

PASSION TO  
PERFORM...



Descon Oxychem Limited

# COVER CONCEPT



Our passion has allowed us to see the world in the lives of every individual impacted by our work. For this reason, Descon Oxychem Limited (DOL) pursues an ongoing mission of adding value through growth and innovation. Our productivity has helped us become Pakistan's leading producer of hydrogen peroxide catering to the needs of multiple industries successfully. But this is just the beginning of the future for us.

While others highlight the oppressing socio-economic conditions brought upon by the second decade of the millennium our story against the same backdrop illustrates undertaken initiatives, impacts, controls and growth to match the scope of challenges the world faces.

DOL remains resilient in its passion to promote progress and its pursuit of paradigm-changing approaches to provide the best solutions for modern evolution.

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## VISION & MISSION

### VISION

To become a leading chemical solutions provider to industry worldwide.

### MISSION

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

## STATEMENT OF ETHICS & BUSINESS PRACTICES

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



## COMPANY INFORMATION

### Board of Directors

Abdul Razak Dawood  
Chairman  
Taimur Saeed  
Chief Executive Officer  
Asif Qadeer  
Farooq Nazir  
Syed Zamanat Abbas  
Taimur Dawood  
Muhammad Sadiq  
Faisal Dawood

### Chief Financial Officer

Yasir Siddique Sheikh

### Company Secretary

Abdul Sohail

### 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  
Habib Bank Limited  
KASB Bank Limited  
Summit 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 3588 7262, 3583 9182  
Fax: +92 42 3586 9037

### Registered Office

Descon Headquarters  
18-km Ferozepur Road  
Lahore - 53000 Pakistan.  
Tel: +92 42 3592 3721-9  
Fax: +92 42 3592 3749

### Plant Site

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

### Karachi Office

Business Avenue,  
26/A, 9th Floor, Block 6, PECHS,  
Shahrae-Faisal, Karachi, Pakistan  
Tel: +92 21 3454 4485-6  
Fax: +92 21 3438 2674

### Web Presence

Updated Company's Information  
together with the latest Annual Report  
can be accessed at Descon's website,  
[www.descon.com](http://www.descon.com)



## BOARD & 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 with the significant discussions and decisions at its meetings and recommendations in respect of Company's operations and financial results.

The committee comprises of four members, of whom three are non-executive directors, including the Chairman of the committee and is constituted of following members:

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

### Enterprise Risk Management Committee

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

Farooq Nazir	Chief Risk Officer
Taimur Dawood	Board Nominee
Taimur Saeed	Chief Executive Officer
Abdul Sohail	Company Secretary
Ather Mahmood Khan	Head Shared Services
Ahmad Ali Masood	Finance Manager
Saima Momin	Head HR

### Human Resource & Remuneration Committee

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

Taimur Dawood	Chairman
Farooq Nazir	Member
Taimur Saeed	Member

### Compliance Committee

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

Taimur Saeed	Chief Executive Officer
Abdul Sohail	Company Secretary
Ather Mahmood Khan	Head Shared Services
Yawar Mehmood	Plant Manager
Ahmad Ali Masood	Finance Manager
Saima Momin	Head HR

## PROFILE OF THE CHAIRMAN AND CEO



**Abdul Razak Dawood**  
Chairman

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

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

In 1977, he started Descon Engineering Limited and since then has been associated with it. Currently, he is the Chairman of Descon Engineering Limited, the premier Pakistani multinational Company, which is operating in five countries, and holding four overseas manufacturing units. It has more than 25000 employees, 50% of them are based overseas.

He is one of the founders of Lahore University of Management Sciences (LUMS) and has been its Rector since inception. He has also served the Lahore Chapter of Management Association of Pakistan as Chairman. He is a former trustee of Shaukat Khanam Memorial Cancer Hospital.

He has graduated in Engineering from Newcastle University, UK and obtained his MBA from Columbia University, USA.



**Taimur Saeed**  
Chief Executive Officer

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

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

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

## CHAIRMAN'S STATEMENT



The deteriorating economic and business conditions mainly due to the shortage of gas and power has impacted all the businesses in the country and we are no different. However, the management of your Company has to some extent mitigated the severity of the impact of utility shortages by proactively managing the situation. Timely installation of backup generators, continuous effort to change the mix of finished product from "Cans to Bulk" has lead to a significant reduction in packing cost. Despite all the difficulties, your Company, with the able leadership provided by management has generated a healthy cash-flow demonstrating the intrinsic strength of the business model. Given the right business environment your Company not only has the potential but is poised to realize the vision of its shareholders.

The Board has clearly defined the key objectives for Management to be delivered next year wherein their foremost responsibility is to proactively manage the external environment and ensure continuous production despite the challenges. Sponsors of your company have full confidence in its potential as shareholders have arranged a loan on very soft terms amounting to Rs 710 mln which has been utilized for early repayment of the syndicated facility. This gesture not only confirms the sponsors' commitment to the business but also

gives a clear indication to the investor community that this business is destined for profitable growth in the months and years ahead. The support from the sponsors provides the Company with the much needed break from the syndicates' repayment schedules owing to the debilitating challenges faced in the past and the economic uncertainty of the future. Your Company is on a sound footing to face the uncertainties of the future.

The Company has introduced a robust governance structure, driven by a value system, which ensures complete transparency for investors, shareholders and employees. Policies & procedures have been implemented to ensure compliance with the best practices of corporate governance and social responsibility.

I thank my fellow directors and all stakeholders, particularly customers, shareholders and lenders for their confidence in the product of the Company and its management. I congratulate the management for their relentless efforts to achieve the Company's objectives and wish them even more success in the next year.

**Abdul Razak Dawood**  
Chairman

September 23, 2013



## CEO'S REVIEW



We are pleased to report that your Company has improved its profitability from operations, despite the continuous challenges of country-wide shortage of utilities. This became possible due to our proactive actions in maintaining production volumes by implementing backup power generation solutions which have provided continuous power albeit at a higher cost. On the other hand, management achieved cost efficiency by introducing bulk sales which have impacted positively on the packaging cost thereby improved margins. Without impacting the average selling price, the management embarked upon a strategy to encourage customers to buy bulk to continue increasing bulk sales in the months and years ahead.

The ability to sell overseas has empowered the Company to increase the probability of surviving in extreme competition and dwindling demand. Since our product is well received in the export market and is at par with the global leading established brands, we have further invested in product development to reach broad base of industrial consumers. Among others, the Company has introduced specifically formulated product for Pulp & Paper Industries which shows excellent results while remaining environment friendly in line with our norm of providing eco-friendly solutions to the industry worldwide. We foresee our

product development adding significant numbers to our profitability in the long run.

The Company received financial support arranged by sponsors to repay a major portion of the high priced syndicate loan facility. This will not only auger well for the profitability of your Company but also significantly reduce the risk of leverage to a third party.

We once again thank all stakeholders, especially shareholders and lenders, and request them for their continued support. I would also like to appreciate the efforts of Management and employees of the Company and the support of the Board in achieving these results.

**Taimur Saeed**  
Chief Executive Officer

September 23, 2013



## DIRECTORS' REPORT

The Directors of the Company are pleased to present the Annual Report along with the Audited Financial Statements for the year ended June 30, 2013.

### Financial Review

	2013	2012
	(Rupees in thousands)	
Sales	1,369,547	1,192,439
Gross profit	284,287	240,642
EBITDA	387,807	348,575
Operating profit	209,610	170,316
Finance cost	(255,528)	(337,853)
Loss before tax	(45,918)	(167,537)
Loss after tax	(51,226)	(125,936)
Loss per share - (Rupees)	(0.50)	(1.23)

Company improved its financial performance significantly as compared to last year by restoring the selling price in line with the international price. During the first six months, the Company earned after tax profit of PKR 19 mln, which could not be realized at year end due to the adverse effects of increasing energy shortage. Production volumes would have been affected to a much greater extent, had the management not been vigilant in taking proactive measures for backup power generation. During the year 26,394 MTs of Hydrogen Peroxide (at 50% concentration) was produced, a decrease of 1,496 MTs or 5% over last

year. Despite the decrease in volumes, management was successful in restricting the loss to PKR 51 mln, a level where the Company successfully generated enough cash to service its debts. Capacity utilization has been approximately 94% this year, against 99% last year, a decrease mainly due to power shortages.

The Company had a turnover of PKR 1,369 mln, against a turnover of PKR 1,192 mln last year. This increase of 15% over last year is due to a combination of price and volume variation. Company's sales volume has increased by 1,337 MTs to 29,626 MTs increasing by 5% over last year. The average selling price increased to PKR 47/kg against PKR 42/kg last year.

The Company was able to keep administrative overheads stable by benefiting from synergies from other Group companies. Other operating income includes scrap sales, investment income from mutual funds and exchange gain on receivables and stocks.

The finance costs decreased by 24% (PKR 82 mln) as compared to last year due to reduction in KIBOR and repayment of long term loans during the year. The Company's finance cost is decreasing every year which is an evidence of improving capital structure and reduced reliance on short term borrowings to finance working capital requirements of the Company. Moreover, sponsors arranged a loan on very favorable repayment terms during the year used to early retire a significant portion of the syndicate facility which has reduced the risk of leverage to a third party.



### Cash Flow Management

The Company manages its working capital very efficiently, which is regularly monitored through rolling forecasts. Receipts and payments of cash and other liquid assets, including investments, are diligently managed to achieve optimal working capital cycle. Since, the working capital requirements are met with internally generated cash.

Furthermore, working capital management has been institutionalized through controls built in the ERP system, which helps coordinate the activities amongst various departments including marketing, supply chain and finance. This cash focused strategy has enabled the Company to survive through difficult times when both sales volumes and profit margins are under immense pressure. Moreover, this strategy has also kept the overall credit risk of the Company under check.

The Company also manages a portfolio of short-term investments, made after thorough financial evaluation, and approval of the Board of Directors. The Company has in place an investment policy which is adhered strictly and any investment proposal has to follow the investment policy approved by the Board.

### Capital Market and Market Capitalization

DOL's market capitalization stood at PKR 560 million, 41% increase since last year. Market price during the year suffered fluctuations between the highest of PKR 6.92 per share to the lowest of PKR 3.67 per share and closing at PKR 5.49 per share on June 30, 2013.

### Risk Management

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

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

### Subsequent Events

There are no subsequent events to report after the year-end.





## Production Performance

Descon Oxychem Limited is Pakistan's leading producer of hydrogen peroxide having state-of-the-art production facility. Our technology, licensing and standards have been acquired from 'Chematur Engineering' Sweden, a design and technology suppliers of H<sub>2</sub>O<sub>2</sub> business worldwide. The installed production capacity of our plant is 28,000 tons per annum (at 50% concentration based on 333 working days). With almost 30 years of experience in the chemical industry, Descon is able to offer high quality products backed up by technical and sales support.

Overall performance was outstanding this year, with production of 26,394 MTs of H<sub>2</sub>O<sub>2</sub> (at 50% concentration), this production is 94% of the installed capacity.

## Sales and Marketing

Hydrogen Peroxide (H<sub>2</sub>O<sub>2</sub>) is an environmentally friendly chemical with multiple applications. It does not yield any harmful by products when applied as it decomposes to yield only water and oxygen.

