

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Descon Oxychem Limited as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes resulted on initial application of standards, amendments, or an interpretation to the existing standards as stated in note 2.2.1, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2011 and of the profit, total comprehensive income, its cash flows and changes in equity for year then ended; and
- (d) in our opinion no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



Chartered Accountants
Lahore, September 6, 2011
Name of engagement partner: Muhammad Masood

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Balance Sheet As at June 30, 2011

(Rupees in thousand)	Note	2011	2010
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
110,000,000 (2010: 110,000,000)			
ordinary shares of Rs 10 each		1,100,000	1,100,000
Issued, subscribed and paid up capital			
102,000,000 (2010: 102,000,000)			
ordinary shares of Rs 10 each	5	1,020,000	1,020,000
Fair value reserve		2,115	437
Accumulated loss		(285,285)	(465,255)
		736,830	555,182
NON CURRENT LIABILITIES			
Long term finances			
- secured	6	1,476,764	1,280,221
- unsecured	7	408,785	408,785
Liabilities against assets subject to finance lease	8	115,039	141,191
Accrued finance cost	9	54,520	-
		2,055,108	1,830,197
CURRENT LIABILITIES			
Current portion of non current liabilities	10	113,906	190,602
Finances under mark up arrangement - secured	11	114,188	286,473
Trade and other payables	12	142,964	157,612
Accrued finance cost	13	102,594	97,582
		473,652	732,269
CONTINGENCIES AND COMMITMENTS			
	14		
		3,265,590	3,117,648

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



Chief Executive

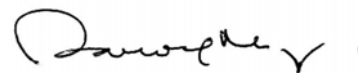


Director

(Rupees in thousand)	Note	2011	2010
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	15	2,330,710	2,487,480
Intangible asset	16	47,616	65,473
Long term deposits	17	79,551	79,580
Deferred taxation	18	188,442	85,246
		2,646,319	2,717,779
CURRENT ASSETS			
Stores and spares	19	165,016	135,371
Stock in trade	20	128,052	50,995
Trade debts	21	93,475	26,776
Investments - available for sale	22	110,347	11,658
Advances, deposits, prepayments and other receivables	23	84,714	114,901
Cash and bank balances	24	37,667	60,168
		619,271	399,869
		3,265,590	3,117,648



Chief Executive



Director

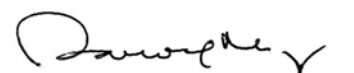
Profit and Loss Account For the Year Ended June 30, 2011

(Rupees in thousand)	Note	2011	2010
Sales	25	1,432,576	709,672
Cost of goods sold	26	(892,139)	(683,402)
Gross profit		540,437	26,270
Administrative expenses	27	(39,970)	(38,663)
Distribution and selling costs	28	(68,571)	(42,583)
Other operating expenses	29	(6,265)	(101)
Other operating income	30	10,796	7,039
		(104,010)	(74,308)
Profit / (loss) from operations		436,427	(48,038)
Finance cost	31	(351,895)	(288,065)
Profit / (loss) before taxation		84,532	(336,103)
Taxation	32	95,438	46,693
Profit / (loss) for the year		179,970	(289,410)
Profit / (loss) per share - basic and diluted	33	1.76	(2.84)

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Chief Executive



Director

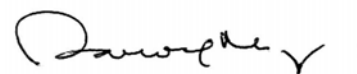
Statement of Comprehensive Income For the Year Ended June 30, 2011

(Rupees in thousand)	Note	2011	2010
Profit/(loss) for the year		179,970	(289,410)
Other comprehensive income			
Fair value gain on 'Available for sale' investments		4,074	1,683
Gain during the year transferred to profit and loss on account of derecognition of investment		(2,396)	(1,246)
Other comprehensive income for the year		1,678	437
Total comprehensive income/(loss) for the year		181,648	(288,973)

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, 2011

(Rupees in thousand)	Note	2011	2010
Cash flow from operating activities			
Cash generated from operations	34	459,130	141,803
Finance cost paid		(292,363)	(278,483)
Profit on deposits received		5,025	52
Taxes paid		(18,382)	(13,920)
Net cash generated from / (used in) operating activities		153,410	(150,548)
Cash flow from investing activities			
Fixed capital expenditure		(3,093)	(159,541)
Proceeds from sale of property, plant and equipment		360	143,046
Proceeds from finance lease facility		-	142,197
Long term security deposits - net		29	(67,454)
Proceeds from sale of available for sale investments		226,385	-
Investments made		(321,000)	(9,975)
Net cash (used in) / generated from investing activities		(97,319)	48,272
Cash flow from financing activities			
Restructuring of short term running finance		100,000	-
Finance lease liabilities - net		(6,307)	-
Loans from associated companies - unsecured		-	132,000
Net cash generated from financing activities		93,693	132,000
Net increase in cash and cash equivalents		149,784	29,724
Cash and cash equivalents at the beginning of year		(226,305)	(256,029)
Cash and cash equivalents at the end of year	37	(76,521)	(226,305)

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Chief Executive



Director

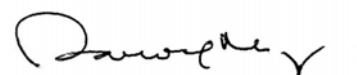
Statement of Changes in Equity For the Year Ended June 30, 2011

