2016

Close to the Customer

DESCON

Descon Oxychem Limited
Report and accounts

Vision

Our vision is to be the leading Pakistan supplier of oxidative solutions based on hydrogen peroxide, complemented by related technologies to the textile, food safety, environmental and other industrial markets.

At Descon Oxychem, we are committed to conducting our business honestly and ethically, complying with all applicable laws – this is our commitment to integrity. Our values exemplify our dedication to high standards of corporate responsibility towards all our stakeholders.

Mission

The mission is underpinned by four principles including safety, innovation, sustainability and customer focus.

Our world class safety record is a deep part of our company's heritage, and an incident-free workplace is our first priority and foremost goal.

We pride ourselves on quality products and innovative applications that are developed as a result of ingenuity and technical expertise. Industry demands constantly evolve, and we keep pace with this evolution.

As an industry leader with an international footprint, we know that progress happens with hard work, a commitment to success and most of all, sustainable practices.

The strength and value of our business lies in our people and their commitment to working with customers to provide solutions, technology expertise and unwavering commitment towards all customers' needs.

Close to the Customer

For Descon Oxychem, being close to our customers represents a lot more then geographical closeness. We build partnerships with them, provide unbinding counsel and consistently support them with their business imperatives.

Contents

Company information

Board of Directors

Abdul Razak Dawood	Chairman
Aamir Niazi	Chief Executive Officer
Asif Qadir	
Taimur Dawood	
Farooq Nazir	
Ahmed Razi Ghazali	
Faisal Dawood	
Ali Asrar Hossain Aga	

Muhammad Saqib Abbas
Chief Financial Officer

Abdul Sohail
Company Secretary

Auditors
M/s A.F. Ferguson & Co.
Chartered Accountants

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

Legal Advisors
M/s Hassan & Hassan Advocates

Bankers
Allied Bank Limited
Bank Al Habib Limited
Habib Metropolitan Bank Limited
Soneri Bank Limited
Askari 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

Plant Site
18-KM Lahore - Sheikhupura Road,
Lahore, Pakistan.
Tel: +92 42 3797 1822-243
Fax: +92 42 3797 1831

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

Board and Management Committees

Audit Committee

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

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

Farooq Nazir	Chairman
Taimur Dawood	Member
Faisal Dawood	Member
Ali Asrar Hossain Aga	Member

Human Resource & Remuneration Committee

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

Taimur Dawood	Chairman
Farooq Nazir	Member
Aamir Niazi	Member

Enterprise Risk Management Committee

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

Taimur Dawood	Board Nominee
Aamir Niazi	Chief Executive Officer
Abdul Sohail	Company Secretary
M. Saqib Abbas	Chief Financial Officer
Zulfiqar Ahmad	Head Shared Services
Amir Javed	Dy. Manager Compliance & Reporting

Compliance Committee

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

Aamir Niazi	Chief Executive Officer
Abdul Sohail	Company Secretary
M. Saqib Abbas	Chief Financial Officer
Zulfiqar Ahmad	Head Shared Services
Yawar Mehmood	Plant Manager
Amir Javed	Dy. Manager Compliance & Reporting

Board of Directors

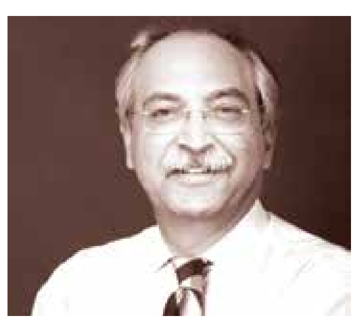
From Left to Right and top to bottom:

Abdul Razak Dawood - Chairman
Aamir Niazi - CEO / Director
Asif Qadir - Director
Taimur Dawood - Director
Farooq Nazir - Director
Faisal Dawood - Director
Ali Asrar Hossain Aga - Director
Ahmed Razi Ghazali - Director










Directors' report to the shareholders

The Directors of the Company are pleased to present the Annual Report along with the Audited Financial Statements for the year ended June 30, 2016.

Economic & Industrial Review

Pakistan's economy continued to pick up in fiscal year FY2016 as reforms and stabilization measures provided revitalization. With higher foreign exchange reserves, softer inflation and oil prices also supporting the overall macroeconomic environment. The economy grew 4.71% in FY2016 and is forecast to improve marginally to 4.8% in FY2017. In FY2015, growth came in at 4.2 %. While the outlook is for moderate gains in growth, continued public sector enterprise losses, insufficient energy, power evacuation capacity, and security concerns will continue to test our economy. Despite the energy challenges, your company experienced measurably improved electricity and natural gas supplies, and places its acknowledgement on record.

Large scale manufacturing grew (LSM) 4.5% in FY2016, and the chemicals industry is an integral part of LSM. This was advanced by low raw material prices, expanded construction, and low interest rates. However, textile production grew by only 1% over the same period due to weaker demand in export markets and increased competition, with falling global commodity prices and heavy rains damaging cotton output. Textiles are the largest end-use market for Hydrogen Peroxide products and its weak performance is a concern.

Financial Results

Moving to business results, your company experienced a significant turnaround. The summarized financial performance appears below.

	2016 (Rs '000')	2015 (Rs '000')
Sales	**1,581,547**	1,409,082
Gross profit	**343,334**	268,216
Operating profit	**210,240**	132,257
Finance cost	**(76,564)**	(212,188)
Profit / (Loss) before tax	**133,676**	(79,931)
Profit / (Loss) after tax	**44,989**	(118,849)
Profit / (Loss) per share	**0.44**	(1.17)

Gross profits improved to Rs. 343 million (M), compared to Rs. 268M in the corresponding period last year, a growth of 28%. Further, the gross profit percentage increased from 19% to 22% as compared with same period last year. Increase in gross profit is a result of major changes in the market geographies, migrating sales to areas with superior profitability, substantially improved manufacturing efficiencies and continuous power supplies (both grid & alternate sources) at effective rates. Rigorous controls over fixed, administrative and selling costs directly contributed to operating profit improvement of Rs. 78M compared with the corresponding period last year. Finance cost came down considerably, driven by the conversion of sponsor's loan into preference share capital, repayment of long term loans, decrease in discount rates and effective working capital management. All these factors enabled your company in generating a profit after tax of Rs. 44.9M, compared with a loss of Rs.118.8M in the corresponding period last year, a material improvement of Rs. 163.7M.

Underpinning these results was the design and implementation of five overarching strategic aims. These included reversal of stubborn losses and return to profitability, major revenue stream repositioning in the home and international markets, extensive improvements in operating reliability leading to manufacturing meeting global benchmarks, cash maximization and the prudent safeguard of HP industry to assure a levelled playing field, strongly discouraging illegal international dumping.

Manufacturing Assessment

Operating reliability of plant improved significantly, as controllable production losses came down significantly in FY16 compared to FY15. In continuous process plants, this is a vital indicator. The manufacturing facilities consistently produced above name plate capacity, as your company safely removed major process bottlenecks. Additionally, these results were reinforced by integrating reliability centered maintenance, advanced industrial automation, and a disciplined process safety management culture in its operations.

The company's commitment to safety, health and environmental excellence remained affirmed throughout the year. This pledge to all our stakeholders, including our employees, customers, shareholders, and the public, that we will continue to work collaboratively to bring sustainable, market-driven and innovative solutions to resolve some of the major challenges in our realm of Pakistan's chemical industry. In-turn, making lives better, safer and healthier for the communities where we operate. Authenticating this commitment, your company successfully completed 4.28 million man-hours since the inception of its operations without a single Lost-Time Incident at the end of the financial year under review.

Cash Flow Management

The Company managed its working capital effectively, regularly monitoring it through rolling forecasts. Cash and other liquid assets are proactively managed to achieve optimal working capital cycle, and working capital requirements are met with internally generated cash.

Further, working capital management has been improved through controls built in the ERP system, which helps coordinate the linkages between marketing, supply chain and finance. Focus on cash strategy enabled the company to survive through difficult times when both sales volumes and profit margins were under immense pressure. Working capital management improved measurably, as investment in working capital was reduced by Rs. 34M compared to the corresponding period last year.

Risk Evaluation

The Company's activities expose it to a range of operational and financial risks. The Company's overall risk management program seeks to minimize potentially adverse effects on financial performance, through appropriate strategies for de-risking. Risk management is an ongoing process involving assessing and identifying individual risks posed to the company and evaluating the potential impact while designing and implementing effective remedial measures to counter them. Economic, political and environmental uncertainties, and inherent risks within 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 Enterprise Risk Management Committee, and is assured that the company has robust mitigation factors in-place.

Entity Credit Rating

By The Pakistan Credit Rating Agency Limited as on September 2016.

Rating Type	Rating
Long-term	**A** (Single A)
Short-term	**A1** (A One)

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and the short-term entity ratings of Descon Oxychem Limited (DOL) at "A" (Single A) and "A1" (A one), respectively. These ratings suggest a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments. The ratings recognize the company's leading position in the local Hydrogen Peroxide market, supplemented by efficient production process, sound technology infrastructure, and an effective control environment. The ratings draw comfort from DOL's association with a financially sound and well respected business group, DESCON, which has consistently demonstrated unwavering support. The conversion of company's outstanding liability to associated companies into preference shares signifies the sponsor's strong commitment. The company has significantly improved its operational reliability by introducing world-class measures. Further, management's major marketing strategy changes along with service quality, helped the company to increase its profits, cash and market share. Additionally, judicious actions by the National Tariff Commission on imported dumped products, bodes well for the industry and the company's overall wellness into the future.

View of the Future

Your company has consistently found innovative ways of connecting science to the marketplace - helping customers developing solutions to complex problems. In doing so, we increase the value of your company and fulfill our responsibility to our stakeholders.

With improved product prices, favorable realignment of geographical sales mix, controlled costs and increased productivity, your company is on track to improve its financial performance further in the coming years. The company's overarching aims include profitable market leadership, seamless manufacturing, continuous cost reductions, premier product quality and a steadfast commitment to customer service. Further, as part of the diversification strategy, your company is making inroads in the food and disinfectant segments, while maintaining a leadership position in the textile market. The forecast decrease in electricity tariffs, low international crude oil prices and favorable discount rates, will further enable your company in sustaining growth and profitability. Your company is on the verge of completely paying down its long term syndicate loan which will further enrich the cash flow position of the company. Protecting the local industry from international dumping will remain a challenge for which management is evaluating appropriate strategies to mitigate its potentially adverse implications.

Corporate Governance

Your Company is pleased to inform you that its Directors and management are fully conversant with the responsibilities as formulated in Code of Corporate Governance 2012 issued by SECP and incorporated in the listing regulations of stock exchanges. The Company ensures best practices of Corporate Governance by adopting a set of processes, customs and policies to help us direct and control management activities with good business sense, objectivity, accountability and integrity. We have made corporate governance a system of structuring, operating and controlling the Company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers. The prescribed practices are effectively under implementation in the Company and there has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

Best Corporate Practices

The Company surpasses the minimum legal requirements for good corporate governance imposed by applicable laws and regulations. The Company encourages adherence to best corporate practices. During the year, all periodic financial statements of the Company were circulated well in time to the Directors, 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 safeguarding of shareholders' interest.

The Board consists of 8 Directors including the Chief Executive Officer, effectively representing the interest of shareholders. There are five (5) non-executive Directors, one (1) executive Director i.e. the CEO and two (2) independent Directors.

