

**HALF YEARLY
REPORT**
December 31, 2015
(Un-Audited)



BETTER LIFE THROUGH CHEMISTRY

Descon Chemicals Limited

Company Information

Board of Directors

Sh. Amar Hameed (Chairman)
 Mr. Zafar Mahmood (Chief Executive Officer)
 Mr. Abdul Jalil Jamil
 Mr. Muhammad Saeed-uz-Zaman
 Mr. Muhammad Yahya Khan
 Mr. Osman Hameed
 Mr. Muhammad Sajid

Working Directors

Mr. Zafar Mahmood
 Mr. Khalid Mumtaz Qazi
 Mr. Imran Afzal
 Mr. Umar Iqbal
 Mr. Aamir Jamil
 Mr. Muhammad Yahya Khan

Chief Financial Officer

Mr. Aamir Jamil

Company Secretary

Mr. Muhammad Inam-ur-Rahim

Auditors

Horwath Hussain Chaudhury & Co.
 Chartered Accountants

Internal Auditors

KPMG Taseer Hadi & Co.
 Chartered Accountants

Audit Committee

Mr. Muhammad Sajid - Chairman
 Mr. Muhammad Saeed-uz-Zaman - Member
 Mr. Osman Hameed - Member

Human Resources & Remuneration Committee

Sh. Amar Hameed - Chairman
 Mr. Abdul Jalil Jamil - Member
 Mr. Zafar Mahmood - Member

Bankers

The Bank of Punjab
 Al Baraka Bank (Pakistan) Limited
 Soneri Bank Limited
 J.S. Bank Limited

Legal Advisors

M/s Hassan & Hassan
 Advocates

Share Registrar

Corplink (Pvt.) Limited
 Wings Arcade, 1-K Commercial,
 Model Town, Lahore. Pakistan.
 Tel: +92 42 35916714 & 19
 Fax: +92 42 35869037
www.corplink.com.pk

Registered Office / Plant - 1

14.5 Km, Lahore-Sheikhupura Road,
 Lahore, Pakistan.
 Tel : +92 42 37971512-14
 Fax: +92 42 37970229

Plant – 2

14.8 Km, Sheikhupura-Faisalabad Road,
 Bhikhi, Dist. Sheikhupura. Pakistan.
 Tel : +92 56 3883001 – 7
 Fax: +92 56 3883010

Lahore Office

12-B, New Muslim Town,
 Lahore, Pakistan.
 Tel : +92 42 35926090-93
 Fax: +92 42 35926099

Web Site

www.nimir.com.pk

DIRECTORS' REPORT

The directors are pleased to present their review report together with the un-audited financial statements of the Company for the quarter and half year ended December 31, 2015.

Operating Results

The results for the half-year ended December 31, 2015 are as follows:

	Six Months Ended	
	December 31, 2015	December 31, 2014
	PKR in million	
Sales Revenue	756	936
Gross Profit	98	83
Net Profit (Loss)	31	(54)

Despite lower turnover against the same period of last year, the Company posted gross profit of Rs. 98 million (13% of sales) during the half year under review against Rs. 83 million (9% of sales) earned in the corresponding period of last year. Profit after tax for the half year was Rs. 31 million against net loss after tax of Rs. 54 million for the same period last year.

Change of Shareholding & Management

On December 31, 2015, the Company manifest a new identity with the change of its shareholding structure. Nimir Management (Private) Limited, a subsidiary of Nimir Industrial Chemicals Limited acquired the majority and controlling stake of the Company. The board of directors of the Company appointed the management of Nimir Industrial Chemicals Limited to run the affairs of the Company.

Nimir Industrial Chemicals Limited is a listed company on Pakistan Stock Exchange Limited and a market leader in it's category. It has shown remarkable performance in the last five years after its control was taken over by the current management. This management brings with it decades of multifaceted experience in the fields of engineering, finance, marketing, commercial and management.

