Descon Oxychem Limited
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Lahore - 54760, Pakistan
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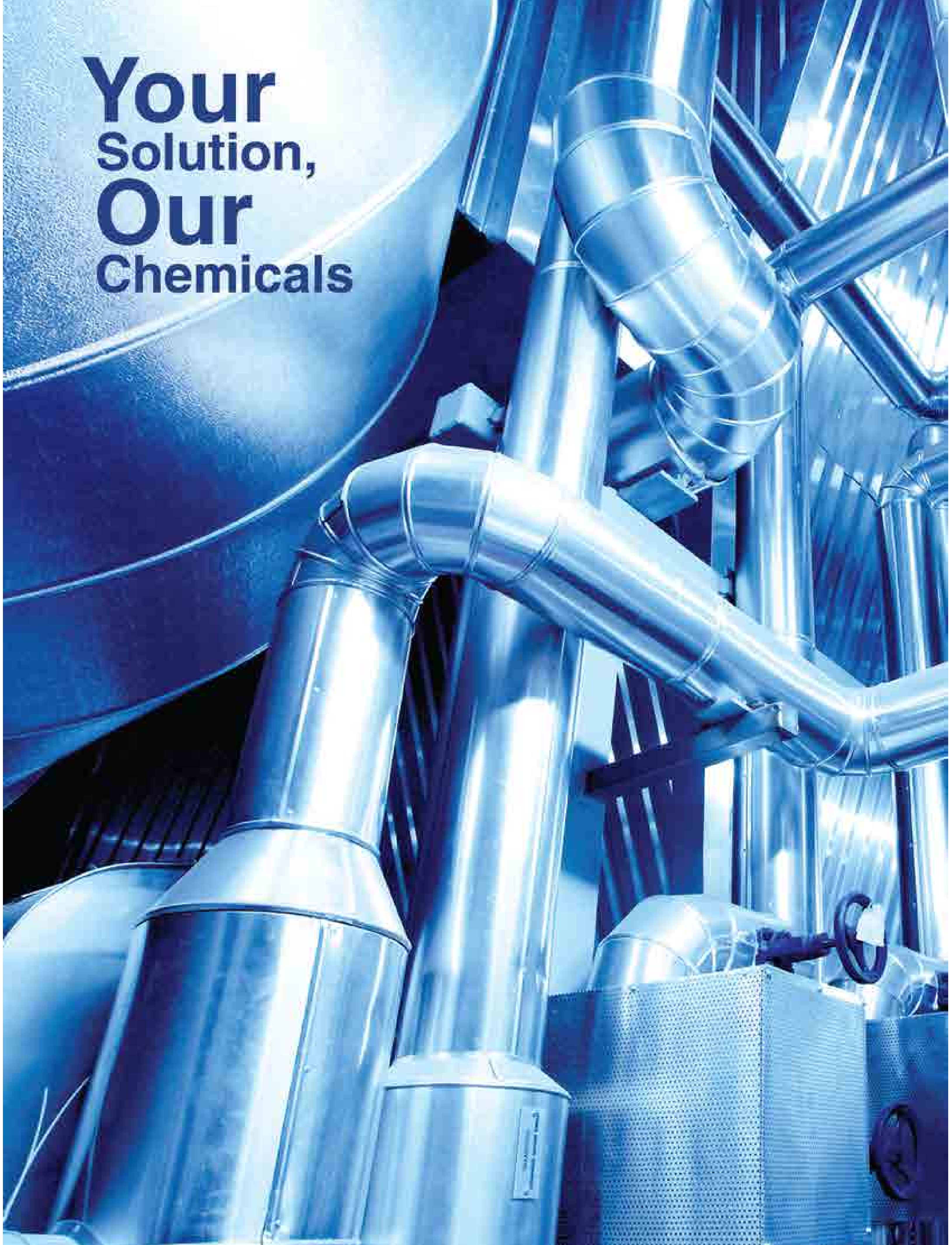
Descon Oxychem Limited | Report and Accounts 2016-17

PARTNERS IN PROGRESS

leading

2016-17

Descon Oxychem Limited
Report and Accounts



Vision

Our vision is to be the leading Pakistan supplier of oxidative solutions based on hydrogen peroxide, complemented by related technologies to the textile, food safety, environmental and other industrial markets. At Descon Oxychem, we are committed to conducting our business honestly and ethically, complying with all applicable laws – this is our commitment to integrity. Our values exemplify our dedication to high standards of corporate responsibility towards all our stakeholders.

Mission

The mission is underpinned by four principles including safety, innovation, sustainability and customer focus.Our world class safety record is a deep part of our company's heritage, and an incident-free workplace is our first priority and foremost goal. We pride ourselves on quality products and innovative applications that are developed as a result of ingenuity and technical expertise. Industry demands constantly evolve, and we keep pace with this evolution.As an industry leader with an international footprint, we know that progress happens with hard work, a commitment to success and most of all, sustainable practices. The strength and value of our business lies in our people and their commitment to working with customers to provide solutions, technology expertise and unwavering commitment towards all customers' needs.

Our Values

- Continuous Improvement
- Leadership
- Accountability & Ownership
- Teamwork
- Open Communication
- Safety

Contents

Company Information

Board of Directors

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

Muhammad Saqib Abbas
Chief Financial Officer

Abdul Sohail
Company Secretary

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

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

Legal Advisors
M/s Hassan & Hassan Advocates

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

Share Registrar
M/s Corplink (Pvt.) Limited
Wings Arcade, 1-K Commercial Area,
Model Town, Lahore - 53000
Tel: +92 42 35887262, 35839182
Fax: +92 42 35869037

Registered Office
Descon Headquarters
18-KM Ferozepur Road
Lahore - 53000 Pakistan.
Tel: +92 42 35923721-9

Plant Site
18-KM Lahore - Sheikhupura Road,
Lahore, Pakistan.
Tel: +92 42 3797 1821-24
Fax: +92 42 3797 1831

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

Board and Management Committees

Audit Committee

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

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

Farooq Nazir	Chairman
Taimur Dawood	Member
Ali Asrar Hossain Aga	Member

Human Resource & Remuneration Committee

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

Taimur Dawood	Chairman
Farooq Nazir	Member
Aamir Niazi	Member

Enterprise Risk Management Committee

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

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

Compliance Committee

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

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

PRINCIPAL MARKETS & APPLICATION AREAS

MINING

Descon's DOLOX 50 brand is the leadership brand for Pakistan's mining industry. It is extensively used by its customers as an oxidant, such as leaching, concentrate preparation and effluent treatment. This application is known as Peroxide Assisted Leach and effluent treatment. The treatment of dissolved oxygen is a crucial factor for overall leaching efficiency. HP ensures that the necessary dissolved oxygen concentration is in the system, leading to significant increases in bleaching efficiency. Downstream, HP is often used for the removal of cyanide oxidation in a single step, without the formation of toxic intermediates.

TEXTILES

The company's TEXTOX 50 is the flagship brand, which is most extensively used by the textile market for bleaching of natural and animal fibers derived from cellulose such as cotton, linen and bast fibers. The textile fibers are used as lose stock, yarn or knitted woven fabrics. This product has inherent design strengths and the right chemistry to be used in a wide range of processing technologies. These include Rier, Winch, Jig, J-Box and Steamer with and without storage. The oxidizing bleaching agents, where HP provides a high bleaching impact at extremely competitive cost, especially if modern short-term bleaching are used. Textiles are Pakistan's largest exports, which exceeded US$ 12.5 billion in FY17.

FOOD & BEVERAGES

Descon's ASEPTOX 35 is one of the top brands used by the food and beverage customers. HP is used in beverages, milk, dairy products, sauces and soups. These products are packaged aseptically in cartons, tubes, bottles and foils. These storage-stable products maintain the required shelf-life and high product quality standards. To create a sterile environment in aseptic packing units, several treatment approaches for materials sterilization and internal machine surfaces are used.

Director's Report to the Shareholders
for the year ended June 30, 2017

The Directors of the Company are pleased to present the Annual Report along with the Audited Financial Statements for the year ended June 30, 2017.

Economic & Industrial Review

Pakistan continues to have important strategic endowments and development potential. The country has made significant meaningful progress in regaining macroeconomic stability over the last three years, and fiscal deficit has shrunk from 8% to below 5%. Real GDP growth rate has improved to 5.3% in FY17.

Business Results

Moving to business results, your company continued to build on the strong turnaround fundamentals. The summarized financial performance appears below.

	2017 (Rs '000')	2016 (Rs '000')
Sales	**1,961,005**	1,581,547
Gross profit	**506,622**	343,334
Operating profit	**345,273**	210,240
Finance cost	**(11,739)**	(76,564)
Profit before tax	**333,534**	133,676
Profit after tax	**204,925**	44,989
Earnings per share	**2.01**	0.44

Your company boldly accelerated its strategic transformation in 2017. The management team took decisive actions to cement Descon's position for long-term value and success. Delivered milestones include sustaining a high level of profitable growth, process safety, substantially improved operating reliability, lowering our cost position and taking market leadership in all geographies. Customer-centricity remained at the heart of business strategy, enabling the company to build advantaged position in its market, giving our customers a competitive edge.

The business earned the highest profit after tax during the year since its incorporation in 2008. Gross profits improved to Rs. 506 million (M), compared to Rs. 343M in the corresponding period last year, a growth of 48%. Further, the gross profit percentage increased from 22% to 26%, compared to the same period last year. Increase in gross profit is a result of major changes in the market geographies, migrating sales to areas with superior profitability, improved manufacturing productivity, and continuous power supplies at effective rates. Rigorous controls and reduction in manufacturing cost also directly contributed to margin improvement. Financial cost was brought down materially, driven by the conversion of sponsor's loan into preference share capital, repayment of long term loans, decrease in discount rates and effective working capital management. Your Company has retired all its remaining long-term loans during the year. These factors enabled your company to generate a profit after tax of Rs. 204.9M, compared with a profit after tax of Rs.44.9M in the corresponding period last year, an improvement of Rs. 160M or 356%.

Descon's business diversification strategy is one of the underlying strengths that has directly contributed to your company's outstanding results. Textiles remain as an important market. However, the business has significantly improved its revenue, margin and profit contributions from the mining market, which has emerged as the highest growth segment for Hydrogen Peroxide applications in Pakistan. Descon's products are the leadership brands in these two largest market segments. In addition, the business has materially grown its market share in beverages, where Pakistan is one of the top ten growth markets globally. The forward years will see this strategy further reinforced through thoughtful commercial innovations.

Safety & Manufacturing

The company continued to improve its execution and efficiency to drive future value creation. This remained affirmed throughout the year in the form of reliable business operations. It was underpinned by major investments in training, process safety, product quality and environmentally responsible operations.

Health, safety, and security of our employees, the communities in which we operate and our contractors have a principal focus at Descon. It is an integral part of your company's core values. The safety results of the business have sustained from the onset. At the close of FY17, the business had operated nine consecutive years without a single lost time injury (LTI), achieving 4.93 million man-hours without a lost time incident. Total reportable injuries rate (TRIR) dropped down to zero in FY17, compared with 0.62 in the previous year. Full compliance with the risk based health surveillance plan resulted in the year being completed without a reportable occupational illness.