Meetings of the Board

The Board is legally required to meet at least once every quarter to monitor the Company's performance aimed at effective and timely accountability of its management. The Board held 5 such meetings during the year, agendas of which were circulated in a timely manner. The decisions made by the Board during the meetings were recorded and were duly circulated to all the Directors for endorsement and were approved in the following Board meetings. All meetings of the Board had minimum quorum for attendance prescribed by the Code of Corporate Governance and were also attended by the Chairman and the Company Secretary. During the year under review, five (05) meetings of the Board of Directors were held and the attendance of Directors was as follows:

Name of Director	Remarks	Attended Remarks
Abdul Razak Dawood	4	Leave of absence was granted in one meeting.
Asif Qadir	4	Leave of absence was granted in one meeting.
Taimur Dawood	5	
Farooq Nazir	5	
Ahmed Razi Ghazali	2	Leaves of absences were granted in three meetings.
Faisal Dawood	4	Leave of absence was granted in one meeting.
Aamir Niazi	5	
Ali Asrar Hossain Aga	5	

As per requirements of the listing regulations, each member of the Board shall be subject to orientation and training for enhancing their director skills. The Board had arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate Governance for its directors. During the year one director has obtain certification under director's training program as required under clause XI of the Code.

Changes to the Board

During the year, no changes have been made in the board.

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**
Ahmed Razi Ghazali sold 24,500 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. A.F. Ferguson & Co., Chartered Accountants, as Auditors of the Company for the year ending June 30, 2017.

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
Faisal Dawood	Member
Ali Asrar Hossain Aga	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
August 31, 2016

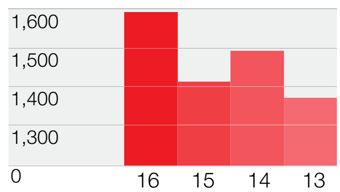
Aamir Niazi Chief Executive Officer

Key Operating and Financial Data

	2016	2015	2014	2013	2012	2011
			(Rs '000')			
Summary of Profit and Loss						
Sales	**1,581,547**	1,409,082	1,498,547	1,369,547	1,192,439	1,432,576
Cost of Goods Sold	**(1,238,213)**	(1,140,866)	(1,199,098)	(1,085,260)	(951,797)	(892,139)
Gross Profit	**343,334**	268,216	299,449	284,287	240,642	540,437
Operating Profit	**210,240**	132,257	177,208	209,610	170,316	436,427
Finance Cost	**(76,564)**	(212,188)	(225,340)	(255,528)	(337,853)	(351,895)
Profit / (loss) before tax	**133,676**	(79,931)	(48,132)	(45,918)	(167,537)	84,532
Profit / (loss) after tax	**44,989**	(118,849)	(61,291)	(51,226)	(125,936)	179,970
EBITDA	**381,911**	298,563	353,387	387,807	348,575	613,923
Financial Position						
Share Capital - Ordinary	**1,020,000**	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000
Share Capital - Preference	**1,100,000**	-	-	-	-	-
Reserves including unappropriated profit	**(607,476)**	(642,587)	(523,018)	(462,275)	(407,942)	(283,170)
Long term borrowings	**111,822**	1,455,350	1,658,785	1,745,617	1,762,774	2,000,588
Property, plant and equipment	**1,655,483**	1,771,052	1,900,009	2,038,649	2,207,731	2,378,326
Net Current Assets	**(211,114)**	241,023	279,990	178,441	(41,234)	145,619
Key Financial Ratios						
Gross profit margin (%)	**21.71**	19.03	19.98	20.76	20.18	37.72
EBITDA margin to sales (%)	**24.15**	21.19	23.58	28.32	29.23	42.85
Pre tax margin (%)	**8.45**	(5.67)	(3.21)	(3.35)	(14.05)	5.90
Net profit margin (%)	**2.84**	(8.43)	(4.09)	(3.74)	(10.56)	12.56
Return on equity (%)	**2.97**	(31.49)	(12.33)	(9.18)	(20.58)	24.42
Return on capital employed (%)	**12.94**	5.86	7.25	8.46	6.84	15.63
Current Ratio (Times)	**0.77**	1.61	2.26	1.41	0.93	1.31
Quick Ratio (Times)	**0.74**	1.35	1.94	1.27	0.82	1.04
Debtors turnover (days)	**12**	23	20	31	15	24
Inventory turnover (days)	**10**	33	21	23	27	59
Creditors turnover (days)	**48**	52	34	46	42	58
Operating cycle (days)	**(26)**	4	7	8	0	25
Debt: Equity Ratio	**7:93**	83:17	80:20	78:22	75:25	74:26
Interest cover (Times)	**2.75**	0.62	0.79	0.82	0.50	1.24
Earnings / (loss) per share (pre tax) (Rupees)	**1.31**	(0.78)	(0.47)	(0.45)	(1.64)	0.83
Earnings / (loss) per share (after tax) (Rupees) - Basic	**0.44**	(1.17)	(0.60)	(0.50)	(1.23)	1.76
Earnings / (loss) per share (after tax) (Rupees) - Dilluted	**0.21**	(1.17)	(0.60)	(0.50)	(1.23)	1.76
Hydrogen Peroxide Production (MTs)	**32,234**	32,098	32,506	26,394	27,890	29,792
Hydrogen Peroxide Sales (MTs)	**33,841**	31,785	32,131	29,626	28,289	29,120

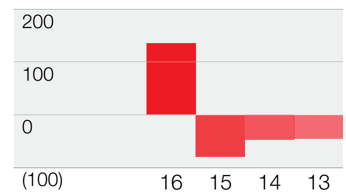
Financial Highlights

Sales (million)



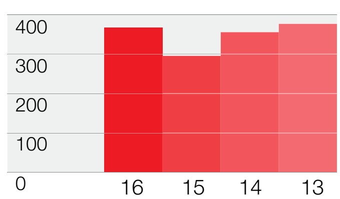
2016 – 1582
2015 – 1409
2014 – 1499
2013 – 1370

Profits/(Loss) before Tax (million)



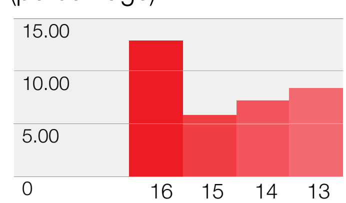
2016 – 134
2015 – (80)
2014 – (48)
2013 – (46)

EBIDTA (million)



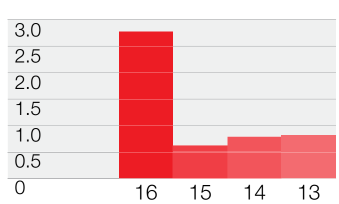
2016 – 382
2015 – 299
2014 – 353
2013 – 388

Return on Capital Employed (percentage)



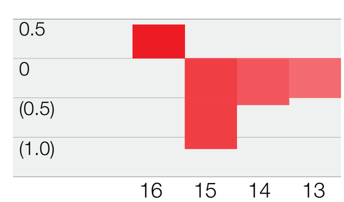
2016 – 12.94
2015 – 5.86
2014 – 7.25
2013 – 8.46

Interest Coverage Ratio (times)



2016 – 2.75
2015 – 0.62
2014 – 0.79
2013 – 0.82

Earnings Per Share (Rs.)



2016 – 0.44
2015 – (1.17)
2014 – (0.60)
2013 – (0.50)

Statement of compliance with the code of corporate governance [Under clause 5.19.23]

This statement is being presented to comply with the Code of Corporate Governance (the "CCG") contained in Regulation No. 5.19 of listing regulations of Pakistan 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 CCG 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. Aamir Niazi, CEO
Non-Executive Directors	Mr. Abdul Razak Dawood Mr. Farooq Nazir Mr. Taimur Dawood Mr. Faisal Dawood Mr. Ahmed Razi Ghazali
Independent Directors	Mr. Asif Qadir Mr. Ali Asrar Hossain Aga

The independent Directors meet the criteria of independence under clause 5.19.1.(b) of the CCG.

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 during the year ended June 30, 2016.

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

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

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

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose, the Board met at least once in every quarter or when deemed necessary. Written notices of the Board meetings, along with agenda and working papers were circulated

at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated. The Chief Financial Officer and the Company Secretary also attended the meetings of the Board.

9. The Board ensures arrangement of orientation courses for its directors to apprise them of their duties and responsibilities. Board had previously arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate Governance for its directors. The majority of directors have obtained certification of CGLS as required under the clause 5.19.7 of the CCG and are familiarized on their responsibilities with the CCG.

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 CCG 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 CCG.

15. The Board has formed an Audit Committee. It comprises of four members, all are non-executive directors, including the Chairman of the Committee. An independent director has been included in the Audit Committee as required under the clause 5.19.16(a) of the CCG.

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 CCG. 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, CEO and two 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 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 CCG have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

One of the directors sold 24,500 ordinary shares of the company on December 29, 2015. However, as required under clause 5.19.15 this was not notified to the secretary to the board of directors within two days and neither recorded in the minutes of the meeting of the board of directors held immediately subsequent to this transaction, on February 19, 2016.

For and on behalf of the Board

Lahore
August 31, 2016

Aamir Niazi Chief Executive Officer

Review report to the members on statement of compliance with the 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 Oxychem Limited ('the Company') for the year ended June 30, 2016 to comply with the Code contained in Regulation No. 5.19 of the Pakistan Stock Exchange Limited Regulations, 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, 2016.

We draw attention to note 23 of the statement of compliance, which indicates that disposal of 24,500 ordinary shares of the Company on December 29, 2015 by one of the directors was not notified to the secretary to the Board of Directors within the specified time and neither was this recorded in the meeting of the Board of Directors immediately subsequent to this transaction, held on February 19, 2016, as required under clause 5.19.15 of the Code. Our report is not qualified in respect of this matter.

Chartered Accountants

Lahore,
August 31, 2016

A·F·FERGUSON&Co.

Auditors' report to the members

We have audited the annexed balance sheet of Descon Oxychem Limited as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement 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 account 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 accounting policies consistently applied except for the changes resulted on initial application of standards, amendments, or an interpretation to the existing standards as stated in note 2.2.1 to the annexed 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, statement of changes in equity and cash flow statement 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, 2016 and of the profit, total comprehensive income, changes in equity and its cash flows 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).

A F Ferguson & Co

Lahore,
August 31, 2016

Chartered Accountants
Name of engagement partner: Asad Aleem Mirza

Balance sheet
As at June 30, 2016

	Note	2016 (Rs '000')	2015 (Rs '000')
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
110,000,000 (2015: 110,000,000) ordinary shares of Rs 10 each		**1,100,000**	1,100,000
110,000,000 (2015: 110,000,000) preference shares of Rs 10 each		**1,100,000**	1,100,000
Issued, subscribed and paid up capital			
102,000,000 (2015: 102,000,000) ordinary shares of Rs 10 each	5	**1,020,000**	1,020,000
110,000,000 (June 2015 : Nil) preference shares of Rs 10 each	6	**1,100,000**	-
Accumulated loss		**(607,476)**	(642,587)
		1,512,524	377,413
NON CURRENT LIABILITIES			
Long term finances			
- secured	7	**111,822**	1,046,565
- unsecured	8	**-**	408,785
Accrued finance cost		**-**	423,784
		111,822	1,879,134
CURRENT LIABILITIES			
Current portion of non current liabilities			
- secured	7	**224,742**	163,435
- unsecured	8	**20,000**	-
Finances under mark up arrangement - secured	9	**50,000**	52,070
Trade and other payables	10	**163,397**	161,301
Accrued finance cost	11	**464,652**	20,494
		922,791	397,300
CONTINGENCIES AND COMMITMENTS	12	**-**	-
		2,547,137	2,653,847

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive Officer **Director**

	Note	2016 (Rs '000')	2015 (Rs '000')
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	**1,655,483**	1,771,052
Intangible assets	14	**3,127**	4,914
Long term deposits	15	**17,654**	16,554
Deferred taxation	16	**159,196**	223,004
		1,835,460	2,015,524
CURRENT ASSETS			
Stores and spares	17	**205,877**	200,387
Stock in trade	18	**32,601**	103,551
Trade debts	19	**53,780**	87,365
Advances, deposits, prepayments and other receivables	20	**149,025**	113,103
Current income tax recoverable		**48,834**	58,438
Cash and bank balances	21	**221,560**	75,479
		711,677	638,323
		2,547,137	2,653,847