Change in Balance Sheet

The new shareholders of the Company have injected considerable amount of funds in the Company, which were primarily used to repay bank liabilities. As a result, the balance sheet of the company improved significantly, as may be witnessed from the summary below:

	As at December 31, 2015	As at June 30, 2015	Change
	Rs '000'	Rs '000'	Rs '000'
Equity (including interest free sponsor's loans & surplus on revaluation)	662,003	272,530	389,473
Long Term Loans	-	89,666	(89,666)
Deferred Liabilities	25,577	30,211	(4,634)
Current Liabilities	567,812	896,603	(328,791)
	1,255,392	1,289,010	(33,618)
Non Current Assets	498,984	514,673	(15,689)
Current Assets	756,408	774,337	(17,929)
	1,255,392	1,289,010	(33,618)

Change of Name

The Company obtained the availability of new name of the Company. The management is in the process of completing the required formalities.

Future Plans

The current management brings with it a diverse experience of various businesses, which they were previously running. They have extensive knowledge and experience of running the business of coating & emulsion, polyester, textile chemicals and paper chemicals, in which Descon Chemicals Limited is currently operating as well as of new markets and products.

The Board of Directors has approved requisite capital expenditures for the BMR (balancing, modernization and replacement) of existing plant, investments on new technologies and products, alternate energy, efficiency improvements and reducing operating costs.

With the investment as has been explained earlier, the debt of the Company has already reduced significantly. Resultantly there will be substantial reduction in the financial cost in coming quarters.

We remain optimistic about the growth and profitability of the company and hope that the new management shall undeniably contribute in adding value to all its stakeholders, Insha Allah.

Lahore
February 22, 2016

For and on behalf of the Board



Zafar Mahmood
Chief Executive Officer

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of Descon Chemicals Limited (the "Company") as at December 31, 2015 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

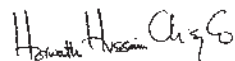
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the six months period ended December 31, 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Lahore
February 22, 2016

Horwath Hussain Chaudary & Co.
Chartered Accounts



(Engagement Partner : Amin Ali)

CONDENSED INTERIM BALANCE SHEET AS AT DECEMBER 31, 2015 (UN-AUDITED)

	Note	December 31, 2015	June 30, 2015
		Unaudited Rupees '000'	Audited Rupees '000'
ASSETS			
Non Current Assets			
Property, plant and equipment	4	472,818	486,102
Intangible assets		16,173	18,483
Long term deposits		7,650	7,650
Retirement benefit asset - prepayments		2,343	2,438
		498,984	514,673
Current Assets			
Stores and spares		11,643	12,624
Stock in trade		262,830	310,962
Trade debts		261,724	321,962
Loans and advances		21,838	15,495
Income tax deducted at source and advance tax		101,798	100,500
Short term prepayments and other receivables		30,289	10,847
Bank balances		66,286	1,947
		756,408	774,337
Total Assets		1,255,392	1,289,010
EQUITY AND LIABILITIES			
Share Capital and Reserves			
Authorized share capital 230,000,000 (June 30, 2015: 230,000,000) Ordinary shares of Rs. 5 each		1,150,000	1,150,000
Issued, subscribed and paid up share capital 199,557,856 (June 30, 2015: 199,557,856) Ordinary shares of Rs. 5 each		997,789	997,789
Sponsors' loans	5	390,000	-
Reserves		(772,830)	(804,019)
		614,959	193,770
Surplus on Revaluation of Property, Plant and Equipment	6	47,044	47,149
Non Current Liabilities			
Long term financing from banking companies	7	-	89,666
Long term financing from director	8	-	31,611
Deferred revenue	8	-	1,049
Deferred tax liability		25,577	29,162
		25,577	151,488
Current Liabilities			
Trade and other payables		235,508	287,349
Accrued mark up		2,675	14,486
Short term borrowings	9	322,000	479,571
Current portion of long term financing	7	-	89,667
Current portion of deferred revenue	8	-	7,341
Provision for taxation		7,629	18,189
		567,812	896,603
Contingencies and Commitments	10	-	-
Total Equity and Liabilities		1,255,392	1,289,010

The annexed notes form an integral part of this condensed interim financial information (un-audited).