Your company remained fully compliant with all global accreditation requirements for ISO 9001, OHSAS 18001 and ISO 14001. The business consistently complied with national liquid and gaseous emissions standards

Cash Flow Management

The business managed its working capital effectively, regularly monitoring it through rolling forecasts. Cash and other liquid assets were proactively managed to achieve optimum working capital. Consequently, the working capital requirements were met with internally generated cash. Net increase in working capital of PKR 43.9M during the year is primarily due to an increase in sales tax refundable by PKR 52M. The business has been actively following up its refund claims, and it is expected that it will make significant recovery during FY18.

Outlook for the year ahead

Geopolitical uncertainties persist and the market outlook for 2018 remains challenging. It is important to note that when your company identifies a market opportunity, by industry, product line or geography, we commits for the long-term. The challenges and uncertainties of previous years did not deter Descon from continuing and delivering the strategic transformation or from implementing a completely restructured business strategy.
Your company continues to invest in those areas which reinforce its advantaged positions in safety, profitability, manufacturing reliability, and building market leadership positions in all geographies. Business portfolio diversifications will remain an overarching aim.
Descon will continue to aggressively diversify its business portfolio, including mining, beverages, food and high growth markets.
The marketplace is demanding, but at the same time rich with promise and opportunity. The company has a diverse product portfolio which meets the best international design and quality standards for the textile, mining and the beverage markets. These products and services create superior value for our customers, shareholders and employees.

Best Corporate Practices

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

Composition of the Board of Directors

Keeping in mind the legal and regulatory framework defining the factors regarding qualification and composition of the Board of Directors, the Company has on its Board highly capable and dedicated personnel with vast experience, knowledge, integrity, and strong sense of responsibility for safeguarding of shareholders' interest. The Board consists of 8 Directors including the Chief Executive Officer, effectively representing the interest of shareholders. There are five (5) non-executive Directors, one (1) executive Director i.e. the CEO and two (2) independent Directors.

Meetings of the Board

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

Name of Director	Remarks	Attended Remarks
Abdul Razak Dawood	4	Leave of absence was granted in one meeting
Asif Qadir	3	Leaves of absence were granted in two meetings.
Taimur Dawood	5	--
Farooq Nazir	5	--
Ahmed Razi Ghazali	--	Leaves of absences were granted in two meetings and eventually he retired on 28-02-2017.
Mrs. Mehreen Dawood	2	Elected in place of Mr. Ghazali on 28-02-2017 in EOGM
Faisal Dawood	2	Leaves of absence were granted in three meetings.
Ali Asrar Hossain Aga	5	--
Aamir Niazi	5	--

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

Changes to the Board

During the year, only one change has been made in the board. Mrs. Mahreen Dawood has been elected as new director in place of retiring director, Mr. Ahmed Razi Ghazali. All the other remaining directors have been retired and re-elected in Extra-ordinary general meeting held on 28 February, 2017 for the term of next 3 years ending on 28 February 2020.

Directors' Statement

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

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

ii) Books of Accounts
The Company has maintained proper books of accounts.

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

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

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

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

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

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

ix) Trading Company's Shares
Ali Asrar Hossain Aga purchased 500 ordinary shares of the Company.

x) Outstanding Statutory Dues
There are no outstanding statutory dues.

xi) Dividends
The Company have declare to pay, with the approval of Shareholder, annual cumulative cash dividends @ 12% (Rs. 1.20 per preference share) to the preference shareholders out of the profits of the Company for the year ended on June 30th 2017.

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, 2018.

xv) 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

xvi)

Name of Director	**Designation**
Farooq Nazir	Chairman
Taimur Dawood	Member
Ali Asrar Hossain Aga	Member

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

Acknowledgements

The business and its results would not exist without its dedicated employees, and their commitment. We would like to thank them for their contributions and accomplishments in the past year. Similarly, the ongoing support of customers and partners makes all the company's achievements possible.

Finally, the continued trust that you, the shareholders, have conferred on the company is the foundation upon which this enterprise has been built and we look forward to a bright and a promising future.

For and on behalf of the Board

Lahore
August 30, 2017

Aamir Niazi Chief Executive Officer

ترجیح میں شامل ہے۔مالی سال 2017ء کے اختتام پر کاروبار نے لگاتار نو سال بغیر کسی جانی نقصان کے مکمل کیے اور 4.93 ملین محفوظ انسانی گھنٹے مکمل کیے ۔گزشتہ سال 0.62 زخمی ہونے کے واقعات رپورٹ کئے گئے جبکہ رواں سال 2017ء کے دوران یہ شرح نہ ہونے کے برابر تھی۔خطرے کی بنیاد پر صحت کی نگرانی و بحالی کے منصوبہ جات کی وجہ سے سارے سال کوئی بیماری کی درخواست تک موصول نہیں ہوئی اور سب لوگ اپنے اپنے کام خوشی سے سرانجام دیتے رہے ہیں۔مینوفیکچرنگ کی لاگت میں کمی اور سخت کنٹرول کی پالیسی کے باعث شاندار بہتری ہوئی۔ کمپنی ISO 9001, OHSAS 18001 اور ISOI 4001 کیلئے ہر لحاظ سے عالمی معیارات کے مطابق الحاق شدہ ہے۔ کاروبار قومی سطح کے تمام تر معیارات پر پورا اُترتا ہے۔

رقم کی مینجمنٹ

کمپنی نے باقاعدہ مانیٹرنگ کے طریقہ کار کو آزماتے ہوئے متوقع مسائل کے قبل از وقت ادراک کے ذریعے کمپنی کے کل مالیاتی حجم کو مئوثر طریقہ سے منظّم کیا۔زیادہ سے زیادہ مالیاتی حجم کے حصول کیلئے نقدی اور دیگر وسائل کو دانش مندی کیساتھ منظّم رکھا گیا اور اس کا نتیجہ یہ نکلا کہ ادارہ جاتی سطح پر پیدا ہونے والے سرمایہ سے ہی کمپنی کے مالیاتی حجم کے اہداف حاصل کر لئے گئے۔۔کمپنی اپنی قابل ادا کلیم کو پورا کرتی ہے اور یہ توقع کی جارہی ہے کہ مالی سال 2018ء کے دوران شاندار ریکوری عمل میں لائی جائیگی۔

نئے سال کے عزائم

سیاسی حالات میں تبدیلی اور مارکیٹ کے رجحانات کو دیکھتے ہوئے یہ کہنا بے جا نہ ہوگا کہ کمپنی کو 2018ء میں چیلنجز کا سامنا رہے گا۔یہاں یہ بات قابل غور ہے کہ کمپنی کو صنعت اور جغرافیہ کے حساب سے مارکیٹ میں موجود مواقعوں کا ادراک کرتے ہوئے طویل المیعاد منصوبہ جات تشکیل دینے چاہئیں۔گزشتہ سالوں کی غیر یقینی صورتحال اور اس سے اُبھرنے والے چیلنجز کا مقابلہ کرنے کیلئے ہمیں کاروباری لائحہ عمل میں مکمل تبدیلی لانا ہوگی اور محفوظ و مئوثر پیداواری شعبہ جات میں سرمایہ کاری کے ذریعے اپنی ساکھ اور کاروبار کو بڑھانا ہوگا۔کمپنی شاندار پورٹ فولیو رکھتی ہے اور ٹیکسٹائل، مائننگ کے علاوہ بیورجز کی مارکیٹ میں بھی بین الاقوامی معیار یافتہ مصنوعات تیار کرنے کا بھرتجربہ کی حامل ہے اور یہی خصوصیات ہمارے شیئر ہولڈرز، ملازمین اور صارفین کو ممتاز حیثیت بخشتی ہیں۔

اعترافات

بلاشبہ کاروبار کے یہ شاندار نتائج ہمارے ملازمین کی محنت اور لگن کا منہ بولتا ثبوت ہیں۔ہم اپنے ملازمین کے تہہ دل سے مشکور ہیں کہ انہوں نے گزشتہ سال پوری دیانتداری سے کام کیا۔اسی طرح ہم اپنے معزز صارفین کے بھی شکرگزار ہیں کہ انہوں نے معیار پر سمجھوتا نہ کرتے ہوئے ہماری مصنوعات کو ترجیح دی۔مختصر یہ کہ کمپنی اپنے تمام کرم فرماؤں کی شکر گزار ہے اور وعدہ کرتی ہے کہ آئندہ بھی اسی لگن اور محنت سے اپنی خدمات بہم پہنچاتی رہے گی۔

برائے اور منجانب بورڈ آف ڈائریکٹرز

عامر نیازی چیف ایگزیکٹو آفیسر
۳۰۔اگست ۲۰۱۷

ڈائریکٹرز کی رپورٹ

کمپنی ڈائریکٹرز کی جانب سے مالی سال 30 جون 2017ء کے اختتام پر آڈٹ شدہ مالیاتی نتائج اور سالانہ رپورٹ پیش کی جاتی ہیں۔

معاشی و صنعتی جائزہ

پاکستان میں وہ تمام تر وسائل موجود ہیں جنہیں ایک مربوط لائحہ عمل کے تحت بروئے کار لاتے ہوئے ہم ترقی یافتہ ممالک کی صف میں کھڑے ہو سکتے ہیں۔ گزشتہ تین سالوں کے دوران ملک نے اقتصادی بحالی میں قابل ذکر کامیابیاں حاصل کی ہیں جس کے نتیجے میں مالیاتی خسارہ کو 8 فیصد سے 5 فیصد تک لایا گیا اور مالی سال 2017ء میں جی ڈی پی کی شرح 5.3 فیصد تک بڑھی۔

کاروباری نتائج

کمپنی نے بنیادی اصولوں کی پیروی کرتے ہوئے شاندار کاروباری نتائج حاصل کئے جس کا مالیاتی خلاصہ حسب ذیل ہے۔

	2016 (Rs. "000")	2017 (Rs."000")
سیلز	1,581,547	1,961,005
مجموعی منافع	343,334	506,622
آپریٹنگ منافع	210,240	345,273
مالیاتی لاگت	(76,564)	(11,739)
ٹیکس سے پہلے منافع	133,676	333,534
ٹیکس کے بعد منافع	44,989	204,924
فی شیئر کمائی	.44	2.01

کمپنی نے 2017ء کے دوران تبدیلی کی حکمت عملی پر تیزی سے عمل درآمد یقینی بنایا۔ بورڈ آف ڈائریکٹرز اور انتظامی ٹیموں نے ٹھوس فیصلے کئے جس سے ڈیسکون کی پائیداری میں اضافہ ہوا۔ کمپنی نے حکمت عملی پر توجہ، تحفظ اور اعتماد کی بحالی، لاگت میں کمی، منافع میں اضافہ اور مارکیٹ میں اپنی حیثیت کو مستحکم بناتے ہوئے ایسی حکمت عملی کو اپنایا گیا جس سے صارفین کو براہ راست فائدہ پہنچ سکے اور اس سے مارکیٹ میں کمپنی کی پوزیشن مزید مستحکم ہوئی۔ اس بات میں کوئی شک نہیں ہے کہ تسلسل اور جدت ہمیشہ سے ڈیسکون کی کامیابی کی کنجی رہی ہے۔