Hydrogen peroxide is one of the cleanest and most versatile chemicals available. It is used in

- Paper industry as a bleaching agent and for de-inking in wastepaper recycling
- Textile industry as a bleaching agent, oxidizer and desizing agent
- Environmental protection for the detoxification and color removal of wastewater



and the semiconductor industry are expected to increase demand for Hydrogen Peroxide in the near future. In South America, mining is growing sector and the Government of India has introduced a number of measures to boost the textile industry which will also boost the demand of Hydrogen Peroxide. Further, environmental regulations and laws have again played a vital role in popularizing the use of hydrogen peroxide over other chemicals by declaring it an emission-free and eco-friendly in nature. Hydrogen peroxide's robust growth over the past few years could be traced back to the overwhelming support of the environmental protection authorities and tightening effluent regulations in almost every application area.

#### Domestic Hydrogen Peroxide Market

Hydrogen Peroxide is produced by two companies domestically with the installed capacity of around 60,000 MTs of Hydrogen Peroxide, enough for the local market. The textile sector is the major consumer of our product which is used in the bleaching process. Demand for pulp & paper industry is increasing.

Previously, all the Hydrogen Peroxide for local consumption used to be imported, which has all changed due to local production. This import substitution is due to two factors. Firstly, availability of quality local production and secondly the significant lead time for the imports. Now customers can receive the product as soon as they require it, while their investment in Hydrogen Peroxide stocks has also decreased, positively influencing their working capital.

- Off-gas treatment and for bioremediation of contaminated soil
- Pharmaceutical and cosmetic industry as a disinfectant and bleaching agent
- Detergent and cleanser industry
- Packaging and food industry as a disinfectant for aseptic packaging and bacteria control.

#### Global Business Environment

Hydrogen peroxide comprises a large market, contributing for about 12% to 15% of the total global chemical revenues. Two third of demand for hydrogen peroxide is coming from textile, paper and mining industry. Pulp & paper industry, textile industry, mining

#### Marketing

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

Descon Oxychem Limited has successfully launched a new product 35% Hydrogen Peroxide (Technical Grade) PRINTOX, which shows excellent results for bleaching & delignification of pulp and de-inking of recycled paper.



### Channel Management

The Company's distribution network has expanded enough to penetrate into all the segments of market and the customers. It contains local distributors for each region of operation (Karachi, Lahore and Faisalabad).

In current scenario of rising packaging cost, the Company initiated long-term bulk supply agreements with customers that reduces the packaging cost to the customers as well as the Company.

### Exports

The Company follows the distributor model internationally with distributors in India, Sri Lanka and UAE. The paper bleaching market is increasing in India showing a great opportunity for our product. Our brand is well established in India and demand of our product is increasing due to high quality comparable to other brands in the international market. This is a great success for the Company being the first one in Pakistan to export chemicals by road to India and it has enhanced Company's ability to generate foreign exchange from increased exports.

## Human Resource and Social Responsibility

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

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

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

### Human Resource Development

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

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

### Career Progression

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

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

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

### Awards & Recognition

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



Kaizen award acknowledges new ideas that may have value adding impact. Kaizen encourages and engages employees to share their ideas and take ownership of continuous development. Moreover, long service award

is also granted based on an employee's service tenure and productive input.

In order to inculcate the concept of the "Descon Family", HR continually takes initiatives to arrange events and activities to promote employee engagement. Events such as "Team Building Day", "Family Day", "Green Day" and various sporting activities are arranged to instill the values of team work, collaboration and recognition of employees' contribution.

### Employee Benefits

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

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

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

### Retirement Benefit Plans

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

	2013 (Un-audited)	2012 (Audited)
Provident Fund (PKR)	11,952,916	7,644,340

### Code of Ethics for Employees

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

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

### Safety and Health

Descon Oxychem Limited dedication to meeting the principles of safety and environment is a key component in our commitment to sustainable development and are committed to:

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



### Environment

The Company manages its impact on environment by minimizing harmful effects of its emissions, both gaseous and liquid. Strict monitoring of plant effluents is done on continuous basis to control their disposal within National Environmental Quality Standards [NEQS] limits. The Company continues to introduce most modern and environmental friendly technologies in its manufacturing processes. Furthermore, the Company has been working in partnership with Forest Department in plantation of trees in its premises. In addition we are also coordinating with Environmental Protection Agency (EPA) for ensuring compliance to applicable legal & regulatory requirements.

### Entity Credit Rating

By The Pakistan Credit Rating Agency Limited as on September 2013.

Rating Type	Rating
<b>Long-term</b>	<b>A (Single A)</b>
<b>Short-term</b>	<b>A1 (A One)</b>

PACRA has assigned a long-term entity rating of "A" (Single A) and short-term rating of "A1" (A One) to the Company. These ratings denote 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 H<sub>2</sub>O<sub>2</sub> market, supplemented by efficient production process, sound technological infrastructure and effective control environment. The management is

pursuing a focused strategy to enhance the product awareness which would give boost to product demand while ensuring sustainable margins. The Company's cash flows, and in turn coverages, remain adequate against challenges of temporary gas shortage and price fluctuations. Ratings draw comfort from the Company's association with a financially sound and diversified business group - Descon - that in the past has demonstrated support.

### 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, two (2) executive Directors including the CEO and one (1) independent Director.

#### Meetings of the Board

The Board is legally required to meet at least once every quarter to monitor the Company's performance aimed at effective and timely accountability of its management. The Board held 5 such meetings during the year, agendas of which were circulated in a timely manner. The decisions made by the Board during the meetings were minuted and were duly circulated to all the Directors for endorsement and were approved in the following Board meetings. All meetings of the Board had minimum quorum 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	Meetings Attended	Remarks
Abdul Razak Dawood	5	–
Dr. Salman Zakaria	0	Leave for absence was granted in five meetings
Taimur Dawood	5	–
Farooq Nazir	4	Leave for absence was granted in one meeting
Muhammad Sadiq	5	–
Syed Zamanat Abbas	2	Leave for absence was granted in three meetings
Faisal Dawood	0	Leave for absence was granted in five meetings
Taimur Saeed	5	–

#### Training of the Board

As per requirements of the listing regulations, each member of the Board shall be subject to orientation and training for enhancing their director skills. The Board has arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate Governance for its directors. Three directors have obtained certification of CGLS.

#### Changes to the Board

Mr. Salman Zakaria has resigned during the year and the new Director Mr. Asif Qadir has joined as an Independent Director on June 14, 2013.

#### 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 1<sup>st</sup> July to 30<sup>th</sup> 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**

During the year under review one of the director acquired 2,220,000 shares of the Company. No other director, CEO, CFO, Company Secretary and their spouse and minor children has sold or purchased any shares of the Company.

**x. Outstanding Statutory Dues**

There are no outstanding statutory dues.

**xi. Dividends**

The Company could not declare any dividend.

**xii. Quality Control**

To ensure implementation of the Management System, Internal Quality Audits, Surveillance Audits and Management Review meetings are conducted regularly.

**xiii. Communication**

Communication with the shareholders is given high priority. Annual, Half Yearly and Quarterly Accounts are distributed to them within the time specified in the Companies Ordinance, 1984. Every opportunity is given to the individual shareholders to attend and

freely ask questions about Company operations at the Annual General Meeting.

**xiv. Board of Directors**

The details of the meetings are given above.

**xv. Auditors**

In pursuance of the Code of Corporate Governance, the Audit Committee has recommended the re-appointment of M/s. A.F. Ferguson & Co., Chartered Accountants, as Auditors of the Company for the year ending June 30, 2014.

**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
Syed Zamanat Abbas	Member
Muhammad Sadiq	Member
Taimur Dawood	Member

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

**Acknowledgements**

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

For and on behalf of the Board



**Taimur Saeed**

Chief Executive Officer

Lahore

September 23, 2013



## KEY OPERATING AND FINANCIAL DATA

	2013	2012	2011	2010	2009	2008
	(Rs. in '000)					
<b>Summary of Profit and Loss</b>						
Sales	1,369,547	1,192,439	1,432,576	709,672	191,335	–
Cost of goods sold	(1,085,260)	(951,797)	(892,139)	(683,402)	(228,165)	–
Gross profit	284,287	240,642	540,437	26,270	(36,830)	–
Operating profit	209,610	170,316	436,427	(48,038)	(81,500)	(10,217)
Finance cost	255,528	337,853	351,895	288,065	96,220	19
Profit / (loss) before tax	(45,918)	(167,537)	84,532	(336,103)	(177,719)	(10,235)
Profit / (loss) after tax	(51,226)	(125,936)	179,970	(289,410)	(150,075)	(10,235)
EBITDA	387,807	348,574	613,923	105,518	(29,351)	(9,250)
<b>Financial Position</b>						
Share capital	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000	695,000
Reserves including unappropriated profit	(462,275)	(407,942)	(283,170)	(464,819)	(175,845)	(14,258)
Long term borrowings	1,745,617	1,762,774	2,000,588	1,830,197	1,469,818	955,686
Property, plant and equipment	2,038,649	2,207,731	2,378,326	2,552,953	2,695,757	1,501,196
Net current assets	178,441	(41,234)	145,619	(332,399)	(422,572)	131,768
<b>Investor Information</b>						
Gross profit margin (%)	20.76%	20.18%	37.72%	3.70%	(19.25%)	–
EBITDA margin to sales (%)	28.31%	29.20%	42.85%	14.87%	(15.34%)	–
Pre tax margin (%)	(3.35%)	(14.05%)	5.90%	(47.36%)	(92.88%)	–
Net profit margin (%)	(3.74%)	(10.56%)	12.56%	(40.78%)	(78.44%)	–
Return on equity (%)	(9.18%)	(20.58%)	24.42%	(52.13%)	(17.78%)	(1.50%)
Return on capital employed (%)	8.46%	6.84%	15.63%	(2.01%)	(3.52%)	(0.63%)
Current ratio	1.41	0.93	1.31	0.55	0.44	–
Quick ratio	1.27	0.82	1.04	0.48	0.37	–
Debtors turnover (days)	31	15	24	14	2	–
Inventory turnover (days)	23	27	59	41	179	–
Creditors turnover (days)	46	42	58	84	646	–
Operating cycle (days)	8	–	25	(30)	(465)	–
Debt: Equity (ratio)	77.50%	75.40%	73.61%	76.73%	63.52%	58.40%
Interest cover (times)	0.82	0.50	1.24	(0.17)	(0.85)	(540.84)
Earnings / (loss) per share (pre tax) (Rupees)	(0.45)	(1.64)	0.83	(3.30)	(1.74)	(0.15)
Earnings / (loss) per share (after tax) (Rupees)	(0.50)	(1.24)	1.76	(2.84)	(1.47)	(0.15)
Hydrogen Peroxide Production (MTs)	26,394	27,890	29,792	20,140	10,278	–
Hydrogen Peroxide Sales (MTs)	29,626	28,289	29,120	21,074	10,328	–