(Rupees in thousand)	Share Capital	Fair value Reserve	Accumulated Loss	Total
Balance as on June 30, 2009	1,020,000	-	(175,845)	844,155
Total comprehensive loss for the year				
Loss for the year	-	-	(289,410)	(289,410)
Fair value gain on 'Available for sale investments'	-	437	-	437
Total comprehensive income/(loss) for the year	-	437	(289,410)	(288,973)
Balance as on June 30, 2010	1,020,000	437	(465,255)	555,182
Total comprehensive income for the year				
Profit for the year	-	-	179,970	179,970
Fair value gain on 'Available for sale investments'	-	1,678	-	1,678
Total comprehensive income for the year	-	1,678	179,970	181,648
Balance as on June 30, 2011	1,020,000	2,115	(285,285)	736,830

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



Chief Executive



Director

Notes to and Forming Part of the Financial Statements for the Year Ended June 30, 2011

1. Legal status and nature of business

1.1 Constitution and ownership

The company was incorporated in Pakistan as a private limited company on November 12, 2004 under the Companies Ordinance, 1984 and was converted into a public limited company with effect from February 28, 2008 as approved by the Securities and Exchange Commission of Pakistan (SECP) vide letter no. ARL 16222 dated March 14, 2008. Subsequently, on September 15, 2008, it was listed on Karachi Stock Exchange. The registered office of the company is situated at 18-KM Ferozepur Road, Lahore and the factory is situated at 18-KM Lahore-Sheikhupura Road, Lahore.

1.2 Activities

The company is principally engaged in manufacture, procurement and sale of hydrogen peroxide and allied products. The company commenced its trial production on December 1, 2008 and commercial production on March 1, 2009.

2. Basis of preparation

2.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards

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

2.2.1 Standards and interpretations to existing standards that are effective and applicable to the Company

New and amended standards, and interpretations mandatory for the first time for the financial year beginning July 01, 2010 and their impact on these financial statements is given below:

- IAS 1 (Amendment), 'Presentation of financial statements' is effective from January 01, 2010. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

- IAS 7 (Amendment), 'Statement of cash flows' is effective from January 01, 2010. The amendment provides clarification that only expenditure that results in a recognized asset in the balance sheet can be classified as a cash flow from investing activity. The clarification results in an improvement in the alignment of the classification of cash flows from investing activities in the cash flow statement and the presentation of recognized assets in the balance sheet. The application of the amendment will not affect the results or net assets of the Company as it is only concerned with presentation and disclosures.

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

The following amendments and interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after July 01, 2011 or later periods, but the Company has not early adopted them:

- Amendments to IFRS 7, 'Financial instruments: Disclosures' on derecognition is effective from July 1, 2011. These amendments are part of the IASBs comprehensive review of off balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial asset.

- IFRS 9, 'Financial instruments', addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until January 01, 2013 but is available for early adoption. This is the first part of a new standard on classification and measurement of financial assets and financial liabilities that will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions. The Company has yet to assess the full impact of IFRS 9.

- IFRS 13 - 'Fair value measurement'. This is applicable on accounting periods beginning on or after January 01, 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company will apply this standard from January 01, 2013.

- IAS 1, (Amendments), Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment is effective for periods beginning on or after January 01, 2011.

- IAS 1 - 'Presentation of Financial Statement' (Amendment). This is applicable on accounting periods beginning on or after July 01, 2012. The main change resulting from this amendment is a requirement for entities to group items presented in Other comprehensive income (OCI) on the basis of whether they are potentially recycled to profit or loss (reclassification adjustments). The amendment does not address which items are presented in OCI. The Company will apply this amendment from January 01, 2013 and does not expect to have a material impact on its financial statements.

- IAS 24 (Revised), 'Related Party Disclosures', is effective for annual periods beginning on or after January 1, 2011. The definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. This is not expected to have a material impact on the company's financial statements.

3. Basis of measurement

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

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 judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) Provision for taxation

The company takes into account the current income tax law and the decisions taken by appellate authorities. Instances where the company's view differs from the view taken by the income tax department at the assessment stage and where the company considers that its views on items of material nature is in accordance with law, the amounts are shown as contingent liabilities.

b) Useful life and residual values of property, plant and equipment

The company reviews the useful lives of property, plant and equipment on regular basis. Any change in estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

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

Provision is made 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. Property, plant and equipment acquired under finance leases are capitalized at the lease's commencement at the lower of the present value of minimum lease payments under the lease arrangements and the fair value of the leased asset. Cost in relation to certain property, plant and equipment comprises historical cost and borrowing costs referred to in note 15.

Depreciation on all property, plant and equipment except land is charged to profit on the straight line basis so as to write off the historical cost of an asset over its estimated useful life at the rates given in note 15.1 without taking into account any residual value, as considered insignificant.

The assets' residual values and useful lives are reviewed, at each financial year end, and adjusted if impact on depreciation is significant. The company's estimate of the residual value of its property, plant and equipment as at June 30, 2011 has not required any adjustment as its impact is considered insignificant.

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

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

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

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

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

Capital work in progress is stated at cost less any identified impairment loss, if any. Trial production losses are capitalized till the date of commencement of commercial production as unallocated expenditure.

4.4 Intangible Asset

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

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

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

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

4.5 Leases

The company is the lessee:

4.5.1 Finance leases

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

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

The related rental obligations, net of finance cost, are included in liabilities against assets subject to finance lease

as referred to in note 8. The liabilities are classified as current and non-current depending upon the timing of the payment.