Chief Executive Officer


Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	Note	Half Year Ended		Quarter Ended	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
		Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Sales - net		756,317	936,446	361,549	451,693
Cost of sales	11	(658,761)	(853,432)	(312,721)	(420,089)
Gross Profit		97,556	83,014	48,828	31,604
Operating expenses:					
Distribution costs		(25,703)	(36,966)	(13,525)	(21,912)
Administrative expenses		(21,041)	(24,810)	(9,438)	(14,819)
Research and development expenses		—	(185)	—	(185)
		(46,744)	(61,961)	(22,963)	(36,916)
Operating Profit / (Loss)		50,812	21,053	25,865	(5,312)
Other operating charges		(5,156)	(10,581)	(3,768)	(1,727)
Finance cost		(29,035)	(56,528)	(14,216)	(29,666)
Other income	12	18,507	5,879	16,504	3,171
Share of net loss of associate	13	—	(11,073)	—	(4,359)
Profit / (Loss) before Taxation		35,128	(51,250)	24,385	(37,893)
Taxation		(4,044)	(2,488)	(83)	2,360
Net Profit / (Loss) for the Period		31,084	(53,738)	24,302	(35,533)
Earning / (Loss) per Share - Basic & diluted		0.16	(0.27)	0.12	(0.18)

The annexed notes form an integral part of this condensed interim financial information (un-audited).


Chief Executive Officer


Director

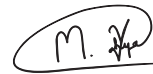
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	Half Year Ended		Quarter Ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Net Profit / (Loss) for the Period	31,084	(53,738)	24,302	(35,533)
Other comprehensive income				
Items that will not be re-classified subsequently to the profit or loss	-	-	-	-
Items that will be reclassified subsequently to the profit or loss				
Unrealized surplus on remeasurement of investment available for sale	-	16	-	91
Share of other comprehensive loss of associate	-	(76)	-	-
Total Comprehensive Income / (Loss) for the Period	31,084	(53,798)	24,302	(35,442)

The annexed notes form an integral part of this condensed interim financial information (un-audited).



Chief Executive Officer




Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015**

	Half Year Ended	
	December 31, 2015	December 31, 2014
	Rupees '000'	Rupees '000'
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation and share of loss of associate	35,128	(40,177)
Depreciation	13,458	15,054
Amortization of intangible asset	2,310	2,310
Provision for gratuity	95	78
Provision for obsolescence of stock	4,520	528
Provision for doubtful debts	4,398	9,224
Gain on disposal of property, plant and equipment	(10)	(296)
Exchange loss / (gain)	13	(71)
Finance cost	29,035	56,528
Interest income	(91)	(268)
	53,728	83,087
Operating profit before working capital changes	88,856	42,910
(Increase) / decrease in current assets:		
Stores and spares	981	(652)
Stock in trade	43,612	(94,477)
Trade debts	55,826	21,925
Loans and advances	(6,344)	(6,853)
Short term prepayments and other receivables	(19,441)	(7,924)
Increase / (decrease) in current liabilities:		
Trade and other payables	(51,841)	59,322
	22,793	(28,659)
Cash generated from Operations	111,649	14,251
Finance cost paid	(40,846)	(57,466)
Income tax (paid) / refunded	(19,487)	35,627
Net Cash generated from / (used in) Operating Activities	51,316	(7,588)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(467)	(653)
Proceeds from disposal of property, plant and equipment	303	296
Interest income received	91	268
Net Cash used in Investing Activities	(73)	(89)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term financing by banking companies repaid	(179,333)	(44,833)
Sponsors' loans acquired	350,000	40,000
Short term borrowings (repaid) / acquired - net	(157,571)	4,731
Net Cash generated from / (used in) Financing Activities	13,096	(102)
Net Increase / (Decrease) in Cash and Cash Equivalents	64,339	(7,779)
Cash and cash equivalents at the beginning of the period	1,947	8,891
Cash and Cash Equivalents at the End of the Period	66,286	1,112

The annexed notes form an integral part of this condensed interim financial information (un-audited).


