

H₂O₂

1st Quarter Accounts
September 2008

Descon Oxychem Limited





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Company Information

Board of Directors

Mr. Abdul Razak Dawood
Mr. Muhammad Nabeel Arif
Shaikh Azhar Ali
Mr. Taimur Dawood
Syed Zamanat Abbas
Mr. Muhammad Sadiq
Mr. Faisal Dawood

Director/Chairman
Director/Chief Executive Officer
Director
Director
Director
Director
Director

Company Secretary

Mr. Muhammad Asad

Audit Committee

Mr. Abdul Razak Dawood
Mr. Taimur Dawood
Syed Zamanat Abbas

Chairman
Member
Member

External Auditors

M/S A. F. Ferguson & Co.
Chartered Accountants

(Subject to approval of shareholders in 4th Annual General Meeting to be held on October 30, 2008)

Legal Advisors

Hassan & Hassan Advocates

Bankers

Allied Bank Limited
Askari Bank Limited
Habib Metropolitan Bank Limited
Habib Bank Limited

KASB Bank Limited
Mybank Limited
Soneri Bank Limited
Bank Alhabib Limited

Share Registrar

THK Associates (Pvt) Limited
Ground Floor, State Life Building – 3
Dr. Ziauddin Ahmad Road
Karachi – 75530
Tel: 021-111 000 322
Fax: 021-565 5595

Registered Office

Descon Headquarters
18-KM Ferozepur Road
Lahore – 53000
Tel: 042-599 0034 Ext 225
Fax: 042-5811135
URL: www.desconoxychem.com

Head Office and Plant

18-KM Lahore-Sheikhupura Road
Lahore
Tel: 042-797 1822-24
Fax: 042-797 1831
URL: www.desconoxychem.com



Directors' Report to the Shareholders

Ladies and Gentlemen

The Directors of Descon Oxychem Limited submit to the shareholders, the quarterly report together with un-audited financial statements of the Company for the first quarter ended September 30, 2008.

Plant Completion

By the grace of Almighty Allah, the Hydrogen Peroxide plant has been completed and commissioning is in progress under the supervision of the technology supplier, Chematur Engineering Sweden. The foreign commissioning experts have checked and certified the completion of the plant as per design. The plant is tested through DCS and the chemicals are being filled into the plant to start the trial production in November 2008. In addition, all foreign vendors of packaged equipment have visited the plant site and have gone back after certifying the correct installation and commissioning of the equipments. After having completed these critical activities, the technology provider is confident that the plant would run at the designed capacities.

Our experienced professional management has shown their commitment, hard work and skills to achieve the successful plant completion and will keep on the momentum to make the operations of the Company successful.

Marketing and Future Outlook

Even with the slow down of the economies world wide, the market of hydrogen peroxide in Pakistan is expected to remain stable and will grow as expected. With the start of the supply of hydrogen peroxide from your plant, the import option for the industry will not remain viable because of the increasing US\$ to Pak Rupee parity. The market response is positive and it is expected to sell out all the production into the local market. Your company has also received positive feed back from the regional customers and if economic conditions and market demand of H₂O₂ grows in coming year, we will be able to expand in a competitive manner.

For and on Behalf of the Board

Muhammad Nabeel Arif
Chief Executive Officer
Lahore, October 25, 2008.

**Balance Sheet**

As at September 30, 2008

	<i>Note</i>	September 30 2008 (Un-audited) Rupees	June 30 2008 (Audited) Rupees
Non current assets			
Property, plant and equipment		87,891,516	87,914,098
Capital work in progress	5	1,926,929,369	1,340,905,022
Intangible asset		72,376,438	72,376,438
Long term loan		2,600,000	2,600,000
Long term deposit		865,093	865,093
		<u>2,090,662,416</u>	<u>1,504,660,651</u>
Current assets			
Stores and spares		12,677,709	13,889,057
Raw and packing material		63,486,441	-
Deposits, prepayments & and other receivables		75,994,482	35,232,662
Cash and bank balances		84,456,615	165,113,879
		<u>236,615,247</u>	<u>214,235,598</u>
Current liabilities			
Trade and other payables		64,803,908	55,452,480
Mark-up accrued on long-term loan		20,142,442	27,015,194
		<u>84,946,350</u>	<u>82,467,674</u>
Net current assets		151,668,897	131,767,924
Non current liabilities			
Long-term loan - secured		1,251,000,005	955,686,172
Contingencies and commitments	6	<u>991,331,308</u>	<u>680,742,403</u>
Represented by:			
Share capital		1,020,000,000	695,000,000
Accumulated loss		(28,668,692)	(14,257,597)
		<u>991,331,308</u>	<u>680,742,403</u>

The annexed notes 1 to 10 form an integral part of these financial statements.

Chief Executive Officer

Director



Profit and Loss Account

For the quarter ended September 30, 2008 (Un-Audited)

	<i>Note</i>	Three months ended	
		September 30 2008 Rupees	September 30 2007 Rupees
Sales - net		-	-
Cost of goods sold		-	-
Gross profit		-	-
Administrative expenses	7	14,411,095	857,331
Operating loss		(14,411,095)	(857,331)
Finance cost		-	-
Loss before taxation		(14,411,095)	(857,331)
Provision for taxation		-	-
Loss after taxation		(14,411,095)	(857,331)
Loss per share - basic and diluted		(0.18)	(428.67)

All appropriations have been shown in the Statement of Changes in Equity.

The annexed notes 1 to 10 form an integral part of these financial statements.