Chief Executive Officer

Director

Profit and loss account

For the year ended June 30, 2016

	Note	**2016 (Rs '000')**	2015 (Rs '000')
Sales	22	**1,581,547**	1,409,082
Cost of goods sold	23	**(1,238,213)**	(1,140,866)
Gross profit		**343,334**	268,216
Administrative expenses	24	**(66,060)**	(67,356)
Distribution and selling costs	25	**(76,040)**	(74,424)
Other operating income	26	**17,713**	18,608
Other operating expenses	27	**(8,707)**	(12,787)
		(133,094)	(135,959)
Profit from operations		**210,240**	132,257
Finance cost	28	**(76,564)**	(212,188)
Profit/(loss) before taxation		**133,676**	(79,931)
Taxation	29	**(88,687)**	(38,918)
Profit/(loss) for the year		**44,989**	(118,849)
Earnings/(loss) per share			
-Basic	30	**0.44**	(1.17)
-Diluted	30	**0.21**	(1.17)

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive Officer **Director**

Statement of comprehensive income

For the year ended June 30, 2016

	2016 (Rs '000')	2015 (Rs '000')
Profit/(loss) for the year	**44,989**	(118,849)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss		
Fair value gain on 'Available for sale' investments	**193**	171
Gain during the year transferred to profit and loss on account of derecognition of investment	**(193)**	(891)
Other comprehensive income/(loss) for the year	**-**	(720)
Total comprehensive income/(loss) for the year	**44,989**	(119,569)

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive Officer

Director

Cash flow statement

For the year ended June 30, 2016

	Note	2016 (Rs '000')	2015 (Rs '000')
Cash flow from operating activities			
Cash generated from operations	31	**433,190**	255,697
Finance cost paid		**(56,190)**	(86,796)
Profit on deposits received		**4,094**	1,165
Taxes paid		**(15,270)**	(24,617)
Net cash generated from operating activities		**365,824**	145,449
Cash flow from investing activities			
Fixed capital expenditure		**(45,582)**	(19,225)
Purchase of intangible assets		**-**	(5,361)
Proceeds from sale of property, plant and equipment		**915**	144
Proceeds from sale of available for sale investments		**50,193**	16,396
Investments made		**(50,000)**	-
Net cash used in investing activities		**(44,474)**	(8,046)
Cash flow from financing activities			
Repayment of long term loan		**(164,265)**	(196,364)
Receipt against issue of preference shares		**2,044**	-
Expense for issuance of preference shares		**(9,878)**	
Long term deposits made		**(1,100)**	-
Long term loans obtained		**-**	136,364
Net cash used in financing activities		**(173,199)**	(60,000)
Net increase in cash and cash equivalents		**148,151**	77,403
Cash and cash equivalents at the beginning of year		**23,409**	(53,994)
Cash and cash equivalents at the end of year	35	**171,560**	23,409

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive Officer **Director**

Statement of changes in equity

For the year ended June 30, 2016

	Share capital				
	Ordinary share capital	Preference share capital	Fair value reserve	Accumulated loss	Total
	---------------------- (Rs '000') ----------------------				
Balance as on June 30, 2014	1,020,000	-	720	(523,738)	496,982
Loss for the year	-	-	-	(118,849)	(118,849)
Other comprehensive income for the year: Fair value gain on 'Available for sale' investments	-	-	(720)	-	(720)
Total comprehensive loss for the year	-	-	(720)	(118,849)	(119,569)
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	-	-
Balance as on June 30, 2015	1,020,000	-	-	(642,587)	377,413
Profit for the year	**-**	**-**	**-**	**44,989**	**44,989**
Other comprehensive income for the year: Fair value gain on 'Available for sale' investments	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**44,989**	**44,989**
Total contributions by and distributions to owners of the Company recognised directly in equity:					
Issuance of 110,000,000 preference shares	**-**	**1,100,000**	**-**	**-**	**1,100,000**
Expenses related to issuance of preference shares	**-**	**-**	**-**	**(9,878)**	**(9,878)**
	-	**1,100,000**	**-**	**(9,878)**	**1,090,122**
Balance as on June 30, 2016	**1,020,000**	**1,100,000**	**-**	**(607,476)**	**1,512,524**

The annexed notes 1 to 41 form an integral part of these financial statements.

Chief Executive Officer

Director

Notes to and forming part of the financial statements
For the year ended June 30, 2016

1. Legal status and nature of business

The Company was incorporated in Pakistan as a private limited Company on November 12, 2004 under The Companies Ordinance, 1984 and was converted into a public limited Company with effect from February 28, 2008 as approved by the Securities and Exchange Commission of Pakistan (SECP) vide letter no. ARL 16222 dated March 14, 2008. Subsequently, on September 15, 2008, it was listed on Pakistan Stock Exchange. The registered office of the Company is situated at 18-KM Ferozepur Road, Lahore and the factory is situated at 18-KM Lahore-Sheikhupura Road, Lahore. The Company is principally engaged in manufacture, procurement and sale of hydrogen peroxide and allied products. The Company commenced its trial production on December 1, 2008 and commercial production on March 1, 2009.

2. Statement of compliance

2.1 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 (IASB) 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 Initial application of standards, amendments or an interpretation to existing standards

The following amendments to existing standards have been published that are applicable to the Company's financial statements covering annual periods, beginning on or after the following dates:

2.2.1 Amendments to published standards effective in current year

There were certain new standards, amendments to the approved accounting standards and new interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Interpretations which became effective during the period but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in the financial statements except for the amendments as explained below:

IFRS 13, 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2015. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP. The application of this standard does not have a material impact on the Company's financial statements.

2.2.2 Standards, amendments and interpretations to existing standards that are applicable to the Company and not yet effective and have not been early adopted by the Company

Standards or Interpretations	Effective date (accounting periods beginning on or after)
Annual improvements 2014	January 01 2016
Amendments to IAS 1, 'Presentation of financial statements' on disclosure initiative	January 01 2016
Amendments to IAS 7, 'Statement of cash flows' on disclosure initiative	January 01 2017
Amendments to IAS 12, 'Income taxes' in relation to recognition of deferred tax assets for unrealised losses	January 01 2017
Amendments to IAS 16 'Property, plant and equipment' in relation to use of revenue based methods to calculate the depreciation	January 01 2016
Amendments to IAS 38 'Intangible assets' in relation to use of revenue based methods to calculate the depreciation	January 01 2016
IFRS 9 - 'Financial instruments'	January 01, 2018
IFRS 15, 'Revenue from contracts with customers'	January 01, 2018
Amendments to IFRS 15, 'Revenue from contracts with customers' on gross versus net revenue presentation	January 01, 2018
IFRS 16 'Leases'	January 01, 2019

3. Basis of measurement

3.1 These financial statements have been prepared under the historical cost convention.

3.2 The Company's significant accounting policies are stated in note 4. Not all of these significant policies require the management to make difficult, subjective or complex judgments or estimates. The following is intended to provide an understanding of the policies the management considers critical because of their complexity, judgment of estimation involved in their application and their impact on these financial statements. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These judgments involve assumptions or estimates in respect of future events and the actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

i) Estimated useful lives of property, plant and equipment - note 13

ii) Provision for taxation - note 29

Notes to and forming part of the financial statements continued

For the year ended June 30, 2016

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 to all the years presented, unless otherwise stated.

4.1 Employees retirement benefits

The main features of the schemes operated by the Company for its employees are as follows:

(a) Defined contribution scheme

A recognized voluntary contributory provident fund scheme is in operation covering all permanent employees. Equal monthly contributions are made by the Company and employees in accordance with the rules of the scheme at 10% of basic pay.

(b) Accumulating compensated absences

The Company provides for accumulating compensated absences when the employees render service that increases their entitlement to future compensated absences. Under the Company's policy, permanent management employees are entitled to 10 days sick leaves and 21 days annual leaves per calendar year. Sick leaves can be accumulated up to a maximum number of 30 days, while unutilized annual leaves lapse and can only be encashed in case of death and not upon termination, resignation or retirement. The contractual employees are not entitled to carry forward sick or annual leaves.

Provisions are made annually to cover the obligation for accumulating compensated absences and are charged to profit and loss account.

4.2 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

4.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Property, plant and equipment acquired under finance leases are capitalized at the lease's commencement at the lower of the present value of minimum lease payments under the lease arrangements and the fair value of the leased asset. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss. Cost in relation to certain property, plant and equipment comprises historical cost and borrowing costs referred to in note 4.5.

Depreciation on all property, plant and equipment except land is charged to profit on the straight line basis so as to write off the historical cost of an asset over its estimated useful life at the rates given in note 13.1 without taking into account any residual value, as considered insignificant.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The Company's estimate of the residual value of its property, plant and equipment as at June 30, 2016 has not required any adjustment as its impact is considered insignificant.

Depreciation on additions to property, plant and equipment is charged from the month in which the asset is acquired or capitalized, while no depreciation is charged for the month in which the asset is disposed off.

Initial fill of catalysts is capitalized with plant and machinery whereas costs of subsequent replacements of such catalysts are included in property, plant and equipment and depreciated on straight line basis over their estimated useful lives.

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Notes to and forming part of the financial statements Continued
For the year ended June 30, 2016

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

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

Major spare parts, catalyst and standby equipment qualify as property, plant and equipment when entity expects to use them for more than one year. Transfers are made to relevant operating fixed assets category as and when such items are available for use.

4.4 Intangible asset

Expenditure incurred to acquire ERP system is capitalized as an intangible asset and is stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method over a period of 3 years.

Amortization is charged to profit and loss account on a straight line basis so as to write off the cost of an asset over its estimated useful life. Amortization on license acquired has been charged from the month of commencement of commercial production.

The Company assesses at each balance sheet date whether there is any indication that an intangible asset may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.5 Leases

The Company is the lessee:

4.5.1 Finance leases

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases and are capitalized at lower of present value of minimum lease payments under the lease arrangements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to profit and loss account over the lease term.

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and non-current depending upon the timing of the payment.

4.5.2 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit and loss account on a straight-line basis over the lease term.

4.6 Stores and spares

Stores and spares, except for the ‘working solution’ are valued at lower of moving average cost and net realizable value. Write down in stores and spares is made for slow moving and obsolete items. Items in transit are valued at cost comprising invoice value plus other directly attributable charges incurred thereon. Working solution is valued at lower of weighted average cost determined on a yearly basis and net realizable value.

4.7 Stock in trade

Stock of raw materials, packing materials, work-in-process and finished goods, except for those in transit are valued principally at the lower of weighted average cost and net realizable value. Cost of work-in-process and finished goods comprises cost of direct materials, salaries of production staff and appropriate manufacturing overheads.

Materials in transit are stated at cost comprising invoice value plus other charges paid thereon.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management’s estimate.

4.8 Financial instruments

4.8.1 Financial assets

The Company classifies its financial assets in the following categories: available for sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at the time of initial recognition.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the balance sheet date, which are classified as non-current assets. Loans and receivables comprise trade debts, advances, deposits, prepayments and other receivables and cash and cash equivalents except for the finances under markup arrangements.

b) Available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss. They are included in the non-current assets unless the management intends to dispose off the investment within twelve months of the balance sheet date.

Notes to and forming part of the financial statements continued
For the year ended June 30, 2016

Investments classified as available for sale are initially measured at cost, being the fair value of consideration given. At subsequent reporting dates, these investments are measured at fair value (quoted market price), unless fair value cannot be reliably measured. The investments for which a quoted price is not available, are measured at cost as it is not practical to apply any other valuation methodology. Unrealized gain and losses arising from changes in the fair value are included in the comprehensive income in the period in which they arise.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account.