کمپنی کے معرض وجود میں آنے سے اب تک ٹیکس کی کٹوتی کے بعد سب سے زیادہ منافع امسال کمایا گیا۔ کل منافع جات 343 ملین سے 506 ملین تک پہنچ گئے جس کا مطلب 48 فیصد تک بہتری ہے۔ مزید برآں پچھلے سال کی نسبت اس سال منافع کی شرح 22 فیصد سے 26 فیصد تک پہنچ گئی۔ منافع کی اس شرح میں اضافے کی وجوہات میں مارکیٹ جیوگرافی میں تبدیلی، علاقائی سیلز میں بہتری، مینوفیکچرنگ میں بہتری اور مئوثر قیمت پر پاور سپلائی کی فراہمی شامل ہیں۔ مالیاتی لاگت کو سپانسر لون کی پریفرنس شیئر کیپٹل میں تبدیلی، طویل مدت قرضہ جات کی واپسی، رعایتی نرخوں میں کمی اور مئوثر حکمت عملی کی وجہ سے بتدریج کم کیا گیا۔ کمپنی اس وقت قرضہ سے مستثنیٰ ہے اور اس سال کے دوران تمام قسم کے قرضہ جات کی ادائیگی کی جا چکی ہے۔ کمپنی نے ٹیکس کی ادائیگی کے بعد 204.9 ملین روپے کمائے جبکہ گزشتہ سال ٹیکس کی ادائیگی کے بعد کمائے جانے والی رقم مبلغ 44.9 ملین تھی اور اس طرح کمپنی نے کل مبلغ 160 ملین یا 356 فیصد اضافی رقم کمائی ہے

تحفظ اور تیاری:

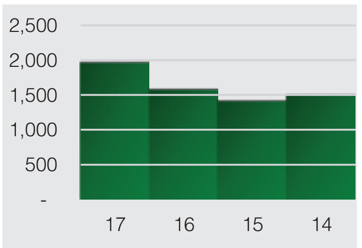
کمپنی اپنی کارکردگی میں روز افزوں بہتری لا رہی ہے۔ جس کی تصدیق گزشتہ سال کے دوران کاروباری امور کی تسلی بخش انجام دہی سے کی جا سکتی ہے۔ یہ کامیابی تربیت، تحفظ، مصنوعات کے معیار اور سازگار ماحول کی فراہمی کیلئے اُٹھائے جانے والے گراں قدر اقدامات کی بدولت ممکن ہوئی۔ ملازمین اور کنٹریکٹرز کی صحت اور تحفظ کا خیال کمپنی کی اولین

Key Operating and Financial Data

	2017	2016	2015	2014	2013	2012
	---(Rs '000')---					
Summary of Profit and Loss						
Sales	**1,961,005**	1,581,547	1,409,082	1,498,547	1,369,547	1,192,439
Cost of Goods Sold	**(1,454,383)**	(1,238,213)	(1,140,866)	(1,199,098)	(1,085,260)	(951,797)
Gross Profit	**506,622**	343,334	268,216	299,449	284,287	240,642
Operating profit	**345,273**	210,240	132,257	177,208	209,610	170,316
Finance Cost	**(11,739)**	(76,564)	(212,188)	(225,340)	(255,528)	(337,853)
Profit / (loss) before tax	**333,534**	133,676	(79,931)	(48,132)	(45,918)	(167,537)
Profit / (loss) after tax	**204,925**	44,989	(118,849)	(61,291)	(51,226)	(125,936)
EBITDA	**528,810**	381,911	298,563	353,387	387,807	348,575
Financial Position						
Share Capital - Ordinary	**1,020,000**	1,020,000	1,020,000	1,020,000	1,020,000	1,020,000
Share Capital - Preference	**1,100,000**	1,100,000	-	-	-	-
Reserves including unappropriated profit	**(402,551)**	(607,476)	(642,587)	(523,018)	(462,275)	(407,942)
Long term borrowings	**-**	111,822	1,455,350	1,658,785	1,745,617	1,762,774
Property, plant and equipment	**1,518,988**	1,655,483	1,771,052	1,900,009	2,038,649	2,207,731
Net Current Assets	**92,560**	(211,114)	241,023	279,990	178,441	(41,234)
Investor Information						
Gross profit margin (%)	**25.83**	21.71	19.03	19.98	20.76	20.18
EBITDA margin to sales (%)	**26.97**	24.15	21.19	23.58	28.32	29.23
Pre tax margin (%)	**17.01**	8.45	(5.67)	(3.21)	(3.35)	(14.05)
Net profit margin (%)	**10.45**	2.84	(8.43)	(4.09)	(3.74)	(10.56)
Return on equity (%)	**11.93**	2.97	(31.49)	(12.33)	(9.18)	(20.58)
Return on capital employed (%)	**20.10**	12.94	5.86	7.25	8.46	6.84
Current Ratio	**1.21**	0.77	1.61	2.26	1.41	0.93
Quick Ratio	**1.10**	0.74	1.35	1.94	1.27	0.82
Debtors turnover (days)	**13**	12	23	20	31	15
Inventory turnover (days)	**12**	10	33	21	23	27
Creditors turnover (days)	**53**	48	52	34	46	42
Operating cycle (no. of days)	**(28)**	(26)	4	7	8	0
Debt: Equity (Ratio)	**0.100**	7:93	83:17	80:20	78:22	75:25
Interest cover (Times)	**29.41**	2.75	0.62	0.79	0.82	0.50
Earnings / (loss) per share (pre tax) (Rupees)	**3.27**	1.31	(0.78)	(0.47)	(0.45)	(1.64)
Earnings / (loss) per share (after tax) (Rupees) - Basic	**2.01**	0.44	(1.17)	(0.60)	(0.50)	(1.23)
Earnings / (loss) per share (after tax) (Rupees) - Dilluted	**0.97**	0.21	(1.17)	(0.60)	(0.50)	(1.23)
Share Price	**18.35**	6.03	4.72	5.98	5.49	3.88
Price Earnings Ratio	**9.13**	13.67	(4.05)	(9.95)	(10.93)	(3.14)
Breakup Value Per Share (Rupees)	**6.05**	4.04	3.70	4.87	5.47	6.00
Hydrogen Peroxide Production (MTs)	**34,697**	32,234	32,098	32,506	26,394	27,890
Hydrogen Peroxide Sales (MTs)	**34,295**	33,841	31,785	32,131	29,626	28,289

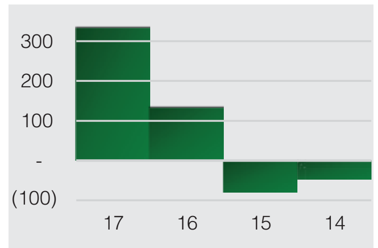
Financial Highlights

Sales (million)



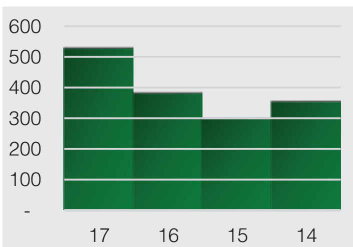
2017 - 1,961
2016 - 1,582
2015 - 1,409
2014 - 1,499

Profit / (loss) before tax
(million)



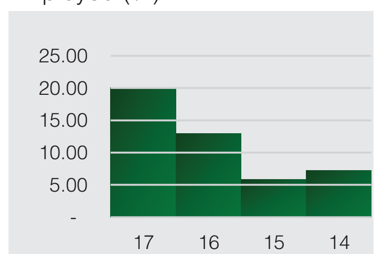
2017 - 334
2016 - 134
2015 - (80)
2014 - (48)

EBITDA (million)



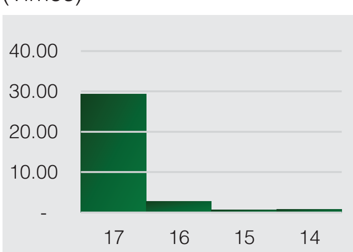
2017 - 529
2016 - 382
2015 - 299
2014 - 353

Return on Capital
Employed (%)



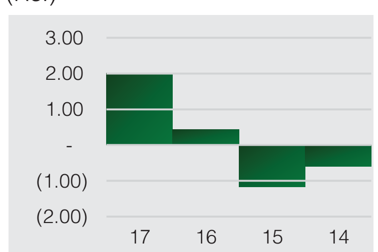
2017 - 20.10
2016 - 12.94
2015 - 5.86
2014 - 7.25

Interest Coverage Ratio
(Times)



2017 - 29.41
2016 - 2.75
2015 - 0.62
2014 - 0.79

Earnings / (loss) per share
(Rs.)



2017 - 2.01
2016 - 0.44
2015 - (1.17)
2014 - (0.60)

Statement of compliance with the code of corporate governance [Under clause 5.19.24]

This statement is being presented to comply with the Code of Corporate Governance (the "CCG") contained in Regulation No.5.19 of listing regulations of Pakistan Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	**Names**
Executive Directors	Mr. Aamir Niazi, CEO
Non-Executive Directors	Mr. Abdul Razak Dawood Mr. Farooq Nazir Mr. Taimur Dawood Mr. Faisal Dawood Mrs. Mehreen Dawood
Independent Directors	Mr. Asif Qadir Mr. Ali Asrar Hossain Aga

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

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

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

4. No casual vacancy occurred during the year during the year ended June 30, 2017.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

23. We confirm that all other material principles enshrined in the CCG have been complied with except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

For and on behalf of the Board

Lahore
August 30, 2017

Aamir Niazi Chief Executive Officer

A·F·FERGUSON&CO.

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 to comply with the Listing Regulation No. 5.19 of the Pakistan 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

The Code 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, 2017.

Lahore
August 30, 2017

Chartered Accountants
Name of engagement partner: **Amer Raza Mir**

A·F·FERGUSON&CO.

