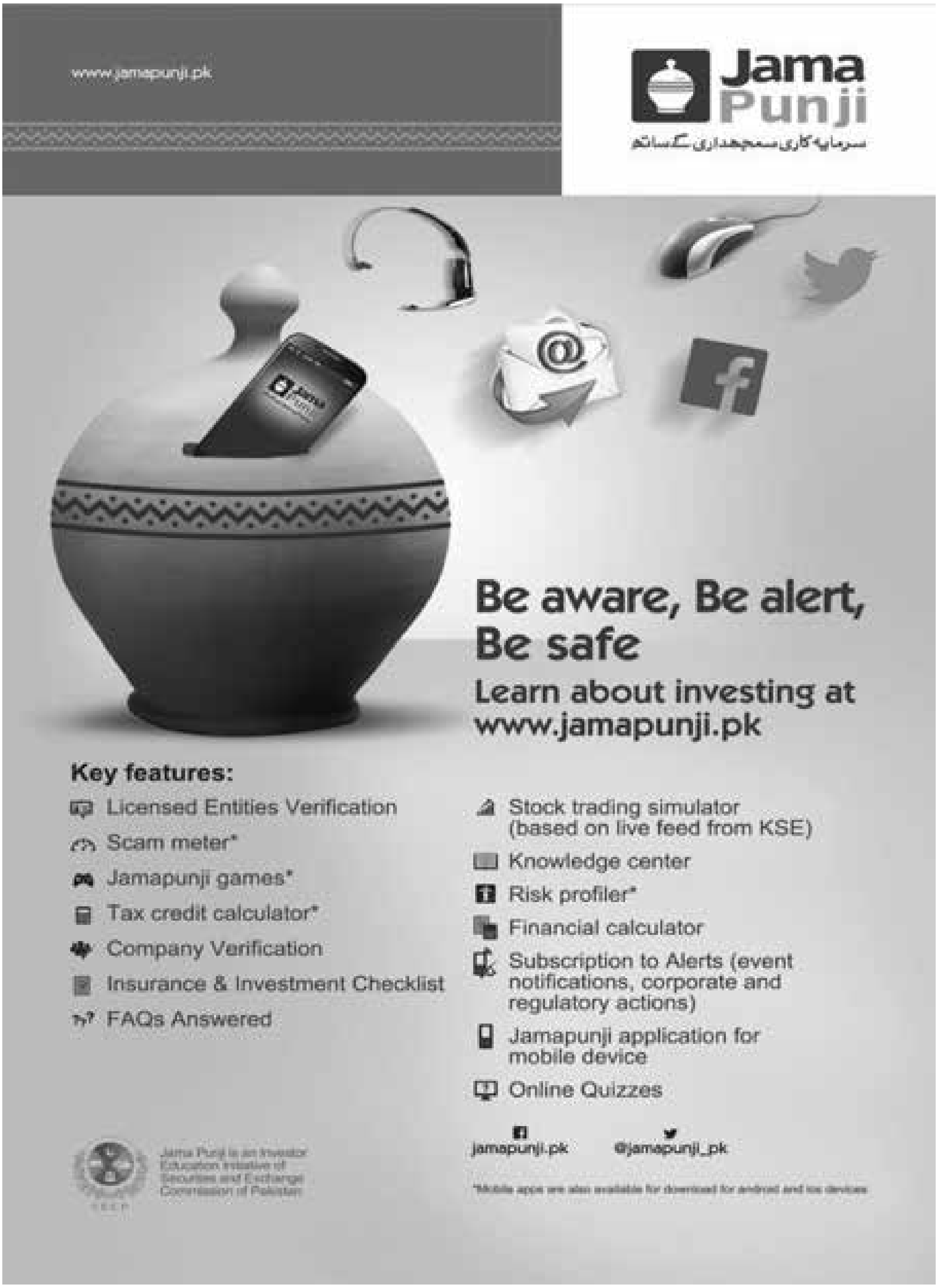
Notes:-

1. The share transfer books of the Company shall remain closed from 20-10-2015 to 28-10-2015 (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 Area, Model Town, Lahore and also furnish attested photocopy of their CNIC as per Listing Regulations, if not provided earlier.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FORM OF PROXY
DESCON CHEMICALS LIMITED

IMPORTANT

This form of proxy, in order to be effective, must be deposited duly completed, at the Company's Registered Office at Descon Headquarters, 18-KM, Ferozepur Road, Lahore not less than 48 hours before the time of holding the meeting. A Proxy must be member of the Company. Signature should agree with the specimen register with the Company. Please quote registered Folio / CDC Account numbers

I/We____

of ____

being a member of Descon 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 fifty first Annual General Meeting of the Company to be held at Descon Headquarters, 18-Km, Ferozepur Road, Lahore on Wednesday, October 28, 2015 at 10:00 hours and at any adjournment thereof.

As witness my / our hand this____________________________day of____________2015

Signed by the said______________________________in the presence of____________

____

(Member's Signature)

Place ____________________

Date ____________________

____

(Witness's Signature)

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

DESCON

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