4.8.2 Financial liabilities

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

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

4.8.3 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

4.9 Trade debts

Trade debts are amounts due from customers for sales made during the ordinary course of business. Trade debts and other receivables are recognized initially at invoice value, which approximates fair value, and subsequently measured at amortized cost using the effective interest method less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debt are written off when identified.

4.10 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, demand deposits, other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and finances under mark-up arrangements. In the balance sheet, finances under mark-up arrangements are included in current liabilities.

4.11 Borrowings

Borrowings are recognized initially at fair value (proceeds received) net of transaction cost incurred. Borrowings subsequently are stated at the amortized cost using the effective yield method.

Finance costs are accounted for on an accrual basis and are included in accrued finance cost to the extent of the amount remaining unpaid.

4.12 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at year end and adjusted to reflect the current best estimate.

4.13 Foreign currency transactions and translation

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date. Foreign exchange gains and losses on translation are recognised in the profit and loss account. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

The financial statements are presented in Pak Rupees, which is the Company’s functional and presentation currency.

4.14 Borrowing costs

Mark up, interest and other charges on borrowings are capitalized up to the date of commissioning of the respective plant and machinery, acquired out of the proceeds of such borrowings. All other mark-up, interest and other charges are charged to profit and loss account.

4.15 Revenue recognition

Revenue is recognized on dispatch/shipment of goods to customers.

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and the applicable rate of return.

Notes to and forming part of the financial statements continued
For the year ended June 30, 2016

5. Issued, subscribed and paid up capital

2016 (Number of shares)	2015 (Number of shares)		2016 (Rs '000')	2015 (Rs '000')
102,000,000	102,000,000	Ordinary shares of Rs 10 each fully paid in cash	**1,020,000**	1,020,000

Ordinary shares of the Company held by associated undertakings as at year end are as follows:

	2016 (Number of shares)	2015 (Number of shares)
Descon Corporation (Private) Limited	**8,725,250**	8,725,250
Descon Engineering Limited	**7,439,800**	7,439,800
Descon Holdings (Private) Limited	**1,132,300**	1,124,800
Interworld Travels (Private) Limited	**92,054**	92,054
Inspectest (Private) Limited	**117,000**	117,000
	17,506,404	17,498,904

6. Preference shares

During the year, the Company with the approval of Securities and Exchange Commission of Pakistan (SECP), under rule 5 of the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000 offered 110,000,000 preference shares of Rs 10 each to existing members of the Company in equal proportion to their existing shareholding pursuant to section 86(1) of the Companies Ordinance 1984 (the "Ordinance"). The rights so offered were under subscribed by Rs 1,097,956,110, which, based on the decision of the Board of the Company in the meeting dated December 29, 2015 and undertaking of the associated companies, M/s Descon Engineering Limited (DEL) and Presson Descon International (Private) Limited (PDIL), was subscribed by DEL and PDIL against adjustment of the principal balance of loans provided by them as referred to in note 7.2, 8.1 and 8.2. The allotment of preference shares was done on December 29, 2015.

		Number of shares	Amount (Rs '000')
Cumulative convertible redeemable preference shares offered as rights		**110,000,000**	1,100,000
Preference shares subscribed:			
- In cash		**204,389**	2,044
- Against adjustment of loans:			
Descon Engineering Limited	- note 6.1	**78,795,611**	787,956
Presson Descon International (Private) Limited	- note 7.2	**31,000,000**	310,000
		109,795,611	1,097,956
Total preference shares issued		**110,000,000**	1,100,000

		Number of shares	Amount (Rs '000')
6.1 Subscription by Descon Engineering Limited			
Loan 1 - Secured loan	- note 7.2		400,000
Loan 2 - Unsecured subordinated loan 1	- note 8.1		275,956
Loan 3 - Unsecured subordinated loan 2	- note 8.2		112,000
			787,956

6.2 Key Terms of the preference shares

Preference shares are non-voting, cumulative, convertible, redeemable preference shares with no specified maturity date. The key terms of the preference shares are as follows:

- The preference shares shall be cumulative, and shall carry entitlement of a fixed annual cumulative dividend of 12% to be paid out of the normal profits of the Company in each financial year. Any dividend not paid in a financial year shall cumulate towards entitlement of dividend in future years.

- The preference shares shall not carry any entitlement of ordinary dividend, right shares or bonus shares, or have any right to participate in the profits of the Company.

- The preference shares shall be redeemable at par value solely at the option of the Company, only through a sinking fund created out of the profits of the Company.

- The preference shares shall be convertible into ordinary shares at the ratio of one preference share to one ordinary share at the option of either of the Company or the preference share holder, any time and from time to time after expiry of five years from the date of allotment of the relevant preference shares. The outstanding dividend on the preference shares will not be converted into ordinary shares.

6.3 Under the International Financial Reporting Standards (IFRS), the preference shares represent a compound financial instrument with a liability component representing the contractual stream of preference dividend required to be paid by the Company. However, in these financial statements, the preference shares have been treated as part of equity on the following basis:

- The preference shares were issued under the provisions of section 86 of the Companies Ordinance, 1984 (the Ordinance) read with section 90 of the Ordinance and the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000;

- The issue of the shares was duly approved by the members of the Company at the Annual General Meeting held on October 30, 2014; and

- The requirements of the Ordinance takes precedence over the requirements of International Financial Reporting Standards.

Notes to and forming part of the financial statements continued
For the year ended June 30, 2016

The impact of preference shares issuance on financial statements, if issued in accordance with the IFRS is as follow:

	(Rs '000')
Decrease in preference share capital	947,912
Increase in long term finances	947,912
Decrease in profit after tax	105,634
	Rupees
Decrease in earning per share - Basic	(1.04)
Change in earning per share - Diluted	Nil

7. Long term finances - secured

		2016 (Rs '000')	2015 (Rs '000')
From financial institutions	- note 7.1	**336,564**	500,000
From associated companies	- note 7.2	**-**	710,000
		336,564	1,210,000
Less: Current portion shown under current liabilities		**(224,742)**	(163,435)
		111,822	1,046,565

7.1 From financial Institutions

		2016	2015
Loan - 1	- note 7.1.1	**244,519**	363,636
Loan - 2	- note 7.1.2	**92,045**	136,364
		336,564	500,000
Less: Current portion shown under current liabilities		**(224,742)**	(163,435)
		111,822	336,565

7.1.1 This loan has been obtained from a consortium of financial institutions led by Allied Bank Limited to finance the capital expenditure in relation to the hydrogen peroxide plant installation, construction and fabrication project. It is secured by way of hypothecation charge over all present and future fixed assets, wherever situated other than the immovable property and first pari passu mortgage charge over immovable property. As per original agreement, the loan carried markup at six month KIBOR plus 2.75% per annum and was payable semi annually.

The loan was initially repayable in 12 six monthly installments commencing on February 24, 2012. However, the Company made certain early repayments during previous years and in February 2015, the Company signed the "First Supplemental Syndicated Term finance Agreement" with the consortium, through which it fully repaid certain members of the consortium and also reduced the applicable markup rate from six month KIBOR plus 2.75% to six month KIBOR plus 2%. As on June 30, 2016, 3 unequal installments are outstanding, beginning on August 24, 2016 and ending on August 24, 2017.

The markup charged during the period ranges from Re 0.2874 to Re 0.2290 (2015: Re 0.2789 to Re 0.2326) per diem per thousand.

7.1.2 This loan has been obtained from NIB Bank Limited during the year ended June 2015 and is secured by way of pari passu charge over present and future fixed assets of the Company for Rs 266.6 million. It carries markup at six month KIBOR plus 2% per annum and is payable on quarterly basis.

The markup charged during the period ranges from Rs 0.2737 to Re 0.2290 (2015: Re 0.2189 to Re 0.2189) per diem per thousand.

The loan is repayable in 3 unequal six monthly installments ending on August 24, 2017.

7.2 Loans of Rs 400 million from Descon Engineering Limited and that of Rs 310 million from Presson Descon International (Private) Limited have been adjusted against subscription towards preference shares as referred to in note 6 and note 6.1 respectively.

		2016 (Rs '000')	2015 (Rs '000')
8. Subordinated loans from associated companies - unsecured			
- Descon Engineering Limited - Loan 1	- note 8.1	**-**	276,785
- Descon Engineering Limited - Loan 2	- note 8.2	**-**	112,000
- Interworld Travels (Private) Limited - Loan 3	- note 8.3	**20,000**	20,000
		20,000	408,785
Less: Current portion shown under current liabilities		**(20,000)**	-
		-	408,785

8.1 Out of the total outstanding balance of Rs 276,785 thousand, an amount of Rs 275,976 has been adjusted against subscription towards issuance of preference shares as referred to in note 6.1. The balance amount of Rs 829 thousand is paid in cash.

8.2 The entire balance of loan has been adjusted against subscription towards issuance of preference shares as referred to in note 6.1.

8.3 This loan was extended by Interworld Travels (Private) Limited, an associated Company on June 30, 2010. The principal and markup accrued thereon are repayable after the repayment of 50% of the facility referred to in note 7.1.1 and further subject to compliance with covenants contained in the agreement for loan referred to in note 7.1.1. Mark-up is accruable for the period at six months KIBOR plus 1%. The entire amount of the loan along with the interest is payable on demand as at June 30, 2016 and consequently included in current liabilities.

Effective rate charged during the period was Re 0.2639 (2015: Re 0.2452) per diem per thousand.

Notes to and forming part of the financial statements continued

For the year ended June 30, 2016

9. Finances under mark up arrangements - secured

		2016 (Rs '000')	2015 (Rs '000')
Short term running finance		**-**	2,070
Export re-finance	- note 9.1	**50,000**	50,000
		50,000	52,070

9.1 This represents the outstanding against export refinance loans of Rs 50 million (2015: Rs 50 million) from Bank Al-Habib Limited. It carries markup of SPB rate on export refinancing plus 1% per annum. The markup charged during the year ranges from Re. 0.1233 to Re. 0.1233 per diem per thousand on the outstanding balance or part thereof.

The aggregate facilities have been secured through a first charge over current assets of the Company for Rs 530 million, a third ranking charge over the land and building, a fourth ranking charge over plant and machinery of the Company for Rs 150 million.

9.2 Of the aggregate facility of Rs 175 million (2015: Rs 175 million) for opening of letter of credit for import of machinery, raw material and stores from Bank Al Habib Limited, the amount utilized at June 30, 2016 was Rs 53.110 million (2015: Rs 84.186 million).

10. Trade and other payables

		2016 (Rs '000')	2015 (Rs '000')
Trade creditors	- note 10.1	**71,756**	34,000
Bills payable		**1,543**	65,748
Associated undertakings	- note 10.2	**9,199**	6,138
Advances from customers		**19,534**	2,513
Accrued liabilities		**52,565**	52,131
Worker's profit participation fund		**7,036**	-
Other liabilities		**1,764**	771
		163,397	161,301

10.1 Trade creditors includes interest free amounts due to related parties in the normal course of business as follows:

	2016 (Rs '000')	2015 (Rs '000')
Descon Power Solution	**9,126**	745
Inspectest (Private) Limited	**608**	-
Interworld Travels (Private) Limited	**606**	46
Descon Engineering Services	**249**	-
Descon Engineering Limited	**87**	-
	10,676	791

10.2 These are interest free and represent expenses incurred by related parties on behalf of the Company:

	2016 (Rs '000')	2015 (Rs '000')
Descon Chemicals Limited	-	460
Descon Corporation (Private) Limited	105	-
Descon Engineering Limited	8,473	5,559
Gray Mackenzie Engineering Services LLC	238	117
Inspectest (Private) Limited	383	2
	9,199	6,138

11. Accrued finance cost

		2016 (Rs '000')	2015 (Rs '000')
Long term finances - secured			
- Financial institutions		9,359	19,718
- Associated companies	- note 11.1	187,381	-
Long Term Loans - unsecured	- note 11.1	267,350	-
Finances under markup arrangements - secured		562	776
		464,652	20,494

11.1 Pursuant to settlement of the loans referred to in note 7.2 and note 8 as subscription towards preference shares referred to in note 6, the entire amount of the accrued finance cost is now payable on demand.