4.5.2 Operating leases

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

4.6 Stores and spares

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

4.7 Stock in trade

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

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

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

4.8 Financial instruments

4.8.1 Financial Assets

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

a) Loans and Receivables

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

b) Available for sale

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

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

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss is removed from equity and recognized in the profit and loss account. Impairment losses recognized in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment testing of trade debts is described in note 4.9

4.8.2 Financial Liabilities

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

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

4.8.3 Offsetting of financial assets and liabilities

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

4.9 Trade debts

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

4.10 Cash and cash equivalents

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

4.11 Borrowings

Borrowings are recorded at the proceeds received. In subsequent periods, borrowings are stated at the amortized cost using the effective yield method.

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

4.12 Trade and other payables

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

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

4.13 Foreign currency transactions and translation

a) Functional and presentation currency

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

b) Transactions and balances

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

4.14 Borrowing costs

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

4.15 Revenue recognition

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

Return on deposits is accrued on a time proportion basis by reference to the principal outstanding and rates applicable thereon.

5. Issued, subscribed and paid up capital

2011	2010		2011	2010
(Number of shares)			(Rupees in thousand)	
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:

(Number of shares)	2011	2010
Descon Corporation (Private) Limited	8,725,250	8,725,250
Descon Engineering Limited	7,439,800	7,439,800
Descon Chemicals Limited	10,773,700	10,062,300
Descon Holdings (Private) Limited	1,124,800	1,953,200
Interworld Travels (Private) Limited	92,054	92,054
Inspectest (Private) Limited	117,000	-
	28,272,604	28,272,604

6. Long term finances - secured

(Rupees in thousand)		2011	2010
Loan - 1	- note 6.1	1,469,818	1,469,818
Loan - 2	- note 6.2	100,000	-
		1,569,818	1,469,818
Less: Current portion shown under current liabilities	- note 9	(93,054)	(189,597)
		1,476,764	1,280,221

6.1 This loan has been obtained from a consortium of financial institutions led by Allied Bank Limited to finance the capital expenditure in relation to the hydrogen peroxide plant installation, construction and fabrication project. It is secured by way of hypothecation charge over all present and future fixed assets, wherever situated other than the immovable property and first pari passu mortgage charge over immovable property. It carries markup at six month KIBOR plus 2.75% per annum and is payable semi annually. The markup charged during the period ranges from Re 0.4145 to Re 0.4521 per diem per thousand. On November 15, 2010, the company signed the 'Amendatory and Restructuring Agreements' with the consortium members for the restructuring of entire outstanding principal of Rs. 1,470 million and relaxation in payment of markup. As per the revised terms,

markup due for payment on August 24, 2010 became due on February 24, 2011. The loan is now repayable in 12 six monthly installments commencing on February 24, 2012.

6.2 This represents the loan obtained from KASB Bank Limited, restructured from short term bridge loan in December 2010. It is secured by a way of pari passu charge over present and future fixed assets (including land, building, plant and machinery) of the company for Rs 134 million. It carries markup at six month KIBOR plus 2.50% per annum and is payable semi annually. The loan is repayable in 10 equal semi annual installments commencing on December 01, 2012.

7. Subordinated loans from associated companies - unsecured

(Rupees in thousand)	2011	2010
- Descon Engineering Limited - Loan 1 - note 7.2	276,785	276,785
- Descon Engineering Limited - Loan 2 - note 7.3	112,000	112,000
- Interworld Travels (Private) Limited - Loan 3 - note 7.4	20,000	20,000
	408,785	408,785

7.1 Subsequent to the rescheduling of the repayment terms of the syndicate loan as referred to in note 6.1, the Company signed the Sponsor's 'Subordinated Loan Agreements' with Descon Engineering Limited, Interworld Travels (Private) Limited and Allied Bank Limited dated November 15, 2010, through which repayment of both the principal and interest has been subordinated to the repayment of the syndicate loan. As per the terms of the 'Subordination Agreements', the Company may repay loan 2 and 3 aggregating to Rs 132 million and markup accrued on the entire balance of subordinated loans only after at least 50% of the principal of the syndicate loan referred to in note 6.1 has been repaid.

Loan 1 of Rs 276.785 million may be repaid only after entire syndicate loan and related mark-up has been settled by the Company.

7.2 This loan was granted by DEL, an associated company on June 30, 2010 by converting its short term non-interest bearing receivables of Rs 276.78 million into an un-secured interest bearing long term loan. The principal is repayable only after the repayment of the entire facility referred to in note 6.1. The markup is payable only after 50% of the facility under note 6.1 has been repaid. Mark-up is accruable for the period at six months Kibor plus 2.75 %. Effective rate charged during the period was Rs 0.3593 per diem per thousand.

7.3 The loan was granted by DEL, an associated company on May 19, 2010. The principal and markup accrued thereon are repayable only after the repayment of 50% of the facility referred to in note 6.1. Mark-up is accruable for the period at six months Kibor plus 2%. Effective rate charged during the period was Rs 0.3328 per diem per thousand.

7.4 This loan granted by Interworld Travels (Private) Limited, an associated company on June 30, 2010. The principal and markup accrued thereon are repayable only after the repayment of 50% of the facility referred to in note 6.1. Mark-up is accruable for the period at six months Kibor plus 1 %. Effective rate charged during the period was Rs 0.3204 per diem per thousand.

8. Liabilities against assets subject to finance lease

(Rupees in thousand)	2011	2010
Present value of minimum lease payments	135,891	142,196
Less: Current portion shown under current liabilities - note 9	(20,852)	(1,005)
	115,039	141,191

The finance lease is repayable in 48 monthly installments in arrears, with a grace period of 6 months.

