ANNUAL REPORT 2014

DESCON

DESCON CHEMICALS LIMITED

COVER CONCEPT

The title concepts uses curved lines encroaching on white space to represent Descon Chemicals' gradual shift towards new products for this year and beyond.

The Descon Logo shows our company's vision to master all challenges on the path to being a true market leader.

ANNUAL REPORT 2014

TABLE OF CONTENTS

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

Taimur Saeed
Chief Executive Officer

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

Chief Financial Officer
Yasir Siddique Sheikh

Company Secretary
Abdul Sohail

Auditors
Horwath Hussain 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 35923749

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, of whom two are non-executive directors, including the Chairman of the committee. This committee is constituted of the following members:

Farooq Nazir	Chairman
Taimur Dawood	Member
Muhammad Sadiq	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
Taimur Saeed	Chief Executive Officer
Abdul Sohail	Company Secretary
Yasir Siddique Sheikh	Chief Financial Officer
Abdul Sattar	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
Taimur Saeed	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:

Taimur Saeed	Chief Executive Officer
Abdul Sohail	Company Secretary
Yasir Siddique Sheikh	Chief Financial Officer
Abdul Sattar	Head Shared Services
Shibli Raza	Plant Manager
Bilal Malik	Head HR
Saqib Abbas	Manager Compliance & Reporting

PROFILE OF THE CHAIRMAN AND CEO

Abdul Razak Dawood
Chairman

Taimur Saeed
Chief Executive Officer

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

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

In 1977, he started Descon Engineering Limited and since then has been associated with it. Currently, he is the Chairman of Descon Engineering Limited, the premier Pakistani multinational company, which is operating in five countries, and holding four overseas manufacturing units. It has more than 25000 employees, 50% of them based overseas. He is one of the founders of Lahore University of Management Sciences (LUMS) and has been its Rector since inception. He has also served the Lahore Chapter of Management Association of Pakistan as Chairman.

He is a former trustee of Shaukat Khanam Memorial Cancer Hospital. He has graduated in Engineering from Newcastle University, UK and obtained his MBA from Columbia University, USA.

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

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

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

CHAIRMAN'S STATEMENT

The Company continues to make efforts to mitigate the impact of a very challenging external environment. The strategy for your Company is to innovate in such a way to add new products to the portfolio and discontinue the producing products that have outlived their useful life. Once the transition is completed the Company will have a sustainable platform for sustainable growth. Utility shortages not only affected our production activities but also the business activities of our customers, hence, the slide in our top line, however, I am confident that the Management will soon be able to turnaround this Company with the help of relentless focus on innovation & new product development.

Management is fully focused on research & development to add new products to its existing range and at the same time exit the products that are not performing. Product diversification through new technology will make us more competitive and relevant for our customers. The management has taken certain steps, in consultation with the Board, which will not only improve the contribution margin of the Company but will also reduce the fixed cost. We have invested in products and are providing application support to our customers. Supporting our claim to not only be a manufacturer but also a solution provider.

The new product range will help the Company in increasing its market share despite competition from the unorganized sector, which puts your Company at a disadvantage. Despite the fact that we do not play on level playing field we will continue to meet this economic challenge and continue to deploy efforts that help us pursue sustainable growth safely and responsibly.

Your Company provides and maintains systems and working conditions, which meet all the internationally benchmarked health & safety parameters. Furthermore, we believe that strong governance is an integral ingredient for the long-term success of the Company. The Board is fully committed to ensure that the business continues to be governed and managed with openness, honesty and transparency. We are committed to maintaining high standards of corporate governance in a constantly evolving regulatory environment.

I would like to thank my fellow Directors and all stakeholders, particularly our customers, shareholders and lenders for their assistance and commitment throughout the year. I congratulate the Management and employees for performing in a very difficult economic environment and wish them growth and success in the future.

Abdul Razak Dawood
Chairman

October 01, 2014

CEO's REVIEW

The 2013-14 has been a very challenging year for the Company. The energy crisis and competition from the unorganized sector has played an important part in this deteriorating situation. The Company has dealt with the situation in the best possible manner by keeping its existing products active in the market and introducing new products with better margins. We are confident that we will be able to stem this slide in the years ahead. We have taken some aggressive steps, which will result in increased gross profits and reduction in administrative costs. The Company invested in products to remain competitive and to provide cost effective solutions to our customers. Economic slowdown of the country coupled with increased energy shortages decreased demand for many of our products as our customers continue to suffer utility shortages.

The raw material prices have increased significantly during the year. The management has successfully passed on this increase to the customers by keeping gross margins intact. Furthermore, throughout the year, we have put in our best of efforts to keep the investment in the working capital at the minimum possible level.

Your Company is committed to the protection of environment and to ensure health and safety of its employees, customers, contractors and communities where it operates and practices quality in all its business activities so as to exceed customer expectations. We are committed to comply with the applicable laws and requirements.

In the end, I would like to express my gratitude towards our valued customers, suppliers, contractors, shareholders, financial institutions, directors and dedicated staff for their continued support and commitment which is essential for the sustainability of the Company.

Taimur Saeed
Chief Executive Officer

October 01, 2014

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, 2014.

Financial Review

	2014	2013
	Rupees in thousands	
Sales	2,199,528	2,402,440
Gross profit	186,747	216,361
EBITDA	91,259	106,363
Operating profit	61,156	106,612
Finance cost	111,522	110,466
Loss before tax and share of loss of associate undertaking	(51,285)	(37,929)
Share of net loss of associate	(6,472)	(5,409)
Loss before tax	(57,758)	(43,338)
Loss after tax	(69,074)	(42,115)
EPS – (Rupees)	(0.35)	(0.21)

The Company kept facing the challenges during the year posed by macroeconomic factors resulting in reduced demand for our product. The reduction in sales volumes has contributed significantly in the loss for the year faced by the Company. We sold 13,944 MTs, a decrease of 2,151 MTs or 13% less compared to the previous year. The Company suffered net loss of PKR 69 mln during the year which is higher than the last year. The increase in price of raw materials was partially off-set by internal efficiencies which mitigated the impact on gross margin.

Operating profit of the Company registered a decrease of approximately PKR 45 mln or 43% over last year mainly due to the reduction in volume and increase in distribution and administrative expenses. The finance cost has not increased 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 inventories.

The Company's investment in Descon Oxychem Limited, an associated Company, suffered a loss during the year, giving a share of loss of PKR 6.4 mln to the Company against a loss of PKR 5 mln last year contributing to net loss of the Company. After share of associate and taxation, net loss of the Company for the year is PKR 69 mln as compared to PKR 42 mln last year.

Risk Management

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

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

Sales and Marketing

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

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

Coating and Emulsion
Polyester Resins
Pulp & Paper
Textile
Trading
Poultry & Livestock

Coating & Emulsion

Our range of chemicals includes a wide assortment of Binders and Additives for the Paints & Coatings industry. In spotlight are Long Oil-based

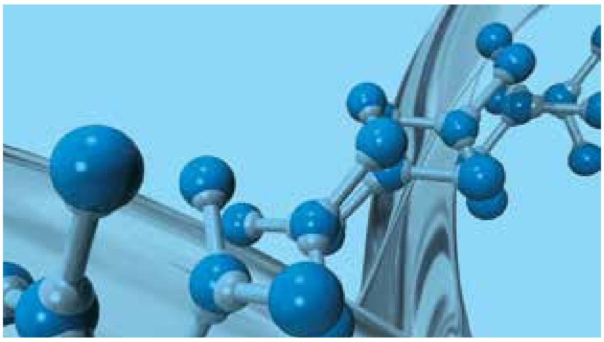
medium viscosity and low viscosity enamels with the highest quality in hardness, water-resistance and durability for decorative paints.

Coatings & Emulsions form the backbone of our Company, and form almost half of the total turnover. Market share of low cost manufacturers has increased rendering this industry as extremely price sensitive and exerting pressure on our margins. Imposition of various taxation measures has also affected demand of our products in a negative manner. these continued developments have resulted in reorganization of some major players in the industry.

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

Polyester Resins

Descon Chemicals Limited is one of Pakistan's major supplier of unsaturated polyester and vinyl ester resins for composites applications. Company



offers the broadest manufacturing presence to produce a complete line of resin products, Gel-coats and bonding pastes for customers who fabricate composite products ranging from bathtubs to sewerage pipes.

Innovation is the key to Company's success. Company is a technology leader for development of new materials for both conventional and advanced composites applications. Company offers resin systems that meet and exceed customer expectations of application properties, environmental compliance and end use performance. Introduction of new version of general-purpose resins in combination with high performance properties shows the dedication of Company's commitment to development of customized solutions for the industry.

Textile

The Textile Auxiliaries Business provides special chemicals for pre-treatment, dyeing and finishing of textiles. We no longer only sell a single product to our customers; whenever possible

we strive to be their partner by helping them select the best package or a process for their needs. Our customer segments include Woven, Knitwear, and Denim & Towel manufacturers. We have also added optical brightener product series to textile segment this year whose sale is growing. We focus strongly on our technical expertise and countrywide presence so that we can meet the needs of our customers and be close to them.

Pulp & Paper

Descon Chemicals Limited is a leading producer of Optical Brightener and Fortified Resins. Both

these products are widely used by the leading Paper and Board manufacturers of Pakistan. Additionally, Company's Fortified Rosin is an ideally suited option for controlling the roughness and spreading of ink on paper. We have added new products to our portfolio in paper segment namely AKD, De-Ink, De- Polyresil 3, De-Fix to meet the needs of pulp & paper industry. These products are also being exported. Although we are a market leader in Optical Brightener technology, but we don't stop here, we have improved our operating efficiency by introducing Nano-Filtration technology to Optical Brightener category which has also improved the product quality. Our motivation is to provide cost effective solutions to our valued customers along with consistent improvement to existent products and adding new products to portfolio. We hope and feel confident that in the coming years pulp & paper segment will add considerable value to our company.

Trading

Due to the Company being a substantial user of specialty and commodity chemicals, it also trades in selected chemicals after adding significant value to the products, for which it is a substantial player in the market. The idea is to leverage our sourcing and buying efficiencies and earn a healthy margin. We continuously endeavor to develop strong sources for supply with which we can serve our valuable customers. Petrochemicals have been our key focus area where we have been working extremely hard for the last three years. We are growing a Company, which introduces high quality product range and a staunch commitment to excellent customer service. Trading business has always been a profitable segment for the

Company for the past few years. Although business ability to perform on consistent basis has been a challenge, due to external challenges like market demand, pricing, and product availability, but still trading has been able to cope with these challenges in a timely manner. Recently, we have started trading Ethanol that is used in various industries like pharmaceuticals, cleaning products, perfumes, paints, preserving agents and chemical manufacturing.

Poultry & Livestock

Descon Chemicals launched its 'Disinfectant and Nutraceuticals Division' that offers complete range of disinfectants and preventive nutritional medicines. Our quality products have been able to make their place in the market and are

showing substantial growth. In addition to our local manufacturing, we are also sole distributors of few big Veterinary pharmaceuticals manufacturers of Europe and Korea.

Exports

The company is exporting some of its products, where it has significant regional competitive advantage.