Chief Executive Officer


Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2015**

Particulars	Share Capital	Sponsors' Loan	Share Premium	Reserves			Accumulated Loss	Total
				Fair Value Reserve	Revaluation Reserve	Rs. '000'		
	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Balance as at June 30, 2014	997,789	-	1,281	257	718	-	(724,241)	275,804
Total comprehensive loss for six months period ended December 31, 2014	-	-	-	(60)	-	-	(53,738)	(53,798)
Transferred from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period - net of tax	-	-	-	-	98	-	-	98
Balance as at December 31, 2014	997,789	-	1,281	197	816	(777,979)		222,104
Balance as at June 30, 2015	997,789	-	1,281	-	928	(806,228)		193,770
Total comprehensive profit for six months period ended December 31, 2015	-	-	-	-	-	31,084		31,084
Sponsors' loans	-	390,000	-	-	-	-		390,000
Transferred from surplus on revaluation of property, plant and equipment in respect of incremental depreciation charged in current period - net of tax	-	-	-	-	105	-		105
Balance as at December 31, 2015	997,789	390,000	1,281	-	1,033	(775,144)		614,959

The annexed notes form an integral part of this condensed interim financial information (un-audited).



Chief Executive Officer



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2015 (UN-AUDITED)

1 The Company and its Operations

- 1.1 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.
- 1.2 Shares of the Company are quoted on Pakistan Stock Exchange. The registered office of the Company is situated at 14.5 Km, Lahore-Sheikhupura Road, Lahore. The principal activity of the Company is to manufacture surface coating resins, polyesters optical brightener and textile auxiliaries.
- 1.3 During the half year ending on December 31, 2015, sponsoring directors and their related persons disposed off 69.48% shareholding in the Company. Consequently, all the directors resigned and new directors were elected on January 05, 2016.

2 Basis of Preparation

- 2.1 This condensed interim financial information has been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan (SECP) and is in compliance with the International Accounting Standard - 34 (Interim Financial Reporting).
- 2.2 This condensed interim financial information is unaudited and has been subjected to limited scope review by the external auditors as required by the Code of Corporate Governance and is being submitted to the shareholders as required by Section 245 of the Companies Ordinance, 1984. The figures for the quarters ending on December 31, 2014 and 2015 presented in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed by the external auditors.
- 2.3 This condensed interim financial information is presented in Pak rupees, which is the Company's functional and presentational currency. Figures have been rounded off to nearest thousand rupees, unless stated otherwise. This condensed financial information does not include all the information contained in annual financial statements of the Company and therefore, should be read in conjunction with the annual financial statements for the year ended June 30, 2015.

3 Significant Accounting Policies

The accounting policies and methods of computation of this condensed interim financial information are the same as those followed in the preparation of annual financial statements for the preceding financial year ended June 30, 2015.

4 Property, Plant and Equipment

	December 31, 2015	June 30, 2015
	(Un-audited) Rs. '000'	(Audited) Rs. '000'
Opening written down value	486,102	514,035
Additions during the period / year	467	2,458
Disposals during the period / year	(743)	(2,849)
	<u>485,826</u>	<u>513,644</u>
Depreciation charge for the period / year	(13,008)	(27,542)
	<u>472,818</u>	<u>486,102</u>

5 Sponsors' Loans

This represents long term loans received from new sponsors, which are interest free and repayable at the discretion of the Company. Further, these loans are sub-ordinated to facilities obtained from various financial institutions. These loans are presented under equity as per "Technical Release-32 of the Institute of Chartered Accountants of Pakistan (ICAP)". This technical release is early adopted by the Company as permitted by the ICAP. However, this early adoption does not have any retrospective effect.