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

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

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

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

(Rupees in thousand)	Minimum Lease Payments	Finance cost not due	Present value of lease liability	
			2011	2010
Not later than one year	35,629	14,777	20,852	1,005
Later than one year and not later than five years	124,884	9,845	115,039	141,191
	160,513	24,622	135,891	142,196

9. It represents accrued finance cost on subordinated loans from associated companies. It is payable only after at least 50% of the principal of the syndicate loan referred to in note 6.1 has been repaid.

10. Current portion of long term liabilities

(Rupees in thousand)	2011	2010
Long term finances - secured - note 6	93,054	189,597
Liabilities against assets subject to finance lease - secured - note 8	20,852	1,005
	113,906	190,602

11. Finances under mark up arrangements - secured

(Rupees in thousand)	2011	2010
Running finance - note 11.1	114,188	141,030
Bill discounting facility - note 11.2	-	45,443
Bridge loan - note 11.3	-	100,000
	114,188	286,473

11.1 Running finance

This represents the outstanding balance against the running finance facility of Rs 200 million (2010: Rs 200 million) under markup arrangement from Bank Al-Habib Limited to meet the working capital requirements of the company. It carries markup of 3 months average KIBOR reviewed on first working day of every calendar quarter on the basis of arithmetic mean of previous six working days plus 1% per annum. The markup charged during the year ranges from Re 0.3640 to Re 0.3978 per diem per thousand on the outstanding balance or part thereof.

11.2 Bill discounting facility

This represents the bill discounting facility of Rs 50 million (2010: Rs 50 million) availed from Bank AL-Habib Limited to meet the working capital requirements of the company. The bills are discounted on 30 to 60 days basis on a markup of one month KIBOR plus 1%. The facility has not been availed as at June 30, 2011.

11.3 Bridge Loan

This represented the bridge loan availed from KASB Bank Limited in order to meet the working capital requirements of the company. The bridge loan has been restructured and converted into long term as referred to in note 6.2.

11.4 Securities

The facilities availed from Bank-Al Habib Limited are under common security, through a first charge over current assets of the company for Rs. 530 million and personal guarantee of Mr Taimur Dawood for Rs 120 million. The Bill discounting facility is further secured by way of ranking charge over the fixed assets of the company for Rs 150 million and lien over the bills of customers.

Of the aggregate facility of Rs 78.715 million (2010 : Rs 75 million) for opening of letter of credit for import of machinery, raw material and stores and Rs 61.493 million (2010 : Rs 50.027 million) for letter of guarantee from a consortium of banks, the amount utilized at June 30, 2011 was Rs 78.003 million (2010: Rs 60.791 million) and Rs 61.493 million (2010 : Rs 50.027 million) respectively.

12. Trade and other payables

(Rupees in thousand)		2011	2010
Trade creditors	- note 12.1	26,005	77,155
Bills payable		58,911	19,885
Advances from customers		2,634	7,288
Associated undertakings	- note 12.2	9,680	25,424
Accrued and other liabilities	- note 12.3	39,296	27,687
Withholding tax payable		122	122
Workers' welfare fund	- note 12.4	1,776	51
Workers' profit participation fund		4,540	-
		142,964	157,612

12.1 Trade creditors includes interest free amounts due to associated companies amounting to Rs 0.75 million (2010: Rs 9.85 million) in the normal course of business.

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

(Rupees in thousand)		2011	2010
Descon Chemicals Limited		9,348	23,742
Descon Corporation (Private) Limited		-	754
Descon Engineering Limited		332	928
		9,680	25,424

12.3 This includes an amount of Rs 270 thousand (2010: Nil) payable to the Company's provident fund.

12.4 Workers' welfare fund

(Rupees in thousand)		2011	2010
As at July 01		51	18
Add: provision for the year		1,725	33
As at June 30		1,776	51

13. Accrued finance cost

(Rupees in thousand)		2011	2010
Finances under markup arrangements - secured Long term finances		5,087	10,522
- secured		92,207	77,031
- unsecured		-	3,054
Liabilities against assets subject to finance lease - secured		5,300	6,975
		102,594	97,582

14. Contingencies and commitments

14.1 Contingencies

Guarantee issued to Sui Northern Gas Pipeline against the performance of a contract amounting to Rs 48.64 million (2010: Rs 48.64 million).

14.2 Commitments

The company has commitments in respect of letters of credit other than capital expenditure amounting to Rs 40.273 million (2010: Rs 44.126 million).

15. Property, plant and equipment

	2011	2010
(Rupees in thousand)		
Operating assets	2,330,710	2,444,077
Capital work-in-progress	-	43,403
	2,330,710	2,487,480

15.1 Operating assets

	2011							
	Cost as at July 1, 2010	Additions/ (deletions)	Cost as at June 30, 2011	Accumulated depreciation as on July 1, 2010	Depreciation charge/ (deletions) for the year	Accumulated depreciation as on June 30, 2011	Net book value as on June 30, 2011	Rate of depreciation %
Owned Assets								
Freehold land	101,316	-	101,316	-	-	-	101,316	-
Buildings on freehold land	248,649	44,558	293,207	16,514	13,523	30,037	263,170	5
Plant, machinery and equipment	2,117,846	1,402	2,119,248	174,950	132,377	307,327	1,811,921	625
Laboratory equipment	13,972	467	14,439	1,150	876	2,026	12,413	625
Material handling	70	70	140	19	16	35	105	20
Tools and equipment	3,895	-	3,895	324	244	568	3,327	625
Computer equipment	4,894	-	4,789	3,092	1,186	4,179	610	3333
		(105)			(99)			
Electrical equipment	376	-	376	172	75	247	129	20
Office equipment	4,692	-	4,692	1,266	939	2,205	2,487	20
Furniture and fixture	7,330	-	7,330	663	733	1,396	5,934	10
Vehicles	4,057	-	3,201	1,883	783	2,028	1,173	20
		(856)			(638)			
	2,507,097	46,497	2,552,633	200,033	150,752	350,048	2,202,585	
		(961)			(737)			
Leased assets								
Plant, machinery and equipment	142,197	-	142,197	5,184	8,888	14,072	128,125	625
2011	2,649,294	46,497	2,694,830	205,217	159,640	364,120	2,330,710	
		(961)			(737)			