Domestic Chemical Market

The chemical sector in Pakistanis made up of large multinationals, large to medium sized local companies and small companies, mostly in the unorganized sector. Market is highly fragmented with competition for specific products, instead of business lines. The companies are working in niche products, and the competitive advantage is only maintained by investing resources and energy in innovation, and continuous improvement of a product line. Due to the general macroeconomic conditions in the country, coupled with the energy shortages, the chemical sector has suffered a slowdown, which affected demand throughout 2014.

Marketing

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

Human Resource Development

An engaged workforce and an inclusive work environment are vital to our success and are aligned with our core values of honesty, integrity and respect for people.

At Descon, HR is focused at enabling our Human Capital to add valuable contribution to the Organization. We strive to groom leaders for the future by providing competency based career progression and challenge our people to display exceptional results through performance.

HR's foremost objective is to foster a performance driven culture, which supports and values employee contribution while providing them opportunities for career growth and development.

Human Resource Business Partnership:

At Descon, HR's aim is to truly partner the business and provide our Organization with a strategic edge by focusing on the following:

- Evolve as an Employer of Choice
- Inculcate a performance driven culture
- Develop a talent pipeline for future leaders
- Induct talent development initiatives aligned with business goals

Career Progression:

We believe that business growth is dependent upon the potential and caliber of our employees. It is therefore essential for the Company's growth and its obligation towards its employees that they are provided full opportunity and resources to grow in the organization to their maximum potential.

We provide our employees with professional training and development programs and support, and through a sustained succession planning program have established career road-maps for high potential incumbents. We encourage creativity and out of the box thinking and provide our employees the opportunity to face new challenges and to take on increased responsibility.

Our top performers are offered career opportunities (within and outside the Company with other Group companies) that help to provide exposure and further develop talent for future leadership roles.

With this rationale, HR has launched a comprehensive program for the development and progression of our "key people" holding critical positions. Under the "People Development Plan", star employees have been identified based on past performance and potential for future leadership roles.

The employees thus identified will be put on a fast-track to key management positions within their respective functions. Additionally, a separate budget has been allocated for the development and training of the Hi-Po's in the context of capacity and capability building. The program encompasses Functional as well as Behavioral trainings jointly recommended by the incumbent's Functional Head & mentor while encouraging active input from the incumbent as well.

Development Plans will be put in place and review will be conducted once every six months mapping the progress of the incumbent gauging the readiness of the incumbent for the next level.

Learning & Development:

In addition to the People Development Program aimed specifically at Hi-Po's, HR has initiated a comprehensive Training & Development road map for the general employee population as well.

- A KPI of 2 training days per employee was set for employees from within Grade 3 to 7 for the year 2013-2014.
- 159 employees were nominated to attend 30 different training sessions.
- The training programs included a wide range of content including Functional as well as Behavioral trainings
- Our employees received training through in-house internal programs as well as reputed external training institutions.

Awards & Recognition:

There are a number of awards and recognition programs offered at Descon based entirely on productive input. Among these awards, is the "Des-Icon" Employee of the Quarter award that acknowledges exceptional effort of an employee in an assigned project or in the normal course of work.

Kaizen award acknowledges new ideas that may have value adding impact. Kaizen encourages and engages employees to share their ideas and take ownership of continuous development. Moreover, Long Service Award is also granted based on an employee's service tenure and productive input.

Employee Engagement Initiatives:

In order to inculcate the concept of the "Descon family" HR continually takes initiatives to arrange events and activities to promote employee engagement.

Employee engagement activities foster awareness of team spirit and reinforce commitment to the team's shared goals and objectives. Properly applied, these activities can develop strong interpersonal relationships which help to bond the team closer together.

So based on the rationale above, DCBA had a memorable and & fun filled day at Green Fields Country Club, in February, 2014. The key objectives of the event were as follows:

- Instill a common sense of purpose
- Strengthen inter-departmental communication
- Develop cross functional relationships
- Acknowledge achievements of key performers

Cross functional teams were developed for this event in order to enhance interdepartmental communication and bridge any gaps.

In addition, "DCBA Spring Carnival" was hosted at DOL Plant in April 2014. This was a mega event again aimed at fostering employee motivation & collaboration.

"Winter-Vaganza" "Ice-Cream Fest", "New Employees On-boarding", "Long Service Awards", "New Years" & "Independence Day" celebrations and various sporting activities were also arranged in the past year to instill the values of team work, cooperation and recognition of employees' contribution.

Transparency & Open Communication:

As a means of inculcating the core corporate values of open communication into our professional lives, HR has initiated "CEO's Town Hall Meetings" on a quarterly basis. The agenda of these town halls is to provide the employees an understanding of the key business issues, gain increased direct employee feedback and to connect at a grass roots level.

Employee Benefits:

We believe in providing equal opportunity & see ourselves as an institution where employees are treated as one family, given opportunity to learn, challenged and rewarded for optimum performance.

We recognize and reward individual achievement through competitive remuneration and benefits package. We offer competitive levels of annual & medical leave entitlements and maternity leave to our female staff. We also accommodate career breaks if possible and our employees are encouraged to participate in social responsibility projects.

We intend to continuously build better reward structure for our employees. Long service award, Hajj & Umrah Award, Des-Icon and Variable Pay Policies are some of the few examples.

Retirement Benefit Plans:

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

	(PKR) 2014 (Un-audited)	(PKR) 2013 (Audited)
Provident Fund	37,553,681	36,837,804
Gratuity Fund	7,914,395	8,011,562

Code of Ethics for Employees

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

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

Safety and Health

Company's dedication to meeting the principles of safety and environment is a key component in our commitment to sustainable development and are committed to:

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

Environment

The Company manages its impact on environment by minimizing harmful effects of its emissions, both gaseous and liquid. Strict monitoring of plant effluents is done on continuous basis to control their disposal within National Environmental

Quality Standards [NEQS] limits. The Company continues to introduce most modern and environ-mental friendly technologies in its manufacturing processes.

Corporate Governance

Your Company is pleased to inform you that its Directors and management are fully conversant with the responsibilities as formulated in Code of Corporate Governance 2012, issued by SECP and incorporated in the Listing Regulations of 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. 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 consists of 8 Directors including the Chief Executive Officer, effectively representing the interest of shareholders. There are six (6) non-executive Directors and two Executive Director including the CEO.

Meetings of the Board

The Board is legally required to meet at least once every quarter to monitor the Company's performance aimed at effective and timely accountability of its management. The Board held 4 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	4	-
Salman Zakaria	1	Leave of absence was granted in three meetings.
Taimur Dawood	3	Leave of absence was granted in one meeting.
Farooq Nazir	4	-
Muhammad Sadiq	3	Leave of absence was granted in one meeting.
Syed Zamanat Abbas	1	Leave of absence was granted in three meetings.
Faisal Dawood	4	-
Taimur Saeed	4	-

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 directors' skills. The Board has arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate Governance for its directors. Four directors have obtained certification of CGLS.

Changes to the Board

There were no changes to the Board during the year

Directors' Statement

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

i. Presentation of Financial Statements

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

ii. Books of Accounts

The Company has maintained proper books of accounts.

iii. Accounting Policies

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

iv. International Financial Reporting Standards (IFRS)

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

v. Accounting Year

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

vi. Safety and Environments

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

vii. Going Concern

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

viii. Internal Control System

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

ix. Trading Company's Shares

No 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, 2015.

xvi. Audit Committee

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

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

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

Acknowledgements

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

For and on behalf of the Board

Lahore
October 01, 2014

Taimur Saeed
Chief Executive Officer

KEY OPERATING AND FINANCIAL DATA

	2014	2013	2012	2011	2010	2009
	......................................(Rs.in 000)......................................					
Summary of Profit and Loss						
Sales	2,199,528	2,402,440	2,560,856	2,601,734	2,383,950	2,769,953
Cost of Goods Sold	(2,012,781)	(2,186,080)	(2,341,702)	(2,287,690)	(2,072,600)	(2,551,882)
Gross Profit	186,747	216,361	219,155	314,044	311,350	218,071
Operating profit	61,156	106,612	118,305	151,084	136,970	38,057
Finance Cost	(111,522)	(110,466)	(125,670)	(159,160)	(159,606)	(186,708)
Profit / (loss) before tax	(57,758)	(43,338)	(4,264)	1,222	(53,183)	(164,927)
Profit / (loss) after tax	(69,074)	(42,115)	(61,704)	(19,280)	(49,409)	(134,694)
Financial Position						
Share Capital	997,789	997,789	997,789	997,789	997,789	315,670
Reserves including unappropriated profit	(721,985)	(652,365)	(611,616)	(550,718)	(531,642)	199,631
Long term borrowings	179,333	269,000	287,000	33,500	100,375	128,185
Property, plant and equipment	515,068	534,998	548,457	581,143	625,230	708,264
Net Current Assets	(76,033)	56,058	109,645	(126,420)	(64,078)	(45,571)
Investor Information						
Gross profit margin (%)	8.49%	9.01%	8.56%	12.07%	13.06%	7.87%
Pre tax margin (%)	(2.63%)	(1.80%)	(0.17%)	0.05%	(2.23%)	(5.95%)
Net profit margin (%)	(3.14%)	(1.75%)	(2.41%)	(0.74%)	(2.07%)	(4.86%)
Return on equity (%)	(25.04%)	(12.19%)	(15.98%)	(4.31%)	(10.60%)	(26.14%)
Return on capital employed (%)	(13.05%)	(6.10%)	(8.10%)	(3.35%)	(7.45%)	(17.84%)
Current Ratio	0.92	1.07	1.13	0.89	0.95	0.96
Quick Ratio	0.61	0.66	0.72	0.55	0.55	0.60
Debtors turnover (days)	68	57	59	62	74	63
Inventory turnover (days)	54	57	53	66	94	55
Creditors turnover (days)	32	35	42	43	54	27
Operating cycle (no. of days)	90	79	70	85	114	92
Debt: Equity (Ratio)	69%	70%	65%	62%	68%	64%
Interest cover (Times)	0.48	0.61	0.97	1.01	0.67	0.12
Earnings / (loss) per share (pre tax) (Rupees)	(0.29)	(0.22)	(0.02)	0.01	(0.27)	(2.61)
Earnings / (loss) per share (after tax) (Rupees)	(0.35)	(0.21)	(0.31)	(0.10)	(0.25)	(2.13)

