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## **Vision and Mission**

Vision is our destiny and our long term corporate Goals. It outlines our capabilities, strengths and drives the strategic direction of our organizational future. We have narrated our vision in such a way that it resonates through all members of the organization and help them feel proud, excited and part of something much bigger than themselves.

Our mission is target oriented and goes hand in hand with our Vision. It is a very clear and progressive statement that serves as beacon for all our staff members at various levels.

Our Values are very clear to us and they represent an individual's highest priorities and are our driving forces.

### **Our Vision**

To become a leading chemical solutions provider to industry worldwide.

### **Our Mission**

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

### **Our Core Values**

Honesty, integrity & humility  
Open and candid environment  
Commitment and team work  
Encourage innovation and initiative  
Recognition growth & respect for individual  
Customer focus  
Service to nation

## Company Information

### Board of Directors

Mr. Abdul Razak Dawood	Director/Chairman
Mr. Muhammad Nabeel Arif	Director/Chief Executive Officer
Shaikh Azhar Ali	Director
Mr. Taimur Dawood	Director
Syed Zamanat Abbas	Director
Mr. Muhammad Sadiq	Director
Mr. Faisal Dawood	Director

### Company Secretary

Muhammad Asad

### Audit Committee

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

### Auditors

M/S KPMG Taseer Hadi & Co  
Chartered Accountants

### Legal Advisors

Hassan & Hassan Advocates

### Bankers

Allied Bank Limited	KASB Bank Limited
Askari Bank Limited	Mybank Limited
Habib Metropolitan Bank Limited	Soneri Bank Limited
Habib 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](http://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](http://www.desconoxychem.com)



## Notice of Annual General Meeting

Notice is hereby given that the 4<sup>th</sup> Annual General Meeting of Descon Oxychem Limited will be held at Avari Hotel, Sutlej Hall, Shahrah-e-Quaid-Azam Lahore, on Thursday October 30, 2008 at 10.00 a.m. to transact the following business:-

### Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting held on February 28, 2008.
2. To receive, consider and adopt the audited financial statements of the company together with the Directors' and Auditors' reports thereon for the year ended June 30, 2008.
3. To appoint Messrs A. F. Ferguson & Co., Chartered Accountants as Auditors for the ensuing year and to fix their remuneration. (Messrs KPMG Taseer Hadi & Co., Chartered Accountants, retires and is involved in the Oracle ERP software lay out for the Company, so KPMG cannot continue with the Company as External Auditor.)
4. To transact any other ordinary business of the company with the permission of the Chair.

By order of the Board

Lahore:  
September 22, 2008

MUHAMMAD ASAD  
Company Secretary

### Notes:

1. The share transfer Books of the company will remain closed from October 23, 2008 to October 30, 2008 (both days inclusive).
2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the members' behalf.
3. Duly completed forms of proxy must be deposited with the Company Secretary at the Registered Office of the company at Descon Headquarters, 18-KM Ferozepur Road Lahore, 53000 not later than 48 hours before the time appointed for the meeting.
4. Shareholders are requested to notify any change in their addresses immediately.
5. CDC account holders will further have to follow the under mentioned guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange

Commission of Pakistan.

A. FOR ATTENDING THE MEETING:

- (i) In case of individuals, the account holder or sub account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate identity by showing his/her original national identity card (CNIC) or original passport at the time of attending the meeting.
- (ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B. FOR APPOINTING PROXIES:

- (i) In case of individuals, the account holder or sub account holder and / or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.
- (ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- (iii) The proxy shall produce his / her original CNIC or original passport at the time of the meeting.
- (iv) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the company.

6. Form of proxy is attached in the Annual Report.



## **Directors' Report to the Shareholders**

Ladies and Gentlemen

The Directors of Descon Oxychem Limited take pleasure in presenting yearly report together with audited financial statements for the year ended June 30, 2008.

### **Board of Directors**

The Board comprises of seven directors. The board has delegated day to day operations of the Company to the CEO save the powers which cannot be delegated under the law.

The Board plays an active role in Company through frequent Board meetings and through the committees it have formed to look after strategic policy formulation and controls like Audit Committee and Executive Committee.

### **Successful completion of IPO**

The Company received subscription amounting to Rs. 347.2 million against the offered amount of Rs. 325 million. The excess subscription has been refunded and the shares have been issued to the successful subscribers. The company has complied with all the listing requirements and is now formally listed on Karachi Stock Exchange with effect from September 15, 2008.

The Directors of Descon Oxychem Limited thanks the general public for showing the confidence in the Company by subscribing to the IPO.

### **Project Management/Commissioning**

Erection of plant and machinery of the H<sub>2</sub>O<sub>2</sub> plant is completed. All utilities have been erected, installed and commissioned (Instrument Air System, N<sub>2</sub> Generation System, De-mineralized water system, Steam generation system, Cooling water system, Fire water system & raw water system). SNGPL gas metering station is installed and presently undergoing final commissioning of the Gas supply system. WAPDA 132 KV grid erection is in progress. In the process area all major equipment has been erected. Vendors, Serviceman, Foreign commissioning experts are mobilized at site for pre-commissioning & commissioning activities as well as erection completion certification. Chematur Engineering commissioning team has arrived at plant site and all activities are taking place under their direct supervision. Project is proceeding as per given schedule mentioned in our prospectus.