Auditor's Report to the Members

We have audited the annexed balance sheet of Descon Oxychem Limited ('the Company') as at June 30, 2017 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of 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;

(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, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2017 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

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

Lahore
August 30, 2017

Chartered Accountants
Name of engagement partner: **Amer Raza Mir**

BALANCE SHEET
as at June 30, 2017

	Note	2017 (Rs '000')	2016 (Rs '000')
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
110,000,000 (2016: 110,000,000) ordinary shares of Rs 10 each		**1,100,000**	1,100,000
110,000,000 (2016: 110,000,000) preference shares of Rs 10 each		**1,100,000**	1,100,000
Issued, subscribed and paid up capital			
102,000,000 (2016: 102,000,000) ordinary shares of Rs 10 each	5	**1,020,000**	1,020,000
110,000,000 (2016 : 110,000,000) preference shares of Rs 10 each	6	**1,100,000**	1,100,000
Accumulated loss		**(402,551)**	(607,476)
		1,717,449	1,512,524
NON CURRENT LIABILITIES			
Long term finances			
- secured	7	**-**	111,822
		-	111,822
CURRENT LIABILITIES			
Current portion of non current liabilities			
- secured	7	**-**	224,742
- unsecured	8	**-**	20,000
Finances under mark up arrangement - secured	9	**42,231**	50,000
Trade and other payables	10	**209,488**	163,397
Accrued finance cost	11	**191,203**	464,652
		442,922	922,791
CONTINGENCIES AND COMMITMENTS	12		
		2,160,371	2,547,137

The annexed notes 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

	Note	2017 (Rs '000')	2016 (Rs '000')
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	13	**1,518,988**	1,655,483
Intangible assets	14	**1,813**	3,127
Long term deposits	15	**17,654**	17,654
Deferred taxation	16	**86,434**	159,196
		1,624,889	1,835,460
CURRENT ASSETS			
Stores and spares	17	**203,073**	205,877
Stock in trade	18	**47,803**	32,601
Trade debts	19	**67,322**	53,780
Advances, deposits, prepayments and other receivables	20	**194,518**	149,025
Current income tax recoverable		**1,006**	48,834
Cash and bank balances	21	**21,760**	221,560
		535,482	711,677
		2,160,371	2,547,137

CHIEF EXECUTIVE **DIRECTOR**

Profit and Loss Account
for the Year Ended June 30, 2017

	Note	2017 (Rs '000')	2016 (Rs '000')
Sales	22	**1,961,005**	1,581,547
Cost of goods sold	23	**(1,454,383)**	(1,238,213)
Gross profit		**506,622**	343,334
Administrative expenses	24	**(76,368)**	(66,060)
Distribution and selling costs	25	**(75,868)**	(76,040)
Other income	26	**11,338**	17,713
Other operating expenses	27	**(20,451)**	(8,707)
		(161,349)	(133,094)
Profit from operations		**345,273**	210,240
Finance cost	28	**(11,739)**	(76,564)
Profit before taxation		**333,534**	133,676
Taxation	29	**(128,609)**	(88,687)
Profit for the year		**204,925**	44,989
Earnings per share			
-Basic	30	**2.01**	0.44
-Diluted	30	**0.97**	0.21

The annexed notes 1 to 42 form an integral part ofthese financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Statement of Comprehensive Income
for the Year Ended June 30, 2017

	2017 (Rs '000')	2016 (Rs '000')
Profit for the year	**204,925**	44,989
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on 'Available for sale' investments	**-**	193
Gain during the year transferred to profit and loss on account of derecognition of investment	**-**	(193)
	-	-
Items that will not be reclassified subsequently to profit or loss	**-**	-
Total comprehensive income for the year	**204,925**	44,989

The annexed notes 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Cash Flow Statement
for the Year Ended June 30, 2017

Cash flow from operating activities	Note	**2017 (Rs '000')**	2016 (Rs '000')
Cash generated from operations	31	**504,762**	433,190
Finance cost paid		**(285,188)**	(56,190)
Profit on deposits received		**5,141**	4,094
Taxes paid		**(8,019)**	(15,270)
Net cash generated from operating activities		**216,696**	365,824
Cash flow from investing activities			
Fixed capital expenditure		**(51,846)**	(45,582)
Purchase of intangible assets		**(631)**	-
Proceeds from sale of property, plant and equipment		**314**	915
Proceeds from sale of available for sale investments		**-**	50,193
Investments made		**-**	(50,000)
Net cash used in investing activities		**(52,163)**	(44,474)
Cash flow from financing activities			
Repayment of long term loan		**(356,564)**	(164,265)
Receipt against issue of preference shares		**-**	2,044
Expense for issuance of preference shares		**-**	(9,878)
Long term deposits made		**-**	(1,100)
Net cash used in financing activities		**(356,564)**	(173,199)
Net (decrease) / increase in cash and cash equivalents		**(192,031)**	148,151
Cash and cash equivalents at the beginning of year		**171,560**	23,409
Cash and cash equivalents at the end of year	34	**(20,471)**	171,560

The annexed notes 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Statement Changes in Equity
for the Year Ended June 30, 2017

	Share Capital			
	Ordinary Share Capital	**Preference Share Capital**	**Accumulated Loss**	**Total**
	----(Rs '000')----			
Balance as on June 30, 2015	1,020,000	-	(642,587)	377,413
Profit for the year	-	-	44,989	44,989
Other comprehensive income for the year:				
Fair value gain on 'Available for sale' investments	-	-	-	-
Total comprehensive income for the year	-	-	44,989	44,989
Total contributions by and distributions to owners of the Company recognised directly in equity	-	-	-	-
Issuance of 110,000,000 preference shares	-	1,100,000	-	1,100,000
Expenses related to issuance of preference shares	-	-	(9,878)	(9,878)
	-	1,100,000	(9,878)	1,090,122
Balance as on June 30, 2016	1,020,000	1,100,000	(607,476)	1,512,524
Profit for the year	-	-	204,925	204,925
Other comprehensive income for the year:				
Fair value gain on 'Available for sale' investments	-	-	-	-
Total comprehensive income for the year	-	-	204,925	204,925
Total contributions by and distributions to owners of the Company recognised directly in equity:				
Issuance of 110,000,000 preference shares	-	-	-	-
Expenses related to issuance of preference shares	-	-	-	-
	-	-	-	-
Balance as on June 30, 2017	1,020,000	1,100,000	(402,551)	1,717,449

The annexed notes 1 to 42 form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Notes to and Froming Part of the Financial Statements Continued
for the Year Ended June 30, 2017

1. Legal status and nature of business

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

2. Statement of compliance

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. As per the requirements of circular No. CLD/CCD/PR(11)/2017 dated July 20, 2017 issued by the Securities and Exchange Commission of Pakistan (SECP), companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with provisions of the repealed Companies Ordinance, 1984. Accordingly, 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 of or directives under the Companies Ordinance, 1984 shall prevail.

2.2 Initial application of standards, amendments or an interpretation to existing standards

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

2.2.1 Standards, amendments and interpretations to existing standards effective in current year and applicable / relevant to the Company's operations

- Annual Improvements 2014. The application of these amendments have no material impact on the Company's financial statements. The amendment is effective for annual periods beginning on or after January 01, 2016.

- Amendments to IAS 1, 'Presentation of financial statements' on disclosure initiative. The application of these amendments have no material impact on the Company's financial statements. The amendment is effective for annual periods beginning on or after January 01, 2016.

- Amendments to IAS 16 ‘Property, plant and equipment’ in relation to use of revenue based methods to calculate the depreciation. The application of these amendments have no material impact on the Company's financial statements. The amendment is effective for annual periods beginning on or after January 01, 2016.

- Amendments to IAS 38 ‘Intangible assets’ in relation to use of revenue based methods to calculate the depreciation. The application of these amendments have no material impact on the Company's financial statements. The amendment is effective for annual periods beginning on or after January 01, 2016.

2.2.2 Standards, amendments and interpretations to existing standards effective in current year but not applicable / relevant to the Company's operations

	Effective Date (Annual period beginning on or after)
IAS 27 (Amendment), 'Separate financial statements' on application of equity method in separate financial statements	January 1, 2016
IAS 41 (Amendment), 'Agriculture' on bearer plants	January 1, 2016
IFRS 10, 12 and IAS 28 (Amendment), on exception to consolidation for investment entities	January 1, 2016
IFRS 10 and IAS 28 (Amendment), on sale or contribution of assets between an Investor and its associate or joint venture	January 1, 2016
IFRS 11 (Amendment), 'Joint arrangements' on acquisition of interest in joint operations	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016

2.2.3 'Standards, amendments and interpretations to existing standards that are not yet effective but applicable / relevant to the Company's operations

	Effective Date (Annual period beginning on or after)
'IAS 12, (Amendments), 'Income taxes' on recognition of deferred tax assets for unrealized losses. The application of these amendments have no material impact on the Company's financial statements.	January 1, 2017
'IAS 7 (Amendment), 'Statement of cash flows' disclosure initiative. The application of these amendments have no material impact on the Company's financial statements.	January 1, 2017

2.2.4 'Standards, amendments and interpretations to existing standards that are not yet effective and not applicable / relevant to the Company's operations

	Effective Date (Annual period beginning on or after)
IFRS 12, 'Disclosure of interests in other entities'	January 1, 2017
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts'	January 1, 2018
Amendments to IFRS 15, ‘Revenue from contracts with customers’ on gross versus net revenue presentation	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
IFRS 2 (Amendments), 'Shared-based payment' classification and measurement	January 1, 2018
IFRS 4 (Amendments), 'Insurance contracts'	January 1, 2018
Annual improvements 2016; IFRS 1, ‘First time adoption of International Financial Reporting Standards’. IAS 28, 'Investments in Associates and Joint Ventures'.	January 1, 2018
IAS 40, (Amendments), 'Investment Property'	January 1, 2018
IFRIC 22, 'Foreign Currency Transactions and Advance Considerations'	January 1, 2018
IFRS 17 (Amendments), 'Insurance contracts'	January 1, 2021

Notes to and Froming Part of the Financial Statements Continued
for the Year Ended June 30, 2017

3. Basis of measurement

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

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

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

ii) Provision for taxation - note 29

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

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

4.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost less any identified impairment loss. Property, plant and equipment acquired under finance leases are capitalized at the lease's commencement at the lower of the present value of minimum lease payments under the lease arrangements and the fair value of the leased asset. Subsequently these assets are stated at cost less accumulated depreciation and any identified impairment loss. Cost in relation to certain property, plant and equipment comprises historical cost and borrowing costs referred to in note 4.14.

Depreciation on all property, plant and equipment except land is charged to profit on the straight line basis so as to write off the historical cost of an asset over its estimated useful life at the rates given in note 13.1 without taking into account any residual value, which is 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, 2017 has not required any adjustment as its impact is considered insignificant. The Company has however changed the useful lives of certain items of property, plant and equipment. Please refer to note 4.3.1 for futher details.

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

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

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

Notes to and Froming Part of the Financial Statements Continued
for the Year Ended June 30, 2017

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.
The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense.

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

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

4.3.1 Change in accounting estimate

The company, during the year, has reviewed the useful lives of plant and machinery. As a result, the useful life of certain items of plant and machinery has been revised. Such a change has been accounted for as a change in an accounting estimate in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Had there been no change in the accounting estimate, the profit before tax for the year ended June 30, 2017 would have been increased by Rs 9.7 million and the carrying amount of related assets would have been higher by Rs 9.7 million as at that date. Future profits before tax would decrease by Rs 1.25 million.

4.4 Intangible asset

"Expenditure incurred to acquire intangible assets is stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight line method over its estimated useful lives at the rates given in note 14. Amortization is charged to profit and loss account."

Amortization is charged from the month the asset is acquired or capitalized while no amortization is charged in the month of disposal.