HORIZONTAL ANALYSIS OF THE BALANCE SHEET

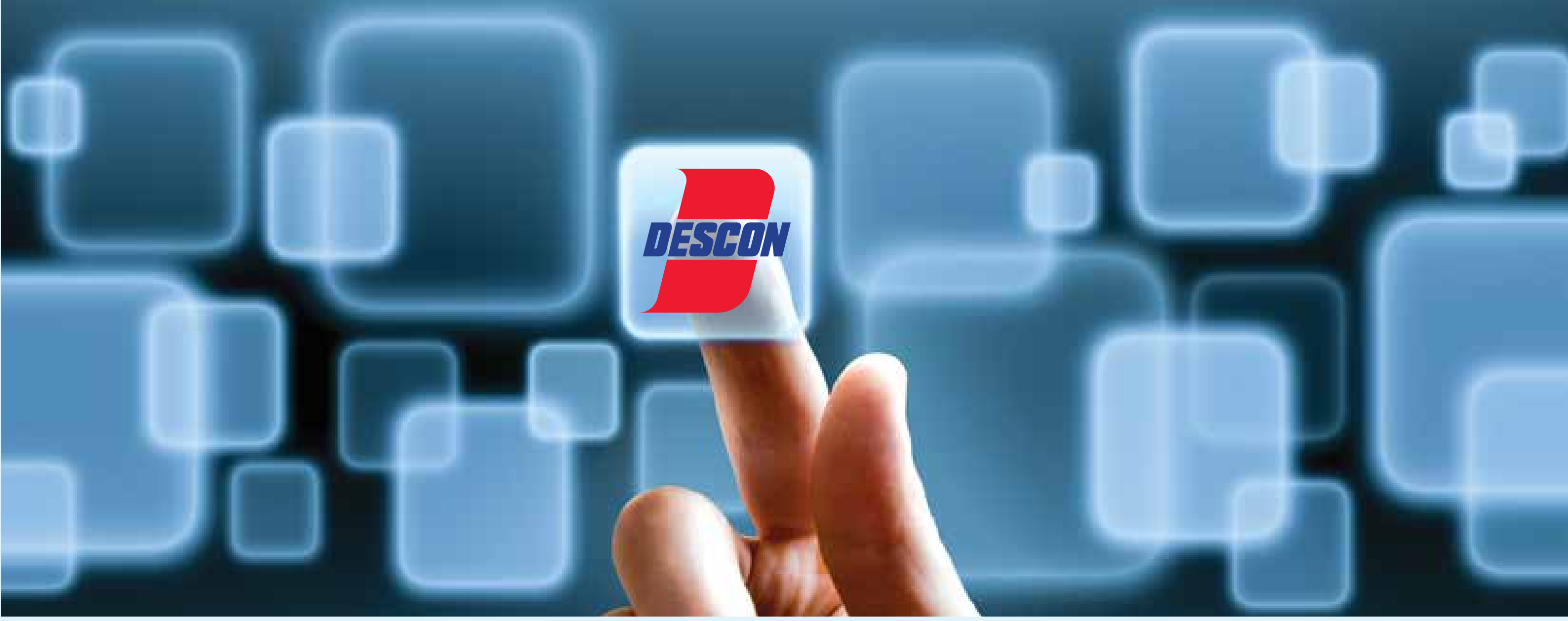
	2014 Rs. '000	14 Vs. 13 %	2013 Rs. '000	13 Vs. 12 %	2012 Rs. '000	12 Vs. 11 %
EQUITY AND LIABILITIES						
EQUITY						
Share Capital	997,789	0.0%	997,789	0.0%	997,789	0.0%
Reserves	(721,985)	10.7%	(652,365)	6.7%	(611,616)	11.1%
	275,804	(20.2%)	345,424	(10.6%)	386,173	(13.6%)
Surplus on revaluation of property, plant & equipment	47,059	22.5%	38,416	(0.3%)	38,527	(0.3%)
NON - CURRENT LIABILITIES						
Long term financing	179,333	(33.3%)	269,000	(6.3%)	287,000	756.7%
Deferred tax liability	27,247	(27.4%)	37,543	(25.0%)	50,068	41.8%
Retirement benefit obligation	-		-		-	(100.0%)
	206,580	(32.6%)	306,543	-9.1%	337,068	274.9%
CURRENT LIABILITIES						
Trade and other payables	175,630	(16.9%)	211,310	(22.4%)	272,163	1.7%
Accrued mark up	22,391	1.2%	22,126	(6.8%)	23,731	(20.8%)
Short term borrowings	652,062	11.8%	583,175	22.9%	474,351	(41.0%)
Current portion of long term borrowings	89,667	398.1%	18,000	(21.7%)	23,000	(66.4%)
Provision for taxation	21,995	83.5%	11,988	(53.0%)	25,514	(1.8%)
	961,745	13.6%	846,599	3.4%	818,759	(31.5%)
	1,491,189	**(3.0%)**	**1,536,983**	**(2.8%)**	**1,580,527**	**(10.8%)**
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	515,068	(3.7%)	534,998	(2.5%)	548,457	(5.6%)
Intangible assets	23,104	(16.7%)	27,724	(14.3%)	32,345	(12.5%)
Long term investments	56,945	(11.7%)	64,489	(7.9%)	70,034	(15.8%)
Long term deposits and advances	8,297	123.5%	3,712	396.7%	747	(1.3%)
Retirement benefit asset - prepayments	2,063	(39.4%)	3,402	531.2%	539	
	605,476	(4.5%)	634,326	(2.7%)	652,122	(7.1%)
CURRENT ASSETS						
Stores, spares and loose tools	11,951	17.1%	10,205	(1.3%)	10,337	(30.4%)
Stock in trade	296,484	(13.7%)	343,559	1.7%	337,753	(18.9%)
Trade debts	410,343	9.7%	374,229	(10.3%)	417,265	(5.0%)
Loans and advances	150,488	(3.8%)	156,385	40.3%	111,434	(14.6%)
Short term prepayments and other receivables	7,555	10.4%	6,841	(74.1%)	26,402	26.2%)
Cash and bank balances	8,891	(22.3%)	11,438	(54.6%)	25,213	(46.5%)
	885,712	(1.9%)	902,657	(2.8%)	928,404	(13.1%)
	1,491,189	**(3.0%)**	**1,536,983**	**(2.8%)**	**1,580,527**	**(10.8%)**

VERTICAL ANALYSIS OF THE BALANCE SHEET

	2014 Rs. '000	%	2013 Rs. '000	%	2012 Rs. '000	%
EQUITY AND LIABILITIES						
EQUITY						
Share Capital	997,789	66.9%	997,789	64.9%	997,789	63.1%
Reserves	(721,985)	(48.4%)	(652,365)	(42.4%)	(611,616)	(38.7%)
	275,804	18.5%	345,424	22.5%	386,173	24.4%
Surplus on revaluation of property, plant & equipment	47,059	3.2%	38,416	2.5%	38,527	2.4%
NON - CURRENT LIABILITIES						
Long term financing	179,333	12.0%	269,000	17.5%	287,000	18.2%
Deferred Liability	27,247	1.8%	37,543	2.4%	50,068	3.2%
	206,580	13.9%	306,543	19.9%	337,068	21.3%
CURRENT LIABILITIES						
Trade and other payables	175,630	11.8%	211,310	13.7%	272,163	17.2%
Accrued mark up	22,391	1.5%	22,126	1.4%	23,731	1.5%
Short Term Borrowings	652,062	43.7%	583,175	37.9%	474,351	30.0%
Current portion of long term borrowings	89,667	6.0%	18,000	1.2%	23,000	1.5%
Provision for taxation	21,995	1.5%	11,988	0.8%	25,514	1.6%
	961,745	64.5%	846,599	55.1%	818,759	51.8%
	1,491,189	**100.0%**	**1,536,983**	**100.0%**	**1,580,527**	**100.0%**
ASSETS						
Property, plant and equipment	515,068	34.5%	534,998	34.8%	548,457	34.7%
Intangible assets	23,104	1.5%	27,724	1.8%	32,345	2.0%
Long term investments	56,945	3.8%	64,489	4.2%	70,034	4.4%
Long term deposits and advances	8,297	0.6%	3,712	0.2%	747	-
Retirement benefit asset - prepayments	2,063	0.1%	3,402	0.2%	539	
	605,476	40.6%	634,326	41.3%	652,122	41.3%
CURRENT ASSETS						
Stores, spares and loose tools	11,951	0.8%	10,205	0.7%	10,337	0.7%
Stock in trade	296,484	19.9%	343,559	22.4%	337,753	21.4%
Trade debts	410,343	27.5%	374,229	24.3%	417,265	26.4%
Loans and advances	150,488	10.1%	156,385	10.2%	111,434	7.1%
Short term prepayments and other receivables	7,555	0.5%	6,841	0.4%	26,402	1.7%
Cash and bank balances	8,891	0.6%	11,438	0.7%	25,213	1.6%
	885,712	59.4%	902,657	58.7%	928,404	58.7%
	1,491,189	**100.0%**	**1,536,983**	**100.0%**	**1,580,527**	**100.0%**

HORIZONTAL AND VERTICAL ANALYSIS OF THE PROFIT AND LOSS ACCOUNT

	2014 Rs. '000	14 Vs. 13 %	2013 Rs. '000	13 Vs. 12 %	2012 Rs. '000	12 Vs. 11 %
Horizontal Analysis						
Sales	2,199,528	(8%)	2,402,440	(6%)	2,560,856	(2%)
Cost of sales	(2,012,781)	(8%)	(2,186,080)	(7%)	(2,341,702)	2%
Gross profit	186,747	(14%)	216,361	(1%)	219,155	(30%)
Administration and general expenses	(50,758)	14%	(44,596)	10%	(40,408)	(48%)
Distribution cost	(70,484)	22%	(57,763)	(2%)	(58,892)	(29%)
Research and development expenses	(4,349)	(41%)	(7,390)	377%	(1,550)	(23%)
Operating profit	61,156	(43%)	106,612	(10%)	118,305	(22%)
Other operating charges	(14,944)	(64%)	(41,431)	519%	(6,691)	(81%)
Finance cost	(111,522)	1%	(110,466)	(12%)	(125,670)	(21%)
Other operating income	14,026	91%	7,357	(68%)	23,090	(15%)
Share of net (loss)/Profit of associate	(6,472)	20%	(5,409)	(59%)	(13,299)	(175%)
Loss before taxation	(57,758)	33%	(43,338)	916%	(4,264)	(449%)
Taxation	(11,316)	(1,025%)	1,223	(102%)	(57,439)	180%
Net loss after taxation	**(69,074)**	**64%**	**(42,115)**	**(32%)**	**(61,704)**	**220%**
Vertical Analysis						
Sales	2,199,528	100%	2,402,440	100%	2,560,856	100%
Cost of sales	(2,012,781)	(92%)	(2,186,080)	(91%)	(2,341,702)	(91%)
Gross profit	186,747	8%	216,361	9%	219,155	9%
Administration and general expenses	(50,758)	(2.3%)	(44,596)	(1.9%)	(40,408)	(1.6%)
Distribution cost	(70,484)	(3.2%)	(57,763)	(2.4%)	(58,892)	(2.3%)
Research and development expenses	(4,349)	(0.2%)	(7,390)	(0.3%)	(1,550)	(0.1%)
Operating profit	61,156	2.8%	106,612	4.4%	118,305	4.6%
Other operating charges	(14,944)	(0.7%)	(41,431)	(1.7%)	(6,691)	(0.3%)
Finance cost	(111,522)	(5.1%)	(110,466)	(4.6%)	(125,670)	(4.9%)
Other operating income	14,026	0.6%	7,357	0.3%	23,090	0.9%
Share of net (loss)/Profit of associate	(6,472)	(0.3%)	(5,409)	(0.2%)	(13,299)	(0.5%)
Net Profit before taxation	(57,758)	(2.6%)	(43,338)	(1.8%)	(4,264)	(0.2%)
Taxation	(11,316)	(0.5%)	1,223	0.1%	(57,439)	(2.2%)
Net loss after taxation	**(69,074)**	**(3.1%)**	**(42,115)**	**(1.8%)**	**(61,704)**	**(2.4%)**



STATEMENT OF WEALTH CREATION & ITS DISTRIBUTION

	2014 (Rupees in '000')	%	2013 (Rupees in '000')	%
Wealth Generated / Value Added:				
Turnover	2,546,390		2,731,315	
Less: Purchased materials & services	(2,007,324)		(2,201,004)	
Value Added	539,066		530,311	
Other Income	14,026		7,357	
Net Wealth generated	553,092		537,668	
Depreciation, amortization and loss retained by the Company	35,972		10,680	
	589,064	**100%**	**548,348**	**100%**
Wealth Distribution:				
To Government:				
Income tax, sales tax, excise & custom duty, WWF & WPPF	369,043	63%	340,862	62%
To Lenders:				
Interest on borrowed funds	111,522	19%	110,466	20%
To Employees:				
Salaries, wages and other benefits	108,499	18%	97,020	18%
	589,064	**100%**	**548,348**	**100%**

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	Mr. Muhammad Sadiq
Non-Executive Directors	Mr. Abdul Razak Dawood Mr. Farooq Nazir Mr. Taimur Dawood Mr. Salman Zakaria Mr. Faisal Dawood Syed Zamanat Abbas
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. No casual vacancy occurred on the Board during the year under review.