6 Surplus on Revaluation of Property, Plant and Equipment

	December 31, 2015 (Un-audited) Rs. '000'	June 30, 2015 (Audited) Rs. '000'
Land	43,088	43,088
Building	4,061	4,271
	<u>47,149</u>	<u>47,359</u>
Incremental depreciation (net of deferred tax) charged on revalued property, plant and equipment during the period / year	(105)	(211)
	<u>47,044</u>	<u>47,148</u>

7 Long Term Financing

Banking companies - Secured

Bank Al-Habib Limited	—	150,000
Habib Metropolitan Bank Limited	—	29,333
	—	179,333
Less: Current portion	—	(89,667)
	—	<u>89,666</u>

7.1 The Company has repaid entire outstanding amount during the half year ending on December 31, 2015. Charges on these loans are under the process of vacation.

8 Long Term Financing

	Note	December 31, 2015 (Un-audited) Rs. '000'	June 30, 2015 (Audited) Rs. '000'
Related parties - Unsecured Loan from director / related parties	8.1	—	31,611

8.1 This represents long term financing obtained from one of the ex-directors of the Company. Through a novation agreement dated December 31, 2015, this loan has been taken up by the incoming directors and related parties of the Company and shown in sponsors' loan (Note 5).

9 Short term borrowings

	December 31, 2015 (Un-audited) Rs. '000'	June 30, 2015 (Audited) Rs. '000'
Banking companies - Secured		
Running finance	322,000,000	173,421,336
Borrowings / FATRs	—	306,149,834
	<u>322,000,000</u>	<u>479,571,170</u>

9.1 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. 1,215 million (2015: Rs. 1,275 million) for working capital requirements, retirement of local and foreign LCs, discounting local bills / receivables, guarrantees and loan against trust receipts etc. All the previous facilities obtained from various banks have been swapped with facilities obtained from other banks.

Mark-up

Mark-up on short term borrowings is charged using 3 to 6 Months KIBOR + 1.25% to 1.75% (2015: 3 to 6 Months KIBOR + 1% to 1.50%) per annum. Mark up is payable on quarterly basis in arrears.

Securities

These borrowings are secured against charges on current and fixed assets of the Company, personal guarantees of the new sponsors and lien over title of imported goods of the Company.

10 Contingencies and Commitments

10.1 Contingencies

10.1.1 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.

10.1.2 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.

10.1.3 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.

	December 31, 2015 (Un-audited) Rs. '000'	June 30, 2015 (Audited) Rs. '000'
10.2 Guarantees		
Sui Northern Gas Pipelines Limited	3,090	3,090
10.3 Commitments		
Letters of credit	102,034	194,471

	Half Year Ended		Quarter Ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(Un-audited)		(Un-audited)	
	Rs. '000'	Rs. '000'	Rs. '000'	Rs. '000'
Raw materials consumed	553,992	786,485	268,740	370,374
Stores and spares consumed	3,245	10,590	1,914	4,948
Fuel and power	21,078	22,542	10,657	11,246
Salaries, wages and benefits	20,704	22,034	15,677	11,388
Services through contract	7,213	6,813	3,552	3,374
Repairs and maintenance	947	851	514	549
Travelling and entertainment	576	1,720	44	980
Insurance	2,218	2,308	1,109	1,135
Transportation	1,543	2,705	1,132	1,342
Communication	159	184	159	82
Miscellaneous	280	266	227	169
Printing and stationery	341	-	341	-
Depreciation	11,447	11,291	5,727	5,061
	623,743	867,789	309,793	410,648
Work in process:				
Opening work in process	-	1,663	-	11,007
Closing work in process	-	(6,295)	-	(6,295)
	-	(4,632)	-	4,712
Cost of goods manufactured	623,743	863,157	309,793	415,360
Finished goods:				
Opening finished goods	124,062	96,428	91,972	110,882
Closing finished goods	(89,044)	(106,153)	(89,044)	(106,153)
	35,018	(9,725)	2,928	4,729
	658,761	853,432	312,721	420,089

12 Other Income

This includes Rs. 15 million (December 31, 2014: Nil) waived off from sponsors' loans during the current half year ending on December 31, 2015.