12. Contingencies and commitments

12.1 Contingencies

Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract amounting to Rs 48.64 million (2015: Rs 48.64 million).

12.2 Commitments

The company has the following commitments in respect of:

i) The Company has commitments in respect of letters of credit other than capital expenditure amounting to Rs 53.110 million (2015: Rs 90.184 million).

ii) Cumulative dividend on preference shares of Rs 132 million (2015: nil).

iii) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2016 (Rs '000')	2015 (Rs '000')
Not later than one year	8,991	12,246
Later than one year and not later than five years	-	-
Later than five years	-	-
	8,991	12,246

Notes to and forming part of the financial statements continued
For the year ended June 30, 2016

		2016 (Rs '000')	2015 (Rs '000')
13. Property, plant and equipment			
Operating assets	- note 13.1	**1,626,442**	1,752,421
Capital work-in-progress	- note 13.2	**7,098**	5,386
Major spare parts, catalysts and standby equipment		**21,943**	13,245
		1,655,483	1,771,052

13.1 Operating assets

2016 (Rupees in thousand)

	Cost as at July 1, 2015	Additions/ (deletions)	Cost as at June 30, 2016	Accumulated depreciation as on July 1, 2015	Depreciation charge/ (deletions) for the year	Accumulated depreciation as on June 30, 2016	Net book value as on June 30, 2016	Rate of depreciation %
Owned assets								
Freehold land	101,316	-	101,316	-	-	-	101,316	-
Buildings on freehold land	294,379	462	294,841	88,702	14,732	103,434	191,407	5
Plant, machinery and equipment	2,298,643	36,010 (243)	2,334,410	886,888	145,241 (96)	1,032,033	1,302,377	6.25 - 33
Plant, machinery and equipment - catalyst	12,749	3,286	16,035	2,652	5,295	7,947	8,088	10 - 50
Laboratory equipment	14,604	-	14,604	5,660	913	6,573	8,031	6.25
Material handling	2,924	315	3,239	777	593	1,370	1,869	20
Tools and equipment	5,434	1,770	7,204	1,752	385	2,137	5,067	6.25-10
Computer equipment	6,825	931 (66)	7,690	5,624	646 (36)	6,234	1,456	33.33
Electrical equipment	391	893	1,284	381	119	500	784	20
Office equipment	5,589	41	5,630	4,790	166	4,956	674	20
Furniture and fixture	6,756	57	6,813	3,865	676	4,541	2,272	10
Vehicles	8,407	634 (1,001)	8,040	4,505	1,118 (684)	4,939	3,101	20
2016	**2,758,017**	**44,399**	**2,801,106**	**1,005,596**	**169,884**	**1,174,664**	**1,626,442**	
	-	**(1,310)**	**-**	**-**	**(816)**	**-**	**-**	

	2015							(Rupees in thousand)
	Cost as at July 1, 2015	Additions/ (deletions)	Cost as at June 30, 2016	Accumulated depreciation as on July 1, 2015	Depreciation charge/ (deletions) for the year	Accumulated depreciation as on June 30, 2016	Net book value as on June 30, 2016	Rate of depreciation %
Owned assets								
Freehold land	101,316	-	101,316	-	-	-	101,316	-
Buildings on freehold land	293,381	998	294,379	74,029	14,673	88,702	205,677	5
Plant, machinery and equipment	2,302,747	12,726 (16,830)	2,298,643	748,918	144,106 (6,136)	886,888	1,411,755	6.25
Plant, machinery and equipment - catalyst	4,192	12,749 (4,192)	12,749	1,572	3,176 (2,096)	2,652	10,097	10 - 50
Laboratory equipment	14,604	-	14,604	4,747	913	5,660	8,944	6.25
Material handling	2,447	477	2,924	259	518	777	2,147	20
Tools and equipment	5,434	-	5,434	1,395	357	1,752	3,682	6.25
Computer equipment	5,854	971	6,825	5,159	465	5,624	1,201	33.33
Electrical equipment	391	-	391	378	3	381	10	20
Office equipment	4,807	782	5,589	4,698	92	4,790	799	20
Furniture and fixture	6,595	161	6,756	3,193	672	3,865	2,891	10
Vehicles	6,752	2,505 (850)	8,407	4,471	884 (850)	4,505	3,902	20
	2,748,520	31,369	2,758,017	848,819	165,859	1,005,596	1,752,421	
	-	(21,872)	-	-	(9,082)	-	-	

* Deletions include cost of assets scrapped/written off of Rs 21.022 million (book value Rs 12.790 million).

13.1.1 The depreciation charge has been allocated as follows:

		2016 (Rs '000')	2015 (Rs '000')
Cost of goods sold	- note 23	**168,852**	165,256
Administrative expenses	- note 24	**874**	536
Distribution and selling cost	- note 25	**158**	67
		169,884	165,859

Notes to and forming part of the financial statements continued
For the year ended June 30, 2016

13.1.2 Disposal of owned assets

Detail of owned assets disposed off during the year is as follows:

2016

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
		(Rupees in thousand)				
Plant and machinery	**Outsiders**					
	M. Amjad & Brother	**243**	**96**	**147**	**598**	Negotiation
IT Equipment	**Employee**					
	Ahmed Junaid	**66**	**36**	**30**	**21**	Company policy
Vehicle	**Employee**					
	Atif Shafqat	**1,001**	**684**	**317**	**296**	Company policy
		1,310	**816**	**494**	**915**	

2015

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
		(Rupees in thousand)				
Plant and machinery	Assets written off	16,830	6,136	10,694	-	Write off
Plant and machinery - catalyst	Assets written off	4,192	2,096	2,096	-	Write off
Vehicle	**Employee**					
	Amir Afzal	850	850	-	144	Negotiation
		21,872	9,082	12,790	144	

13.1.3 All assets classified in Property, Plant and Equipment are in the name of the Company and in Company's possession and control.

		2016 (Rs '000')	2015 (Rs '000')

13.2 Capital work-in-progress

		2016 (Rs '000')	2015 (Rs '000')
Plant and machinery		**7,098**	3,386
Advances		**-**	2,000
		7,098	5,386

14. Intangible assets

		2016 (Rs '000')	2015 (Rs '000')
Carrying value as at July 1		**4,914**	-
Addition during the year		**-**	5,361
Amortization during the year	- note 24	**(1,787)**	(447)
Carrying value as at June 30		**3,127**	4,914

15. Long term deposits

These are in the normal course of business and are interest free.

16. Deferred taxation

The asset for deferred taxation comprises temporary differences in:

	2016 (Rs '000')	2015 (Rs '000')
Accelerated tax depreciation	**(276,260)**	(276,933)
Tax credits	**23,615**	-
Provision against doubtful debts	**2,893**	-
Unused tax losses	**408,948**	499,937
	159,196	223,004

The Company has not recognized deferred tax asset of Rs 48.783 million (2015: Rs 48.783 million) in respect of minimum tax under section 113 of the Income Tax Ordinance, 2001 available for carry forward based on prudence principle as sufficient tax profits may not be available to set it off.

17. Stores and spares

		2016 (Rs '000')	2015 (Rs '000')
General stores and spares [including in transit of Rs 0.154 (2015: 2.285 million)]	- note 17.1	**106,907**	117,808
Working solution		**98,970**	82,579
		205,877	200,387

17.1 General stores and spares include raw material for working solution of Rs 22.432 million (2015: Rs 34.593 million).

Notes to and forming part of the financial statements continued

For the year ended June 30, 2016

18. Stock in trade

		2016 (Rs '000')	2015 (Rs '000')
Raw materials [including in transit of Rs 3.836 million (2015: Rs 67.900 million)]		**28,119**	96,424
Work-in-process		**291**	291
Finished goods	- note 18.1	**4,191**	6,836
		32,601	103,551

18.1 Finished goods include unused packing material of Rs 1.850 million (2015: Rs 1.768 million).

19. Trade debts

		2016 (Rs '000')	2015 (Rs '000')
Considered good - unsecured	- note 19.1	**53,780**	87,365
Considered doubtful		**12,722**	1,015
		66,502	88,380
Less: Provision for doubtful debts	- note 19.2	**(12,722)**	(1,015)
		53,780	87,365

19.1 These include amount due from the following related parties.

	2016	2015
Descon Chemicals Limited	**-**	184
Descon Engineering Limited	**18**	1
	18	185

19.2 Provision for doubtful debts

		2016	2015
Balance as at January 1		**1,015**	1,285
Provision for the year	- note 25	**11,707**	-
Bad debt written off		**-**	(270)
Balance as at June 30		**12,722**	1,015

20. Advances, deposits, prepayments and other receivables

		2016	2015
Advances to suppliers		**10,161**	10,106
Advances to employees and short term loans to employees		**120**	641
Security deposits		**1,500**	-
Prepayments		**980**	1,188
Sales tax recoverable		**135,002**	97,858
Associated undertakings	- note 20.1	**71**	1,680
Other receivables		**1,191**	1,630
		149,025	113,103

20.1 These are interest free and represent expenses incurred by the Company on behalf of related parties.

	2016 (Rs '000')	2015 (Rs '000')
Descon Corporation (Private) Limited	**-**	1,679
Interworld Travels (Private) Limited	**4**	-
Inspectest Industrial Solutions LLC	**9**	-
Gray Mackenzie Engineering Services WLL Qatar	**10**	-
Descon Technical Institute	**3**	-
Rousch (Pakistan) Power Limited	**18**	-
Altern Energy Limited	**6**	-
Descon Power Solutions (Private) Limited	**21**	1
	71	1,680

21. Cash and bank balances

		2016 (Rs '000')	2015 (Rs '000')
At banks on:			
- Current accounts		**2,330**	5,098
- Saving accounts	- note 21.1	**219,230**	70,381
		221,560	75,479

21.1 It carries mark-up at the rate ranging from 3.75% to 6.00% per annum.

22. Sales

	2016 (Rs '000')	2015 (Rs '000')
Gross sales:		
- Local	**1,598,119**	1,273,708
- Export	**125,385**	232,912
	1,723,504	1,506,620
Less: Commission and discount on sales	**(58,885)**	(49,701)
Less: Sales tax	**(83,072)**	(47,837)
	1,581,547	1,409,082

22.1 Gross sales include sale of finished goods purchased for resale amounting to Rs 69.903 million (2015: Rs 6.949 million).

Notes to and forming part of the financial statements continued

For the year ended June 30, 2016

23. Cost of goods sold

		2016 (Rs '000')	2015 (Rs '000')
Raw material consumed	- note 23.1	**529,082**	492,644
Salaries, wages and other benefits	- note 23.2	**77,173**	67,943
Repair and maintenance		**36,476**	32,222
Production supplies		**1,864**	747
Fuel and power		**243,797**	287,392
Printing and stationery		**981**	503
Services through contractors		**41,448**	35,590
Traveling		**1,495**	2,042
Annual shutdown expenses		**20,286**	-
Communication		**425**	459
Rent and rates		**34,298**	36,024
Depreciation on property, plant and equipment	- note 13.1.1	**168,852**	165,256
Insurance		**7,944**	7,981
Safety items consumed		**606**	568
Miscellaneous		**1,310**	302
		1,166,037	1,129,673
Add: Opening work in process		**291**	259
Less: Closing work in process		**(291)**	(291)
		-	(32)
Cost of goods produced		**1,166,037**	1,129,641
Add: Opening finished goods		**6,836**	11,360
Less: Closing finished goods		**(4,191)**	(6,836)
		2,645	4,524
Cost of goods sold - own manufactured		**1,168,682**	1,134,165
Cost of goods purchased for resale		**69,531**	6,701
		1,238,213	1,140,866

23.1 This include materials written off aggregating to Rs 0.829 million (2015: Nil).

23.2 Salaries, wages and other benefits include Rs 1.486 million (2015: Rs 1.485 million) in respect of provident fund contribution by the Company and include accumulating compensated absences of Rs 1.446 million (2015: (1.934 million)).