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 has arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate Governance Corporate for its directors. The majority of directors has obtained certification of CGLS and are familiarized themselves on their responsibilities with 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, of whom two 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 01, 2014

Taimur Saeed
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, 2014 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, 2014.

Further, we would like to highlight an instance 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.

Horwath Hussain Chaudhury & Co.

Lahore
October 01, 2014

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement Partner: Abrar S. Chaudhury)

Crowe Horwath™

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of DESCON CHEMICALS LIMITED as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

b) in our opinion;

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied, except for changes in accounting policies as stated in note 3 to the accompanying financial statements with which we concur;

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, 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, 2014 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

Horwath Hussain Chaudhury & Co.

Lahore
October 01, 2014

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement Partner: Abrar S. Chaudhury)

BALANCE SHEET
AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees (Restated)	2012 Rupees (Restated)
ASSETS				
Non Current Assets				
Property, plant and equipment	5	515,068,003	534,998,469	548,457,070
Intangible assets	6	23,103,720	27,724,463	32,345,206
Long term investments	7	56,944,599	64,488,804	70,033,769
Long term deposits		8,297,219	3,712,063	747,263
Retirement benefit asset - prepayments	8	2,062,799	3,401,842	539,349
		605,476,340	634,325,641	652,122,657
Current Assets				
Stores and spares		11,951,063	10,204,768	10,337,304
Stock in trade	9	296,484,029	343,559,463	337,753,292
Trade debts	10	410,343,355	374,229,068	417,264,757
Loans and advances	11	150,488,236	156,384,547	111,433,998
Short term prepayments and other receivables	12	7,554,502	6,841,180	26,402,247
Bank balances	13	8,891,201	11,437,764	25,212,894
		885,712,386	902,656,790	928,404,492
Total Assets		1,491,188,726	1,536,982,431	1,580,527,149
EQUITY AND LIABILITIES				
Share Capital and Reserves				
Authorized share capital 230,000,000 (2013: 230,000,000) Ordinary shares of Rs. 5 each		1,150,000,000	1,150,000,000	1,150,000,000
Issued, subscribed and paid up share capital	14	997,789,280	997,789,280	997,789,280
Reserves	15	(721,984,840)	(652,365,193)	(611,616,484)
		275,804,440	345,424,087	386,172,796
Surplus on Revaluation of Property, Plant and Equipment	16	47,059,136	38,416,493	38,526,824
Non Current Liabilities				
Long term financing	17	179,333,336	269,000,000	287,000,000
Deferred tax liability	18	27,246,917	37,542,681	50,068,361
		206,580,253	306,542,681	337,068,361
Current Liabilities				
Trade and other payables	19	175,630,033	211,310,366	272,163,211
Accrued mark up	20	22,390,581	22,125,687	23,730,918
Short term borrowings	21	652,062,335	583,174,977	474,350,860
Current portion of long term financing	17	89,666,664	18,000,000	23,000,000
Provision for taxation	22	21,995,284	11,988,140	25,514,179
		961,744,897	846,599,170	818,759,168
Contingencies and Commitments	23	-	-	-
Total Equity and Liabilities		1,491,188,726	1,536,982,431	1,580,527,149

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

CHIEF EXECUTIVE **DIRECTOR**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees (Restated)
Sales	24	2,199,528,399	2,402,440,493
Cost of sales	25	(2,012,781,270)	(2,186,079,779)
Gross Profit		186,747,129	216,360,714
Distribution cost	26	(70,484,321)	(57,762,920)
Administrative expenses	27	(50,758,322)	(44,595,913)
Research and development expenses	28	(4,348,871)	(7,389,570)
		(125,591,514)	(109,748,403)
Operating Profit		61,155,615	106,612,311
Other operating expenses	29	(14,944,143)	(41,431,467)
Finance cost	30	(111,522,387)	(110,466,241)
Other income	31	14,025,532	7,356,505
Share of net loss of associate		(6,472,330)	(5,409,466)
Loss before Taxation		(57,757,713)	(43,338,358)
Taxation	32	(11,316,495)	1,223,041
Net Loss for the Year		(69,074,208)	(42,115,317)
Loss per Share - Basic and Diluted	33	(0.35)	(0.21)

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees (Restated)
Net Loss for the Year		(69,074,208)	(42,115,317)
Other comprehensive income			
Items that will not be re-classified to profit or loss			
Remeasurement of retirement benefits (liability) / asset		(1,228,783)	2,077,277
Less: Related tax impact		405,498	(685,501)
Items that may be re-classified subsequently to profit or loss			
Unrealized gain on available for sale investment		115,200	192,600
Share of unrealized gain / (loss) on available for sale investment of associate		57,832	(328,099)
Other comprehensive (loss) / income for the year		(650,253)	1,256,277
Total Comprehensive Loss for the Year		(69,724,461)	(40,859,040)

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

CHIEF EXECUTIVE

DIRECTOR

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	74,413,594	92,015,322
Finance cost paid		(111,257,493)	(112,071,472)
Gratuity paid		(178,316)	(1,095,317)
Income tax paid		(10,424,198)	(58,283,591)
Long term deposits and loans		(4,585,156)	(964,800)
		(126,445,163)	(172,415,180)
Net Cash Used in Operating Activities		(52,031,569)	(80,399,858)
CASH FLOWS FROM INVESTING ACTIVITIES			
Property, plant and equipment purchased		(3,358,773)	(10,608,163)
Capital work-in-progress		(683,992)	(11,116,894)
Proceeds from disposal of property, plant and equipment		1,974,635	1,572,728
Interest income received		665,777	952,940
Net Cash Used in Investing Activities		(1,402,353)	(19,199,389)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing repaid		(18,000,000)	(23,000,000)
Short term borrowings acquired - net		68,887,358	108,824,117
Net Cash generated from Financing Activities		50,887,358	85,824,117
Net Decrease in Cash and Cash Equivalents		(2,546,564)	(13,775,130)
Cash and cash equivalents at the beginning of the year		11,437,764	25,212,894
Cash and Cash Equivalents at the End of the Year		8,891,200	11,437,764

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, 2014

Particulars	Share Capital	Reserves				Total
		Share Premium Reserve	Fair Value Reserve	Revaluation Reserve	Accumulated Loss	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Balance as at June 30, 2012 as previously reported	997,789,280	1,281,303	219,905	502,531	(614,150,257)	385,642,762
Effect of change in accounting policy (Note - 3)	-	-	-	-	530,034	530,034
Balance as at June 30, 2012 - as restated	997,789,280	1,281,303	219,905	502,531	(613,620,223)	386,172,796
Net loss for the year	-	-	-	-	(42,115,317)	(42,115,317)
Other comprehensive income for the year	-		(135,499)		1,391,776	1.,256,277
Total comprehensive loss for the year	-	-	(135,499)	-	(40,723,541)	(40,859,040)
Incremental depreciation for the year on surplus on revaluation of fixed assets - net of deferred tax	-	-	-	110,331	-	110,331
Balance as at June 30, 2013 - as restated	997,789,280	1,281,303	84,406	612,862	(654,343,764)	345,424,087
Balance as at July 01, 2013 as previously reported	997,789,280	1,281,303	84,406	612,862	(656,251,634)	343,516,217
Effect of change in accounting policy (Note - 3)	-	-	-	-	1,907,870	1,907,870
Balance as at July 01, 2013 - As restated	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 income 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 fixed assets - 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

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, 2014

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 5	Revalued / Fair value
Investment in quoted companies	Note 7	Fair value
Employee retirement benefits (Gratuity)	Note 8	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 inventory, obsolescence of inventory and taxation. However, the management believes that the change in outcome of estimates would not have a material effect on the amounts disclosed in these financial statements.

2.5 Changes in accounting standards, interpretations and pronouncements

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

During the year certain new amendments to standards or new interpretation became effective as mentioned in Note 3.

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

New standards, amendments and interpretations that are mandatory for accounting period beginning on or after January 01, 2013 and not considered relevant for the Company's financial statements have not been detailed here.

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 will be effective for accounting periods beginning on or after July 01, 2014 and relevant. These amendments are not likely to have any impact on the Company's financial statements:

i) Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when 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) Amendment to IAS 36 "Impairment of Assets" Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 01, 2014). These amendments 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" Employee contributions (effective for annual periods beginning on or after July 01.,2014). It introduces 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.

iv) Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate and can be overcome only when the revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated' or when the intangible asset is expressed as a measure of revenue.

Annual Improvements 2010-2012 and 2011-2013 cycles (most amendments will apply prospectively for annual period beginning on or after July 01, 2014). The new cycle of improvements contain amendments to the following standards:

i) Amendments to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible Assets'. The amendments clarify the requirements of the revaluation model in IAS 16 and IAS 38, recognizing that the restatement of accumulated depreciation (amortization) is not always proportionate to the change in the gross carrying amount of the asset.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

ii) IFRS 8 'Operating Segments' has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. In addition this amendment clarifies that a reconciliation of the total of the reportable segment's assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

iii) IAS 24 'Related Party Disclosure'. The definition of related party is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

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

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IFRIC 21- Levies 'an Interpretation on the accounting for levies imposed by governments'	January 1, 2014
- IAS 39 "Financial Instruments: Recognition and Measurement" Continuing hedge accounting after derivative novation	January 1, 2014
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41]	January 1, 2016
- Annual Improvements 2010-2012 and 2011-2013 Cycle	July 1, 2014

3. CHANGE IN ACCOUNTING POLICY

Except for the changes stated below, the Company has consistently applied the accounting policies, as set out in Note 4, to all periods presented in these financial statements. The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with the date of initial application of January 01, 2013:

i) Presentation of items of "Other Comprehensive Income" (Amendments of IAS 1)

ii) Employee benefits (IAS 19)

3.1 Presentation of items of other comprehensive income

The amendment to IAS 1 changes the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon de-recognition or settlement) would be presented separately from items that will never be reclassified. The amendment only effects presentation and has no impact on recognized assets, liabilities and comprehensive income of the Company.