13 Share of Net Loss of Associate

The Company disposed off its investment in Descon Oxychem Limited on March 9, 2015.

14 Transactions with Related Parties

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

	Half Year Ended	
	December 31, 2015	December 31, 2014
	(Un-audited) Rs. '000'	(Un-audited) Rs. '000'
Associates and related parties		
Purchase of materials, goods and services	524	1,965
Sale of materials and goods	355	-
Managerial services and expenses charged - net	25,674	35,906
Loan obtained from directors / related parties	350,000	40,000
Staff retirement fund		
Company's contribution to Employees' Provident Fund Trust	1,483	2,022
Charge for the Gratuity Fund	95	78

15 Segment Reporting

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

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

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

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

15.2 Segment analysis

The segment information for the reportable segments for the half year ended December 31, 2015 is as follows.

	Coating and Emulsion Rs. '000'	Polyester Rs. '000'	Textile and Paper Rs. '000'	Trading Rs. '000'	Total Rs. '000'
Segment Results for the half year ended December 31, 2015					
Revenue	455,228	17,044	208,973	75,072	756,317
Operating profit	27,690	(4,741)	30,318	(2,455)	50,812
Other operating charges					(5,156)
Finance cost					(29,035)
Other income					18,507
Profit before taxation					<u>35,128</u>
Segment Results for the half year ended December 31, 2014					
Revenue	531,931	26,362	239,332	138,821	936,446
Operating profit	19,344	(110)	(2,263)	4,082	21,053
Other operating charges					(10,581)
Finance cost					(56,528)
Other operating income					5,879
Share of net loss of associate					(11,073)
Loss before taxation					<u>(51,250)</u>
Segment asset and liabilities as at December 31, 2015					
Segment assets	332,470	113,595	168,166	91,203	705,434
Segment liabilities	105,832	8,583	50,647	452	165,514
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

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

	December 31, 2015	June 30, 2015
	(Un-audited) Rs. '000'	(Audited) Rs. '000'
Segment assets for reportable segments	705,434	825,623
Corporate assets unallocated	319,532	327,148
Cash and bank balances	66,286	1,947
Others	164,140	134,292
Total assets as per the balance sheet	<u>1,255,392</u>	<u>1,289,010</u>

Note 15, Segment Reporting - Continued...

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

Segment liabilities for reportable segments	165,514	212,251
Corporate liabilities unallocated	322,000	658,905
Trade and other payables	98,246	158,746
Taxation - net	7,629	18,189
Total liabilities as per the balance sheet	<u>593,389</u>	<u>1,048,091</u>

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

Information about products

One product of the Company comprises 10.51% (2015: 13.47%) of total sales for the half year.

Information about major customers

One customer of the Company accounts for 15.19% (2015: 14.22%) of total sales for the half year.

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.

16 Authorization of Financial Information


This condensed interim financial information (un-audited) is authorized for issuance on Monday, February 22, 2016 by the Board of Directors of the Company.

17 General

Corresponding figures are re-arranged / reclassified, wherever necessary, to facilitate comparison. Following material re-arrangements / reclassifications have been made in this condensed interim financial information (un-audited):

Nature	From	To	Half Year Ended December 31, 2015	Quarter Ended December 31, 2014
			Rs. '000'	Rs. '000'
Amortization	Cost of Sales	Administrative Expenses	1,733	578


Chief Executive Officer


Director



DESCON CHEMICALS LIMITED

Registered Office

14.5 Km, Lahore-Sheikhupura Road,
Lahore, Pakistan.

Tel : +92 42 37971512-14

Fax: +92 42 37970229

www.nimir.com.pk