24. Administrative expenses

		2016 (Rs '000')	2015 (Rs '000')
Salaries, allowances and other benefits	- note 24.1	**30,612**	29,935
Vehicle running and maintenance		**1,318**	1,404
Entertainment		**651**	366
Communication		**778**	1,322
Printing and stationary		**2,024**	1,904
Traveling and conveyance		**2,660**	3,286
Repair and maintenance		**1,245**	1,346
Insurance		**162**	171
Fees and subscriptions		**8,218**	9,487
Rent and rates		**-**	814
Legal and professional fee	- note 24.2	**8,784**	8,615
Amortization of intangible assets	- note 14	**1,787**	447
Depreciation on property, plant and equipment	- note 13.1.1	**874**	536
Others		**6,947**	7,723
		66,060	67,356

24.1 Salaries, wages and other benefits include Rs 0.098 million (2015: Rs 0.390 million) in respect of provident fund contribution by the Company.

24.2 Auditors remuneration

The charges for legal and professional services include the following in respect of auditors services for:

	2016 (Rs '000')	2015 (Rs '000')
Statutory audit	**1,172**	1,065
Half yearly review	**440**	400
Certification charges	**364**	133
Out of pocket expenses	**87**	71
	2,063	1,669

25. Distribution and selling cost

		2016 (Rs '000')	2015 (Rs '000')
Salaries, allowances and other benefits	- note 25.1	**8,513**	6,288
Communication		**332**	320
Traveling and conveyance		**2,522**	1,880
Advertisement		696	303
Insurance		**844**	978
Freight and forwarding		**47,890**	60,125
Depreciation on property, plant and equipment	- note 13.1.1	**158**	67
Printing and stationary		**-**	515
Provision for doubtful debts	- note 19.2	**11,707**	-
Others		**3,378**	3,948
		76,040	74,424

Notes to and forming part of the financial statements continued

For the year ended June 30, 2016

25.1 Salaries, wages and other benefits include Rs 0.287 million (2015: Rs 0.122 million) in respect of provident fund contribution by the Company.

		2016 (Rs '000')	2015 (Rs '000')
26. Other operating income			
Income from financial assets			
Interest on bank deposits	- note 26.1	4,094	1,165
Exchange gain		(0)	958
Gain on sale of investment	- note 26.2	193	891
		4,287	3,014
Income from non-financial assets			
Gain on sale of fixed assets		421	144
Net gain on insurance claim of assets written off		9,660	-
Scrap sales		2,958	2,744
		13,039	2,888
Others			
Liabilities written back		-	12,172
Others		387	534
		387	12,706
		17,713	18,608

26.1 Gain on sale of investment

	2016 (Rs '000')	2015 (Rs '000')
As at July 01	-	720
Fair value gain during the year	193	171
Transferred to profit and loss account on derecognition of investment	(193)	(891)
As at June 30	-	-

27. Other operating expense

	2016 (Rs '000')	2015 (Rs '000')
Fixed assets written off	-	12,787
Worker's profit participation fund	7,036	-
Provision against export rebates	583	-
Exchange loss	1,088	-
	8,707	12,787

28. Finance cost

		2016 (Rs '000')	2015 (Rs '000')
Interest and mark-up on:			
- Long term finances			
- secured	- note 28.1	**44,378**	150,838
- unsecured	- note 28.2	**24,621**	51,933
- Finances under markup arrangement - secured		**2,408**	4,885
Bank charges		**5,157**	4,532
		76,564	212,188

28.1 This includes finance cost accrued on loans from associated companies amounting to Rs 6.325 million (2015: 84.215 million).

28.1 This represent finance cost payable to associated companies.

29. Taxation

	2016 (Rs '000')	2015 (Rs '000')
Current - for the year	**24,869**	14,603
Deferred	**63,818**	24,315
	88,687	38,918

29.1 In view of the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and alternative corporate tax (ACT) under section 113C of the Income Tax Ordinance, 2001. ACT under section 113C is available for set off for ten years against normal tax liability arising in future years whereas tax under 'Final Tax Regime' is not available for set off against normal tax liabilities arising in future years.

For the purposes of current taxation, the tax losses available for carry forward as at June 30, 2016 are estimated approximately at Rs 1,363.392 million (2015: Rs 1,580.414 million).

29.2 Tax charge reconciliation

	2016 %	2015 %
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	**32.00**	33.00
Effect of change in tax rate	**4.84**	(43.84)
Minimum tax and losses not recognized	**-**	(18.68)
Tax effect under presumptive regime and others	**29.50**	(19.17)
	34.34	(81.69)
Average effective tax rate charged to profit and loss account	**66.34**	(48.69)

Notes to and forming part of the financial statements continued
For the year ended June 30, 2016

30. Earnings per share

30.1 Basic earnings/(loss) per share

		2016	2015
Profit/(loss) for the year	Rupees in thousand	**44,989**	(118,849)
Weighted average number of ordinary shares in issue during the year		**102,000**	102,000
Earning/(loss) per share	Rupees	**0.44**	(1.17)

30.2 Diluted earnings/(loss) per share

		2016	2015
Profit/(loss) for the period	Rupees in thousand	**44,989**	(118,849)
Weighted average no. of ordinary shares	Number in thousand	**102,000**	102,000
Add: Weighted average number of Preference shares	Number in thousand	**110,000**	-
	Number in thousand	**212,000**	102,000
Earning/(loss) per share	Rupees	**0.21**	(1.17)

31. Cash flow from operating activities

		2016 (Rs '000')	2015 (Rs '000')
Profit/(loss) before taxation		**133,676**	(79,931)
Adjustment for:			
- Depreciation on property, plant and equipment	- note 13.1.1	**169,884**	165,859
- Amortization of intangible assets	- note 14	**1,787**	447
- Provision/(reversal) for accumulating compensated absences	- note 23.2	**1,446**	(1,933)
- Provision against Export Rebate	- note 27	**583**	-
- Loss on fixed assets written off	- note 27	**-**	12,787
- Gain on disposal of fixed assets	- note 26	**(421)**	(144)
- Net exchange loss/(gain)	- note 27	**1,088**	(958)
- Interest on bank deposits	- note 26	**(4,094)**	(1,165)
- Provision for doubtful debts	- note 25	**11,707**	-
- Gain on sale of investment	- note 26	**(193)**	(891)
- Worker's profit participation fund	- note 27	**7,036**	-
- Liabilities written back		**-**	(12,172)
- Finance cost	- note 28	**76,564**	212,188
Profit before working capital changes		**399,063**	294,087

	2016 (Rs '000')	2015 (Rs '000')
Effect on cash flow due to working capital changes:		
(Increase)/ decrease in current assets		
- Stores, spares and loose tools	**(16,717)**	(29,199)
- Stock in trade	**70,950**	(43,005)
- Trade debts	**20,790**	(4,222)
- Advances, deposits, prepayments and other receivables	**(34,505)**	(25,860)
Increase /(decrease) in current liabilities		
- Creditors, accrued and other liabilities	**(6,391)**	63,896
	34,127	(38,390)
Cash generated from operations	**433,190**	255,697

32. Transactions with related parties

The related parties comprise of associated undertakings, key management personnel and post-employment benefit plan. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and due to related parties are shown under receivables and payables and remuneration of the key management personnel is disclosed in note 33. Other significant transactions with related parties are as follows:

		2016 (Rs '000')	2015 (Rs '000')
i. Associated undertakings	Purchase of goods and services	**20,048**	30,643
	Purchases of property plant and equipment	**9,126**	-
	Sale of goods	**520**	3,429
	Share of common expenses charged from associated companies	**28,064**	46,624
	Share of common expenses charged to associated companies	**7,660**	9,445
	Mark-up expense	**30,946**	135,679
ii. Post employment benefit plans	Expense charged in respect of retirement contribution plans	**1,871**	1,998

All transactions with related parties are carried out on mutually agreed terms and conditions.

Notes to and forming part of the financial statements continued

For the year ended June 30, 2016

33. Remuneration of Chief Executive, Directors and Executives

	Chief Executive		Executive Directors		Non-Executive Directors		Executives	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015	**30 June 2016**	30 June 2015	**30 June 2016**	30 June 2015
	(Rupees in thousand)							
Remuneration	**10,025**	5,810	**-**	486	**2,184**	1,881	**17,735**	13,299
Fee	**-**	-	**-**	-	**1,217**	392	**-**	-
Provident Fund	**-**	212	**-**	-	**60**	76	**542**	212
Car Allowance	**-**	-	**-**	-	**-**	-	**1,800**	-
Medical facility	**358**	200	**-**	503	**-**	-	**336**	86
Reimbursable expenses	**168**	355	**-**	-	**150**	14	**1,781**	389
	10,551	6,577	**-**	989	**3,611**	2,363	**22,194**	13,986
No. of persons	**1**	1	**1**	1	**4**	4	**11**	5

The Company provides Company maintained car to the Chief Executive and certain other executives.

		2016 (Rs '000')	2015 (Rs '000')
34. Cash and cash equivalents			
Cash and bank balances	- note 21	**221,560**	75,479
Finances under mark up arrangements - secured	- note 9	**(50,000)**	(52,070)
		171,560	23,409

35. Capacity and production

		Production Capacity	Actual production 2016	Actual production 2015
Production of hydrogen peroxide *(on 100% concentration and based on 360 working days)*	**Metric tonnes**	14,000	**16,117**	16,049
Production of packing material *(based on 360 working days)*	**Number**	1,080,000	**807,071**	754,741

Production of packing material remained below capacity owing to lower production of packaged hydrogen peroxide.

36. Financial risk management objectives

36.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board).

(a) Market risk

(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 foreign currency exchange risk in respect of commitments against letters of credit in foreign currency. The management does not view hedging as being financially feasible.

The Company is exposed to currency risk arising only with respect to the Unites States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from/ payable to the foreign entities. The Company's exposure to currency risk is as follows:

	2016	2015
	(FCY in thousand)	
Trade debts - US Dollars	**129**	226
Bills payable - US Dollars	**(15)**	(642)

The following significant exchange rates were applicable during the year:

Rupees per USD		
Average rate	**104.00**	101.69
Reporting date rate	**104.29**	101.79

Notes to and forming part of the financial statements continued
For the year ended June 30, 2016

Foreign currency sensitivity analysis

The following table demonstrates the sensitivity to a reasonably possible change in the US Dollar exchange rate, with all other variables held constant, of the Company's Profit/(loss) before tax and equity. The Company's exposure to foreign currency changes for all other currencies is not material.

	Change in Exchange Rate	Effect on Profit/(loss) before tax	Effect on Equity
		(Rupees in thousand)	
2016	**10%**	**1,189**	**773**
	-10%	**(1,189)**	**(773)**
2015	10%	(4,234)	(2,752)
	-10%	4,234	2,752

(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 instruments traded in the market. The Company is not exposed to equity price risk as it does not have any exposure in equity securities.

(iii) Interest rate risk

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk.