## HORIZONTAL ANALYSIS OF THE BALANCE SHEET

	2013 Rs. '000	13 Vs. 12 %	2012 Rs. '000	12 Vs. 11 %	2011 Rs. '000	11 Vs. 10 %
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY</b>						
Share capital	1,020,000	–	1,020,000	–	1,020,000	–
Fair value reserve	172	(95%)	3,279	55%	2,115	–
Reserves	(462,447)	12%	(411,221)	44%	(285,285)	(39%)
	557,725	(9%)	612,058	(17%)	736,830	33%
<b>NON-CURRENT LIABILITIES</b>						
Long term borrowings	1,745,617	(1%)	1,762,774	(12%)	2,000,588	9%
Accrued finance cost	175,626	55%	113,648	108%	54,520	–
<b>CURRENT LIABILITIES</b>						
Trade and other payables	136,433	24%	110,313	(23%)	142,964	(9%)
Accrued finance cost	39,629	(53%)	85,222	(17%)	102,594	5%
Short term borrowings	154,597	(4%)	160,760	41%	114,188	(60%)
Current portion of long term borrowings	102,326	(57%)	237,814	109%	113,906	(40%)
	432,985	(27%)	594,109	25%	473,652	(35%)
	<b>2,911,953</b>	<b>(6%)</b>	<b>3,082,589</b>	<b>(6%)</b>	<b>3,265,590</b>	<b>5%</b>
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	2,026,746	(7%)	2,177,792	(7%)	2,330,710	(6%)
Intangible assets	11,903	(60%)	29,759	(38%)	47,616	(27%)
Long term loans and advances	16,554	(79%)	79,551	–	79,551	–
Deferred tax	245,324	1%	242,432	29%	188,442	121%
	2,300,527	(9%)	2,529,714	(4%)	2,646,319	(3%)
<b>CURRENT ASSETS</b>						
Stores, spares and loose tools	169,448	(2%)	173,679	5%	165,016	22%
Stock in trade	63,386	(7%)	68,001	(47%)	128,052	151%
Trade debts	118,054	134%	50,494	(46%)	93,475	249%
Advances, deposits, prepayments and other receivables	179,759	105%	87,822	57%	55,962	(42%)
Current income tax recoverable	49,930	24%	40,316	40%	28,752	59%
Short term investments	25,172	(79%)	121,126	10%	110,347	847%
Cash and bank balances	5,677	(50%)	11,437	(70%)	37,667	(37%)
	611,426	11%	552,875	(11%)	619,271	55%
	<b>2,911,953</b>	<b>(6%)</b>	<b>3,082,589</b>	<b>(6%)</b>	<b>3,265,590</b>	<b>5%</b>

## VERTICAL ANALYSIS OF THE BALANCE SHEET

	2013 Rs. '000	%	2012 Rs. '000	%	2011 Rs. '000	%
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY</b>						
Share capital	1,020,000	35%	1,020,000	33%	1,020,000	31%
Fair value reserve	172	–	3,279	–	2,115	–
Reserves	(462,447)	(16%)	(411,221)	(13%)	(285,285)	(9%)
	557,725	19%	612,058	20%	736,830	22%
<b>NON-CURRENT LIABILITIES</b>						
Long term borrowings	1,745,617	60%	1,762,774	57%	2,000,588	62%
Accrued finance cost	175,626	6%	113,648	4%	54,520	2%
<b>CURRENT LIABILITIES</b>						
Trade and other payables	136,433	5%	110,313	3%	142,964	5%
Accrued finance cost	39,629	1%	85,222	3%	102,594	3%
Short term borrowings	154,597	5%	160,760	5%	114,188	3%
Current portion of long term borrowings	102,326	4%	237,814	8%	113,906	3%
	432,985	15%	594,109	19%	473,652	14%
	<b>2,911,953</b>	<b>100%</b>	<b>3,082,589</b>	<b>100%</b>	<b>3,265,590</b>	<b>100%</b>
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	2,026,746	70%	2,177,792	70%	2,330,710	71%
Intangible assets	11,903	–	29,759	1%	47,616	2%
Long term loans and advances	16,554	1%	79,551	3%	79,551	3%
Deferred tax	245,324	8%	242,432	8%	188,442	6%
	2,300,527	79%	2,529,714	82%	2,646,319	82%
<b>CURRENT ASSETS</b>						
Stores, spares and loose tools	169,448	6%	173,679	6%	165,016	5%
Stock in trade	63,386	2%	68,001	2%	128,052	3%
Trade debts	118,054	4%	50,494	2%	93,475	3%
Advances, deposits, prepayments and other receivables	179,759	6%	87,822	3%	55,962	2%
Current income tax recoverable	49,930	2%	40,316	1%	28,752	1%
Short term investments	25,172	1%	121,126	4%	110,347	3%
Cash and bank balances	5,677	–	11,437	–	37,667	1%
	611,426	21%	552,875	18%	619,271	18%
	<b>2,911,953</b>	<b>100%</b>	<b>3,082,589</b>	<b>100%</b>	<b>3,265,590</b>	<b>100%</b>

## HORIZONTAL AND VERTICAL ANALYSIS OF THE PROFIT AND LOSS ACCOUNT

	2013 Rs. '000	13 Vs. 12 %	2012 Rs. '000	12 Vs. 11 %	2011 Rs. '000	11 Vs. 10 %
<b>HORIZONTAL ANALYSIS</b>						
Sales	1,369,547	15%	1,192,439	(17%)	1,432,576	102%
Cost of sales	1,085,260	14%	951,797	7%	892,139	31%
Gross profit	284,287	18%	240,642	(55%)	540,437	(1957%)
Administration and general expenses	42,566	4%	40,826	2%	39,970	3%
Distribution and selling cost	57,584	2%	56,679	(17%)	68,571	61%
Other operating expenses	–	–	–	(100%)	6,265	6,103%
Other operating income	(25,473)	(6%)	(27,179)	152%	(10,796)	53%
	74,677	6%	70,326	(32%)	104,010	(40%)
Profit / (loss) from operations	209,610	23%	170,316	(61%)	436,427	1009%
Finance cost	255,528	(24%)	337,853	(4%)	351,895	22%
Net profit / (loss) before taxation	(45,918)	(73%)	(167,537)	(298%)	84,532	(125%)
Provision for taxation	(5,308)	(113%)	41,601	(56%)	95,438	104%
<b>Net profit / (loss) after taxation</b>	<b>(51,226)</b>	<b>(59%)</b>	<b>(125,936)</b>	<b>(170%)</b>	<b>179,970</b>	<b>(162%)</b>
<b>VERTICAL ANALYSIS</b>						
Sales	1,369,547	100%	1,192,439	100%	1,432,576	100%
Cost of sales	1,085,260	79%	951,797	80%	892,139	62%
Gross profit	284,287	21%	240,642	20%	540,437	38%
Administration and general expenses	42,566	3%	40,826	3%	39,970	3%
Distribution and selling cost	57,584	4%	56,679	5%	68,571	5%
Other operating expenses	–	–	–	–	6,265	–
Other operating income	(25,473)	(2%)	(27,179)	(2%)	(10,796)	(1%)
	74,677	5%	70,326	6%	104,010	7%
Profit / (loss) from operations	209,610	15%	170,316	14%	436,427	30%
Finance cost	(255,528)	(19%)	(337,853)	(28%)	(351,895)	(24%)
Net profit before taxation	(45,918)	(4%)	(167,537)	(14%)	84,532	6%
Provision for taxation	(5,308)	–	41,601	3%	95,438	7%
<b>Net profit after taxation</b>	<b>(51,226)</b>	<b>(4%)</b>	<b>(125,936)</b>	<b>(11%)</b>	<b>179,970</b>	<b>13%</b>



## STATEMENT OF WEALTH CREATION & ITS DISTRIBUTION

	2013	%	2012	%
	(Rupees in '000)		(Rupees in '000)	
<b>Wealth Generated / Value Added:</b>				
Turnover	1,369,547		1,192,439	
Less: Cost of sales	(931,746)		(803,417)	
Value added	437,801		389,022	
Other income	25,473		27,179	
Net wealth generated	463,274		416,201	
Depreciation, amortization and loss retained by the Company	(124,079)		1,667	
	<b>339,195</b>	<b>100%</b>	<b>417,868</b>	<b>100%</b>
<b>Wealth Distribution:</b>				
<b>To Lenders:</b>				
Interest on borrowed funds	255,528	75%	337,853	81%
<b>To Employees:</b>				
Salaries, wages and other benefits	75,467	22%	67,626	16%
<b>To Government:</b>				
Income tax, WWF, WPPF and other duties	8,200	2%	12,389	3%
	<b>339,195</b>	<b>100%</b>	<b>417,868</b>	<b>100%</b>

The real contribution to the exchequer is the saving of foreign exchange of US\$ 14 mln. Prior to setting up of the DOL plant, the entire volume that is locally produced would have to be imported and paid for in hard currency.



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the “Code”) contained in Regulation No. 35 of the Listing Regulations of Stock Exchanges in Pakistan for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Director	Mr. Asif Qadir
Non-Executive Directors	Mr. Abdul Razak Dawood Syed Zamanat Abbas Mr. Farooq Nazir Mr. Taimur Dawood Mr. Faisal Dawood
Executive Directors	Muhammad Sadiq Mr. Taimur Saeed

The independent Director meets the criteria of independence under clause 1(b) of the Code.

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 NBF, or being a member of a stock exchange, has been declared as defaulter by that stock exchange.
4. One casual vacancy occurred in the Board of Directors due to the resignation of Mr. Salman Zakaria. This casual vacancy arising on 14 June 2013 was filled on the same date. Other than this,

no casual vacancy occurred on the Board during the year.

5. The Company has prepared a “Code of Conduct”, which has been approved by the Board of Directors and signed by the senior executives and employees of the Company, and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executive directors have been taken by the board of directors/shareholders.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose, the Board met at least once in every quarter or when deemed necessary. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated. The Chief Financial Officer and the Company Secretary also attended the meetings of the Board.
9. The Board has arranged Corporate Governance Leadership Skills (CGLS) training program from Pakistan Institute of Corporate Governance for its directors. Currently, two directors have obtained certification of CGLS and are familiarized themselves on their responsibilities with the Code.
10. The Board has approved appointment of Chief Financial Officer and Head of Internal Audit

including their remuneration and terms and conditions of employment.

11. The Director's Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The Chief Executive Officer and Chief Financial Officer have duly endorsed the financial statement of the Company before its approval from the Board.
13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the Pattern of Shareholding.
14. The Company has complied with the applicable corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, of whom three are non-executive directors, including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Audit Committee have been formulated and communicated to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom two are Non- executive directors and the chairman of the Committee is a non-executive director.
18. The Board has outsourced the internal audit function to M/s. KPMG Taseer Hadi and Co., Chartered Accountants, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan (ICAP).
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim/final results and business decisions which may materially affect the market price of Company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. One of the directors acquired 2,000,000 ordinary shares of the company on January 01, 2013. Notice of this transaction was submitted to the secretary to the Board of Directors on January 02, 2013, as per the requirements of the clause xxiii of the Code of Corporate Governance. However, notice of the director relating to this transaction, presented in the Board of Directors held subsequent to this transaction, on February 14, 2013, was not recorded in the minutes of the meetings.
24. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board



**Taimur Saeed**

Chief Executive Officer

Lahore  
September 23, 2013



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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Descon Oxychem Limited ('the Company') to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal controls 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.

Regulation 35 (x) of the Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee.

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

We draw attention to note 23 of the statement of compliance, which indicates that the Company did not record the disclosure of acquisition of 2,000,000 ordinary shares of the Company by one of the directors, in the meeting of the Board of Directors immediately subsequent to this transaction, held on February 14, 2013. Our report is not qualified in respect of this matter.