		2010							
(Rupees in thousand)		Cost as at July 1, 2009	Additions/ (deletions)	Cost as at June 30, 2010	Accumulated depreciation as on July 1, 2009	Depreciation charge/ (deletions) for the year	Accumulated depreciation as on June 30, 2010	Net book value as on June 30, 2010	Rate of depreciation %
Owned Assets									
	Freehold land	101,316	-	101,316	-	-	-	101,316	-
	Buildings on freehold land	247,431	1,218	248,649	3,960	12,554	16,514	232,135	5
	Plant, machinery and equipment	2,233,704	33,332 (149,190)	2,117,846	46,746	135,197 (6,993)	174,950	1,942,896	625
	Laboratory equipment	13,544	428	13,972	256	894	1,150	12,822	625
	Material handling	70	-	70	4	15	19	51	20
	Tools and equipment	3,895	-	3,895	88	236	324	3,571	625
	Computer equipment	4,544	350	4,894	1,541	1,551	3,092	1,802	33.33
	Electrical equipment	376	-	376	97	75	172	204	20
	Office equipment	4,711	25	4,692	373	919	1,266	3,426	20
	Furniture and fixture	2,099	(44)	7,330	126	(26)	663	6,667	10
	Vehicles	4,088	794 (825)	4,057	1,347	(7)	1,883	2,174	20
		2,615,778	41,659 (150,340)	2,507,097	54,538	152,879 (7,384)	200,033	2,307,064	
Leased assets									
	Plant, machinery and equipment	-	142,197	142,197	-	5,184	5,184	1,37,013	625
	2010	2,615,778	183,856 (150,340)	2,649,294	54,538	158,063 (7,384)	205,217	2,444,077	

15.1.1 The depreciation charge has been allocated as follows:

(Rupees in thousand)	2011	2010
Cost of goods sold	158,601	156,959
- note 26		
Administrative expenses	975	1,050
- note 27		
Distribution and selling cost	63	54
- note 28		
	159,639	158,063

15.1.2 Disposal of Property, plant and equipment

Detail of property, plant and equipment disposed off during the year ended June 30, 2011 is as follows:

(Rupees in thousand)

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of Disposal
Vehicles	Employee					
	Mr. Yawar Mahmood	856	638	218	356	As per policy
Other Assets having book value below Rs. 50,000		105	99	6	4	Negotiation
		961	737	224	360	

Detail of property, plant and equipment disposed off during the year ended June 30, 2011 is as follows:

(Rupees in thousand)

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of Disposal
Plant and machinery	Outside parties					
	Orix leasing	149,190	6,993	142,197	142,197	Negotiation
Vehicles	Employee					
	Mr. Adnan	825	358	467	569	Negotiation
Other Assets having book value below Rs. 50,000		325	33	292	281	Negotiation
		150,340	7,384	142,956	143,047	

15.2 Capital work-in-progress

(Rupees in thousand)	2011	2010
Civil works	-	40,341
Unallocated expenditure	-	3,062
	-	43,403

16. Intangible asset

(Rupees in thousand)	2011	2010
Carrying value as at July 1	65,473	83,329
Amortization during the year	(17,857)	(17,856)
Carrying value as at June 30	47,616	65,473

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

17. Long term deposits

(Rupees in thousand)	2011	2010
Cost as at July 01	79,580	12,917
Security deposits paid during the year - note 17.1	100	83,846
Security deposits refunded/adjusted during the year	(129)	(17,183)
Cost as at June 30	79,551	79,580

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

18. Deferred taxation

The asset for deferred taxation comprises temporary differences in:

(Rupees in thousand)	2011	2010
Accelerated tax depreciation	(357,039)	(417,740)
Unused tax losses	545,458	502,986
	188,442	85,246

Tax loss amounting to Rs 5.183 million (2010: Rs 87.097 million) expires in the year 2016. The company has not recognized deferred tax assets of Rs Nil (2010: Rs 64.997 million) and Rs 13.456 million (2010: Rs 3.423 million) in respect of business tax loss and the minimum tax under section 113 of the Income Tax Ordinance, 2001 available for carry forward based on prudence principle as sufficient tax profits may not be available to set these off.

19. Stores and spares

(Rupees in thousand)	2011	2010
General stores and spares - note 19.1	97,529	67,131
Working Solution	67,487	68,240
	165,016	135,371

19.1 General stores and spares include raw material for working solution of Rs 48.269 million (2010: Rs 24.345 million) and items which may result in fixed capital expenditure but are not distinguishable.