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

At the balance sheet date, the interest rate profile of the Company's interest bearing financial instruments was:

	2016 (Rs '000')	2015 (Rs '000')
Fixed rate instruments		
Financial assets		
Savings Account	**219,230**	70,381
	219,230	70,381
Floating rate instruments		
Financial liabilities		
Long term finances		
- secured	**111,822**	336,565
- unsecured	**-**	408,785
Finances under markup arrangement - secured	**50,000**	52,070
	161,822	797,420

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the balance sheet date would not affect profit or loss of the Company. The impact of changes in average effective interest rate for the year is given below:

		Increase/ decrease in rate	Effect on loss before tax	Effect on Equity
			(Rupees in thousand)	
Interest rate sensitivity analysis				
Financial Assets				
	2016	**1%**	**2,192**	**1,425**
		-1%	**(2,192)**	**(1,425)**
	2015	1%	704	458
		-1%	(704)	(458)
Financial Liabilities				
	2016	**1%**	**(1,618)**	**(1,052)**
		-1%	**1,618**	**1,052**
	2015	1%	(7,974)	(5,183)
		-1%	7,974	5,183

(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. Company's credit risk is primarily attributable to its trade debts, its short term investments in open ended mutual funds and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2016 (Rs '000')	2015 (Rs '000')
Trade debts	**53,780**	87,365
Advances, deposits, prepayments and other receivables	**11,352**	11,736
Bank balances	**221,560**	75,479
	286,692	174,580

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The Company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade debts are subject to specific credit ceilings.

Notes to and forming part of the financial statements continued

For the year ended June 30, 2016

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

	Rating Short term	Rating Long term	Rating Agency	2016 (Rs '000')	2015 (Rs '000')
Cash and bank					
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**99,742**	22,158
Habib Bank Limited	A-1+	AAA	JCR-VIS	**-**	3,346
Allied Bank Limited	A1+	AA+	PACRA	**116**	55
NIB Bank Limited	A1+	AA-	PACRA	**59**	192
Bank Al-Habib Ltd.	A1+	AA+	PACRA	**121,643**	49,728
				221,560	75,479

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and bank balances and the availability of funding through an adequate amount of committed credit facilities. At June 30, 2016 the Company had borrowing limits available from financial institutions at Rs 150 million (2015: Rs 147.930 million) and Rs 221.560 million (2015: Rs 75.479 million) in cash and bank balances. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

All of the following financial liabilities are exposed to profit / mark-up rate risk except trade and other payables.

	Carrying amount	Less than one year	More than one year	More than five years
		(Rupees in thousand)		
The following are the contractual maturities of financial liabilities as at June 30, 2016:				
Finance under markup arrangements	**50,000**	**50,000**	**-**	**-**
Accrued finance cost	**464,652**	**464,652**	**-**	**-**
Trade and other payables	**163,397**	**163,397**	**-**	**-**
Long term finances				
- secured	**336,564**	**224,742**	**111,822**	**-**
- unsecured	**20,000**	**20,000**	**-**	**-**
	1,014,613	**922,791**	**111,822**	**-**

	Carrying amount	Less than one year	More than one year	More than five years
		(Rupees in thousand)		
The following were the contractual maturities of financial liabilities as at June 30, 2015:				
Finance under markup arrangements	52,070	52,070	-	-
Accrued finance cost	444,278	20,494	423,784	-
Trade and other payables	161,301	161,301	-	-
Long term finances				
- secured	1,210,000	163,435	1,046,565	-
- unsecured	408,785	-	408,785	-
	2,276,434	397,300	1,879,134	-

36.2 Fair values of financial assets and liabilities

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

36.3 Financial instruments by categories

	Loans and receivables	
	2016	2015
	(Rs '000')	(Rs '000')
Long term deposits	**17,654**	16,554
Trade debts	**53,780**	87,365
Advances, deposits, prepayments and other receivables	**14,023**	15,245
Cash and bank balances	**221,560**	75,479
	307,017	194,643

	Financial liabilities at amortised cost	
	2016	2015
	(Rs '000')	(Rs '000')
Long term finances	**356,564**	1,618,785
Finances under mark up arrangements - secured	**50,000**	52,070
Trade and other payables	**163,397**	161,301
Accrued finance cost	**464,652**	444,278
	1,034,613	2,276,434

Notes to and forming part of the financial statements Continued

For the year ended June 30, 2016

36.4 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Borrowings represent long term loan obtained by the Company as referred to in notes 7 and 8. Total capital employed includes equity as shown in the balance sheet, plus total long term borrowings.

The gearing ratio for the year is 6.66% (2015: 79.5%). The Company has converted sponsor loans in the current period resulting in significant decrease in gearing ratio.

37. Number of employees

	2016	2015
Total number of employees as at June 30	**99**	98
Average number of employees during the year	**99**	97

38. Provident Fund

		2016 (Rs '000')	2015 (Rs '000')
Size of the fund		**19,555**	19,341
Cost of investments made		**17,520**	13,826
Percentage of investments made		**90%**	71%
Fair value of investments	- note 38.1	**17,743**	14,035

38.1 The breakup of fair value of investments is :

Break up of investments	2016 (Rs '000')	%	2015 (Rs '000')	%
Investment in term finance certificates	**11,282**	**63.59%**	575	4.10%
Investment in listed shares	**586**	**3.30%**	3,330	23.73%
Investment in Pakistan investment bonds	**4,298**	**24.22%**	10,130	72.18%
Investment in mutual fund	**1,577**	**8.89%**	-	-
	17,743	**100%**	14,035	100%

The figures for 2016 are based on un-audited financial statements of the provident fund. Investments out of the provident fund have been made in accordance with the provisions of Section 227 of The Companies Ordinance and the rules formulated for this purpose.

39. Date of authorization for issue

These financial statements were authorized for issue on August 31, 2016 by the Board of Directors.

40. Subsequent events

There has been no significant event after the balance sheet date.

41. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework. However, no significant re-arrangements have been made.

Chief Executive Officer **Director**

Pattern of Shareholding

As on June 30, 2016

No. of Shareholders	------Shareholding------ From	To	Total Shares Held
146	1	100	2,976
1,932	101	500	955,030
502	501	1,000	495,849
902	1,001	5,000	2,793,774
355	5,001	10,000	3,061,809
94	10,001	15,000	1,180,793
116	15,001	20,000	2,139,162
73	20,001	25,000	1,759,525
42	25,001	30,000	1,197,395
26	30,001	35,000	855,000
21	35,001	40,000	815,800
21	40,001	45,000	914,066
38	45,001	50,000	1,889,091
12	50,001	55,000	635,841
6	55,001	60,000	351,099
5	60,001	65,000	322,500
5	65,001	70,000	348,000
10	70,001	75,000	743,000
7	75,001	80,000	551,500
3	80,001	85,000	247,000
6	85,001	90,000	538,500
6	90,001	95,000	554,608
22	95,001	100,000	2,200,000
1	100,001	105,000	101,000
2	105,001	110,000	215,473
2	110,001	115,000	224,500
2	115,001	120,000	237,000
3	120,001	125,000	374,000
1	125,001	130,000	127,500
3	130,001	135,000	399,000
3	135,001	140,000	415,486
2	140,001	145,000	286,500
5	145,001	150,000	750,000
1	155,001	160,000	159,000
1	170,001	175,000	173,000
9	195,001	200,000	1,795,500
1	210,001	215,000	214,000
2	215,001	220,000	436,000
1	220,001	225,000	221,000
1	235,001	240,000	240,000
1	250,001	255,000	255,000
1	260,001	265,000	261,000
1	270,001	275,000	275,000
1	295,001	300,000	300,000
1	300,001	305,000	305,000
1	325,001	330,000	325,500
1	350,001	355,000	352,505

	------Shareholding------		
No. of Shareholders	From	To	Total Shares Held
1	365,001	370,000	368,618
1	370,001	375,000	375,000
1	385,001	390,000	388,000
1	445,001	450,000	450,000
2	495,001	500,000	1,000,000
1	505,001	510,000	508,000
1	580,001	585,000	582,000
1	600,001	605,000	601,000
1	605,001	610,000	610,000
1	880,001	885,000	884,000
1	1,130,001	1,135,000	1,132,300
1	1,340,001	1,345,000	1,345,000
1	4,125,001	4,130,000	4,129,000
1	5,400,001	5,405,000	5,402,800
2	5,640,001	5,645,000	11,289,000
1	7,435,001	7,440,000	7,439,800
1	8,725,001	8,730,000	8,725,250
1	23,770,001	23,775,000	23,774,950
4,417			102,000,000

Catagories of Shareholding required under Code of Corporate Governance (CCG)

As on June 30, 2016

Sr. No	Categories of shareholders	Share held	Percentage
1.	Directors, Chief Executive Officers, and their spouse and minor childern	39,194,450	38.4259%
2.	Associated Companies, undertakings and related parties. (Parent Company)	17,506,404	17.1631%
3.	NIT and ICP	0	0.0000%
4.	Banks Development Financial Institutions, Non Banking Financial Institutions	0	0.0000%
5.	Insurance Companies	0	0.0000%
6.	Modarabas and Mutual Funds	0	0.0000%
7.	Share holders holding 10% or more	23,774,950	23.3088%
8.	General Public		
	a. Local	43,605,039	42.7500%
	b. Foreign	500	0.0005%
9.	Others (to be specified)		
	Joint Stock Companies	1,693,607	1.6604%

Catagories of Shareholding required under Code of Corporate Governance (CCG)

As on June 30, 2016

Sr. No	Categories of shareholders	No. of Share held	Percentage
	Associated Companies, Undertakings and Related Parties (Name Wise Detail):		
1	DESCON CORPORATION (PVT.) LIMITED	8,725,250	8.5542
2	DESCON ENGINEERING LIMITED	7,439,800	7.2939
3	DESCON HOLDING (PVT.) LIMITED	1,132,300	1.1101
4	INTERWORLD TRAVELS (PVT) LIMITED	92,054	0.0902
5	INSPECTEST (PVT) LIMITED	117,000	0.1147
	Mutual Funds (Name Wise Detail)	-	-
	Directors and their Spouse and Minor Children (Name Wise Detail):		
1	MR. A. RAZZAK DAWOOD (CDC)	23,774,950	23.3088
2	MR. TAIMUR DAWOOD (CDC)	5,644,500	5.5338
3	MR. FAISAL DAWOOD (CDC)	5,644,500	5.5338
4	MR. FAROOQ NAZIR (CDC)	500	0.0005
5	MR. ASIF QADIR	500	0.0005
6	MR. AHMED RAZI GHAZALI (CDC)	500	0.0005
7	MRS. BILQUEES DAWOOD W/O A. RAZZAK DAWOOD (CDC)	4,129,000	4.0480
	Executives:	44,000	0.0431
	Public Sector Companies & Corporations:	-	-
	Banks, Development Finance Institutions, Non Banking Finance	-	-
	Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		
	Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)		
1	MR. A. RAZZAK DAWOOD	23,774,950	23.3088
2	MR. TAIMUR DAWOOD (CDC)	5,644,500	5.5338
3	MR. FAISAL DAWOOD (CDC)	5,644,500	5.5338
4	DESCON CORPORATION (PVT.) LIMITED	8,725,250	8.5542
5	DESCON ENGINEERING LIMITED	7,439,800	7.2939
6	MST. MEHREEN DAWOOD (CDC)	5,402,800	5.2969
7	MR. SHAHID MALIK (CDC)	6,419,000	6.2931

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:

Sr. No.	Name	Sale	Purchase
1	MR. AHMED RAZI GHAZALI (CDC)	24,500	0

Notice of Annual General Meeting

Notice is hereby given that a 12th Annual General Meeting of Descon Oxychem Limited (the "Company") will be held on Wednesday, October 26, 2016 at 04:00 pm at Descon Headquarters, 18-K.M, Ferozepur Road Lahore – 54760 to transacted the following business:

ORDINARY BUSINESS:

1. To confirm minutes of the last Annual General Meeting of the Company held on October 28, 2015;

2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended 30th June 2016 together with the Directors' and Auditors' reports thereon.