3.2 Employee benefits - defined benefit plan

IAS-19 (revised) 'Employee Benefits' amends the accounting for employment benefits. The Standard has become effective for the Company from July 01, 2013. Major changes introduced by the revised Standard are as follows:

i) Past service cost to be recognized immediately in the profit and loss account

ii) Interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate to be measured at the beginning of the year.

iii) Remeasurement of the net defined benefit liability / asset comprising the actuarial gain / losses and the difference between the actual return on investments and return implied by the net interest cost.

iv) Recognition of remeasurement immediately in other comprehensive income.

The management has adopted IAS-19 - Employee Benefit (Revised) and changed its accounting policy retrospectively in accordance with IAS-8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ resulting in restatement of financial statements of prior periods. Corresponding period adjustments and restatements have been incorporated in the balance sheet and statement of comprehensive income.

The effect of change in the accounting policy is as below:

	June 30, 2013 Rupees	June 30, 2012 Rupees
Effect on Balance Sheet		
Reserves		
As previously reported	(654,273,063)	(612,146,518)
Effect of change in accounting policy	1,907,870	530,034
As restated	(652,365,193)	(611,616,484)
Staff retirement benefits		
As previously reported	554,276	(251,746)
Effect of change in accounting policy	2,847,566	791,095
As restated	3,401,842	539,349
Deferred taxation		
As previously reported	36,602,985	49,807,300
Effect of change in accounting policy	939,696	261,061
As restated	37,542,681	50,068,361

	June 30, 2014 Rupees	June 30, 2013 Rupees
Effect on Other Comprehensive Income		
Remeasurement of defined benefit liability recognized in other comprehensive income	(1,228,783)	2,077,277
Less: Related tax impact	405,498	(685,501)
	(823,285)	1,391,776

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied, unless stated otherwise.

4.1 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 5. 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 recognised, 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 financial year end and adjusted if impact on depreciation is significant.

The Company assesses at each reporting 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 recognised 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 capitalised. 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.

4.2 Intangible asset

An intangible asset is recognised 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 recognised as an intangible asset. However, costs associated with the maintenance of software are recognised as an expense.

All intangibles are measured initially at cost and subsequently stated at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged to income using the straight line method so as to write off 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 the amortisation is significant. ERP software is being amortised over 10 years based on estimated useful life.

4.3 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.

4.4 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.

4.5 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	-	Cost and incidental charges
Work in process	-	Estimated manufacturing cost
Finished goods	-	Average manufacturing cost
Wastes	-	At net realizable value

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

4.6 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 is impaired. Debts, considered irrecoverable, are written off, as and when identified.

4.7 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.

4.8 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

4.9 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 benefit 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.

4.10 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.

The 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.

4.11 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.

4.12 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.

4.13 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.

4.14 Foreign currency transactions

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

4.15 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.

4.16 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.

4.17 Financial instruments

4.17.1 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 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.

4.17.2 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 or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange 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.

4.17.3 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.

4.18 Dividend

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

4.19 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.

4.20 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	513,936,677	525,048,758
Capital work in progress	5.5	1,131,326	9,949,711
		515,068,003	534,998,469

5.1 Operating fixed assets

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
Year Ended June 30, 2013								
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 (Note 16)	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
Year Ended June 30, 2013								
Owned assets								
Cost								
Balance as at July 01, 2012	178,365,000	164,605,955	520,766,943	20,143,516	29,249,578	6,921,470	12,120,469	932,172,931
Additions	-	-	3,273,793	581,318	5,968,004	-	3,283,841	13,106,956
Disposals	-	-	(373,199)	(178,508)	(818,595)	-	(2,079,372)	(3,449,674)
Balance as at June 30, 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
Accumulated depreciation								
Balance as at July 01, 2012	-	38,662,249	302,300,840	10,359,863	19,687,134	5,131,402	8,905,983	385,047,471
Charge for the year	-	6,297,185	22,018,721	1,011,656	2,996,927	268,511	2,021,065	34,614,065
Disposals	-	-	(218,322)	(105,420)	(575,550)	-	(1,980,789)	(2,880,081)
Balance as at June 30, 2013	-	44,959,434	324,101,239	11,266,099	22,108,511	5,399,913	8,946,259	416,781,455
Total as at June 30, 2013	178,365,000	119,646,521	199,566,298	9,280,227	12,290,476	1,521,557	4,378,679	525,048,758
Depreciation rates	-	5%	10%	10%	25%	15%	20% to 25%	

	Note	2014 Rupees	2013 Rupees
5.2 Apportionment of depreciation charge for the year			
Depreciation charge for the year has been apportioned as follows:			
Cost of sales	25	24,655,466	25,960,549
Administrative expenses	27	8,218,489	8,653,516
		32,873,955	34,614,065

5.3 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							
Plant and machinery:							
Chiller Unit # 1	1,025,552	534,617	490,935	600,000	109,065	Descon Oxychem Limited	At market value
Chiller-Electric Panel	141,455	73,740	67,715	100,000	32,285	Descon Oxychem Limited	At market value
Tools and Equipment							
Welding Plant	300,000	243,803	56,197	57,195	998	Descon Oxychem Limited	At market value
Sub-total	1,467,007	852,160	614,847	757,195	142,348		
Assets with book value of less than Rs. 50,000	2,208,145	2,001,303	206,842	1,217,440	1,010,598	Various	Company Policy
Total 2014	3,675,152	2,853,463	821,689	1,974,635	1,152,946		
Total 2013	3,449,674	2,880,081	569,593	1,572,728	1,003,135		

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

Latest revaluation of land and buildings was carried out by an independent valuer as at June 30, 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, 2014		
	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	47,879,956	110,543,417

	2014 Rupees	2013 Rupees
5.5 Capital Work in Progress		
Plant and machinery		
Opening balance	9,949,711	1,331,610
Additions during the year	683,992	11,116,894
Transferred to operating fixed assets	(9,502,377)	(2,498,793)
Closing balance	1,131,326	9,949,711

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
6. INTANGIBLE ASSETS			
Net Carrying Value			
Net carrying value - opening balance		27,724,463	32,345,206
Additions during the year		-	-
		27,724,463	32,345,206
Amortization during the year		(4,620,743)	(4,620,743)
Net carrying value as at June 30,		23,103,720	27,724,463
Gross Carrying Value			
Cost		46,207,435	46,207,435
Accumulated amortization		(23,103,715)	(18,482,972)
Net book value		23,103,720	27,724,463
Amortization rate		10%	10%
6.1 Apportionment of amortization charge for the year			
Amortization charge for the year has been apportioned as follows:			
Cost of sales	25	3,493,507	3,493,507
Administrative expenses	27	1,127,236	1,127,236
		4,620,743	4,620,743
7. LONG TERM INVESTMENTS			
Related Parties - Associates			
Quoted - Measured using the Equity Method	7.1		
Descon Oxychem Limited			
- Cost of investment		107,737,000	107,737,000
- Post acquisition loss brought forward - net		(45,753,896)	(40,016,331)
		61,983,104	67,720,669
- Share of net loss for the year		(6,472,330)	(5,409,466)
- Share of un-realised gain / (loss) on available-for-sale investment of associate		57,832	(328,099)
		55,568,606	61,983,104

	Note	2014 Rupees	2013 Rupees
Unquoted - Measured at cost	7.3		
Jotun Powder Coatings Pakistan (Private) Limited			
- 220,000 (2013: 220,000) fully paid ordinary shares of Rs. 10 each		2,200,000	2,200,000
- Equity holding 0.41% (2013: 1.10%)			
Impairment charged during the year		(1,244,907)	-
		955,093	2,200,000
Others - Quoted (Available-for-Sale)	7.4		
TRG Pakistan Limited			
- 30,000 (2013: 30,000) fully paid ordinary shares of Rs. 10 each		420,900	305,700
- Cost of investment - Rs. 300,000 (2013: Rs. 300,000)			
- Market value Rs. 14.03 (2013: Rs. 10.19) per share			
		56,944,599	64,488,804

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

7.2 The summarised audited financial results of Descon Oxychem Limited are as follows:

	2014	2013
	Rupees in million	
Total assets	2,682.93	2,911.95
Total liabilities	2,157.72	2,354.23
Sales	1,498.55	1,369.55
Net loss for the year	(33.06)	(51.23)
Equity held	10.56%	10.56%

7.3 Jotun Powder Coatings Pakistan (Private) Limited is an associate as per the Companies Ordinance, 1984. However, for the purpose of measurement, this investment has been classified as available-for-sale and measured at cost which is considered to be the fair value in the absence of publicly available information. The impairment in the value of investment is incorporated basing upon the audited financial statement of the company as of December 31, 2013.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
8. RETIREMENT BENEFIT ASSET - PREPAYMENTS			
Retirement benefit asset	8.1	2,062,799	3,401,842

8.1 As stated in note 4.9, 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, 2014. The disclosures made in note 8.3 are based on the information included in that actuarial report.

8.2 Actuarial valuation of the scheme resulted in retirement benefit asset in current year which has been presented under the heading of non current assets.

	2014	2013
8.3 Actuarial assumptions		
Discount rate used for interest cost - charge for profit and loss account	10.5%	13.0%
Discount rate used for year end obligation	13.5%	10.5%
Expected rate of salary increase for year end obligation	N/A	10.5%
Expected rate of salary increase in future years	12.5%	10.5%
Average expected remaining working lives of employees	10 years	
Actuarial valuation method	Projected Unit Credit Method	
Mortality rate	SLIC 2001-2005 setback 1 year	Based on EFU 61-66 mortality table

	Note	2014 Rupees	2013 Rupees
8.3.1 Reconciliation of the funded status			
Present value of defined benefit obligation	8.3.3	5,851,596	4,609,720
Fair value of plan assets	8.3.4	(7,914,395)	(8,011,562)
		(2,062,799)	(3,401,842)
8.3.2 Company's liability / (asset)			
Opening balance		(3,401,842)	(539,349)
Remeasurements chargeable in other comprehensive income		1,228,783	(2,077,277)
Charge for the year	8.3.6	288,576	310,101
		(1,884,483)	(2,306,525)
Transferred to the gratuity fund		(178,316)	(1,095,317)
Closing balance		(2,062,799)	(3,401,842)

	2014 Rupees	2013 Rupees
8.3.3 Movement in present value of defined benefit obligation		
Opening balance	4,609,720	4,458,879
Current service cost for the year	524,734	380,216
Interest cost for the year	584,057	579,654
Benefits paid during the year	(578,290)	(895,753)
Actuarial loss on present value of defined benefit obligation		
- Experience adjustment	711,375	86,724
Closing balance	5,851,596	4,609,720

	2014 Rupees	2013 Rupees (Restated)
8.3.4 Movement in fair value of plan assets		
Opening balance	8,011,562	4,998,228
Expected return on plan assets	820,215	649,770
Contributions made during the year	178,316	1,095,317
Benefits paid during the year	(578,290)	(895,753)
Actuarial gain on plan assets	(517,408)	2,164,000
Closing balance	7,914,395	8,011,562
8.3.5 Plan assets composition		
Investment in treasury bills	5,339,842	6,030,550
Investment in listed shares	1,980,973	1,184,374
Investment in term finance certificates	-	360,562
Cash at bank	399,677	161,678
Other assets	193,903	274,398
	7,914,395	8,011,562
8.3.6 Charge for the year		
Current service cost	524,734	380,216
Interest cost	584,057	579,654
Expected return on plan assets	(820,215)	(649,770)
	288,576	310,100
8.3.7 Estimated Charge for the year 2014-2015		
Current service cost		445,668
Interest cost		774,543
Expected return on plan assets		(1,065,067)
		155,144