Lahore  
September 23, 2013



Chartered Accountants

Name of engagement partner: Asad Aleem Mirza



## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Descon Oxychem Limited as at June 30, 2013 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, 2013 and of the loss, total comprehensive loss, changes in equity and its cash flows for the year then ended;
- (d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore  
September 23, 2013

Chartered Accountants

Name of engagement partner: Asad Aleem Mirza

## BALANCE SHEET


AS AT JUNE 30, 2013

	Note	2013 (Rupees in thousand)	2012
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized share capital 110,000,000 (2012: 110,000,000) ordinary shares of Rs. 10 each		1,100,000	1,100,000
Issued, subscribed and paid up capital 102,000,000 (2012: 102,000,000) ordinary shares of Rs. 10 each	5	1,020,000	1,020,000
Fair value reserve		172	3,279
Accumulated loss		(462,447)	(411,221)
		557,725	612,058
<b>NON CURRENT LIABILITIES</b>			
Long term finances			
- secured	6	1,336,832	1,271,663
- unsecured	7	408,785	408,785
Liabilities against assets subject to finance lease	8	-	82,326
Accrued finance cost	9	175,626	113,648
		1,921,243	1,876,422
<b>CURRENT LIABILITIES</b>			
Current portion of non current liabilities	10	102,326	237,814
Finances under mark up arrangement - secured	11	154,597	160,760
Trade and other payables	12	136,433	110,313
Accrued finance cost	13	39,629	85,222
		432,985	594,109
CONTINGENCIES AND COMMITMENTS	14		
		<b>2,911,953</b>	<b>3,082,589</b>

The annexed notes 1 to 43 form an integral part of these financial statements.



CHIEF EXECUTIVE

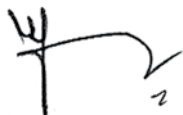


DIRECTOR

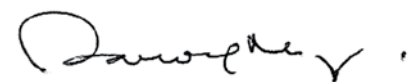


	Note	2013 (Rupees in thousand)	2012
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Property, plant and equipment	15	2,026,746	2,177,972
Intangible asset	16	11,903	29,759
Long term deposits	17	16,554	79,551
Deferred taxation	18	245,324	242,432
		2,300,527	2,529,714
<b>CURRENT ASSETS</b>			
Stores and spares	19	169,448	173,679
Stock in trade	20	63,386	68,001
Trade debts	21	118,054	50,494
Investments - available for sale	22	25,172	121,126
Advances, deposits, prepayments and other receivables	23	179,759	87,822
Current income tax recoverable		49,930	40,316
Cash and bank balances	24	5,677	11,437
		611,426	552,875
		<b>2,911,953</b>	<b>3,082,589</b>

The annexed notes 1 to 43 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

## PROFIT AND LOSS ACCOUNT

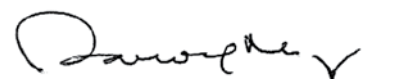
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in thousand)	2012
Sales	25	1,369,547	1,192,439
Cost of goods sold	26	(1,085,260)	(951,797)
<b>Gross profit</b>		284,287	240,642
Administrative expenses	27	(42,566)	(40,826)
Distribution and selling costs	28	(57,584)	(56,679)
Other operating income	29	25,473	27,179
		(74,677)	(70,326)
<b>Profit from operations</b>		209,610	170,316
Finance cost	30	(255,528)	(337,853)
<b>Loss before taxation</b>		(45,918)	(167,537)
Taxation	31	(5,308)	41,601
<b>Loss for the year</b>		<b>(51,226)</b>	<b>(125,936)</b>
Loss per share - basic and diluted	32	(0.50)	(1.23)

The annexed notes 1 to 43 form an integral part of these financial statements.



CHIEF EXECUTIVE



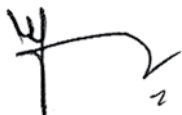
DIRECTOR

## STATEMENT OF COMPREHENSIVE INCOME

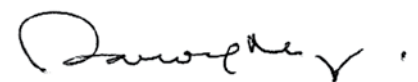
FOR THE YEAR ENDED JUNE 30, 2013

	2013 (Rupees in thousand)	2012
<b>Loss for the year</b>	(51,226)	(125,936)
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss		
Fair value gain on 'Available for sale' investments	2,829	11,778
Gain during the year transferred to profit and loss on account of derecognition of investment	(5,936)	(10,614)
	(3,107)	1,164
<b>Other comprehensive income for the year</b>	<b>(3,107)</b>	<b>1,164</b>
<b>Total comprehensive loss for the year</b>	<b>(54,333)</b>	<b>(124,772)</b>

The annexed notes 1 to 43 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

## CASH FLOW STATEMENT


FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in thousand)	2012
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	33	314,558	366,320
Finance cost paid		(239,143)	(296,097)
Profit on deposits received		949	1,500
Taxes paid		(17,814)	(23,953)
<b>Net cash generated from operating activities</b>		<b>58,550</b>	<b>47,770</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		(5,098)	(7,664)
Proceeds from sale of property, plant and equipment		813	-
Proceeds from sale of available for sale investments		233,794	256,000
Investments made		(135,011)	(255,000)
<b>Net cash generated from / (used in) investing activities</b>		<b>94,498</b>	<b>(6,664)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term loan		(829,932)	(93,054)
Long term loans obtained		710,000	-
Finance lease liabilities - Net		(32,713)	(20,854)
<b>Net cash used in financing activities</b>		<b>(152,645)</b>	<b>(113,908)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>403</b>	<b>(72,802)</b>
<b>Cash and cash equivalents at the beginning of year</b>		<b>(149,323)</b>	<b>(76,521)</b>
<b>Cash and cash equivalents at the end of year</b>	<b>36</b>	<b>(148,920)</b>	<b>(149,323)</b>

The annexed notes 1 to 43 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR

## STATEMENT OF CHANGES IN EQUITY

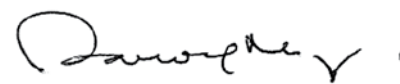
FOR THE YEAR ENDED JUNE 30, 2013

Particulars	Share Capital	Fair Value Reserve	Accumulated Loss	Total
	(Rupees in thousand)			
<b>Balance as on June 30, 2011</b>	1,020,000	2,115	(285,285)	736,830
<b>Total comprehensive income for the year</b>				
Loss for the year	-	-	(125,936)	(125,936)
Other comprehensive income for the year:				
Fair value gain on 'Available for sale' investments	-	1,164	-	1,164
<b>Total comprehensive income/ (loss) for the year</b>	-	1,164	(125,936)	(124,772)
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	-
<b>Balance as on June 30, 2012</b>	<b>1,020,000</b>	<b>3,279</b>	<b>(411,221)</b>	<b>612,058</b>
<b>Total comprehensive loss for the year</b>				
Loss for the year	-	-	(51,226)	(51,226)
Other comprehensive income for the year:				
Fair value gain on 'Available for sale' investments	-	(3,107)	-	(3,107)
<b>Total comprehensive loss for the year</b>	-	(3,107)	(51,226)	(54,333)
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	-
<b>Balance as on June 30, 2013</b>	<b>1,020,000</b>	<b>172</b>	<b>(462,447)</b>	<b>557,725</b>

The annexed notes 1 to 43 form an integral part of these financial statements.



CHIEF EXECUTIVE



DIRECTOR



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2013

### 1. Legal status and nature of business

#### 1.1 Constitution and ownership

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 Karachi 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.

#### 1.2 Activities

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 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 Standards, interpretations and amendments to published approved accounting 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 Standards and interpretations to existing standards that are effective and applicable to the Company

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 year but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements except for the amendment to IAS1 'Presentation of financial statements' regarding 'other comprehensive income' as explained below :

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income, emphasises on the requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

##### 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

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 01, 2013 or later periods, and the Company has not early adopted them:

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

- **IFRS 7**, 'Disclosures on offsetting financial assets and financial liabilities' (Amendment), issued on December 19, 2011. The new disclosure requirements apply to offsetting of financial assets and financial liabilities. The amendment clarifies that the right of set-off must be available at present i.e. it is not contingent on a future event and must be legally enforceable for all counterparties. This amendment reflects the requirements to enhance current offsetting disclosures. The new disclosure is intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The Company shall apply these amendments for the financial reporting period commencing on July 01, 2013 and does not expect to have any material impact on its financial statements.

- **IAS 19**, 'Employee Benefits' (Amendment), issued on June 2011. This is applicable on annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. The Company shall apply these amendments for the financial reporting period commencing on July 01, 2013 and is yet to assess the impact of this transition.

- **IFRS 9**, 'Financial Instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2015 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial Instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. There will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the company does not have any such liabilities.

- **IFRS 13** - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2013. 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 IFRSs. The requirements, which are largely aligned between IFRSs 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 IFRSs or US GAAP. The Company shall apply this standard from July 01, 2013 and does not expect to have any material impact on its financial statements.

### **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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 judgments 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 15
- ii) Provision for taxation - note 31

### 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 upto 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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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. 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. Cost in relation to certain property, plant and equipment comprises historical cost and borrowing costs referred to in note 15.

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 15.1 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, 2012 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 income currently. 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 income during the period in which they are incurred.

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, if any. Trial production losses are capitalized till the date of commencement of commercial production as unallocated expenditure.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 4.4 Intangible asset

“Intangible asset represents cost of license acquired to manufacture hydrogen peroxide. Intangible asset is stated at cost less accumulated amortization and identified impairment loss, if any.

Amortization is charged to income on the 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 amortization period and the amortization method for an intangible asset are reviewed, at each financial year end, and adjusted if impact on amortization is significant.

The company assesses at each balance sheet date whether there is any indication that intangible 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 income currently. 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 over the lease term.

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease as referred to in note 8. 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 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.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 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.

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. Impairment testing for trade debts has been described in note 4.9.

#### 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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 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 provision for impairment. A provision for impairment of trade debts and other receivables is established when there is objective evidence that the Company will not be able to collect all the amount due according to the original terms of the receivable. Significant financial difficulties of the debtors, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade debt is impaired. The provision is recognized in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account.

### **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 recorded at the proceeds received. In subsequent periods, borrowings 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 4.13 Foreign currency transactions and translation

#### a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency.

#### b) Transactions and balances

Foreign currency transactions are translated into Pak Rupees using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

### 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 income.

### 4.15 Revenue recognition

Revenue from sales 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 rates applicable thereon.

## 5. Issued, subscribed and paid up capital

This represents 102,000,000 (2012: 102,000,000) ordinary shares of Rs. 10 each fully paid in cash.

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

	2013 (Number of shares)	2012
Descon Corporation (Private) Limited	8,725,250	8,725,250
Descon Engineering Limited	7,439,800	7,439,800
Descon Chemicals Limited	10,773,700	10,773,700
Descon Holdings (Private) Limited	1,124,800	1,124,800
Interworld Travels (Private) Limited	92,054	92,054
Inspectest (Private) Limited	117,000	117,000
	<b>28,272,604</b>	<b>28,272,604</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in thousand)	2012
<b>6. Long term finances - secured</b>			
From Financial Institutions	6.1	646,832	1,476,764
From Associated Companies	6.2	710,000	-
		1,356,832	1,476,764
Less: Current portion shown under current liabilities	10	(20,000)	(205,101)
		<b>1,336,832</b>	<b>1,271,663</b>
<b>6.1 From Financial Institutions</b>			
Loan - 1	6.3	566,832	1,376,764
Loan - 2	6.4	80,000	100,000
		646,832	1,476,764
Less: Current portion shown under current liabilities		(20,000)	(205,101)
		<b>626,832</b>	<b>1,271,663</b>

**6.3** 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. It carries markup at six month KIBOR plus 2.75% per annum and is payable semi annually.