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

4.5 Leases

The Company is the lessee:

4.5.1 Finance leases

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

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

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

4.5.2 Operating leases

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

4.6 Stores and spares

Stores and spares, except for the 'working solution' are valued at lower of moving average cost and net realizable value. Provision in stores and spares is made for slow moving and obsolete items. Items considered as unusable are written off against the provision. Items in transit are valued at cost comprising invoice value plus other directly attributable charges incurred thereon. Working solution is valued at lower of weighted average cost determined on a yearly basis and net realizable value.

4.7 Stock in trade

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

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

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessary to be incurred in order to make a sale. Provision is made in the financial statements for obsolete and slow moving stock-in-trade based on management's estimate. Items considered as unusable are written off against the provision.

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) Financial assets at fair value through profit or loss

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

Notes to and Froming Part of the Financial Statements Continued
for the Year Ended June 30, 2017

b) 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.

c) 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.

d) Held to maturity

Financial assets with fixed or determinable payments and fixed maturity, when management has the intention and ability to hold till maturity are classified as held to maturity and are stated at the amortized cost.

All financial assets are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity investments are carried at amortized cost using the effective interest rate method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss account as part of other income when the Company's right to receive payments is established.

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

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

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

4.8.2 Financial liabilities

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

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

4.8.3 Offsetting of financial assets and liabilities

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

4.9 Trade debts

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

4.10 Cash and cash equivalents

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

4.11 Borrowings

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

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

4.12 Trade and other payables

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

Notes to and Froming Part of the Financial Statements Continued
for the Year Ended June 30, 2017

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

4.13 Foreign currency transactions and translation

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

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

4.14 Borrowing costs

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

4.15 Revenue recognition

Revenue is recognized when risks and rewards associated with the goods are transferred to the customer which generally coincide with dispatch/shipment of goods to customers.

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

4.16 Dividend

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which the dividends are approved.

5. Issued, subscribed and paid up capital

2017	2016		2017	2016
(Number of shares)			(Rs '000')	(Rs '000')
102,000,000	102,000,000	Ordinary shares of Rs 10 each fully paid in cash	1,020,000	1,020,000

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

	2017	2016
	(Number of shares)	
Descon Corporation (Private) Limited	8,725,250	8,725,250
Descon Engineering Limited	7,439,800	7,439,800
Descon Holdings (Private) Limited	1,132,300	1,132,300
Interworld Travels (Private) Limited	92,054	92,054
Inspectest (Private) Limited	117,000	117,000
	17,506,404	17,506,404

5.1 There was no movement in ordinary share capital during the year ended June 30, 2017.

6. Preference shares

During the year ended June 30, 2016, the Company with the approval of Securities and Exchange Commission of Pakistan (SECP), under rule 5 of the Companies Share Capital (Variation in Rights and Privileges) Rules, 2000 offered 110,000,000 preference shares of Rs 10 each to existing members of the Company in equal proportion to their existing shareholding pursuant to section 86(1) of the Companies Ordinance 1984 (the "Ordinance"). The rights so offered were under subscribed by Rs 1,097,956,110, which, based on the decision of the Board of the Company in the meeting dated December 29, 2015 and undertaking of the associated companies, M/s Descon Engineering Limited (DEL) and Presson Descon International (Private) Limited (PDL), was subscribed by DEL and PDL against adjustment of the principal balance of loans provided by them. The allotment of preference shares was done on December 29, 2015

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

6.1 Key Terms of the preference shares

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

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

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

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

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

Notes to and Froming Part of the Financial Statements Continued
for the Year Ended June 30, 2017

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

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

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

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

		2017 (Rs '000')	2016 (Rs '000')
7. Long term finances - secured			
From financial institutions	- note 7.1	**-**	336,564
		-	336,564
Less: Current portion shown under current liabilities		**-**	(224,742)
		-	111,822
7.1 From financial Institutions			
Loan - 1	- note 7.1.1	**-**	244,519
Loan - 2	- note 7.1.2	**-**	92,045
		-	336,564
Less: Current portion shown under current liabilities		**-**	(224,742)
		-	111,822

7.1.1 This loan was 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 was secured by way of hypothecation charge over all present and future fixed assets, wherever situated other than the immovable property and first pari passu mortgage charge over immovable property. As per original agreement, the loan carried markup at six month KIBOR plus 2.75% per annum and was payable semi annually.

The loan was initially repayable in 12 six monthly installments commencing on February 24, 2012. However, the Company made certain early repayments during previous years and in February 2015, the Company signed the "First Supplemental Syndicated Term finance Agreement" with the consortium, through which it fully repaid certain members of the consortium and also reduced the applicable markup rate from six month KIBOR plus 2.75% to six month KIBOR plus 2%. During the year, the company made early repayment of the 3 outstanding installments which were due starting from August 24, 2016 and ending on August 24, 2017. The early repayment of the outstanding installments was completed on November 30, 2016. There was no principal amount of loan outstanding as at June 30, 2017.

The markup charged during the period ranges from Re 0.2203 to Re 0.2290 (2016: Re 0.2874 to Re 0.2290) per diem per thousand.

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

The markup charged during the period ranges from Rs 0.2205 to Re 0.2290 (2016: Re 0.2737 to Re 0.2290) per diem per thousand.

The loan was repaid in full on November 30, 2016.

		2017 (Rs '000')	2016 (Rs '000')
8. Subordinated loans from associated companies - unsecured			
- Interworld Travels (Private) Limited	- note 8.1	**-**	20,000
		-	20,000
Less: Current portion shown under current liabilities		**-**	(20,000)
		-	-

8.1 This loan was extended by Interworld Travels (Private) Limited, an associated Company on June 30, 2010. The principal and markup accrued thereon are repayable after the repayment of 50% of the facility referred to in note 7.1.1 and further subject to compliance with covenants contained in the agreement for loan referred to in note 7.1.1. Mark-up was accruable for the period at six months KIBOR plus 1%. The entire amount of the loan along with the interest has been repaid during the year.

8.2 Effective rate charged during the period was Re 0.1930 (2016: Re 0.2639) per diem per thousand.

		2017 (Rs '000')	2016 (Rs '000')
9. Finances under mark up arrangements - secured			
Short term running finance	- note 9.1	**42,231**	-
Export re-finance		**-**	50,000
		42,231	50,000

9.1 This represents the outstanding against short term running finance of Rs 42.23 Million (2016: Rs nil) from Bank Al-Habib Limited. It carries markup at 3 month KIBOR plus 1% per annum. The mark up charged during the year ranges from Re 0.1929 to Re 0.1951 per diem per thousand on outstanding balance or part thereof. Total facility limit is Rs 200 million (2016: Rs 200 million).

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 and a fourth ranking charge over plant and machinery of the Company for Rs 150 million.

9.2 Of the aggregate facility of Rs 175 million (2016: Rs 175 million) for opening of letter of credit for import of machinery, raw material and stores from Bank Al-Habib Limited, the amount utilized at June 30, 2017 was Rs 88.5 million (2016: Rs 53.110 million).

		2017 (Rs '000')	2016 (Rs '000')
10. Trade and other payables			
Trade creditors	- note 10.1	**84,964**	71,756
Bills payable		**27,297**	1,543
Associated undertakings	- note 10.2	**10,645**	9,199
Advances from customers		**13,168**	19,534
Accrued liabilities		**54,676**	53,457
Worker's profit participation fund		**17,554**	7,036
Other liabilities		**1,184**	872
		209,488	163,397

Notes to and Froming Part of the Financial Statements Continued
for the Year Ended June 30, 2017

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

	2017 (Rs '000')	2016 (Rs '000')
Descon Power Solutions (Private) Limited		
Inspectest (Private) Limited	**-**	9,126
Interworld Travels (Private) Limited	**644**	608
Descon Engineering Services and Technology (Private) Limited	**29**	606
Descon Engineering Limited	**-**	249
	-	87
	673	10,676

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

	2017 (Rs '000')	2016 (Rs '000')
Descon Corporation (Private) Limited	**1,157**	105
Descon Engineering Limited	**8,865**	8,473
Gray Mackenzie Engineering Services LLC	**238**	238
Descon Power Solutions (Private) Limited	**2**	-
Inspectest (Private) Limited	**383**	383
	10,645	9,199

11. Accrued finance cost

	2017 (Rs '000')	2016 (Rs '000')
Long term finances - secured	**-**	9,359
- Financial institutions	**81,149**	187,381
- Associated companies	**109,818**	267,350
Long Term Loans - unsecured	**236**	562
Finances under markup arrangements - secured	**191,203**	464,652

12. Contingencies and commitments

12.1 Contingencies

Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract amount to Rs 48.64 million (2016: Rs. 48.64 million).

Guarantee issued to Pakistan State Oil against the performance of a contract amount to Rs 3.50 million (2016 : nil).

12.2 Commitments

The company has the following commitments in respect of:

i) Letters of credit other than capital expenditure amounting to Rs 85 million (2016: Rs 53.11 million)
ii) Letters of credit of capital expenditure amounting to Rs 3.49 million (2016: nil)
iii) Cumulative dividend on preference shares of Rs 264 million (2016: Rs 132 million).
IV) The amount of future payments under operating leases and the period in which these payments will become due are as follows:

	2017 (Rs '000')	2016 (Rs '000')
Not later than one year	**-**	8,991
Later than one year and not later than five years	**-**	-
Later than five years	**-**	-
	-	8,991

13. Property, plant and equipment

		2017 (Rs '000')	2016 (Rs '000')
Operating assets	- note 13.1	**1,452,260**	1,626,442
Capital work-in-progress	- note 13.2	**400**	7,098
Major spare parts, catalysts and standby equipment [including in transit of Rs 36.3 million (2016: Nil)]		**66,328**	21,943
		1,518,988	1,655,483

13.1 Operating assets

Description	Freehold land	Buildings on freehold land	Plant, machinery and equipment	Plant, machinery and equipment - catalyst	Laboratory equipment	Material handling	Tools and equipment	Computer equipment	Electrical equipment	Office equipment	Furniture and fixture	Vehicles	Total
	(Rs '000')												
Gross Carrying Value Basis													
As at June 30, 2017													
Cost	101,316	296,886	2,341,144	16,035	14,825	3,239	7,846	6,210	1,418	6,044	7,065	7,158	2,809,166
Accumulated Depreciation and impairment	-	(118,268)	(1,193,788)	(12,033)	(7,494)	(1,999)	(2,421)	(4,941)	(518)	(5,333)	(5,187)	(4,924)	(1,356,906)
Net Book Value	101,316	178,618	1,147,356	4,002	7,331	1,240	5,425	1,269	900	711	1,878	2,214	1,452,260
Net Carrying Value Basis													
Year Ended June 30, 2017													
Opening Net Book Value	101,316	191,407	1,302,377	8,088	8,031	1,869	5,067	1,456	784	674	2,272	3,101	1,626,442
Additions	-	2,045	8,869	-	221	-	1,362	695	319	296	252	67	14,126
Disposals / Write offs (NBV)	-	-	(1,638)	-	-	-	(537)	-	-	(14)	-	-	(2,189)
Depreciation Charge	-	(14,834)	(157,725)	(4,086)	(921)	(629)	(467)	(882)	(203)	(245)	(646)	(954)	(181,592)
Impairment Loss	-	-	(4,527)	-	-	-	-	-	-	-	-	-	(4,527)
Closing Net Book Value	101,316	178,618	1,147,356	4,002	7,331	1,240	5,425	1,269	900	711	1,878	2,214	1,452,260
Depreciation Rate % per anum	-	5	6.25 - 33	10 - 50	6	20	6.25 - 10	33	20	20	10	20	