20. Stock in trade

(Rupees in thousand)	2011	2010
Raw materials [including in transit of Rs 62.634 million (2010: Rs 21.153 million)]	88,328	33,035
Packing material	5,265	675
Work-in-process	2,548	3,125
Finished goods		
- Own manufactured	25,368	14,160
- Purchased for resale	6,543	-
	128,052	50,995

21. These are unsecured and considered good and includes following amounts from associated companies:

(Rupees in thousand)	2011	2010
Descon Chemicals Limited	72	70
Descon Engineering Limited	-	329
	72	399

22. Investment - available for sale

(Rupees in thousand)	2011	2010
Available for sale - at cost		
Investment in 555,222 units (2010: 114,447 units) of MCB Cash Optimizer Fund	54,228	11,221
Investment in 5,461,874 units (2010: Nil) of ABL Cash Fund	54,000	-
Investment in 84 units (2010: Nil) of Pakistan Cash Fund	4	-
	108,232	11,221
Add : Cumulative fair value gain - note 22.2	2,115	437
	110,347	11,658

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

22.2 Cumulative fair value gain

(Rupees in thousand)	2011	2010
As at July 1	437	-
Fair value gain during the year	4,074	1,683
Transferred to profit and loss account on derecognition of investment	(2,396)	(1,246)
As at June 30	2,115	437

23. Advances, deposits, prepayments and other receivables.

(Rupees in thousand)	2011	2010
Advances to suppliers	5,315	9,694
Advances to employees	235	93
Prepayments	1,427	1,778
Recoverable from government:		
- Income tax	28,752	18,128
- Sales tax	48,624	83,815
	77,376	101,943
Security deposits	-	1,393
Other receivables	361	-
	84,714	114,901

24. Cash and bank balances

(Rupees in thousand)	2011	2010
At banks on:		
- Current accounts	31,315	43,514
- Term deposit accounts - note 24.1	6,022	16,500
	37,337	60,014
In hand	330	154
	37,667	60,168

24.1 This represents amount in Bank Al-Habib Limited for deposit account, redeemable in one month. It carries mark-up at the rate ranging from 10.25% to 11% per annum.

25. Sales

(Rupees in thousand)	2011	2010
Gross sales:		
- Local	1,048,718	677,711
- Export	404,827	41,217
	1,453,545	718,928
Less: Commission on sales	(20,969)	(9,256)
	1,432,576	709,672

25.1 Gross sales include sale of finished goods purchased for resale amounting to Rs 42.592 million (2010: Nil)

26. Cost of sales

(Rupees in thousand)	2011	2010
Raw materials consumed	399,605	254,050
Salaries, wages and other benefits - note 26.1	45,843	40,380
Repair and maintenance	45,023	15,745
Production supplies	738	13,012
Fuel and power	135,660	98,671
Printing and stationery	616	563
Services through contractors	44,425	54,998
Traveling	209	224
Communication	397	554
Rent and rates	1,050	-
Depreciation on property, plant and equipment - note 15.1.1	158,601	156,959
Amortization on intangible assets - note 16	17,856	17,856
Insurance	5,694	5,247
Fees	1,509	-
Safety items consumed	740	536
Miscellaneous	2,104	2,310
	860,070	661,105
Add: Opening work in process	3,125	2,604
Less: Closing work in process	(2,548)	(3,125)
	577	(521)
Cost of goods produced	860,647	660,584
Add: Opening finished goods	14,835	37,653
Less: Closing finished goods	(30,633)	(14,835)
	(15,798)	22,818
Cost of goods purchased for resale	47,290	-
	892,139	683,402

26.1 Salaries, wages and other benefits include provident fund contribution of Rs 1.272 million (2010: Rs 1.585 million) by the company.

27. Administrative expenses

(Rupees in thousand)	2011	2010
Salaries, allowances and other benefits - note 27.1	14,461	17,804
Services through contractor	1,023	-
Vehicle running and maintenance	936	44
Entertainment	750	758
Communication	950	328
Printing and stationery	1,259	1,029
Traveling and conveyance	739	499
Charity and donation	85	-
Repair and maintenance	788	-
Insurance	63	117
Fees and subscriptions	3,316	5,317
Rent and Rates	3,039	-
Legal and professional fee - note 27.2	8,902	9,382
Depreciation on property, plant and equipment - note 15.1.1	975	1,050
Advances written off	-	821
Others	2,684	1,514
	39,970	38,663

27.1 Salaries, wages and other benefits include provident fund contribution of Rs 122.77 thousand (2010: Rs 215.34 thousand) by the Company.

27.2 Auditors remuneration

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

(Rupees in thousand)	2011	2010
Statutory audit	800	650
Half yearly review	300	250
Certification Charges	100	100
Out of pocket expenses	88	41
	1,288	1,041

28. Distribution and selling cost

(Rupees in thousand)	2011	2010
Salaries, allowances and other benefits - note 28.1	5,139	11,498
Entertainment	29	19
Communication	592	55
Traveling and conveyance	1,290	476
Advertisement	533	20
Insurance	1,067	269
Loading and unloading charges	257	15
Freight and forwarding	59,142	29,855
Depreciation on property, plant and equipment - note 15.1.1	63	54
Others	459	322
	68,571	42,583

28.1 Salaries, wages and other benefits include provident fund contribution of Rs 199.36 thousand (2010: Rs 104.39 thousand) by the Company.