The markup charged during the period ranges from Re 0.4041 to Re 0.3356 (2012: Re 0.4521 to Re 0.4022) per diem per thousand.

The loan was initially repayable in 12 six monthly installments commencing on February 24, 2012. However, after payment of 3 installments, an early repayment has been made during the current year. As on June 30, 2013, 6 unequal installments are outstanding, beginning on February 24, 2015 and ending on August 24, 2017.

**6.4** This represents the loan obtained from KASB Bank Limited and is secured by a way of pari passu charge over present and future fixed assets (including land, building, plant and machinery) of the company for Rs. 134 million. It carries markup at six month KIBOR plus 2.50% per annum and is payable semi annually.

The markup charged during the period ranges from Re 0.3972 to Re 0.3290 (2012: Re 0.4466 to Re 0.3959) per diem per thousand.

The balance is repayable in 8 equal semi annual installments ending on June 01, 2017.

	Note	2013 (Rupees in thousand)	2012
<b>6.2 From associated companies</b>			
- Descon Engineering Limited	6.5	400,000	-
- Presson Descon International (Private) Limited	6.6	310,000	-
		<b>710,000</b>	<b>-</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

- 6.5** This loan has been extended by Descon Engineering Limited, an associated company on April 15, 2013. Markup is accruable at six months Kibor plus 4.00%. Markup accrued is repayable in unequal installments beginning in April 2016 whereas Principal amount is repayable in unequal installments beginning in October 2017.

Effective rate charged during the period was Re 0.3316 (2012: Nil) per diem per thousand.

As per the terms of the borrowing agreement, the loan is secured against a ranking charge on all present and future assets and fixed assets of the Company. The above encumbrance, however, till the date of authorization of these financial statements, has not been registered with the Securities and Exchange Commission of Pakistan through the instrument evidencing the charge.

- 6.6** This loan has been extended by Presson Descon International (Private) Limited, an associated company on April 15, 2013. Markup is accruable at six months Kibor. Markup accrued is repayable in unequal installments beginning in April 2016 where as Principal amount is repayable in unequal installments beginning in April 2017.

Effective rate charged during the period was Re 0.2440 (2012: Nil) per diem per thousand.

As per the terms of the borrowing agreement, the loan is secured against a ranking charge on all present and future assets and fixed assets of the Company. The above encumbrance, however, till the date of authorization of these financial statements, has not been registered with the Securities and Exchange Commission of Pakistan through the instrument evidencing the charge.

	Note	2013 (Rupees in thousand)	2012 (Rupees in thousand)
<b>7. Subordinated loans from associated companies - unsecured</b>			
- Descon Engineering Limited - Loan 1	7.2	276,785	276,785
- Descon Engineering Limited - Loan 2	7.3	112,000	112,000
- Interworld Travels (Private) Limited - Loan 3	7.4	20,000	20,000
		<b>408,785</b>	<b>408,785</b>

- 7.1** The Company signed the 'Subordination Agreement' with Descon Engineering Limited, Interworld Travels (Private) Limited and Allied Bank Limited dated November 15, 2010, through which the repayment of both the principal and interest of loans 1 to 3 has been subordinated to the repayment of the syndicate loan as referred to in note 6.3. As per the terms of the 'Subordination Agreements', the Company may repay loan 2 and 3 aggregating to Rs. 132 million and markup accrued on the entire balance of subordinated loans only after at least 50% of the principal of the syndicate loan has been repaid and is further subject to compliance with covenants contained in the agreement for loan referred to in note 6.3. Loan 1 of Rs. 276.785 million may be repaid only after entire syndicate loan and related markup has been settled by the Company.

- 7.2** This loan was extended by DEL, an associated company on June 30, 2010 by converting its short term non-interest bearing receivables of Rs. 276.78 million into an un-secured interest bearing long term loan. The principal is repayable only after the repayment of the entire facility referred to in note 6.3. The markup is payable only after 50% of the facility under note 6.3 has been repaid and is further subject to compliance with covenants contained in the agreement for loan referred to in note 6.3. Mark-up is accruable for the period at six months Kibor plus 2.75 %.

Effective rate charged during the period was Re 0.2282 (2012: Re 0.3727) per diem per thousand.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2013

- 7.3** The loan was extended by DEL, an associated company on May 19, 2010. The principal and markup accrued thereon are repayable only after the repayment of 50% of the facility referred to in note 6.3 and further subject to compliance with covenants contained in the agreement for loan referred to in note 6.3. Mark-up is accruable for the period at six months Kibor plus 2%.

Effective rate charged during the period was Re 0.2779 (2012: Re 0.2288) per diem per thousand.

- 7.4** This loan was extended by Interworld Travels (Private) Limited, an associated company on June 30, 2010. The principal and markup accrued thereon are repayable only after the repayment of 50% of the facility referred to in note 6.3 and further subject to compliance with covenants contained in the agreement for loan referred to in note 6.3. Mark-up is accruable for the period at six months Kibor plus 1 %.

Effective rate charged during the period was Re 0.2527 (2012: Re 0.2688) per diem per thousand.

	Note	2013 (Rupees in thousand)	2012 (Rupees in thousand)
<b>8. Liabilities against assets subject to finance lease</b>			
Present value of minimum lease payments		82,326	115,039
Less: Current portion shown under current liabilities	10	(82,326)	(32,713)
		-	<b>82,326</b>

The balance is repayable in 6 monthly installments in arrears ending on December 2013.

The minimum lease payments have been discounted at an implicit interest rate of 22.69% to arrive at their present value. In case of default in any payment, an additional charge at the rate of 0.1% per day shall be paid.

Taxes, repairs and insurance costs are to be borne by the company.

The lease is secured against cross corporate guarantee of Descon Engineering Limited and personal guarantee of Mr. Abdul Razak Dawood.

The amount of future payments of the lease and the period in which these payments will become due are as follows:

	Minimum Lease payments	Finance cost not due	Present value of lease liability	
			2013	2012
(Rupees in thousand)				
Not later than one year	83,625	1,299	82,326	32,713
Later than one year and not later than five years	-	-	-	82,326
	<b>83,625</b>	<b>1,299</b>	<b>82,326</b>	<b>115,039</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in thousand)	2012
<b>9. Accrued Finance Cost</b>			
Long Term Loans - Secured	9.1	15,829	-
Long Term Loans - Unsecured	9.2	159,797	113,648
		<b>175,626</b>	<b>113,648</b>

**9.1** This represents accrued finance cost on loans from associated companies referred to in note 6.2, on which the interest repayment will begin from April 15, 2016.

**9.2** This represents accrued finance cost on subordinated loans from associated companies referred to in note 7. It is payable only after at least 50% of the principal of the syndicate loan referred to in note 6.3 has been repaid, subject to compliance with covenants contained in the agreement for loan referred to in note 6.3.

	Note	2013 (Rupees in thousand)	2012
<b>10. Current portion of long term liabilities</b>			
Long term finances - secured	6	20,000	205,101
Liabilities against assets subject to finance lease - secured	8	82,326	32,713
		<b>102,326</b>	<b>237,814</b>

### 11. Finances under mark up arrangements - secured

Short term running finance	11.1	104,597	160,760
Export Re-finance	11.2	50,000	-
		<b>154,597</b>	<b>160,760</b>

**11.1** This represents the outstanding balance against the Short term running finance facility of Rs. 150 million (2012: 150 million) under markup arrangement from Bank Al-Habib Limited to meet the working capital requirements of the company.

It carries markup of 3 months average KIBOR reviewed on first working day of every calendar quarter on the basis of arithmetic mean of previous six working days plus 1% per annum. The markup charged during the year ranges from Re. 0.2841 to Re. 0.3555 per diem per thousand on the outstanding balance or part thereof.

**11.2** This represents the outstanding against Export refinance loans of Rs. 50 million (2012: Nil) 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. 0.2575 to Re. 0.2575 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2013

- 11.3** Of the aggregate facility of Rs. 145 million (2012 : Rs. 145 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, 2013 was Rs. 72.919 million (2012 : Rs. 97.423 million).

	Note	2013 (Rupees in thousand)	2012
<b>12. Trade and other payables</b>			
Trade creditors	12.1	74,314	26,893
Bills payable		22,892	40,963
Advances from customers		-	4,455
Associated undertakings	12.2	2,078	5,250
Accrued and other liabilities	12.3	37,149	32,631
Withholding tax payable		-	121
Workers' welfare fund	12.4	-	-
Workers' profit participation fund	12.5	-	-
		<b>136,433</b>	<b>110,313</b>

- 12.1** Trade creditors includes interest free amounts due to associated companies amounting to Re. 0.54 million (2012: Re. 0.48 million) in the normal course of business.

- 12.2** These are interest free and represent expenses incurred by related parties on behalf of the company:

	2013 (Rupees in thousand)	2012
Descon Chemicals Limited	192	3,565
Descon Corporation (Private) Limited	-	67
Descon Engineering Limited	1,886	1,618
	<b>2,078</b>	<b>5,250</b>

- 12.3** This includes Rs. Nil (2012 : Rs. 0.243 million) payable to provident fund of the company.

	2013 (Rupees in thousand)	2012
<b>12.4 Workers' welfare fund</b>		
As at July 01	-	1,776
Add: provision for the year	-	-
Less: provision written back during the year	-	(1,776)
<b>As at June 30</b>	<b>-</b>	<b>-</b>
<b>12.5 Workers' profit participation fund</b>		
As at 1st July 2012	-	4,540
Add: provision for the year	-	-
Less: paid during the year	-	(4,540)
<b>As at 30th June 2013</b>	<b>-</b>	<b>-</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	2013 (Rupees in thousand)	2012
<b>13. Accrued finance cost</b>		
Finances under markup arrangements - secured	4,495	4,877
Long term finances - secured	34,820	78,098
- unsecured	-	-
Liabilities against assets subject to finance lease - secured	314	2,247
	<b>39,629</b>	<b>85,222</b>

### 14. Contingencies and commitments

#### 14.1 Contingencies

Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract amounting to Rs. 48.64 million (2012: Rs. 48.64 million).

#### 14.2 Commitments

The company has commitments in respect of letters of credit other than capital expenditure amounting to Rs. 72.920 million (2012: Rs. 56.460 million), and in respect of capital expenditure amounting to Rs. 8.370 million (2012: Nil).