Notes to and Froming Part of the Financial Statements Continued
for the Year Ended June 30, 2017

Description			Plant, machinery and equipment	Plant, machinery and equipment - catalyst	Laboratory equipment	Material handling	Tools and equipment	Computer equipment	Electrical equipment	Office equipment	Furniture and fixture	Vehicles	Total
	(Rs '000')												
Gross Carrying Value Basis													
As at June 30, 2016													
Cost	101,316	294,841	2,334,410	16,035	14,604	3,239	7,204	7,690	1,284	5,630	6,813	8,040	2,801,106
Accumulated Depreciation and impairment	-	(103,434)	(1,032,033)	(7,947)	(6,573)	(1,370)	(2,137)	(6,234)	(500)	(4,956)	(4,541)	(4,939)	(1,174,664)
Net Book Value	101,316	191,407	1,302,377	8,088	8,031	1,869	5,067	1,456	784	674	2,272	3,101	1,626,442
Net Carrying Value Basis													
Year Ended June 30, 2016													
Opening Net Book Value	101,316	205,677	1,411,755	10,097	8,944	2,147	3,682	1,201	10	799	2,891	3,902	1,752,421
Additions	-	462	36,010	3,286	-	315	1,770	931	893	41	57	634	44,399
Disposals / Write offs (NBV)	-	-	(147)	-	-	-	-	(30)	-	-	-	(317)	(494)
Depreciation Charge	-	(14,732)	(145,241)	(5,295)	(913)	(593)	(385)	(646)	(119)	(166)	(676)	(1,118)	(169,884)
Closing Net Book Value	101,316	191,407	1,302,377	8,088	8,031	1,869	5,067	1,456	784	674	2,272	3,101	1,626,442
Depreciation Rate % per anum	-	5	6.25 - 46	10 - 50	6	20	6.25 - 10	33	20	20	10	20	

13.1.1 The cost of fully depreciated assets which are still in use as at June 30, 2017 is Rs. 19.745 millio (2016: Rs. 12.837 million).

13.1.2 The impairment loss was recognized on property plant & equipment to write it down to its recoverable amount. The whole amount has been recognized as Cost of Goods sold expenses in the profit and loss account.

13.1.3 The depreciation charge has been allocated as follows:

		2017 (Rs '000')	2016 (Rs '000')
Cost of goods sold	- note 23	**180,611**	168,852
Administrative expenses	- note 24	**755**	874
Distribution and selling cost	- note 25	**226**	158
		181,592	169,884

13.1.4 Disposal of Property, Plant and Equipment of book value above Rs. 50,000

There was no disposal of property, plant and equipment having book value above Rs 50,000 during the year.

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sales proceeds	Mode of disposal
		2016				
		(R '000')				
Plant and machinery	Outsiders M. Amjad & Brother	243	96	147	598	Negotiation
IT Equipment	Employee Ahmed Junaid	66	36	30	21	Company policy
Vehicle	Employee Atif Shafqat	1,001	684	317	296	Company policy
		1,310	816	494	915	

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

		2017 (Rs '000')	2016 (Rs '000')
13.2	**Capital work-in-progress**		
	Plant and machinery	**400**	7,098
		400	7,098

14. Intangible assets - ERP and software licenses

		2017	2016
Net carrying value basis			
Year ended June 30, 2017			
Opening net book value (NBV)		**3,127**	4,914
Additions (at cost)		**631**	-
Amortization charge	- note 24	**(1,945)**	(1,787)
Closing net book value		**1,813**	3,127
Gross carrying value basis			
Cost		**5,992**	5,361
Accumulated Amortization		**(4,179)**	(2,234)
Net book value		**1,813**	3,127
Amortization rate % per annum		**33.3%**	33.3%

Amortization charge for the year has been allocated to administrative expenses.

15. Long term deposits

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

16. Deferred taxation

The asset for deferred taxation comprises temporary differences in:

	2017	2016
Accelerated tax depreciation	**(284,650)**	(276,260)
Tax credits	**91,515**	23,615
Provision against doubtful debts	**11,024**	2,893
Unused tax losses	**268,545**	408,948
	86,434	159,196

The Company has not recognized deferred tax asset of Rs 17.75 million (2016: Rs 48.783 million) in respect of minimum tax under section 113 of the Income Tax Ordinance, 2001 available for carry forward based on management's estimate that sufficient tax profits may not be available to set it off.

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2017

			2017 (Rs '000')	2016 (Rs '000')
17.	**Stores and spares**			
	General stores and spares [including in transit of Rs 0.752 million (2016: 0.154 million)]	- note 17.1	**114,513**	106,964
	Working solution		**95,592**	98,970
	Less: Provision for obsolescence	- note 17.2	**(7,032)**	(57)
			203,073	205,877

17.1 General stores and spares include raw material for working solution of Rs 24.346 million (2016: Rs 22.432 million).

		2017 (Rs '000')	2016 (Rs '000')
17.2	**Provision for store obsolescence**		
	Opening balance as at July 1	**57**	57
	Add: Provision for the year	**6,975**	-
	Less: Stores written off against provision	**-**	-
	Closing balance at at June 30	**7,032**	57

18.	**Stock in trade**			
	Raw materials [including in transit of Rs 10.380 million (2016: Rs 3.836 million)]	- note 18.1	**16,024**	28,119
	Work-in-process	- note 18.2	**2,680**	2,141
	Finished goods		**29,099**	2,341
			47,803	32,601

18.1 Raw materials include Rs. 1.275 million (2016: Nil) being carried at net realizable value.

18.2 Work-in-process include unused packing material of Rs 2.374 million (2016: Rs 1.850 million).

			2017 (Rs '000')	2016 (Rs '000')
19.	**Trade debts**			
	Considered good - unsecured	- note 19.1	**67,322**	53,780
	Considered doubtful		**14,765**	12,722
			82,087	66,502
	Less: Provision for doubtful debts	- note 19.2	**(14,765)**	(12,722)
			67,322	53,780

19.1 These include amount due from the following related parties.

Descon Engineering Limited	**8**	18

19.2	**Provision for doubtful debts**			
	Balance as at July 1		**12,722**	1,015
	Provision for the year	- note 25	**2,043**	11,707
	Bad debt written off		**-**	-
	Balance as at June 30		**14,765**	12,722

			2017 (Rs '000')	2016 (Rs '000')
20.	**Advances, deposits, prepayments and other receivables**			
	Advances to suppliers - considered good		**5,604**	10,161
	Advances to suppliers - considered doubtful	- note 20.1	**275**	-
			5,879	10,161
	Advances to employees and short term loans to employees - considered good		**-**	120
	Security deposits		**25**	1,500
	Prepayments		**1,044**	980
	Sales tax recoverable		**187,520**	135,002
	Associated undertakings - considered good	- note 20.2	**50**	71
	Other receivables		**-**	1,191
			194,518	149,025

20.1	**Provision for advances to suppliers**		
	Balance as at July 1	**-**	-
	Provision for the year	**275**	-
	Less: advances written off	**-**	-
	Balance as at June 30	**275**	-

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

Interworld Travels (Private) Limited	**4**	4
Inspectest Industrial Solutions LLC	**9**	9
Gray Mackenzie Engineering Services WLL Qatar	**10**	10
Descon Technical Institute	**3**	3
Rousch (Pakistan) Power Limited	**18**	18
Altern Energy Limited	**6**	6
Descon Power Solutions (Private) Limited	**-**	21
	50	71

21.	**Cash and bank balances**			
	At banks on:			
	- Current accounts		**4,133**	2,330
	- Saving accounts	- note 21.1	**17,627**	219,230
			21,760	221,560

21.1 It carries mark up at the rate of 3.75% to 5.75% (2016: 3.75% to 6%) per annum.

			2017 (Rs '000')	2016 (Rs '000')
22.	**Sales**			
	Gross sales:			
	- Local	- note 22.1	**2,076,844**	1,598,119
	- Export		**23,294**	125,385
			2,100,138	1,723,504
	Less: Commission and discount on sales		**(53,669)**	(58,885)
	Less: Sales tax		**(85,464)**	(83,072)
			1,961,005	1,581,547

22.1 Gross sales include sale of finished goods purchased for resale amounting to Rs 224.198 million (2016: Rs 69.903 million).

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2017

23. Cost of goods sold

		2017 (Rs '000')	2016 (Rs '000')
Raw material consumed	- note 23.1	**574,640**	529,082
Salaries, wages and other benefits	- note 23.2	**87,488**	77,173
Repair and maintenance		**41,942**	36,476
Production supplies		**2,053**	1,864
Fuel and power		**265,714**	243,797
Write down of inventories to Net Realizable Value (NRV)		**8,033**	-
Provision for stores obsolescence		**6,975**	-
Provision for impairment of property, plant and equipment		**4,527**	-
Printing and stationery		**294**	981
Services through contractors		**47,242**	41,448
Traveling		**2,144**	1,495
Annual shutdown expenses		**-**	20,286
Communication		**656**	425
Rent and rates		**23,054**	34,298
Depreciation on property, plant and equipment	- note 13.1.3	**180,611**	168,852
Insurance		**8,255**	7,944
Safety items consumed		**1,425**	606
Miscellaneous		**2,571**	1,310
		1,257,624	1,166,037
Add: Opening work in process		**291**	291
Less: Closing work in process		**(305)**	(291)
		(14)	-
Cost of goods produced		**1,257,610**	1,166,037
Add: Opening finished goods		**4,191**	6,836
Less: Closing finished goods		**(31,474)**	(4,191)
		(27,283)	2,645
Cost of goods sold - own manufactured		**1,230,327**	1,168,682
Cost of goods purchased for resale		**224,056**	69,531
		1,454,383	1,238,213

23.1 This incudes materials written off aggregating to Rs nil (2016:Rs 0.829 million).

23.2 Salaries, wages and other benefits include Rs 1.590 million (2016: Rs 1.486 million) in respect of provident fund contribution by the Company and include accumulating compensated absence of Rs 0.612 million (2016: 1.446 million).