29. Other operating expenses

(Rupees in thousand)	2011	2010
Workers' Welfare Fund - note 12.4	1,725	33
Workers' Profit Participation Fund	4,540	-
Exchange loss	-	68
	6,265	101

30. Other operating income

(Rupees in thousand)	2011	2010
Income from financial assets		
Interest on bank deposits	5,025	52
Exchange Gain	337	-
Gain on sale of investment	2,396	1,246
	7,758	1,298
Income from non-financial assets		
Gain on sale of fixed assets	136	90
Scrap sales	2,327	5,645
Others	575	6
	3,038	5,741
	10,796	7,039

31. Finance cost

(Rupees in thousand)	2011	2010
Interest and mark-up on:		
- Long term finances		
- secured	241,116	226,673
- unsecured	52,746	3,054
- Finances under markup arrangement - secured - note 31.1	33,311	46,857
- Liabilities against assets subject to finance lease	14,370	6,975
Bank charges and others	10,352	4,506
	351,895	288,065

32. Taxation

(Rupees in thousand)	2011	2010
For the year		
- Current	(14,604)	(10,681)
- Deferred	(25,251)	80,098
	(39,855)	69,417
Prior year		
- Current	6,846	-
- Deferred	128,447	(22,724)
	135,293	(22,724)
	95,438	46,693

32.1 In view of the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and minimum tax on turnover under section 113 of the Income Tax Ordinance, 2001. Minimum tax under section 113 is available for set off for five years against normal tax liability arising in future years whereas tax under 'Final Tax Regime' is not available for set off against normal tax liabilities arising in future years.

For the purposes of current taxation, the tax losses available for carry forward including pre-commencement expenditure as at June 30, 2011 are estimated approximately at Rs 1,558.519 million (2010: Rs 1,622.809 million).

32.2 Tax charge reconciliation

Numerical reconciliation between the average effective tax rate and the applicable tax rate

	2011 %	2010 %
Applicable tax rate	35.00	35.00
Tax effect under presumptive regime	12.33	(5.28)
Tax losses for which no deferred tax asset is recognized	-	(9.07)
Exempt for income tax purposes	(0.15)	-
Effect of change in prior years tax and rounding off	(160.08)	(6.76)
	(147.90)	(21.11)
Average effective tax rate charged to profit and loss account	(112.90)	13.89

33. Earnings/(loss) per share

33.1 Basic earnings/(loss) per share

		2011	2010
Profit/(loss) for the year	Rupees in thousand	179,970	(289,410)
Weighted average number of ordinary shares in issue during the year	Number	102,000	102,000
Earnings/loss per share	Rupees	1.76	(2.84)

33.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Company does not have any convertible instrument in issue as at June 30, 2011 and June 30, 2010 which would have any effect on the earnings per share if the option to convert is exercised.

34. Cash flow from operating activities

(Rupees in thousand)	2011	2010
Profit / (loss) before taxation	84,532	(336,103)
Adjustment for:		
- Depreciation on property, plant and equipment	159,639	158,064
- Amortization of intangible assets	17,857	17,856
- Reversal of provision for accumulating compensated absences	(195)	-
- Gain on disposal of fixed assets	(136)	(90)
- Provision for workers' welfare fund	1,725	33
- Provision for workers' profit participation fund	4,540	-
- Net exchange (gain)/ loss	(337)	68
- Interest from bank deposits	(5,025)	(52)
- Advances written off	-	821
- Gain on sale of investment	(2,396)	(1,246)
- Finance cost	351,895	283,559
Profit before working capital changes	612,099	122,910
Effect on cash flow due to working capital changes:		
(Increase)/ decrease in current assets		
- Stores, spares and loose tools	(29,645)	(2,482)
- Stock in trade	(77,057)	5,074
- Trade debts	(66,362)	(25,617)
- Advances, deposits, prepayments and other receivables	40,813	16,813
Increase /(decrease) in current liabilities		
- Creditors, accrued and other liabilities	(20,718)	25,105
	(152,969)	18,893
Cash generated from operations	459,130	141,803

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

(Rupees in thousand)		2011	2010
i. Associated undertakings	Purchase of goods and services	18,809	10,717
	Purchases in respect of fixed capital expenditure	-	7,610
	Sale of goods	251	398
	Disposal of asset	2	281
	Share of common expenses charged from associated companies	29,427	24,693
	Share of common expenses charged to associated companies	3,169	-
	Mark-up expense	52,746	3,054
	Sale of scrap	498	-
ii. Post employment benefit plans	Expense charged in respect of retirement contribution plans	1,594	1,905

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

36. Remuneration of Chief Executive, Directors and Executives

(Rupees in thousand)	Chief Executive		Directors		Executives	
	30 June 2011	30 June 2010	30 June 2011	30 June 2010	30 June 2011	30 June 2010
Remuneration	1,961	1,401	1,586	754	15,860	14,191
Provident Fund	127	129	61	6	980	647
Medical facility	43	29	53	36	380	194
Reimbursable expenses	71	-	177	-	1,465	1,525
	2,202	1,559	1,877	796	18,685	16,557
No. of persons	1	1	2	2	18	20

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

37. Cash and cash equivalents

(Rupees in thousand)		2011	2010
Cash and bank balances	- note 24	37,667	60,168
Finances under mark up arrangements - secured	- note 11	(114,188)	(286,473)
		(76,521)	(226,305)

38. Capacity and production

		Production Capacity	Actual production 2011	Actual production 2010
Production of hydrogen peroxide (on 100% concentration and based on 360 working days)	Metric Tonnes	15,000	14,896	10,070
Production of packing material (based on 360 working days)	Number	1,080,000	859,341	561,837

39. Financial risk management objectives

39.1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The company is exposed to foreign currency exchange risk in respect of commitments against letters of credit in foreign currency. The management does not view hedging as being financially feasible.