### 15. Property, plant and equipment

	Note	2013 (Rupees in thousand)	2012
Operating assets	15.1	2,024,098	2,176,729
Capital work-in-progress	15.2	2,648	1,243
		<b>2,026,746</b>	<b>2,177,972</b>



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

### 15.1 Operating assets

	2013							
	Cost as at July 1, 2012	Additions/ (deletions)	Cost as at June 30, 2013	Accumulated depreciation as on July 1, 2012	Depreciation charge/ (deletions) for the year	Accumulated depreciation as on June 30, 2013	Net book value as on June 30, 2013	Rate of depreciation %
(Rupees in thousand)								
<b>Owned assets</b>								
Freehold land	101,316	-	101,316	-	-	-	101,316	-
Buildings on freehold land	293,278	-	293,278	44,698	14,664	59,362	233,916	5
Plant, machinery and equipment	2,124,466	5,308	2,129,774	439,964	132,969	572,933	1,556,841	6.25
Laboratory equipment	14,439	165	14,604	2,929	905	3,834	10,770	6.25
Material handling	140	7	101	63	20	53	48	20
		(46)			(30)			
Tools and equipment	3,895	1,370	5,265	812	266	1,078	4,187	6.25
Computer equipment	4,888	506	5,350	4,751	208	4,915	435	33.33
		(44)			(44)			
Electrical equipment	376	-	376	313	55	368	8	20
Office equipment	4,755	-	4,742	3,139	932	4,060	682	20
		(13)			(11)			
Furniture and fixture	7,330	-	6,467	2,129	647	2,542	3,925	10
		(863)			(234)			
Vehicles	4,171	1,001	5,172	2,765	788	3,553	1,619	20
	2,559,054	8,357	2,566,445	501,563	151,454	652,698	1,913,747	
		(966)			(319)			
<b>Leased assets</b>								
Plant, machinery and equipment	142,197	-	142,197	22,959	8,887	31,846	110,351	6.25
<b>2013</b>	<b>2,701,251</b>	<b>8,357</b>	<b>2,708,642</b>	<b>524,522</b>	<b>160,341</b>	<b>684,544</b>	<b>2,024,098</b>	
		<b>(966)</b>			<b>(319)</b>			

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

		2012						
	Cost as at July 1, 2011	Additions/ (deletions)	Cost as at June 30, 2012	Accumulated depreciation as on July 1, 2011	Depreciation charge/ (deletions) for the year	Accumulated depreciation as on June 30, 2012	Net book value as on June 30, 2012	Rate of depreciation %
(Rupees in thousand)								
<b>Owned assets</b>								
Freehold land	101,316	-	101,316	-	-	-	101,316	-
Buildings on freehold land	293,207	71	293,278	30,037	14,661	44,698	248,580	5
Plant, machinery and equipment	2,119,248	5,218	2,124,466	307,327	132,637	439,964	1,684,502	6.25
Laboratory equipment	14,439	-	14,439	2,026	903	2,929	11,510	6.25
Material handling	140	-	140	35	28	63	77	20
Tools and equipment	3,895	-	3,895	568	244	812	3,083	6.25
Computer equipment	4,789	99	4,888	4,179	572	4,751	137	33.33
Electrical equipment	376	-	376	247	66	313	63	20
Office equipment	4,692	63	4,755	2,205	934	3,139	1,616	20
Furniture and fixture	7,330	-	7,330	1,396	733	2,129	5,201	10
Vehicles	3,201	970	4,171	2,028	737	2,765	1,406	20
	2,552,633	6,421	2,559,054	350,048	151,515	501,563	2,057,491	
<b>Leased assets</b>								
Plant, machinery and equipment	142,197	-	142,197	14,072	8,887	22,959	119,238	6.25
<b>2012</b>	<b>2,694,830</b>	<b>6,421</b>	<b>2,701,251</b>	<b>364,120</b>	<b>160,402</b>	<b>524,522</b>	<b>2,176,729</b>	
(Rupees in thousand)								
<b>15.1.1</b>	The depreciation charge has been allocated as follows:							
					Note		2013	2012
							(Rupees in thousand)	
							159,728	159,560
							427	794
							186	48
							<b>160,341</b>	<b>160,402</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2013

#### 15.1.2 Disposal of Property, plant and equipment

Detail of property, plant and equipment disposed off during the year ended June 30, 2013 is as follows:

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of Disposal
(Rupees in thousand)						
<b>Furniture and Fixtures</b>						
	<b>Related party</b>					
	Descon Engineering Limited	863	235	628	810	Negotiation
<b>Other Assets having book value below Rs. 50,000</b>		103	84	19	3	Negotiation
		<b>966</b>	<b>319</b>	<b>647</b>	<b>813</b>	

There were no disposals of property, plant and equipment during the year ended June 30, 2012.

**15.1.3** All assets classified in Property, Plant and Equipment are in the name of the company and in company's possession and control.

#### 15.2 Capital work-in-progress

	2013 (Rupees in thousand)	2012
Plant and machinery	2,003	-
Civil works	645	1,243
	<b>2,648</b>	<b>1,243</b>

#### 16. Intangible asset

Carrying value as at July 1	29,759	47,616
Amortization during the year	(17,856)	(17,857)
<b>Carrying value as at June 30</b>	<b>11,903</b>	<b>29,759</b>

This represents non-exclusive and non-transferable right and license for the production of hydrogen peroxide acquired from Chematur EcoPlanning Oy, Finland and is being amortized over 5 years.

	2013 (Rupees in thousand)	2012
<b>17. Long term deposits</b>		
As at July 1	79,551	79,551
Security deposits transferred to short term during the year	(62,997)	-
<b>As at June 30</b>	<b>16,554</b>	<b>79,551</b>

#### 18. Deferred taxation

The asset for deferred taxation comprises temporary differences in:

Accelerated tax depreciation	(345,437)	(340,725)
Unused tax losses	590,761	583,157
	<b>245,324</b>	<b>242,432</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The company has not recognized deferred tax asset of Rs. 28.097 million (2012: Rs. 22.169 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.

	Note	2013 (Rupees in thousand)	2012
<b>19. Stores and spares</b>			
General stores and spares	19.1	98,805	106,138
Working solution		70,643	67,541
		<b>169,448</b>	<b>173,679</b>

**19.1** General stores and spares include raw material for working solution of Rs. 33.962 million (2012 : Rs. 48.545 million) and items which may result in fixed capital expenditure but are not distinguishable.

	Note	2013 (Rupees in thousand)	2012
<b>20. Stock in trade</b>			
Raw materials [including in transit of Rs. 26.849 million (2012: Rs. 25.042 million)]		44,512	50,139
Packing material		103	4,524
Work-in-process		225	2,308
Finished goods [including in transit of Rs. 1.334 million (2012: Rs. 4.536 million )]		18,546	11,030
		<b>63,386</b>	<b>68,001</b>

<b>21. Trade debts</b>			
Considered good - unsecured	21.1	118,054	50,494
Considered doubtful		1,381	878
		119,435	51,372
Less: Provision for doubtful debts	21.2	(1,381)	(878)
		<b>118,054</b>	<b>50,494</b>

**21.1** These include amount due from Descon Chemicals Limited of Rs. 15 thousand (2012 : Rs. 345 thousand)

	Note	2013 (Rupees in thousand)	2012
<b>21.2 Provision for doubtful debts</b>			
Balance as at January 1		878	-
Provision during the year	28	1,381	878
Written off against provision		(878)	-
<b>Balance as at June 30</b>		<b>1,381</b>	<b>878</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in thousand)	2012
<b>22. Investments - available for sale</b>			
Available for sale - at cost			
Investment in 69,768 units (2012: 170,788 units) of MCB Cash Optimizer Fund		7,000	16,603
Investment in 905, 949 units (2012: 2,093,284 units) of ABL Cash Fund		9,000	20,706
Investment in Nil units (2012: 592,336) of Lakson Money Market Fund		-	58,018
Investment in 89,502 units (2012: 226,658) of HBL Money Market Fund		9,000	22,516
Investment in Nil units (2012: 84 units) of Pakistan Cash Fund		-	4
		25,000	117,847
Add : Cumulative fair value gain	22.2	172	3,279
		<b>25,172</b>	<b>121,126</b>

**22.1** The investments have been made in open ended money market mutual funds which makes investments in fixed income instruments with a maximum maturity of 180 days and weighted average maturity up to 90 days. The return on the fund is in form of bonus units and cash dividend.

	Note	2013 (Rupees in thousand)	2012
<b>22.2 Cumulative fair value gain</b>			
As at July 1		3,279	2,115
Fair value gain during the year		2,829	11,778
Transferred to profit and loss account on derecognition of investment		(5,936)	(10,614)
<b>As at June 30</b>		<b>172</b>	<b>3,279</b>

### 23. Advances, deposits, prepayments and other receivables

Advances to suppliers	23.1	9,329	3,228
Advances to employees		102	134
Prepayments		745	1,042
Sales tax recoverable		96,369	82,682
Associated undertakings	23.2	1,055	168
Short term security deposit		62,997	-
Other receivables		9,162	568
		<b>179,759</b>	<b>87,822</b>

**23.1** These include interest free advance to Descon Power Solutions (Private) Limited of Rs. 3.691 million (2012: Nil).



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

**23.2** These are interest free and represent expenses incurred by the company on behalf of related parties.

Note	2013 (Rupees in thousand)	2012
Descon Power Solutions (Private) Limited	1,024	3
Gray Mackenzie Engineering Services	31	-
Inspectest (Private) Limited	-	53
Descon Engineering Limited	-	112
	<b>1,055</b>	<b>168</b>

### 24. Cash and bank balances

At banks on:		
- Current accounts		3,057
- Saving accounts	24.1	8,380
		<b>5,677</b>
		<b>11,437</b>

**24.1** It carries mark-up at the rate ranging from 6.00% to 10.50% per annum.

	2013 (Rupees in thousand)	2012
<b>25. Sales</b>		
Gross sales:		
- Local	1,175,028	867,573
- Export	222,790	360,418
	1,397,818	1,227,991
Less: Commission on sales	(28,271)	(35,552)
	<b>1,369,547</b>	<b>1,192,439</b>

**25.1** Gross sales include sale of finished goods purchased for resale amounting to Rs. 157.047 million (2012: Rs. 5.520 million)

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in thousand)	2012
<b>26. Cost of sales</b>			
Raw materials consumed		400,116	454,960
Salaries, wages and other benefits	26.1	54,940	50,600
Repair and maintenance		25,251	31,908
Production supplies		461	20
Fuel and power		204,665	162,216
Printing and stationery		490	513
Services through contractors		32,096	35,476
Traveling		910	1,215
Communication		361	397
Rent and rates		17,337	5,997
Depreciation on property, plant and equipment	15.1.1	159,728	159,560
Amortization on intangible assets	16	17,856	17,857
Insurance		5,658	5,972
Fees		473	351
Safety items consumed		571	240
Miscellaneous		956	2,653
		921,869	929,935
Add: Opening work in process		2,308	2,548
Less: Closing work in process		(225)	(2,308)
		2,083	240
Cost of goods produced		923,952	930,175
Add: Opening finished goods		15,554	30,633
Less: Closing finished goods		(10,970)	(15,554)
		4,584	15,079
Cost of Goods Sold - Own Manufactured		928,536	945,254
Cost of Goods Purchased for Resale		156,724	6,543
		<b>1,085,260</b>	<b>951,797</b>

**26.1** Salaries, wages and other benefits include provident fund contribution of Rs. 1.299 million (2012: Rs. 1.263 million) by the Company.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in thousand)	2012
<b>27. Administrative expenses</b>			
Salaries, allowances and other benefits	27.1	17,635	14,373
Services through contractor		587	310
Vehicle running and maintenance		767	1,622
Entertainment		606	962
Communication		793	1,033
Printing and stationary		1,488	2,240
Traveling and conveyance		1,222	1,110
Repair and maintenance		1,640	883
Insurance		238	67
Fees and subscriptions		2,400	2,965
Rent and Rates		1,388	1,401
Legal and professional fee	27.2	7,836	8,223
Depreciation on property, plant and equipment	15.1.1	427	794
Others		5,539	4,843
		<b>42,566</b>	<b>40,826</b>

**27.1** Salaries, wages and other benefits include provident fund contribution of Rs. 479.107 thousand (2012: 131.97 thousand) by the Company.