3. To appoint External Auditors for the ensuing year and fix their remuneration (The present auditors M/s. A.F. Ferguson & 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 of Directors

Abdul Sohail
Company Secretary

Place : Lahore
Date: September 30, 2016

NOTES:

1. The share transfer books of the Company shall remain closed from 18-10-2016 to 26-10-2016 (both days inclusive), no transfer will be accepted for registration during the period.

2. Members are requested to attend in person along with Computerized National Identity Card ("CNIC") or appoint some other member as proxy and send their proxy duly witnessed so as to reach the registered office of the Company not later than 48 hours before the time of holding the meeting.

3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or passport, Account and 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.

Notes

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Form of Proxy
Descon Oxychem 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 Oxychem 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 eleventh Annual General Meeting of the Company to be held at Descon Headquarters, 18-Km, Ferozepur Road, Lahore on Wednesday, October 26, 2016 at 4:00 pm and at any adjournment thereof.

As witness my / our hand this ____________________________ day of ___________2016

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

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کریڈٹ ریٹنگ

ستمبر 2016 کو پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ کی طرف سے ریٹنگ جاری کی گئی ہے۔

درجہ بندی کی قسم	درجہ بندی
طویل المیعاد	A (سنگل A)
قلیل المیعاد	A1 (A ون)

پاکستان کریڈٹ ریٹنگ ایجنسی (PACRA) نے ڈیسکون اوکسیکیم لمیٹڈ (DOL) کی طویل مدتی اور مختصر مدتی درجہ بندی کو بالترتیب A (سنگل A) اور A1 (A ون) کو برقرار رکھا ہے۔ یہ درجہ بندیاں مالیاتی وعدوں کی بروقت ادائیگی کے لئے ایک مضبوط صلاحیت کی طرف اشارہ کرتی ہیں۔ ان درجہ بندیوں کی ایک وجہ DOL کے ایک مضبوط اور نہایت قابل احترام کاروباری گروپ ڈیسکون سے منسلک ہونا بھی ہے جس نے مسلسل غیر متزلزل تعاون کا مظاہرہ کیا ہے۔

مستقبل کا منظر

آپ کی کمپنی مارکیٹ کی ضروریات کے مطابق جدید طریقے سے مصنوعات مہیا کرتی رہے گی۔ مصنوعات کی قیمتوں میں بہتری، زیادہ منافع بخش سیل، پیداوار میں اضافے کی وجہ سے مستقبل میں آپ کی کمپنی اس سے بھی زیادہ بہتر کارکردگی دکھائے گی۔ آپ کی کمپنی مزید نئی مارکیٹ میں بھی مصنوعات کی سیل بڑھا رہی ہے۔ اس کے علاوہ آپ کی کمپنی کے طویل المیعاد قرضے کی مکمل ادائیگی بھی بہت قریب ہے۔ جس سے کمپنی کی نقد استعداد میں بہتر اضافہ ہوگا۔

ڈائریکٹرز مسلسل اور غیر متزلزل حمایت کے لئے تمام اسٹیک ہولڈرز کا شکریہ کرتے ہیں۔

برائے اور منجانب بورڈ آف ڈائریکٹرز

Aamir Niazi

عامر نیازی چیف ایگزیکٹو آفیسر

۳۱ اگست ۲۰۱۶

بہتر پیداواری استعداد کار اور مناسب قیمت میں مسلسل بجلی کی فراہمی (گرڈ اور متبادل ذرائع دونوں) ہے۔ انتظامی اور فروخت کے اخراجات میں سخت ضوابط کے نفاذ نے آپریٹنگ منافع میں پچھلے سال کی نسبت 78 ملین روپے اضافے میں اہم کردار ادا کیا۔ اسپانسر کی شیئر سرمایہ میں منتقلی، طویل مدتی قرضوں کی واپسی، ڈسکاؤنٹ کی شرح میں کمی اور مؤثر زیرِعمل سرمائے کے انتظام سے مالیاتی لاگت کافی نیچے آئی۔ ان تمام عوامل نے آپ کی کمپنی کو ٹیکس کی ادائیگی کے بعد 44.9 ملین روپے کا منافع دیا ہے۔ جبکہ گزشتہ سال کی اسی مدت میں 118.8 ملین روپے کا نقصان تھا، جس کی وجہ سے اس سال 163.7 ملین روپے کی ترقی رہی۔ ان نتائج کی بنیاد پانچ انتہائی اہم اسٹرٹیجک مقاصد پر عملدرآمد تھا۔ مستقل نقصانات کو روکنا اور منافع کی طرف جانا اور بین الاقوامی اور مقامی مارکیٹ میں اہم آمدنی والی مقامات کی طرف توجہ، قابل اعتماد انتظامی عمل میں وسیع بہتری کے لئے پیداوار کے عالمی معیارات کے اقدامات، اضافی نقد اور بین الاقوامی غیر قانونی ڈمپنگ کی سختی سے حوصلہ شکنی۔

پیداواری جائزہ

پلانٹ کے قابل اعتماد کام کرنے میں بہت بہتری آئی ہے۔ پیداوار نام پلیٹ صلاحیت سے زیادہ تیار کی گئی جیسا کہ آپ کی کمپنی نے محفوظ طریقے سے اہم عمل رکاوٹوں کو ہٹا دیا۔ حفاظت، صحت اور ماحولیاتی حفاظت کے لئے پورا سال کمپنی کے عزم کا اعادہ جاری رہا۔ ہمارے تمام اسٹیک ہولڈرز کے لئے یہ عہد ہے کہ ہم پاکستان کی کیمیائی صنعت کے مسائل حل کرنے کے لئے پائیدار، مارکیٹ پر مبنی اور جدید حل لانے کے لئے کام کرتے رہیں گے۔ اس عزم کی توثیق، آپ کی کمپنی نے زیرِنظر مالی سال کی اختتام پر وقت کے ضیاع کے کسی واقعے کے بغیر کامیابی کے ساتھ 4.28 ملین افرادی گھنٹے مکمل کئے۔

نقد رقم کا انتظام

کمپنی نے اپنے زیرِعمل سرمائے کا مؤثر طریقے سے انتظام رکھا، اس کی نگرانی کی، نقد رقم اور دیگر سیال اثاثے مستعدی سے زیادہ ریٹرن حاصل کرنے میں کامیاب رہے ہیں اور جاری سرمائے کی ضروریات کو اندرونی طور پر پیدا ہونے والی نقد رقم کے ساتھ پورے کر رہے ہیں۔ اس کے علاوہ جاری سرمائے کے نظم کو ERP سسٹم سے بہتر بنایا گیا جو مارکیٹنگ، سپلائی چین اور فنانس کے درمیان رابطوں کو مربوط کرنے میں مدد کرتا ہے۔ نقد رقم کی حکمت عملی پر توجہ مرکوز کرنے سے کمپنی کو مشکل وقت کے ذریعے قائم رہنے کے قابل بنایا۔ جاری سرمائے کا نظم کافی حد تک بہتر ہوا، جیسا کہ جاری سرمائے میں سرمایہ کاری گزشتہ سال کی اسی مدت کے مقابلے میں 34 ملین روپے کم کی گئی۔

خطرے کی تشخیص

ادارے کے مکمل رسک مینجمنٹ پروگرام سے مناسب حکمت عملی کے ذریعے مالیاتی کارکردگی پر ممکنہ طور پر منفی اثرات کو کم سے کم کرنے کی کوشش کی گئی۔ بورڈ نے انٹرپرائز رسک مینجمنٹ کمیٹی کے ذریعے ان خطرات سے نپٹنے کا انتظام کیا اور یہ یقین دہانی کرائی ہے اور یہ کہ کمپنی میں نقصانات کے اثرات ختم کرنے کے مضبوط عوامل ہیں۔

ڈائریکٹرز کی رپورٹ

کمپنی کے ڈائریکٹرز، 30 جون 2016 کو ختم ہونے والے سال کے لیے آڈٹ مالیاتی بیانات کے ساتھ ساتھ سالانہ رپورٹ پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

اقتصادی اور صنعتی جائزہ

پاکستان کی معیشت میں بہتری کے لئے، اصلاحات اور استحکام کے اقدامات کا سلسلہ، مالی سال 2016 میں جاری رہا۔ اعلیٰ زرمبادلہ کے ذخائر، معتدل افراط زر اور تیل کی قیمتوں کے ساتھ بھی مجموعی معاشی ماحول مددگار رہی۔ مالی سال 2016 کے دوران معیشت میں 4.71 فیصد اضافہ ہوا اور 2017 میں معمولی 4.8% تک بہتر بنانے کی پیش گوئی کی ہے۔ 2015 کے مالی سال میں شرح نمو 4.2% تھی، جبکہ اقتصادی نقطہ نظر میں اعتدال فوائد کے لئے ہے، جبکہ پبلک سیکٹر انٹرپرائز نقصانات کا شکار رہی، ناکافی توانائی، بجلی کی کمی اور سیکورٹی خدشات کا سلسلہ ہماری معیشت کو آزمائش میں ڈالنے کے لئے جاری رہے گا۔ توانائی چیلنجوں کے باوجود آپ کی کمپنی کو بجلی اور قدرتی گیس کی ترسیل ملی اور اس کا اعتراف ریکارڈ پر ہے۔ مالی سال 2016 کے دوران (LSM) لارج سکیل مینوفیکچرنگ میں 4.5% اضافہ ہوا اور کیمیکل صنعت LSM کا ایک لازمی حصہ ہے۔ اس کی وجہ خام مال کی قیمتوں میں کمی، تعمیری توسیع اور کم شرح سود کا ہونا ہے۔ تاہم، ٹیکسٹائل کی پیداوار میں اسی مدت کے دوران صرف 1 فیصد اضافہ ہوا، جس کی وجہ برآمدی منڈیوں کی کمزور مانگ، مقابلہ میں اضافہ، اجناس کی عالمی قیمتوں میں کمی اور شدید بارشوں کی وجہ سے کاٹن کی پیداوار کا نقصان تھا۔ ٹیکسٹائل ہائیڈروجن پرآکسائیڈ کی مصنوعات کے لئے سب سے بڑی مارکیٹ ہے اور اس کی کمزور کارکردگی تشویش کا باعث ہے۔

مالیاتی نتائج

کاروبار کے نتائج کے حوالے سے، آپ کی کمپنی کے نتائج بہت حوصلہ افزاء ہیں۔ مالیاتی کارکردگی کا خلاصہ درج ذیل ہے:

2016	2015	
Rupees in Thousand		
1,581,547	1,409,082	سیلز
343,334	268,216	کل منافع
210,240	132,257	آپریٹنگ منافع
(76,564)	(212,188)	مالیاتی لاگت
133,676	(79,931)	خالص منافع/(نقصان) ٹیکس سے پہلے
44,989	(118,849)	خالص منافع/(نقصان) ٹیکس کے بعد
0.44	(1.17)	خالص منافع/(نقصان) فی شیئر

کل منافع میں 343 ملین روپے تک بہتری آئی، گزشتہ سال کے 268 ملین روپے کے مقابلے میں 28 فی صد کا اضافہ ہوا۔ اس کے علاوہ گزشتہ سال کے اسی عرصے کے مقابلے میں کل منافع 19% سے بڑھ کر 22% ہو گیا۔ کل منافع میں اضافہ کی وجہ مارکیٹ میں اہم تبدیلیاں، زیادہ منافع بخش مارکیٹ میں سیلز کی منتقلی،

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