Chief Executive Officer

Director



Cash Flow Statement

For the quarter ended September 30, 2008 (Un-Audited)

	Three months ended	
	September 30 2008	September 30 2007
	(Rupees)	
Loss for the period	(14,411,095)	(857,331)
Adjustments for:		
Depreciation	417,988	99,265
Loss before working capital changes	(13,993,107)	(758,066)
Effect on cash flow due to working capital changes:		
<i>(Increase)/decrease in current assets</i>		
Stores and spares	1,211,348	-
Raw and packing material	(63,486,441)	-
Deposits, prepayments and other receivables	(38,384,969)	(6,474,018)
<i>Increase/(decrease) in current liabilities</i>	-	-
Trade and other payables	9,351,428	(3,318,360)
	(91,308,634)	(9,792,378)
Cash (used in)/generated from pre-operating activities	(105,301,741)	(10,550,444)
Finance cost paid	(47,242,720)	(6,469,774)
Taxes paid	(2,376,851)	(1,900)
Net cash (outflow)/inflow from pre-operating activities	(154,921,312)	(17,022,118)
Cash flow from investing activities		
Fixed capital expenditure incurred	(546,049,785)	(153,404,455)
Net cash outflow from investing activities	(546,049,785)	(153,404,455)
Cash flows from financing activities		
Long-term loan - secured	295,313,833	200,000,000
Short-term borrowings - unsecured	-	(37,534,237)
Proceeds from issuance of shares / share deposit money	325,000,000	17,488,702
Net cash inflow from financing activities	620,313,833	179,954,465
Net increase in cash and cash equivalents	(80,657,264)	9,527,892
Cash and cash equivalents at the beginning of the period	165,113,879	1,789,137
Cash and cash equivalents at the end of the period	84,456,615	11,317,029

The annexed notes 1 to 10 form an integral part of these financial statements.

Chief Executive Officer

Director

**Statement of Changes in Equity**

For the quarter ended September 30, 2008 (Un-Audited)

	<u>Share capital</u>	<u>Share deposit money</u>	<u>Accumulated loss</u>	<u>Total</u>
	(-----Rupees-----)			
Balance as at June 30, 2007	20,000	277,995,238	(4,022,204)	273,993,034
Share deposit money received	-	17,488,702	-	17,488,702
Loss for the period	-	-	(857,331)	(857,331)
Balance as at September 30, 2007	<u>20,000</u>	<u>295,483,940</u>	<u>(4,879,535)</u>	<u>290,624,405</u>
Share deposit money received	-	399,496,060	-	399,496,060
Shares issued	694,980,000	(694,980,000)	-	-
Loss for the period	-	-	(9,378,062)	(9,378,062)
Balance as at June 30, 2008	<u>695,000,000</u>	<u>-</u>	<u>(14,257,597)</u>	<u>680,742,403</u>
Shares issued	325,000,000	-	-	325,000,000
Loss for the period	-	-	(14,411,095)	(14,411,095)
Balance as at September 30, 2008	<u><u>1,020,000,000</u></u>	<u><u>-</u></u>	<u><u>(28,668,692)</u></u>	<u><u>991,331,308</u></u>

The annexed notes 1 to 10 form an integral part of these financial statements.

Chief Executive Officer

Director



Selected Notes to the Accounts

For the quarter ended September 30, 2008 (Un-Audited)

- 1 This financial information is un-audited and is being submitted to shareholders, as required under section 245 of the Companies Ordinance, 1984 and the listing regulations of the Stock Exchanges of Pakistan.
- 2 The accounting policies adopted for the preparation of this financial information are the same as those applied in the preparation of the preceding annual published financial statements of the company for the year ended June 30, 2008.
- 3 This financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34, "Interim Financial Reporting" as implemented in Pakistan vide Companies Ordinance, 1984.
- 4 Provision for taxation has not been recognized as the company has not yet started its commercial operation.

	September 30 2008 (Un-audited) Rupees	June 30 2008 (Audited) Rupees
5 Capital work in progress		
Civil works	166,119,112	154,827,914
Plant and machinery	1,091,320,970	743,678,175
Advances	499,019,620	332,658,955
Unallocated expenditure	170,469,667	109,739,978
	<u>1,926,929,369</u>	<u>1,340,905,022</u>

6 Contingencies and commitments

6.01 Contingencies

The Company is contingently liable for Rs. 48.64 million (June 30, 2008: Rs. 48.64 million) in respect of guarantee issued by its banker in favour of Sui Northern Gas Pipelines Limited.

6.02 Commitments

Capital commitments in respect of capital expenditure at balance sheet date amount to Rs. 325.172 million (June 30, 2008: Rs. 850.797 million).

	Three months ended	
	September 30 2008 (Un-audited) Rupees	September 30 2007 (Un-audited) Rupees
7 Administrative expenses		
Salaries, wages and other benefits	2,066,705	745,572
Medical	25,964	600
Vehicle running and maintenance	-	8,264
Entertainment	24,070	480
Communication	25,517	-
Printing and stationary	457,500	-
Travelling	282,935	-
Advertisement	2,216,440	-
Insurance	12,500	-
Legal and professional Charges	8,836,816	-
Fee & Subscription	3,250	-
Depreciation	417,988	99,265
Others	41,410	3,150
	<u>14,411,095</u>	<u>857,331</u>

**8 Transactions with related parties**

		Three months ended	
		September 30	September 30
		2008	2007
		(Un-audited)	(Un-audited)
		Rupees	Rupees
Relationship with the Company	Nature of transaction		
Associated undertakings	Purchase of goods and services	<u>45,975,962</u>	<u>16,151,940</u>
	Advance against purchase of plant	<u>84,604,001</u>	<u>22,860,368</u>

9 Date of authorization for issue

The financial statements were authorised for issue on October 25, 2008 by the Board of Directors of the Company.

10 General

The figures have been rounded off to nearest rupee.

Chief Executive Officer

Director