The company is exposed to currency risk arising only with respect to the United 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:

	2011	2010
Trade debts - US Dollars	250,644	47,732
Bills payable - US Dollars	(644,725)	(232,301)
The following significant exchange rates were applied during the year:		
Rupees per USD		
Average rate	85.73	84.15
Reporting date rate	86.05	85.60

At June 30, 2011, if the Rupee had weakened / strengthened by 10% against the US dollar with all other variables held constant, post-tax profit for the year would have been higher / lower as under, mainly as a result of foreign exchange gains / losses on translation of US dollar-denominated liabilities.

Foreign currency sensitivity analysis

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

(Rupees in thousand)	Change in Exchange Rate	Effect on profit before tax	Effect on Equity
2011	10%	(3,391)	(2,204)
	-10%	3,391	2,204
2010	10%	(1,580)	(1,027)
	-10%	1,580	1,027

(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

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.

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.

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

(Rupees in thousand)	2011	2010
Fixed rate instruments		
Financial assets		
Term deposit account	6,022	16,500
Floating rate instruments		
Financial liabilities		
Long term finances		
- secured	1,469,818	1,469,818
- unsecured	408,785	408,785
Finances under markup arrangement - secured	114,188	286,473
Liabilities against assets subject to finance lease	135,891	142,196
	2,128,682	2,307,272

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.

Interest rate sensitivity analysis

(Rupees in thousand)	Increase/decrease in rate	Effect on profit before tax	Effect on Equity
Financial Assets			
2011	1%	60	39
	-1%	(60)	(39)
2010	1%	165	107
	-1%	(165)	(107)
Financial Liabilities			
2011	1%	(21,287)	(13,837)
	-1%	21,287	13,837
2010	1%	23,073	14,997
	-1%	(23,073)	(14,997)

(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 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:

(Rupees in thousand)	2011	2010
Trade debts	93,475	26,776
Long term deposits	79,551	79,580
Advances, deposits, prepayments and other receivables	5,676	11,087
Investment - Available for sale	110,347	11,658
Bank balances	37,667	60,168
	326,716	189,269

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 short term investments in open ended money market mutual funds and cash and bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

(Rupees in thousand)	Rating		Rating Agency	2011	2010
	Short term	Long term			
Investment - Available for sale					
MCB Cash Optimizer Fund	N/A	AA+(f)	Pacra	55,640	11,658
ABL Cash Fund	N/A	AA+(f)	JCR	54,703	-
Pakistan Cash Fund	N/A	AAA(f)	Pacra	4	-
				110,347	11,658
Cash and bank					
Habib Metropolitan Bank Limited	AI+	AA+	Pacra	23,170	22,492
Habib Bank Limited	AI+	AA+	JCR	7,774	3,796
Allied Bank Limited	AI+	AA	Pacra	370	23,118
Bank Al-Habib Ltd.	AI+	AA+	Pacra	6,022	10,608
				37,336	60,014

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, 2011 the company had borrowing limits available from financial institutions at Rs 83.871 million (2010: Rs 58.970 million), investment available for sale at Rs 110.347 million (2010: Rs 11.658 million) and Rs 37.667 million (2010: Rs 60.168 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

(Rupees in thousand)	Carrying amount	Less than one year	More than one year
The following are the contractual maturities of financial liabilities as at June 30, 2011:			
Finance under markup arrangements	114,188	114,188	-
Accrued finance cost	157,114	102,594	54,520
Trade and other payables	142,964	142,964	-
Long term finances			
- secured	1,569,818	93,054	1,476,764
- unsecured	408,785	-	408,785
Liabilities against assets subject to finance lease	135,891	20,852	115,039
	2,528,760	473,652	2,055,108
The following are the contractual maturities of financial liabilities as at June 30, 2010:			
Finance under markup arrangements	114,188	114,188	-
Accrued finance cost	97,582	97,582	-
Trade and other payables	157,612	157,612	-
Long term finances			
- secured	1,469,818	189,597	1,280,221
- unsecured	408,785	-	408,785
Liabilities against assets subject to finance lease	142,196	1,005	141,191
	2,390,181	559,984	1,830,197

39.2 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.

39.3 Financial instruments by categories

(Rupees in thousand)	2011	2010
Loans and receivables		
Long term deposits	79,551	79,580
Trade debts	93,475	26,776
Advances, deposits, prepayments and other receivables	84,714	114,901
Cash and bank balances	37,667	60,168
Available for sale		
Short term investments	110,347	11,658
Financial liabilities at amortised cost		
Long term finances	1,978,603	1,878,603
Liabilities against assets subject to finance lease	135,891	142,196
Finances under mark up arrangements - secured	114,188	286,473
Trade and other payables	142,964	157,612
Accrued finance cost	157,114	97,582

39.4 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Borrowings represent long term loan obtained by the company as referred to in notes 6 and 7. Total capital employed includes equity as shown in the balance sheet, plus total long term borrowings.

The gearing ratio for the year is 72% (2010: 79%). Although the long term loans have increased due to restructuring but improvement in ratio is mainly on account of profit in current year.

40. Date of authorization for issue

These financial statements were authorized for issue on September 6, 2011 by the Board of Directors.

41. Subsequent events

There are no subsequent events occurring after balance sheet date.

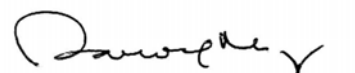
42. Corresponding figures

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

Capital work in progress amounting to Rs 43.403 million and assets subject to finance lease amounting to Rs 137.013 million as at June 30, 2010 have been included in property, plant and equipment as it is considered a better presentation under International Accounting Standard 16 - Property, Plant and Equipment.



Chief Executive



Director