24. Administrative expenses

		2017 (Rs '000')	2016 (Rs '000')
Salaries, allowances and other benefits		**36,435**	30,612
Vehicle running and maintenance		**859**	1,318
Entertainment		**252**	651
Communication		**624**	778
Printing and stationary		**3,475**	2,024
Traveling and conveyance		**1,300**	2,660
Repair and maintenance		**1,524**	1,245
Insurance		**252**	162
Fees and subscriptions		**14,140**	8,218
Legal and professional fee	- note 24.2	**9,406**	8,784
Amortization of intangible assets	- note 14	**1,945**	1,787
Depreciation on property, plant and equipment	- note 13.1.3	**755**	874
Others		**5,401**	6,947
		76,368	66,060

24.1 Salaries, wages and other benefits include Rs 0.176 million (2016: Rs 0.098 million) in respect of provident fund contribution by the Company.

24.2 Auditors remuneration

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

	2017 (Rs '000')	2016 (Rs '000')
Statutory audit	**1,289**	1,172
Half yearly review	**484**	440
Certification charges	**400**	364
Out of pocket expenses	**96**	87
	2,269	2,063

25. Distribution and selling cost

		2017 (Rs '000')	2016 (Rs '000')
Salaries, allowances and other benefits		**10,217**	8,513
Communication		**419**	332
Traveling and conveyance		**3,456**	2,522
Advertisement		**234**	696
Insurance		**1,463**	844
Freight and forwarding		**51,152**	47,890
Depreciation on property, plant and equipment	- note 13.1.3	**226**	158
Provision for doubtful debts	- note 19.2	**2,043**	11,707
Others		**6,658**	3,378
		75,868	76,040

25.1 Salaries, wages and other benefits include Rs 0.260 million (2016: Rs 0.287 million) in respect of provident fund contribution by the Company.

26. Other income

		2017 (Rs '000')	2016 (Rs '000')
Income from financial assets			
Interest on bank deposits		**5,141**	4,094
Gain on sale of investment	- note 26.1	**-**	193
		5,141	4,287
Income from non-financial assets			
Gain on sale of fixed assets		**314**	421
Net gain on insurance claim of assets written off		**4,665**	9,660
Scrap sales		**1,218**	2,958
		6,197	13,039
Others		**-**	387
		11,338	17,713

Notes to and Forming Part of the Financial Statements Continued
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		2017 (Rs '000')	2016 (Rs '000')
26.1 Gain on sale of investment			
As at July 01		-	-
Fair value gain during the year		-	193
Transferred to profit and loss account on derecognition of investment		-	(193)
As at June 30		-	-
27. Other operating expense			
Fixed assets written off		2,189	-
Capital work-in-progress written off		33	-
Worker's profit participation fund		17,554	7,036
Provision against export rebates		-	583
Exchange loss		675	1,088
		20,451	8,707
28. Finance cost			
Interest and mark-up on:			
- Long term finances			
- secured		6,538	44,378
- unsecured		708	24,621
- Finances under markup arrangement - secured	- note 28.1	777	2,408
Bank charges	- note 28.2	3,716	5,157
		11,739	76,564

28.1 This includes finance cost accrued on loans from associated companies amounting to Nil (2016: 6.325 million).

28.2 This represents finance cost paid to associated companies.

	2017 (Rs '000')	2016 (Rs '000')
29. Taxation		
Current - for the year	55,847	24,869
Deferred	72,762	63,818
	128,609	88,687

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

'For the purposes of current taxation, the tax losses available for carry forward as at 30 June 2017 are estimated approximately at Rs 895.478 million (2016: 1,363.392 million).

	2017 %	2016 %
29.2 Tax charge reconciliation		
Numerical reconciliation between the average effective tax rate and the applicable tax rate		
Applicable tax rate	31.00	32.00
Effect of change in tax rate	-	4.84
Effect of tax losses	21.76	-
Tax effect under presumptive tax regime and others	(13.66)	29.50
Others	(0.54)	-
	7.56	34.34
29.3 Average effective tax rate charged to profit and loss account	38.56	66.34

Section 5A of the Income Tax Ordinance, 2001 imposed income tax at the rate of 7.5% on accounting profit before tax where the Company derives profit for a tax year but does not distribute at least 40% of its after tax profits within six months of the end of the tax year through cash or bonus shares. Liability in respect of such income tax, if any, is recognized when the prescribed period for distribution of dividend expires.

		2017 (Rs '000')	2016 (Rs '000')
30. Earnings per share			
30.1 Basic earnings per share			
Profit for the year	Rupees in thousand	` 204,925	44,989
Weighted average number of ordinary shares in issue during the year	Number in thousand	102,000	102,000
Earning per share	Rupees	2.01	0.44
30.2 Diluted earnings per share			
Profit for the period	Rupees in thousand	204,925	44,989
Weighted average no. of ordinary shares	Number in thousand	102,000	102,000
Add: Weighted average number of Preference shares	Number in thousand	110,000	110,000
	Number in thousand	212,000	212,000
Earning per share	Rupees	0.97	0.21

Notes to and Forming Part of the Financial Statements Continued
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31. Cash flow from operating activities

		2017 (Rs '000')	2016 (Rs '000')
Profit before taxation		**333,534**	133,676
Adjustment for:			
- Depreciation on property, plant and equipment	- note 13.1.3	**181,592**	169,884
- Amortization of intangible assets	- note 14	**1,945**	1,787
- Provision for accumulating compensated absences	- note 23.2	**612**	1,446
- Provision against export rebate	- note 27	**-**	583
- Fixed assets written off	- note 27	**2,189**	-
- Capital work-in-progress items written off	- note 27	**33**	-
- Gain on disposal of fixed assets	- note 26	**(314)**	(421)
- Net exchange loss	- note 27	**675**	1,088
- Interest on bank deposits	- note 26	**(5,141)**	(4,094)
- Provision for doubtful debts	- note 25	**2,043**	11,707
- Write down of inventories to Net Realizable Value (NRV)	- note 23	**8,033**	-
- Provision for stores obsolescence	- note 23	**6,975**	-
- Provision for impairment of property, plant and equipment	- note 23	**4,527**	-
- Provision for doubtful advances	- note 20.1	**275**	-
- Gain on sale of investment	- note 26	**-**	(193)
- Finance cost	- note 28	**11,739**	76,564
Profit before working capital changes		**548,717**	392,027
Effect on cash flow due to working capital changes:			
(Increase)/ decrease in current assets			
- Stores, spares and loose tools		**(4,171)**	(16,717)
- Stock in trade		**(23,235)**	70,950
- Trade debts		**(16,260)**	20,790
- Advances, deposits, prepayments and other receivables		**(45,768)**	(34,505)
Increase in current liabilities			
- Creditors, accrued and other liabilities		**45,479**	645
		(43,955)	41,163
Cash generated from operations		**504,762**	433,190

32. Transactions with related parties

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

		2017 (Rs '000')	2016 (Rs '000')
i. Associated undertakings	Purchase of goods and services	10,598	20,048
	Purchases of property, plant and equipment	-	9,126
	Sale of goods	41	520
	Share of common expenses charged from associated companies	25,387	28,064
	Share of common expenses charged to associated companies	2,885	7,660
	Mark-up expense	708	30,946
ii. Post employment benefit plans	Expense charged in respect of retirement contribution plans	2,026	1,871

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

33. Remuneration of Chief Executive, Directors and Executives

	Chief Executive		Non-Executive Directors		Executives	
	30 June 2017	**30 June 2016**	**30 June 2017**	**30 June 2016**	**30 June 2017**	**30 June 2016**
	----------(Rs '000')----------					
Remuneration	**14,437**	10,025	**3,781**	2,184	**28,752**	17,735
Fee	**-**	-	**1,250**	1,217	**-**	-
Provident Fund	**-**	-	**150**	60	**856**	542
Car Allowance	**-**	-	**-**	-	**2,367**	1,800
Medical facility	**529**	358	**-**	-	**927**	336
Reimbursable expenses	**313**	168	**103**	150	**1,413**	1,781
	15,279	10,551	**5,284**	3,611	**34,315**	22,194
No. of persons	**1**	1	**4**	4	**15**	11

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

33.2 Aggregate amount charged in the financial statements for the year for fee to 2 directors (2016: 2 directors) is Rs 1.25 million (2016: Rs 1.22).

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2017

		2017 (Rs '000')	2016 (Rs '000')

34. Cash and cash equivalents

		2017 (Rs '000')	2016 (Rs '000')
Cash and bank balances	- note 21	**21,760**	221,560
Finances under mark up arrangements - secured	- note 9	**(42,231)**	(50,000)
		(20,471)	171,560

35. Capacity and production

		Production Capacity	Actual production 2017	Actual production 2016
Production of hydrogen peroxide (on 100% concentration and based on 360 working days)	**Metric tonnes**	14,000	17,348	16,117
Production of packing material (based on 360 working days)	**Number**	1,080,000	934,788	807,071

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

36. Financial risk management objectives

36.1 Financial risk factors

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

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:

	2017 (FCY in Thousand)	2016 (FCY in Thousand)
Trade debts - US Dollars	**84**	129
Bills payable - US Dollars	**(246)**	(15)

The following significant exchange rates were applicable during the year:

Rupees per USD	2017	2016
Average rate	**104.73**	104.00
Reporting date rate	**104.85**	104.29

Foreign currency sensitivity analysis

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

	Change in Exchange Rate	Effect on Profit before tax	Effect on Equity
2017	**10%**	**(1,699)**	**(1,104)**
	-10%	**1,699**	**1,104**
2016	10%	1,189	773
	-10%	(1,189)	(773)

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.

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2017

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

	2017 (Rs '000')	2016 (Rs '000')
Fixed rate instruments		
Financial assets		
Savings Account	**17,627**	219,230
Floating rate instruments		
Financial liabilities		
Long term finances - secured	**-**	111,822
Finances under markup arrangement - secured	**42,231**	50,000
	42,231	161,822

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 profit before tax	Effect on Equity
		----------------------(Rs '000')---------------------		
Financial Assets				
	2017	1%	176	114
		-1%	(176)	(114)
	2016	1%	2,192	1,425
		-1%	(2,192)	(1,425)
Financial Liabilities				
	2017	1%	-	-
		-1%	-	-
	2016	1%	(1,618)	(1,052)
		-1%	1,618	1,052

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:

	2017 (Rs '000')	2016 (Rs '000')
Trade debts	**67,322**	53,780
Advances, deposits, prepayments and other receivables	**5,604**	11,352
Bank balances	**21,760**	221,560
	94,686	286,692

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.