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

8.3.8 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	5,319,886
Discount rate - 100 bps	6,471,028
Salary increase + 100 bps	6,478,759
Salary increase - 100 bps	5,304,193

8.3.9 Comparison of last five years

	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees
Present value of defined benefit obligation	5,851,596	4,609,720	4,458,879	21,093,469	16,768,015
Fair value of plan assets	(7,914,395)	(8,011,562)	(4,998,228)	-	-
Actuarial gain	-	-	-	-	-
	(2,062,799)	(3,401,842)	(539,349)	21,093,469	16,768,015

	Note	2014 Rupees	2013 Rupees
9. STOCK IN TRADE			
Raw and packing materials		168,410,215	147,231,937
Work in process		1,662,810	2,054,015
Raw materials in transit		32,555,595	95,274,302
Finished goods		96,428,145	99,380,170
		299,056,765	343,940,424
Less: Provision for obsolescence of stock	9.1	(2,572,736)	(380,961)
		296,484,029	343,559,463
9.1 Provision for obsolescence of stock			
Opening balance		380,961	-
Provision for the year		2,191,775	5,457,270
		2,572,736	5,457,270
Less: Obsolete stocks written off		-	(5,076,309)
		2,572,736	380,961

9.2 Certain long term financing and short term borrowings are secured against stocks of raw materials and finished goods as disclosed in Note 17 to these financial statements.

	Note	2014 Rupees	2013 Rupees
10. TRADE DEBTS			
Unsecured			
Considered good		408,624,318	359,855,577
Considered doubtful		62,518,280	52,661,761
Secured			
Foreign debtors		1,719,037	14,373,491
		472,861,635	426,890,829
Less: Provision for doubtful debts	10.3	(62,518,280)	(52,661,761)
		410,343,355	374,229,068

10.1 Trade debts include receivables of Rs. 67.010 million (2013: Rs. 63.809 million) that are under lien against long term financing and short term borrowings provided by a banking company.

10.2 Trade debts include Rs. Nil due from related parties (2013: Nil).

	Note	2014 Rupees	2013 Rupees
10.3 Provision for doubtful debts			
Opening balance		52,661,761	20,377,647
Provision for the year		9,856,519	34,539,318
		62,518,280	54,916,965
Less: Bad debts written off		-	(2,255,204)
		62,518,280	52,661,761
11. LOANS AND ADVANCES			
Advances (Unsecured - Considered good):			
- Suppliers and contractors		4,552,365	2,990,851
- Employees	11.1	243,871	1,636,126
- Letters of credit		320,032	293,119
Short term loans to employees (Secured - Considered good)	11.2	919,910	822,360
Income tax deducted at source and advance tax		135,165,742	136,916,118
Sales tax refundable - Net		9,286,316	13,725,973
		150,488,236	156,384,547

11.1 Advances to employees include Rs. 241,722 (2013: Rs. 179,250) given to directors and executives of the Company for business travel purposes as per the Company's policy.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
12. SHORT TERM PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		3,972,818	3,517,533
Due from associates / related parties	12.1	2,995,756	2,277,420
Imprest with employees		56,000	53,677
Other receivables		529,928	992,550
		7,554,502	6,841,180

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

	Note	2014 Rupees	2013 Rupees
Descon Oxychem Limited		956,201	191,948
Gray Mackenzie Engineering Services LLC		169,880	428,867
Gray Mackenzie Engineering Services WLL Qatar		139,895	463,923
Inspectest (Private) Limited		503,092	206,220
Inspectest Industrial Solutions LLC		168,021	674,098
Rousch (Pakistan) Power Limited		80,990	-
Descon Power Solutions (Private) Limited		725,293	287,247
Interworld Travels (Private) Limited		232,401	25,117
Olyan Descon Industrial Company Limited		19,983	-
		2,995,756	2,277,420

12.1.1 These balances represent receivables on account of sharing of common expenses.

12.1.2 These balances do not represent any amount which is past due (2013: Nil).

	Note	2014 Rupees	2013 Rupees
13. BANK BALANCES			
Cash at bank - in current accounts		1,033,329	5,360,234
Cash at bank - in saving accounts	13.1	7,857,872	6,077,530
		8,891,201	11,437,764

13.1 It carries interest at the rates ranging from 7% to 9.5% (2013: 1.25% to 10.5%) per annum.

14. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2014 No. of Shares	2013 No. of Shares		2014 Rupees	2013 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

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

	Note	2014 Rupees	2013 Rupees
Opening balance		199,557,856	199,557,856
Issued / cancelled during the year		-	-
Closing balance		199,557,856	199,557,856

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

15. RESERVES

	Note	2014 Rupees	2013 Rupees
Capital reserves:			
- Share premium reserve		1,281,303	1,281,303
- Fair value reserve	15.1	257,438	84,406
		1,538,741	1,365,709
Revenue reserves:			
- Revaluation reserve	15.2	717,676	612,862
- Accumulated loss		(724,241,257)	(654,343,764)
		(723,523,581)	(653,730,902)
		(721,984,840)	(652,365,193)

15.1 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) that have been recognised in other comprehensive income.

15.2 Revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, or recovered 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
FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees
16. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Land - freehold		
Opening balance	36,320,203	36,320,203
Add: Surplus on revaluation arisen during the year	6,768,000	-
	43,088,203	36,320,203
Buildings on freehold land		
Opening balance	2,096,290	2,206,621
Add: Surplus on revaluation arisen during the year	2,954,414	-
Less: Related deferred taxation	(974,957)	-
	4,075,747	2,206,621
Less: Incremental depreciation charged on revalued property, plant and equipment in current year - net of deferred tax	(104,814)	(110,331)
	47,059,136	38,416,493

16.1 The latest revaluation 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. Previously, the revaluation of land and buildings was 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.

16.2 Incremental depreciation charged on revalued building on freehold land during the year has been transferred to the statement of changes in equity to record realization of surplus to the extent of incremental depreciation.

	Note	2014 Rupees	2013 Rupees
17. LONG TERM FINANCING			
Banking companies - Secured			
Bank Al-Habib Limited	17.1	225,000,000	225,000,000
Bank Al-Habib Limited	17.2	-	15,000,000
Habib Metropolitan Bank Limited	17.4	44,000,000	47,000,000
		269,000,000	287,000,000
Less: Current portion		(89,666,664)	(18,000,000)
		179,333,336	269,000,000

17.1 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 installments with two years' grace period from the date of disbursement. The loan carries mark-up at 6 months KIBOR + 2% (2013: 6 months average KIBOR + 2%) per annum and is payable on quarterly basis in arrears on the outstanding principal amount. First installment shall be due on September 29, 2014.

17.2 This represents term finance of Rs. 100 million obtained from Bank Al-Habib Limited for the installation of new machinery. The loan carried mark-up at 6 months average KIBOR + 2% (2013: 6 months average KIBOR + 2%) per annum. The entire loan has been repaid during the year.

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

	2014	2013
	Rupees in million	
- Pari passu charge over current assets of the Company	-	230
- First charge over present and future fixed assets of the Company	230	230
- Ranking charge over current assets of the Company	-	1,004
- Joint pari passu charge over current assets of the Company	1,950	700
- First mortgage charge over factory property including land	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		

17.4 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 installments starting from July 1, 2012. The loan carries mark-up at 3 months KIBOR + 2% (2013: 3 months KIBOR + 2%) per annum and is payable on quarterly basis in arrears on outstanding principal amount.

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

	2014	2013
	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		

	Note	2014 Rupees	2013 Rupees
			(Restated)
18. DEFERRED TAX LIABILITY			
Taxable temporary differences			
- Accelerated tax depreciation		85,484,219	93,530,664
- Surplus on revaluation of property, plant and equipment		2,103,730	1,188,182
		87,587,949	94,718,846
Deductible temporary differences			
- Share of net loss of associate		(5,216,839)	(4,575,390)
- Recognised losses	18.1	(34,324,882)	(35,694,400)
- Provisions and others		(20,799,311)	(16,906,375)
		(60,341,032)	(57,176,165)
		27,246,917	37,542,681

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

18.1 Being prudent, the management has not recognised deferred tax asset on account of tax credit on minimum tax paid amounting to Rs. 59.497 million. Breakup of this amount is as follows:

Tax Year	Amount Rupees in million
2014	21.995
2013	11.988
2012	25.514
	59.497

	Note	2014 Rupees	2013 Rupees
19. TRADE AND OTHER PAYABLES			
Creditors	19.1	119,078,966	132,840,405
Bills payable		42,790,800	62,098,836
Accrued liabilities		6,715,879	5,726,491
Advances from customers		2,347,398	4,768,989
Workers' (profit) participation fund	19.2	-	541,975
Provident fund payable		61,663	18,795
Unclaimed dividends		292,819	292,819
Due to associate / related parties		4,342,508	5,022,056
		175,630,033	211,310,366

19.1 Creditors include due to related parties amounting to Rs. 408,870 (2013: Rs. 141,016) arising in the normal course of business.

	Note	2014 Rupees	2013 Rupees
19.2 Workers' (profit) participation fund			
Opening balance		541,975	475,500
Interest on funds utilised in Company's business		41,293	66,475
		583,268	541,975
Payments / adjustments		(583,268)	-
		-	541,975
20. ACCRUED MARK UP			
Long term financing		8,248,890	8,342,676
Short term borrowings - Banking companies		14,141,691	13,783,011
		22,390,581	22,125,687

	Note	2014 Rupees	2013 Rupees
21. SHORT TERM BORROWINGS			
Banking companies - Secured			
Running finance		225,895,849	148,249,214
Borrowings / FATRs		426,166,486	434,925,763
		652,062,335	583,174,977

21.1 Terms and conditions of borrowings

Purpose

These facilities have been obtained from various banking companies with sanctioned limit, funded and unfunded, of Rs. 1,275 million (2013: 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% (2013: 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% (2013: 0.1% to 0.25%) per quarter.

Securities

Securities against short term borrowings have been disclosed in Note 17.3 and 17.4 to the financial statements. All these facilities are renewable latest by January 31, 2015.

	2014 Rupees	2013 Rupees
22. PROVISION FOR TAXATION		
Opening balance	11,988,140	25,514,179
Add: Charge for the year	21,995,284	11,988,140
Add: Adjustment for prior years	186,434	-
	34,169,858	37,502,319
Less: Payment / adjustments against advance tax	(12,174,574)	(25,514,179)
	21,995,284	11,988,140

22.1 Income tax assessments are deemed finalised by the management up to the Tax Year 2013 as tax returns were filed under the self assessment scheme.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 (2013: 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 been not 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.