### **27.2 Auditors remuneration**

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

	Note	2013 (Rupees in thousand)	2012
Statutory audit		880	800
Half yearly review		330	300
Certification charges		110	100
Out of pocket expenses		13	91
		<b>1,333</b>	<b>1,291</b>

### **28. Distribution and selling cost**

Salaries, allowances and other benefits	28.1	2,892	2,653
Entertainment		90	88
Communication		393	403
Traveling and conveyance		717	1,064
Advertisement		3,337	5,095
Insurance		1,003	1,154
Freight and forwarding		46,911	45,262
Depreciation on property, plant and equipment	15.1.1	186	48
Provision for doubtful debts		1,381	878
Others		674	34
		<b>57,584</b>	<b>56,679</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2013

**28.1** Salaries, wages and other benefits include provident fund contribution of Rs. 137.360 thousand (2012: Rs. 66.830 thousand) by the Company.

	Note	2013 (Rupees in thousand)	2012
<b>29. Other operating income</b>			
<b>Income from financial assets</b>			
Interest on bank deposits		949	1,500
Exchange gain		6,563	6,622
Gain on sale of investment		5,936	10,614
		13,448	18,736
<b>Income from non-financial assets</b>			
Gain on sale of fixed assets		166	-
Scrap sales		10,482	3,819
Liabilities written back		-	3,620
Others		1,377	1,004
		12,025	8,443
		<b>25,473</b>	<b>27,179</b>
<b>30. Finance cost</b>			
Interest and mark-up on:			
- Long term finances			
- secured	30.1	178,851	241,814
- unsecured	30.2	46,149	59,129
- Finances under markup arrangement - secured		19,504	20,872
- Liabilities against assets subject to finance lease		6,612	11,725
Bank charges and others		4,412	4,313
		<b>255,528</b>	<b>337,853</b>

**30.1** This includes finance cost accrued on loans from associated companies amounting to Rs. 15.829 million (2012 : Nil).

**30.2** This represents finance cost payable to associated companies.

	2013 (Rupees in thousand)	2012
<b>31. Taxation</b>		
For the year		
- Current	(8,200)	(12,389)
- Deferred	2,892	53,990
	<b>(5,308)</b>	<b>41,601</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

**31.1** In view of the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001. Minimum tax under section 113 is available for set off for five 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, 2013 are estimated approximately at Rs. 1,687.891 million (2012: Rs. 1,666.165 million).

	2013 (Percentage)	2012
<b>31.2 Tax charge reconciliation</b>		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	35.00	35.00
Tax effect under presumptive regime	(32.45)	(5.20)
Inadmissible expenses	(1.07)	0.03
Minimum tax not recognized	(12.91)	(4.77)
Effect of change in prior years tax and others	(0.13)	(0.23)
	(46.56)	(10.17)
<b>Average effective tax rate charged to profit and loss account</b>	<b>(11.56)</b>	<b>24.83</b>

### 32. Loss per share

#### 32.1 Basic loss per share

Loss for the year	Rupees in thousand	(51,226)	(125,936)
Weighted average number of ordinary shares in issue during the year	Number	102,000	102,000
Loss per share	Rupees	(0.50)	(1.23)

#### 32.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Company does not have any convertible instrument in issue as at June 30, 2013 and June 30, 2012 which would have any effect on the earnings per share if the option to convert is exercised.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in thousand)	2012
<b>33. Cash flow from operating activities</b>			
Loss before taxation		(45,918)	(167,537)
Adjustment for:			
- Depreciation on property, plant and equipment	15.1.1	160,341	160,402
- Amortization of intangible assets	16	17,856	17,857
- Accrual / ( Reversal ) of provision for accumulating compensated absences	27	1,070	(216)
- Gain on disposal of fixed assets	29	(166)	-
- Net exchange gain	29	(6,563)	(6,622)
- Interest from bank deposits	29	(949)	(1,500)
- Provision for doubtful debts	28	1,381	878
- Advances written off		-	(3,620)
- Gain on sale of investment	29	(5,936)	(10,614)
- Finance cost	30	255,528	337,853
Profit before working capital changes		376,644	326,881
Effect on cash flow due to working capital changes:			
(Increase)/ decrease in current assets			
- Stores, spares and loose tools		(433)	(8,663)
- Stock in trade		4,615	60,051
- Trade debts		(62,378)	48,725
- Advances, deposits, prepayments and other receivables		(28,940)	(31,858)
Increase /(decrease) in current liabilities			
- Creditors, accrued and other liabilities		25,050	(28,816)
		(62,086)	39,439
<b>Cash generated from operations</b>		<b>314,558</b>	<b>366,320</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 34. 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 35. Other significant transactions with related parties are as follows:

		2013 (Rupees in thousand)	2012 (Rupees in thousand)
i. Associated undertakings	Purchase of goods and services	8,336	25,067
	Purchases in respect of fixed capital expenditure	435	-
	Sale of goods	650	522
	Disposal of asset	949	-
	Share of common expenses charged from associated companies	27,750	26,275
	Share of common expenses charged to associated companies	9,358	5,544
	Mark-up expense	61,978	59,129
	Sale of scrap	882	386
	Long term loans obtained	710,000	-
ii. Post employment benefit plans	Expense charged in respect of retirement contribution plans	1,916	1,462

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

### 35. Remuneration of Chief Executive, Directors and Executives

	Chief Executive		Executive Director		Non-Executive Director		Executives	
	2013	2012	2013	2012	2013	2012	2013	2012
	(Rupees in thousand)							
Remuneration	3,898	2,758	750	1,167	1,836	39	9,235	7,430
Provident Fund	198	132	-	-	76	-	330	267
Medical facility	39	38	196	155	-	5	257	199
Reimbursable expenses	62	38	56	9	1	-	713	443
	<b>4,197</b>	<b>2,966</b>	<b>1,002</b>	<b>1,331</b>	<b>1,913</b>	<b>44</b>	<b>10,535</b>	<b>8,339</b>
Number of persons	1	1	1	2	2	1	5	4

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

	Note	2013 (Rupees in thousand)	2012 (Rupees in thousand)
<b>36. Cash and cash equivalents</b>			
Cash and bank balances	24	5,677	11,437
Finances under mark up arrangements - secured	11	(154,597)	(160,760)
		<b>(148,920)</b>	<b>(149,323)</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 37. Capacity and production

		Production Capacity	Actual production 2013	Actual production 2012
Production of hydrogen peroxide (on 100% concentration and based on 360 working days)	Metric Tonnes	15,000	13,197	13,945
Production of packing material (based on 360 working days)	Number	1,080,000	649,478	890,451

Production of hydrogen peroxide remained below capacity primarily due to shortfall in availability of gas.

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

### 38. Financial risk management objectives

#### 38.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The company's overall risk management 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:

	2013 (FCY in thousand)	2012
Trade debts - US Dollars	273	215
Bills payable - US Dollars	(140)	(435)
The following significant exchange rates were applicable during the year:		
<b>Rupees per USD</b>		
Average rate	96.80	89.92
Reporting date rate	98.80	94.20

At June 30, 2013, if the Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax loss for the year would have been lower / higher as under,

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

mainly as a result of foreign exchange gains / losses on translation of US dollar-denominated liabilities.

### 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 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 loss before tax	Effect on Equity
(Rupees in thousand)			
<b>2013</b>	10%	1,314	854
	-10%	(1,314)	(854)
<b>2012</b>	10%	(2,072)	(1,347)
	-10%	2,072	1,347

### (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:

	2013	2012
(Rupees in thousand)		
<b>Fixed rate instruments</b>		
Financial assets		
Savings Account	3,012	8,380
	<b>3,012</b>	<b>8,380</b>
<b>Floating rate instruments</b>		
Financial liabilities		
Long term finances		
- secured	626,832	1,271,663
- unsecured	408,785	408,785
Finances under markup arrangement - secured	154,597	160,760
Liabilities against assets subject to finance lease	82,326	115,039
	<b>1,272,540</b>	<b>1,956,247</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

### 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.

### Interest rate sensitivity analysis

		Increase/ decrease in rate	Effect on loss before tax	Effect on Equity
(Rupees in thousand)				
Financial Assets				
	<b>2013</b>	1%	30	20
		-1%	(30)	(20)
	<b>2012</b>	1%	84	55
		-1%	(84)	(55)
Financial Liabilities				
	<b>2013</b>	1%	(12,725)	(8,271)
		-1%	12,725	8,271
	<b>2012</b>	1%	(19,562)	(12,715)
		-1%	19,562	12,715

### (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:

	2013 (Rupees in thousand)	2012
Trade debts	118,054	50,494
Advances, deposits, prepayments and other receivables	18,491	3,796
Investment - Available for sale	25,172	121,126
Bank balances	5,677	11,437
	<b>167,394</b>	<b>186,853</b>

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 FOR THE YEAR ENDED JUNE 30, 2013

The credit quality of short term investments in open ended money market mutual funds and 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	Long term	Rating Agency	2013 Rupees	2012 Rupees
<b>Investment - Available for sale</b>					
MCB Cash Optimizer Fund	N/A	AA(f)	Pacra	7,049	17,098
ABL Cash Fund	N/A	AA(f)	JCR	9,061	20,985
Pakistan Cash Fund	N/A	AAA(f)	Pacra	-	4
Lakson Money Market Fund	N/A	AA	Pacra	-	59,717
HBL Money Market Fund	N/A	AA(f)	JCR	9,062	23,322
				<b>25,172</b>	<b>121,126</b>
<b>Cash and bank</b>					
Habib Metropolitan Bank Limited	A1+	AA+	Pacra	432	7,958
Habib Bank Limited	A-1+	AAA	JCR	2,492	395
Allied Bank Limited	A1+	AA+	Pacra	8	163
Bank Al-Habib Ltd.	A1+	AA+	Pacra	2,745	2,921
				<b>5,677</b>	<b>11,437</b>

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, 2013 the company had borrowing limits available from financial institutions at Rs. 45.403 million (2012: Rs. 39.240 million), investment available for sale at Rs. 25.172 million (2012: Rs. 121.126 million) and Rs. 5.677 million (2012: Rs. 11.437 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2013

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
<b>Rupees in Thousands</b>				
The following are the contractual maturities of financial liabilities as at June 30, 2013:				
Finance under markup arrangements	154,597	154,597	-	-
Accrued finance cost	215,255	39,629	175,626	-
Trade and other payables	136,433	136,433	-	-
Long term finances				
- secured	1,356,832	20,000	776,575	560,257
- unsecured	408,785	-	408,785	-
Liabilities against assets subject to finance lease	82,326	82,326	-	-
	<b>2,354,228</b>	<b>432,985</b>	<b>1,360,986</b>	<b>560,257</b>

	Carrying amount	Less than one year	More than one year	More than five years
<b>Rupees in Thousands</b>				
The following were the contractual maturities of financial liabilities as at June 30, 2012:				
Finance under markup arrangements	160,760	160,760	-	-
Accrued finance cost	198,870	85,222	113,648	-
Trade and other payables	110,313	110,313	-	-
Long term finances				
- secured	1,476,764	205,101	1,122,585	149,078
- unsecured	408,785	-	132,000	276,785
Liabilities against assets subject to finance lease	115,039	32,713	82,326	-
	<b>2,470,531</b>	<b>594,109</b>	<b>1,450,559</b>	<b>425,863</b>

### 38.2 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### 38.3 Financial instruments by categories

	Loans and receivables	
	2013 (Rupees in thousand)	2012
Long term deposits	16,554	79,551
Trade debts	118,054	50,494
Advances, deposits, prepayments and other receivables	179,759	87,822
Cash and bank balances	5,677	11,437
	<b>320,044</b>	<b>229,304</b>

	Available for sale	
	2013 (Rupees in thousand)	2012
Short term investments	25,172	121,126

	Financial liabilities at amortised cost	
	2013 (Rupees in thousand)	2012
Long term finances	1,765,617	1,885,549
Liabilities against assets subject to finance lease	82,326	115,039
Finances under mark up arrangements - secured	154,597	160,760
Trade and other payables	136,433	110,313
Accrued finance cost	215,255	198,870
	<b>2,354,228</b>	<b>2,470,531</b>

### 38.4 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 6 and 7. Total capital employed includes equity as shown in the balance sheet, plus total long term borrowings.