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

	Rating Short Term	Long Term	Rating Aencyg	2017 (Rs '000')	2016 (Rs '000')
Cash and bank	A1+	AA+	PACRA	**17,972**	99,742
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	**26**	116
Allied Bank Limited	A1+	AA-	PACRA	**25**	59
NIB Bank Limited	A1+	AA+	PACRA	**3,737**	121,643
Bank Al-Habib Ltd.				**21,760**	221,560

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, 2017 the Company had borrowing limits available from financial institutions at Rs 150 million (2016: Rs 150 million) and Rs 21.76 million (2016: Rs 221.56 million) in cash and bank balances. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

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

	Carrying amount	Less than one year	More than one year	More than five years
	----------------------(Rs '000')---------------------			
Finance under markup arrangements	42,231	42,231	-	-
Accrued finance cost	191,203	191,203	-	-
Trade and other payables	209,488	208,910	-	-
	442,922	442,344	-	-

The following were the contractual maturities of financial liabilities as at June 30, 2016:

	Carrying amount	Less than one year	More than one year	More than five years
Finance under markup arrangements	50,000	50,000	-	-
Accrued finance cost	464,652	464,652	-	-
Trade and other payables	163,397	163,397	-	-
Long term finances				
- secured	336,564	224,742	111,822	-
- unsecured	20,000	20,000	-	-
	1,034,613	922,791	111,822	-

36.2 Fair values of financial assets and liabilities

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

Notes to and Forming Part of the Financial Statements Continued
for the Year Ended June 30, 2017

36.3 Financial instruments by categories

	Loans and receivables	
	2017 (Rs '000')	2016 (Rs '000')
Long term deposits	**17,654**	17,654
Trade debts	**67,322**	53,780
Advances, deposits, prepayments and other receivables	**5,604**	14,023
Cash and bank balances	**21,760**	221,560
	112,340	307,017

	Financial liabilities at amortised cost	
	2017 (Rs '000')	2016 (Rs '000')
Long term finances	**-**	356,564
Finances under mark up arrangements - secured	**42,231**	50,000
Trade and other payables	**209,488**	163,397
Accrued finance cost	**191,203**	464,652
	442,922	1,034,613

36.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Specific valuation techniques used to value financial instruments include:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As of reporting date, there were no Level 1, 2 or 3 assets or liabilities during prior or current year.

36.5 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. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders through repurchase of shares, issue new shares or sell assets to reduce debt. Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio.

This ratio is calculated as debt divided by total capital. Debt is calculated as total borrowings including current and non-current borrowings, as disclosed in note 7. Total capital is calculated as 'equity' shown in the balance sheet plus debt. The gearing ratio as at year ended June 30, 2017 and June 30, 2016 are as follows:

		2017 (Rs '000')	2016 (Rs '000')
Debt	-Note 7	**-**	356,564
Total Equity		**1,717,449**	1,512,524
Total Capital		**1,717,449**	1,869,088
Gearing Ratio	Percentage	**0.0%**	19.08%

37. Number of Employees

	2017	2016
Total number of employees as at June 30	**101**	99
Average number of employees during the year	**101**	99

38. Provident Fund

		2017 (Rs '000')	2016 (Rs '000')
Size of the fund		**20,037**	19,323
Cost of investments made		**5,270**	17,520
Percentage of investments made		**26%**	91%
Fair value of investments	- note 38.1	**5,316**	17,743

38.1 The breakup of fair value of investments is :

Break up of investments	**2017 (Rs in '000)**	**%**	2016 (Rs in '000)	%
Investment in term finance certificates	**590**	**11.10%**	11,282	63.59%
Investment in listed shares	**4,726**	**88.90%**	586	3.30%
Investment in Pakistan investment bonds	**-**	**0.00%**	4,298	24.22%
Investment in mutual fund	**-**	**0.00%**	1,577	8.89%
	5,316	**100%**	17,743	100%

The figures for 2017 are based on un-audited financial statements of the provident fund. Investments out of the provident fund have been made in accordance with the provisions of Section 227 of The Companies Ordinance and the rules formulated for this purpose.

39. Non-adjusting events after the balance sheet date

The Board of Directors of the Company have proposed a final dividend pertaining to preference shareholders for the year ended June 30, 2017 of Rs 1.2 (2016: Nil) per share amounting to Rs 132 million (2016: Nil) at their meeting held on August 30, 2017 for approval of members at the Annual General Meeting to be held on October 27, 2017. These financial statements do not reflect this dividend payable.

Notes to and Forming Part of the Financial Statements
for the Year Ended June 30, 2017

40. Date of authorization for issue

These financial statements were authorized for issue on August 30, 2017 by the Board of Directors.

41. Subsequent events

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

42. Corresponding figures

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

CHIEF EXECUTIVE

DIRECTOR

Pattern of Shareholding
as on June 30th, 2017

No. of Shareholders	------Shareholding----- From	To	Total Shares Held
159	1	100	3,354
1,962	101	500	970,967
617	501	1,000	613,164
1,038	1,001	5,000	3,117,013
325	5,001	10,000	2,709,987
98	10,001	15,000	1,226,192
89	15,001	20,000	1,640,198
57	20,001	25,000	1,379,000
24	25,001	30,000	669,000
15	30,001	35,000	502,000
19	35,001	40,000	731,300
6	40,001	45,000	259,066
31	45,001	50,000	1,544,047
12	50,001	55,000	644,500
5	55,001	60,000	293,599
2	60,001	65,000	130,000
6	65,001	70,000	417,500
7	70,001	75,000	514,500
7	75,001	80,000	541,500
5	80,001	85,000	410,500
3	85,001	90,000	261,500
3	90,001	95,000	274,054
19	95,001	100,000	1,900,000
2	100,001	105,000	204,000
1	105,001	110,000	107,000
3	115,001	120,000	351,473
3	120,001	125,000	371,500
3	125,001	130,000	387,500
1	135,001	140,000	139,000
1	140,001	145,000	141,986
2	145,001	150,000	296,500
1	150,001	155,000	154,500
1	165,001	170,000	169,000
4	195,001	200,000	800,000
1	220,001	225,000	222,000
3	245,001	250,000	750,000
1	285,001	290,000	285,500
2	295,001	300,000	600,000
1	325,001	330,000	325,500
1	355,001	360,000	357,500
1	385,001	390,000	385,500
1	455,001	460,000	460,000
1	475,001	480,000	478,500
1	500,001	505,000	501,000
1	585,001	590,000	590,000
1	960,001	965,000	962,500
1	1,130,001	1,135,000	1,132,300
1	1,420,001	1,425,000	1,424,000
1	1,625,001	1,630,000	1,627,000

Pattern of Shareholding
as on June 30th, 2017

No. of Shareholders	------Shareholding----- From	To	Total Shares Held
1	3,260,001	3,265,000	3,262,500
1	3,995,001	4,000,000	4,000,000
1	4,125,001	4,130,000	4,129,000
1	5,400,001	5,405,000	5,402,800
2	5,640,001	5,645,000	11,289,000
1	7,435,001	7,440,000	7,439,800
1	8,725,001	8,730,000	8,725,250
1	23,770,001	23,775,000	23,774,950
4,558			102,000,000

Catagories of Shareholding required under Code of Corporate Governance (CCG) as on June 30th, 2017

Categories of shareholders	Share held	Percentage
1. Directors, Chief Executive Officers, and their spouse and minor childern	44,597,250	43.7228%
2. Associated Companies, undertakings and related parties. (Parent Company)	17,506,404	17.1631%
3. NIT and ICP	0	0.0000%
4. Banks Development Financial Institutions, Non Banking Financial Institutions.	0	0.0000%
5. Insurance Companies	0	0.0000%
6. Modarabas and Mutual Funds	0	0.0000%
7. Share holders holding 10% or more	23,774,950	23.3088%
8. General Public		
a. Local	30,983,346	30.3758%
b. Foreign	500	0.0005%
9. Others (to be specified)		
a. Joint Stock Companies	3,868,500	3.7926%
b. Leasing Companies	7,000	0.0069%
c. Foreign Companies	4,815,000	4.7206%
d. Others	222,000	0.2176%

Catagories of Shareholding required under Code of Corporate Governance (CCG) as on June 30th, 2017

Sr. No.	Name	No. of Shares held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
1	DESCON CORPORATION (PVT.) LIMITED	8,725,250	8.5542
2	DESCON ENGINEERING LIMITED	7,439,800	7.2939
3	DESCON HOLDING (PVT.) LIMITED	1,132,300	1.1101
4	INTERWORLD TRAVELS (PVT) LIMITED	92,054	0.0902
5	INSPECTEST (PVT) LIMITED	117,000	0.1147
Mutual Funds (Name Wise Detail)		-	-
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. A. RAZZAK DAWOOD (CDC)	23,774,950	23.3088
2	MR. TAIMUR DAWOOD (CDC)	5,644,500	5.5338
3	MR. FAISAL DAWOOD (CDC)	5,644,500	5.5338
4	MR. FAROOQ NAZIR (CDC)	500	0.0005
5	MR. ASIF QADIR	500	0.0005
6	MRS. MEHREEN DAWOOD (CDC)	5,402,800	5.2969
7	MR. ALI ASRAR HOSSAIN AGA	500	0.0005
8	MRS. BILQUEES DAWOOD W/O A. RAZZAK DAWOOD (CDC)	4,129,000	4.0480
Executives:		4,000	0.0039
Public Sector Companies & Corporations:		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		7,000	0.0069
Shareholders holding five percent or more voting intrest in the listed company (Name Wise Detail)			
1	MR. A. RAZZAK DAWOOD	23,774,950	23.3088
2	MR. TAIMUR DAWOOD (CDC)	5,644,500	5.5338
3	MR. FAISAL DAWOOD (CDC)	5,644,500	5.5338
4	MST. MEHREEN DAWOOD (CDC)	5,402,800	5.2969
5	DESCON CORPORATION (PVT.) LIMITED	8,725,250	8.5542
6	DESCON ENGINEERING LIMITED	7,439,800	7.2939

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

Sr. No.	Name	Sale	Purchase
1	MR. ALI ASRAR HOSSAIN AGA	-	500

Notice of Annual General Meeting

Notice is hereby given that a 13th Annual General Meeting of Descon Oxychem Limited (the “Company”) will be held on Friday, October 27th 2017 at 10:00 am at Descon Headquarters, 18-K.M, Ferozepur Road Lahore – 54760 to transacted the following business:

ORDINARY BUSINESS:

1. To confirm minutes of the last Extra Ordinary General Meeting of the Company held on Friday, February 28, 2017;

2. To receive, consider and adopt the audited Financial Statements of the Company for the year ended 30th June 2017 together with the reports Directors’ and Auditors’ thereon.

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

4. To declare and approve the cash dividend for the year ended June 30, 2017 on the non-voting, cumulative, convertible, redeemable preference shares (“Preference Shares”) of the Company. The Directors have recommended a cash dividend of Rs. 132,000,000/- at 12% i.e. Rs.1.20 per preference share.

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

By Order of the Board of Directors

Lahore
October 02, 2017

Abdul Sohail
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will be closed from 19-10-2017 to 27-10-2017 (both days inclusive). Transfers received at the Corplink (Pvt) Limited, 1-K, Commercial Model Town Lahore the close of business on 18-10-2017 will be treated in time for the purpose of above entitlement to the transferees.

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

3. Any individual Beneficial Owner of CDC, entitled to attend and vote at this meeting, must bring his/her original CNIC or passport, Account and participant’s I.D. Numbers to prove his/her identity, and in case of proxy it must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.

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

Notes

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 13th Annual General Meeting of the Company to be held at Descon Headquarters, 18-Km, Ferozepur Road, Lahore on Friday, October 27, 2017 at 10:00 am and at any adjournment thereof.

As witness my / our hand this ______________________________ day of ____________2017

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