	2014 Rupees	2013 Rupees
23.2 Guarantees		
- Sui Northern Gas Pipelines Limited	3,090	6,640
23.3 Commitments		
Letters of credit	160,961	178,565
24. SALES		
Local sales	2,526,385,870	2,712,065,431
Less: Sales tax	(346,861,254)	(328,874,007)
	2,179,524,616	2,383,191,424
Export sales	19,982,083	19,249,069
Export rebate	21,700	-
	2,199,528,399	2,402,440,493

	Note	2014 Rupees	2013 Rupees
25. COST OF SALES			
Raw materials consumed	25.1	1,825,085,670	2,033,813,698
Chemicals consumed		1,785,764	2,867,856
Packing materials consumed		1,881,468	1,908,590
Stores and spares consumed		18,621,814	20,721,067
Fuel and power		43,275,372	32,403,530
Salaries, wages and benefits	25.2	55,835,268	53,622,651
Services through contract		13,724,143	12,247,053
Repairs and maintenance		2,110,709	2,222,798
Travelling and entertainment		4,483,087	2,832,740
Insurance		4,715,353	6,163,271
Transportation		8,569,052	7,775,700
Communication		528,621	448,184
Miscellaneous		672,746	867,967
Amortization	6.1	3,493,507	3,493,507
Depreciation	5.2	24,655,466	25,960,549
		2,009,438,040	2,207,349,161
Work in process			
- Opening work in process		2,054,015	940,355
- Closing work in process		(1,662,810)	(2,054,015)
		391,205	(1,113,660)
Cost of goods manufactured		2,009,829,245	2,206,235,501
Finished goods			
- Opening finished goods		99,380,170	79,224,448
- Closing finished goods		(96,428,145)	(99,380,170)
		2,952,025	(20,155,722)
		2,012,781,270	2,186,079,779

25.1 Raw materials consumed:

	2014 Rupees	2013 Rupees
- Opening stock	147,231,937	189,660,026
- Purchases	1,846,263,948	1,991,385,609
	1,993,495,885	2,181,045,635
- Closing stock	(168,410,215)	(147,231,937)
	1,825,085,670	2,033,813,698

25.2 This includes Rs. 1,798,644 (2013: Rs. 1,735,301) in respect of employee benefits.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

		Note	2014 Rupees	2013 Rupees
26.	**DISTRIBUTION COST**			
	Salaries, wages and benefits	26.1	21,635,656	19,190,872
	Travelling, boarding and lodging		3,827,125	2,951,474
	Insurance and license fee		2,460,054	1,747,280
	Entertainment		336,508	218,226
	Communication		683,737	752,544
	Sales promotion expenses		2,416,011	-
	Sampling		1,283,489	1,637,125
	Packing, carriage and forwarding		28,915,161	21,760,476
	Rent, rates and taxes		995,711	1,269,080
	Electricity charges / Generator running expenses		2,797,559	3,185,042
	Water and gas charges		40,759	139,755
	Repairs and maintenance		167,492	41,312
	Vehicles' running cost		3,212,875	3,452,924
	Advertisement		19,700	88,683
	Public relations		852,441	676,998
	Miscellaneous		840,043	651,129
			70,484,321	57,762,920

26.1 This includes Rs. 893,790 (2013: Rs. 262,859) in respect of employee benefits.

		Note	2014 Rupees	2013 Rupees
27.	**ADMINISTRATIVE EXPENSES**			
	Salaries, wages and benefits	27.1	31,026,785	24,206,974
	Travelling and conveyance		2,751,001	2,634,604
	Vehicles' running cost		2,746,255	1,567,426
	Repairs and maintenance		17,571	1,339,552
	Insurance		258,258	248,375
	Printing and stationery		2,310,050	1,957,191
	Communication		1,111,564	917,863
	Fees and subscription		2,429,977	2,391,080
	Advertisement		176,060	39,000
	Entertainment		447,442	848,363
	Manpower development		123,523	747,640
	Legal and professional charges		3,995,861	3,405,960
	Miscellaneous		952,350	1,149,903
	Amortization	6.1	1,127,236	1,127,236
	Depreciation	5.2	8,218,489	8,653,516
			57,692,422	51,234,683
	Less: Recovery from associates		(6,934,100)	(6,638,770)
			50,758,322	44,595,913

27.1 This includes Rs. 1,732,733 (2013: Rs. 1,072,939) in respect of employee benefits.

	Note	2014 Rupees	2013 Rupees
28. RESEARCH AND DEVELOPMENT EXPENSES			
Consultancy		3,168,157	4,092,563
Travelling, boarding and lodging		1,180,714	1,445,557
Royalty fee		-	1,851,450
		4,348,871	7,389,570
29. OTHER OPERATING EXPENSES			
Auditors' remuneration	29.1	1,060,300	922,000
Tax penalties		217,868	-
Exchange loss		372,774	-
Provision for doubtful debts		9,856,519	34,539,318
Provision for obsolescence of stock		2,191,775	5,457,270
Advances written off		-	512,879
Impairment loss on investment	7.3	1,244,907	-
		14,944,143	41,431,467
29.1 Auditors' remuneration			
Audit fee		632,500	550,000
Half yearly review and corporate governance certifications		379,500	330,000
Out of pocket expenses		48,300	42,000
		1,060,300	922,000
30. FINANCE COST			
Markup on long term financing		32,123,210	37,939,846
Markup on short term borrowings from banking companies		77,301,336	70,882,037
Interest on workers' (profit) participation fund		41,293	66,475
Bank charges		2,056,548	1,577,883
		111,522,387	110,466,241
31. OTHER INCOME			
Income from financial assets			
Profit on bank accounts		665,777	952,940
Exchange gain		-	772,233
		665,777	1,725,173
Sale of waste material / scrap		8,113,844	3,870,240
Gain on disposal of property, plant and equipment		1,152,946	1,003,135
		9,266,790	4,873,375
Others			
Accrued liabilities reversed during the year		2,781,055	-
Rental income		600,000	-
Indenting commission		711,910	757,957
		4,092,965	757,957
		14,025,532	7,356,505

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

		Note	2014 Rupees	2013 Rupees
32.	**TAXATION**			
	Current year		21,995,284	11,988,140
	Adjustment for prior years		186,434	-
			22,181,718	11,988,140
	Deferred tax		(10,865,223)	(13,211,181)
			11,316,495	(1,223,041)

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

			2014	2013
33.	**LOSS PER SHARE**			
	Net loss for the year	Rupees	(69,074,208)	(42,115,317)
	Weighted average number of ordinary shares outstanding during the year	Numbers	199,557,856	199,557,856
	Loss per share - basic	Rupees	(0.35)	(0.21)

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.

		2014 Rupees	2013 Rupees
34.	**CASH GENERATED FROM OPERATIONS**		
	Loss before taxation and share of loss of associate	(51,285,383)	(37,928,892)
	Adjustments for:		
	- Depreciation	32,873,955	34,614,065
	- Amortization of intangible asset	4,620,743	4,620,743
	- Provision for gratuity	288,576	310,101
	- Provision for obsolescence of stock	2,191,775	5,457,270
	- Provision for doubtful debts	9,856,519	34,539,318
	- Liabilities written back	(2,781,055)	-
	- Gain on disposal of property, plant and equipment	(1,152,946)	(1,003,135)
	- Exchange gain	-	(772,233)
	- Finance cost	111,522,387	110,466,241
	- Impairment loss on investment	1,244,907	
	- Interest income	(665,777)	(952,940)
		157,999,084	187,279,430
	Operating profit before working capital changes	106,713,701	149,350,538
	Decrease / (increase) in current assets		
	- Stores and spares	(1,746,295)	132,536
	- Stock in trade	44,883,659	(11,263,441)
	- Trade debts	(45,970,806)	9,268,604
	- Loans and advances	4,145,935	(14,181,137)
	- Short term prepayments and other receivables	(713,322)	19,561,067
	(Decrease) / increase in current liabilities		
	- Trade and other payables	(32,899,278)	(60,852,845)
		(32,300,107)	(57,335,216)
	Cash generated from operations	74,413,594	92,015,322

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	
	2014	2013	2014	2013	2014	2013	2014	2013
	Rupees in thousands							
Managerial remuneration	4,032	3,900	907	1,087	2,377	932	16,667	16,463
Car and other allowances	-	328	-	-	-	-	3,428	4,750
Staff retirement benefits	202	209	-	-	76	-	750	910
	4,234	4,437	907	1,087	2,453	932	20,845	22,123
Number of persons	1	1	1	1	2	1	17	19

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. 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:

	2014	2013
	Rupees in thousands	
Associates		
Sale of goods, services provided and reimbursement of expenses	83,276	63,559
Rent expense	1,860	2,879
Purchase of goods, services received and reimbursement of expenses	27,131	18,984
Sale of fixed assets	1,498	-
	113,764	85,422
Contribution to staff retirement benefits		
Descon Chemicals Limited Employees' Provident Fund	4,344	3,509
Descon Chemicals Limited Employees' Gratuity Fund	178	1,095
	4,523	4,604

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 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. 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, 2014 is as follows:

	Coating and Emulsion	Polyester	Textile and Paper	Trading	Total
	Rupees in Thousands				
Segment results for the year ended June 30, 2014					
Revenue	1,143,844	72,065	533,460	450,159	2,199,528
Segment results	41,755	(9,917)	19,175	10,143	61,156
Other operating expenses					(14,944)
Finance costs					(111,523)
Other income					14,026
Share of net loss of associate					(6,473)
Loss before taxation					(57,758)
Segment results for the year ended June 30, 2013					
Revenue	1,212,993	107,549	523,772	558,126	2,402,440
Segment results June 30, 2013	61,024	(6,402)	48,399	3,591	106,612
Other operating expenses					(41,432)
Finance costs					(110,466)
Other income					7,357
Share of net loss of associate					(5,409)
Loss before taxation					(43,338)
Segment assets 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
Segment assets and liabilities as at June 30, 2013					
Segment assets	568,946	117,468	290,740	111,139	1,088,293
Segment liabilities	96,280	12,910	76,049	7,856	193,095

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

	2014	2013
	Rupees in thousands	
Segment assets for reportable segments	917,487	1,088,293
Corporate assets unallocated	336,933	335,941
Cash and bank balances	8,891	11,438
Others	227,877	101,310
Total assets as per the balance sheet	1,491,189	1,536,982

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

	2014	2013
	Rupees in thousands	
Segment liabilities for reportable segments	171,786	193,095
Corporate liabilities unallocated	921,062	870,175
Trade and other payables	53,482	77,884
Taxation - net	21,995	11,988
Total liabilities as per the balance sheet	1,168,325	1,153,142

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

- Information about products

One product of the Company comprises 9.73% (2013: 10.89%) of total sales for the year.