The gearing ratio for the year is 75% (2012: 73%). The company paid significant portion of consortium loan in the current period but the debt has been paid substantially by obtaining loans from associated companies and thus the gearing ratio has still deteriorated in current year.

	2013	2012
<b>39. Number of employees</b>		
Total number of employees as at June 30	87	85
Average number of employees during the year	84	81

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 (Rupees in thousand)	2012
<b>40. Provident Fund</b>			
Size of the fund		12,811	10,181
Cost of investments made		11,318	7,223
Percentage of investments made		88%	71%
Fair value of investments	40.1	11,953	7,644

**40.1** The breakup of fair value of investments is :

Break up of investments	2013		2012	
	Rs. in '000	%	Rs. in '000	%
Investment in Treasury Bills	7,886	65.98%	5,645	73.85%
Investment in Term Finance Certificates	2,613	21.86%	–	–
Investment in Listed Shares	1,454	12.16%	–	–
Engro Rupiya Certificate	–	–	1,999	26.15%
	<b>11,953</b>	<b>100.00%</b>	<b>7,644</b>	<b>100.00%</b>

The figures for 2013 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.

### 41. Date of authorization for issue

These financial statements were authorized for issue on September 23, 2013 by the Board of Directors.

### 42. Subsequent events

There are no subsequent events occurring after balance sheet date.

### 43. Corresponding figures

Corresponding figures have been re-arranged and reclassified, wherever necessary, for the purposes of comparison and better presentation as per reporting framework.



CHIEF EXECUTIVE



DIRECTOR

## PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2013

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
144	1	100	3,534
2,075	101	500	1,020,196
455	501	1,000	448,260
776	1,001	5,000	2,374,604
265	5,001	10,000	2,202,275
86	10,001	15,000	1,083,553
104	15,001	20,000	1,930,775
59	20,001	25,000	1,412,969
36	25,001	30,000	1,026,500
13	30,001	35,000	430,800
16	35,001	40,000	621,841
10	40,001	45,000	434,066
21	45,001	50,000	1,025,138
7	50,001	55,000	376,209
7	55,001	60,000	412,099
1	60,001	65,000	64,500
4	65,001	70,000	269,000
5	70,001	75,000	370,500
6	75,001	80,000	475,500
1	80,001	85,000	80,500
6	85,001	90,000	537,500
2	90,001	95,000	184,108
21	95,001	100,000	2,097,500
2	100,001	105,000	204,103
1	105,001	110,000	105,500
1	110,001	115,000	111,000
3	115,001	120,000	353,000
1	120,001	125,000	125,000
1	130,001	135,000	131,000
1	140,001	145,000	141,500
3	145,001	150,000	450,000
1	155,001	160,000	160,000
1	160,001	165,000	164,000
2	165,001	170,000	340,000
1	170,001	175,000	175,000



## PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS AS AT JUNE 30, 2013

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
1	190,001	195,000	195,000
2	195,001	200,000	400,000
1	200,001	205,000	205,000
1	250,001	255,000	253,000
4	295,001	300,000	1,195,500
1	325,001	330,000	325,500
2	350,001	355,000	706,623
1	405,001	410,000	408,500
1	450,001	455,000	453,247
1	480,001	485,000	485,000
1	495,001	500,000	500,000
1	595,001	600,000	600,000
1	695,001	700,000	695,500
1	845,001	850,000	850,000
1	1,070,001	1,075,000	1,075,000
1	1,120,001	1,125,000	1,124,800
1	1,870,001	1,875,000	1,875,000
1	1,995,001	2,000,000	2,000,000
1	2,210,001	2,215,000	2,211,000
1	4,125,001	4,130,000	4,129,000
1	5,320,001	5,325,000	5,322,300
2	5,640,001	5,645,000	11,289,000
1	6,415,001	6,420,000	6,419,000
1	7,435,001	7,440,000	7,439,800
1	8,725,001	8,730,000	8,725,250
1	10,770,001	10,775,000	10,773,700
1	11,000,001	11,005,000	11,001,250
<b>4,171</b>			<b>102,000,000</b>

## CATEGORIES OF SHAREHOLDERS

REQUIRED UNDER CODE OF CORPORATE GOVERNANCE AS ON JUNE 30, 2013

<b>Categories of shareholders</b>	<b>Number of Shareholders</b>	<b>Shares Held</b>	<b>Percentage</b>
Directors, Chief Executive Officer, and their spouses and minor children	8	28,420,750	27.860
Associated Companies, undertakings and related parties (Parent Company)	6	28,272,604	27.720
General Public	4122	43,364,561	42.51
Joint Stock Companies	31	1,819,570	1.780
Executives	2	42,500	0.040
Others	2	80,015	0.080
<b>Total</b>	<b>4,171</b>	<b>102,000,000</b>	<b>100%</b>

## CATEGORIES OF SHAREHOLDERS

REQUIRED UNDER CODE OF CORPORATE GOVERNANCE AS ON JUNE 30, 2013

S. No.	Name	No. of Shares Held	Percentage
<b>Directors and their Spouse and Minor Children</b>			
1	MR. A. RAZZAK DAWOOD	11,001,250	10.7855
	MR. A. RAZZAK DAWOOD (CDC)	2,000,000	1.9608
2	MR. TAIMUR DAWOOD	5,644,500	5.5338
3	MR. FAISAL DAWOOD	5,644,500	5.5338
4	CH. MUHAMMAD SADIQ	500	0.0005
5	MR. FAROOQ NAZIR (CDC)	500	0.0005
6	SYED ZAMANAT ABBAS	500	0.0005
7	MRS. BILQUEES DAWOOD W/O A. RAZZAK DAWOOD	4,129,000	4.048
		<b>28,420,750</b>	<b>27.8635</b>

### Associated Companies

1	DESCON CHEMICAL LIMITED	10,773,700	10.5625
2	DESCON CORPORATION (PVT.) LIMITED	8,725,250	8.5542
3	DESCON HOLDING (PVT.) LIMITED	1,124,800	1.1027
4	DESCON ENGINEERING LIMITED	7,439,800	7.2939
5	INTERWORLD TRAVELS (PVT) LIMITED	92,054	0.0902
6	INSPECTEST (PVT) LIMITED	117,000	0.1147
		<b>28,272,604</b>	<b>27.7182</b>

### Shareholders holding five percent or more voting interest in the listed company

1	MR. A. RAZZAK DAWOOD	13,001,250	12.7463
2	DESCON CHEMICAL LIMITED	10,773,700	10.5625
3	MR. TAIMUR DAWOOD	5,644,500	5.5338
4	MR. FAISAL DAWOOD	5,644,500	5.5338
5	DESCON CORPORATION (PVT.) LIMITED	8,725,250	8.5542
6	DESCON ENGINEERING LIMITED	7,439,800	7.2939
7	MST. MEHREEN DAWOOD	5,322,300	5.2179
8	MR. SHAHID MALIK (CDC)	6,419,000	6.2931
		<b>62,970,300</b>	<b>61.7356</b>

**During the financial year the trading in shares of the company by the Directors, CEO, CFO, Company Secretary and their spouses and minor children is as follows:**

S. No.	Name	Sale	Purchase
1	MR. A. RAZZAK DAWOOD	0	2,220,000

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 9th Annual General Meeting of Descon Oxychem Limited will be held on Wednesday, October 30, 2013 at 10.00 am, at Descon Headquarters, 18-Km Ferozpur Road, Lahore, to transact the following business:

### ORDINARY BUSINESS

1. To confirm minutes of the last Annual General Meeting of the Company held on October 22, 2012.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2013 together with the reports of Directors' and Auditors' thereon.
3. To appoint Auditors and fix their remuneration for the year ending June 30, 2014. (The present auditors M/s. A.F. Ferguson & Co., Chartered Accountants, retire and have offered themselves for re-appointment.)
4. To consider and approve the transmission of quarterly accounts of the Company through website.
5. To transact any other business with the permission of the Chair.

By Order of the Board



**(ABDUL SOHAIL)**

Company Secretary

Lahore  
October 08, 2013

### Notes:

1. The share transfer books of the Company shall remain closed from 21-10-2013 to 30-10-2013 (both days inclusive).
2. Member are requested to attend in person along with Computerized National Identity Card ("CNIC") or appoint some other member as proxy and send their proxy duly witnessed so as to reach the registered office of the Company not later than 48 hours before the time of holding the meeting.
3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his / her original CNIC or passport, Account and participant's I.D. Numbers to prove his / her identity, and in case of proxy it must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
4. Shareholders are requested to immediately notify change in address, if any, to the Company's Share Registrar, M/s. Corplink (Private) Limited, Wings Arcade, 1-K, Commercial, Model Town, Lahore and also furnish attested photocopy of their CNIC as per Listing Regulations, if not provided earlier.



## FORM OF PROXY

DESCON 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 Ninth Annual General Meeting of the Company to be held at Descon Headquarters, 18KM, Ferozepur Road, Lahore on Wednesday, October 30, 2013 at 10:00 hours and at any adjournment thereof.

As witness my / our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2013

Signed by the said \_\_\_\_\_ in the presence of

\_\_\_\_\_

\_\_\_\_\_  
(Member's Signature)

Place \_\_\_\_\_

Date \_\_\_\_\_

\_\_\_\_\_  
(Witness's Signature)

### Affix Rs. 5/-

Revenue Stamp which must be cancelled either by signature over it or by some other means









[www.descon.com](http://www.descon.com)

IF UNDELIVERED PLEASE RETURN TO  
**DESCON OXYCHEM LIMITED**

**LAHORE**

DESCON HEADQUARTERS,  
18 KM FEROZEPUR ROAD,  
LAHORE, PAKISTAN.

T : +92 42 3 5923721-7

F : +92 42 3 5923732

E : [info@desconchemicals.com](mailto:info@desconchemicals.com)

W: [www.desconchemicals.com](http://www.desconchemicals.com)



**ECO FRIENDLY**  
SOLUTIONS