- Information about major customers

One customer of the Company accounts for 15.48% (2013: 16.04%) of total sales for the year. Revenue from such customer was Rs. 340.44 million (2013: 439.50 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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:

	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)

	2013	
	Rupees	USD
Trade debts	14,373,491	145,481
Outstanding letters of credit	(99,280,800)	(1,004,866)
Net exposure	(84,907,309)	(859,385)

The following exchange rates were applied during the year:

	2014	2013
Rupees per foreign currency rate		
Average rate - Rupees per US Dollar	98.78	99.26
Reporting date rate - Rupees per US Dollar	98.75	98.80

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. 3.735 million (2013: Rs. 4.245 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 Rs. 21,045 (2013: Rs. 15,285) 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:

	2014 Rupees	2013 Rupees
Floating rate instruments		
Financial liabilities		
Long term financing	269,000,000	287,000,000
Short term borrowings	652,062,335	583,174,977
Financial assets		
Bank balances - saving accounts	7,857,872	6,077,530

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the balance sheet date fluctuate by 1% higher / lower with all other variables held constant, loss before taxation for the year would have been Rs. 9.132 million (2013: Rs. 8.641 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

(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:

	2014 Rupees	2013 Rupees
Long term investments	1,375,993	2,505,700
Long term deposits and advances	8,297,219	3,712,063
Trade debts	410,343,355	374,229,068
Other receivables	3,525,684	3,269,970
Bank balances	8,891,201	11,437,764
The aging of trade debts as at balance sheet date is as follows:		
Past due 1 - 30 days	163,429,332	132,665,357
Past due 31 - 60 days	113,752,953	104,671,729
Past due 61 - 120 days	56,963,692	73,521,032
More than 120 days	76,197,378	63,370,950
	410,343,355	374,229,068

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	2014 Rupees	2013 Rupees
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	3,906,787	6,094,706
KASB Bank Limited	A3	BBB	PACRA	-	49
Bank Al-Habib Limited	A1+	AA+	PACRA	4,984,414	5,343,009
				8,891,201	11,437,764

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. 623 million (2013: Rs. 692 million) worth unutilized short term borrowing limits available from financial institutions and Rs. 8.891 million (2013: Rs. 11.438 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, 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	-

Contractual maturities of financial liabilities as at June 30, 2013:

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	287,000,000	319,827,100	20,058,900	16,357,733	283,410,467	-
Trade and other payables	205,687,788	205,687,788	205,687,788	-	-	-
Accrued mark up	22,125,687	22,125,687	22,125,687	-	-	-
Short term borrowings	583,174,977	645,986,726	645,986,726	-	-	-
	1,097,988,452	1,193,627,301	893,859,101	16,357,733	283,410,467	-

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, 2014. The rates of interest / mark up have been disclosed in relevant notes to these financial statements.

(d) 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, 2014 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)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

The Company held following financial instruments measured at fair value:

	2014			
	Total Rupees	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees
Financial assets - Available for sale investments				
- TRG Pakistan Limited	420,900	420,900	-	-

	2013			
	Total Rupees	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees
Financial assets - Available for sale investments				
- TRG Pakistan Limited	305,700	305,700	-	-

38.2 Financial instruments by categories

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 assets as at June 30, 2013

	Cash and Cash Equivalents	Loans and advances	Available-for-sale	Total
	------------------------- Rupees -------------------------			
Long term investments	-	-	2,505,700	2,505,700
Long term deposits	-	3,712,063	-	3,712,063
Trade debts	-	374,229,068	-	374,229,068
Other receivables	-	3,269,970	-	3,269,970
Bank balances	11,437,764	-	-	11,437,764
	11,437,764	381,211,101	2,505,700	395,154,565

	2014 Rupees	2013 Rupees
Financial liabilities at amortized cost		
Long term finances	269,000,000	287,000,000
Trade and other payables	172,928,153	205,687,788
Accrued mark up	22,390,581	22,125,687
Short term borrowings	652,062,335	583,174,977
	1,116,381,069	1,097,988,452

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, enhance shareholders' wealth and meets stakeholders' expectations. The Company ensures its sustainable growth viz. maintaining optimal capital structure, keeping its finance cost low, exercising the option of issuing right shares or repurchase shares, if possible, selling surplus property, plant and equipment without affecting the optimal operating level and regulating its dividend payout thus maintaining smooth capital management.

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

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

	2014 Rupees	2013 Rupees
Total borrowings	921,062,335	870,174,977
Cash and bank balances	(8,891,201)	(11,437,764)
Net debt	912,171,134	858,737,213
Equity	275,804,440	345,424,087
Total capital employed	1,187,975,574	1,204,161,300
Gearing ratio	76.78%	71.31%

40. PLANT CAPACITY AND PRODUCTION

	2014 Metric Ton	2013 Metric Ton
Actual production	13,944	16,095

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

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 un-audited financial of the Fund as at June 30, 2014 and audited financial of June 30, 2013:

		2014 Rupees	2013 Rupees
		Unaudited	Audited
Total assets of the fund		47,383,491	45,604,505
Fair value of the investments	41.2	37,553,681	36,837,804
Percentage of the investments made		79.25%	80.78%

41.1 The cost of above investments amounted to Rs. 35.19 million (2013: Rs. 36.35 million).

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

	2014 Percentage	2013 Percentage	2014 Rupees	2013 Rupees
- Listed securities	34.81%	31.00%	13,072,169	11,521,531
- GOP treasury bills	3.84%	49.00%	1,441,200	18,055,523
- National Saving Certificates	12.58%	13.00%	4,725,000	4,725,000
- GOP - PIB's	48.77%	-	18,315,312	-
- Term finance certificates	-	7.00%	-	2,535,750
	100%	100%	37,553,681	36,837,804

41.3 The investments out of the provident fund have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for that purpose.

	2014 Number	2013 Number
42. NUMBER OF EMPLOYEES		
Employees as at June 30,		
- Permanent	155	164
- Contractual	23	26
Average employees during the year		
- Permanent	160	166
- Contractual	25	32

43. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue on October 01, 2014 by the Board of Directors of the Company.

44. 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)
Foreign Debtors	Trade Debts (Unsecured - considered good)	Trade Debts (secured - foreign debtors)	14,373,491
Deposit to supplier	Loans and advances (Loans - suppliers)	Long term deposits and loans	2,000,000

CHIEF EXECUTIVE **DIRECTOR**

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

AS AT JUNE 30, 2014

	------Shareholding------		
No. of Shareholders	From	To	Total Shares Held
766	1	100	27,775
632	101	500	189,656
541	501	1,000	464,872
637	1,001	5,000	1,818,122
216	5,001	10,000	1,871,060
65	10,001	15,000	828,673
47	15,001	20,000	874,573
44	20,001	25,000	1,018,964
29	25,001	30,000	828,020
17	30,001	35,000	560,700
11	35,001	40,000	425,430
12	40,001	45,000	521,695
23	45,001	50,000	1,141,104
8	50,001	55,000	438,000
11	55,001	60,000	645,928
3	60,001	65,000	190,000
1	65,001	70,000	67,000
9	70,001	75,000	659,147
3	75,001	80,000	233,500
4	80,001	85,000	329,502
3	85,001	90,000	267,431
2	90,001	95,000	182,500
13	95,001	100,000	1,300,000
1	100,001	105,000	105,000
1	105,001	110,000	109,000
2	110,001	115,000	229,000
1	120,001	125,000	121,105
2	125,001	130,000	253,009
1	130,001	135,000	133,000
2	135,001	140,000	276,640
1	140,001	145,000	140,270

No. of Shareholders	------Shareholding------ From	To	Total Shares Held
3	145,001	150,000	447,000
2	150,001	155,000	301,572
2	155,001	160,000	319,000
2	170,001	175,000	345,000
1	175,001	180,000	176,000
5	195,001	200,000	1,000,000
1	205,001	210,000	206,496
2	225,001	230,000	451,502
2	245,001	250,000	500,000
4	270,001	275,000	1,095,000
2	305,001	310,000	614,097
2	315,001	320,000	639,000
1	370,001	375,000	372,000
1	510,001	515,000	513,395
1	655,001	660,000	656,500
1	865,001	870,000	869,100
1	1,260,001	1,265,000	1,264,000
1	1,660,001	1,665,000	1,664,500
1	3,380,001	3,385,000	3,381,000
4	4,995,001	5,000,000	20,000,000
1	5,250,001	5,255,000	5,253,640
1	143,235,001	143,240,000	143,238,378
3,149			**199,557,856**

CATEGORIES OF SHAREHOLDERS
REQUIRED UNDER CODE OF CORPORATE GOVERNANCE (CCG)

Sr. No.	Name	No. of Shares Held	Percentage
1	Directors, Chief Executive Officer, and their spouse and minor children	164,134,021	82.2488
2	NIT and ICP	9,813	0.0049
3	Banks, Development Financial Institutions, Non Banking Financial Institutions.	2,210	0.0011
4	Modarabas and Mutual Funds	513,453	0.2573
5	Share holders holding 10%	148,492,018	74.4105
6	General Public		
	a. Local	33,803,392	16.9391
	b. Foreign		
7	Joint Stock Companies	893,897	0.4479
8	Investment Companies	796	0.0004
9	Pension Funds	47,604	0.0239
10	Others	152,670	0.0765

SHAREHOLDING INFORMATION
REQUIRED UNDER CODE OF CORPORATE GOVERNANCE AS AT JUNE 30, 2014

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
1	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST (CDC)	513,395	0.2573
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. TAIMUR DAWOOD	5,314,252	2.6630
2	MR. ABDUL RAZZAK DAWOOD	148,492,018	74.4105
3	MR. FAISAL DAWOOD	5,270,750	2.6412
4	MR. MUHAMMAD SADIQ	15,001	0.0075
5	SYED ZAMANAT ABBAS (CDC)	1,000	0.0005
6	MR. SALMAN ZIKRIA (CDC)	40,000	0.0200
7	MR. FAROOQ NAZIR (CDC)	1,000	0.0005
8	MRS. BILQUIS DAWOOD W/O A. RAZZAK DAWOOD (CDC)	5,000,000	2.5055
Executives:		**-**	**0.0000**
Public Sector Companies & Corporations:		**-**	**0.0000**
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		49,814	0.0250
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)			
1	MR. ABDUL RAZZAK DAWOOD	148,492,018	74.4105
	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:		NIL

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 50th Annual General Meeting of Descon Chemicals Limited will be held on Thursday, October 30, 2014 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 Extraordinary General Meeting of the Company held on December 18, 2013.

2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2014 together with the reports of Auditors' and Directors' thereon.

3. To appoint Auditors and fix their remuneration for the year ending June 30, 2015. (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.

By Order of the Board

Lahore
October 03, 2014

(ABDUL SOHAIL)
Company Secretary

Notes:

1. The share transfer books of the Company shall remain closed from 21-10-2014 to 30-10-2014 (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 participant's I.D. Numbers to prove his / her identity, and in case of proxy it must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.

4. Shareholders are requested to immediately notify change in address, if any, to the Company's Share Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and also furnish attested photocopy of their CNIC as per Listing Regulations, if not provided earlier.

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 Fiftieth Annual General Meeting of the Company to be held at Descon Headquarters, 18-Km, Ferozepur Road, Lahore on Thursday, October 30, 2014 at 10:00 hours and at any adjournment thereof.

As witness my / our hand this______________________day of________2014

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

www.descon.com

IF UNDELIVERED PLEASE RETURN TO

DESCON CHEMICALS LIMITED

LAHORE
DESCON HEADQUARTERS,
18 KM FEROZEPUR ROAD,
LAHORE, PAKISTAN.
T: +92 42 3 5923721-7
F: +92 42 3 5923732
E: info@desconchemicals.com
W: www.desconchemicals.com

Printed by: HY Enterprises