### **Board of Directors' Meetings**

The directors were elected in the extraordinary general meeting of the member on February 28, 2008. The status of the company was also changed to public limited company on the same day. During the period from February 28, 2008 to June 30, 2008 two (2) board meetings were held and attended as follows:-

Name of Director	Meetings Attended
1. Mr. Abdul Razak Dawood	2
2. Mr. Muhammad Nabeel Arif	2
3. Shaikh Azhar Ali	2
4. Mr. Taimur Dawood	2
5. Syed Zamanat Abbas	2
6. Mr. Muhammad Sadiq	2
7. Mr. Faisal Dawood	2

### Corporate and Financial Reporting Framework

As required by Code of Corporate Governance, the Directors' report on corporate and financial reporting framework as follows:-

- **Presentation of Financial Statements**  
The financial statements along with the notes there on have been drawn up by the management in conformity with the Company's Ordinance 1984. These statements present fairly the Company's state of affairs, the result of operations, cash flows and changes in equity.
- **Books of Accounts**  
The Company has maintained proper books of accounts.
- **Accounting Policies**  
All the accounting policies have been stated in the notes to the accounts and have been applied consistently. The accounting estimates have been made on the basis of prudence.
- **Compliance of Code of Corporate Governance**  
Statement of compliance of code of corporate governance is annexed.
- **Going Concern**  
The Company is considered as going concern and there is no evidence which may be considered as adverse effect.
- **Financial Data**  
Key operating and financial data of the Company since its inception is as under:

	2008	2007	2006	2005
Issued, subscribed & paid up capital	695,000	20	20	20
Share deposit money	-	277,995	46,127	572
Accumulated loss	(14,258)	(4,022)	(1,989)	
Non current liabilities	955,686	-	-	-
Current liabilities	82,468	47,520	60	20
Current assets	214,235	2,622	20	20
Non current assets	1,504,661	318,891	44,198	592



- **Internal control system**  
The system of internal control is effective in design and is being implemented and monitored.
- **Audit Committee of the Board**  
Audit Committee is composed of three non executive directors. Term of reference of the Audit Committee is in line with the guidelines of code of corporate governance.
- **Pattern of Shareholding**  
The pattern of shareholding of the Company is annexed. No trading was made in shares of the Company by its Directors, CEO, CFO and Company Secretary, their spouses and minor children.

#### **Auditors**

The existing auditors M/s KPMG Taseer Hadi & Co.; Chartered Accountant shall retire on the conclusion of the Annual General Meeting. M/s KPMG Taseer Hadi & Co. is involved in the Oracle ERP software lay out for the Company, so KPMG cannot continue with the Company as External Auditor. A Chartered Accountant Company involved in development and improvement of the internal control system of the Company cannot audit the same system as per professional norms. Audit Committee has recommended the appointment of M/s A. F. Ferguson & Co.; Chartered Accountant as external auditor of the Company for the financial year ending June 30, 2009. Board of Directors have also approved this proposal and forwarded it to AGM for the final approval from share holders.

#### **Future outlook**

Market conditions are very conducive for Company because there is a gap between demand and supply for locally produced Hydrogen Peroxide due to US\$ Pak Rupee parity, higher fuel prices and freight charges for imported supplies. Company once achieved the steady state production levels of Hydrogen peroxide, the total demand of locally produced Hydrogen Peroxide will be met under the present market size. Company is in ideal proximity to the main consumers industry like textile, Paper and food, which makes Company a preferred supplier. Company management at present is completely focusing on the start up and commissioning of Hydrogen per oxide plant so that its customers are served with best quality chemical as per plan announced.

Presently Paper & Board, Food and beverage industry is consuming little quantities of Hydrogen Peroxide. We are expecting growth in the demand of H<sub>2</sub>O<sub>2</sub> in future, depending upon overall economic conditions and policies of Pakistan and switchover of Paper & Board industry to H<sub>2</sub>O<sub>2</sub> bleaching process in near future. Our Hydrogen production plant has excess capacity of H<sub>2</sub> production, which after small retrofit will be sufficient to feed another H<sub>2</sub>O<sub>2</sub> production plant of same size. We already have enough space available at our existing plant to set up another H<sub>2</sub>O<sub>2</sub> production facility without any further investment in land or utilities. Thus we can achieve economies of scale by erection and start up of another H<sub>2</sub>O<sub>2</sub> production plant at present location.



If economic conditions and Market demand of H2O2 grows in coming year, we will be able to expand at much competitive way.

**Acknowledgement**

On behalf of Board, I like to record board appreciation to our dedicated employees and dynamic management for their continuous hard work and project management which helped Company to start up this project well in time.

I also take this opportunity to affirm our continued commitment towards all our stake holders and Insha Allah next year will see the Company growing at a faster pace.

For and on Behalf of the Board

**Muhammad Nabeel Arif**

Chief Executive Officer

Lahore: September 22, 2008.

**Pattern of Shareholding**

Number Of Shareholders	Shareholding		Total Number of Shares
	From	To	
112	1	5,000	450,700
71	5,001	10,000	527,000
27	10,001	15,000	302,500
43	15,001	20,000	784,500
5	20,001	25,000	115,000
15	25,001	30,000	391,500
4	45,001	200,000	400,000
1	300,001	400,000	325,500
1	400,001	500,000	500,000
2	1,500,001	2,000,000	3,953,200
1	3,000,001	4,000,000	4,000,000
1	4,000,001	5,000,000	4,070,000
3	5,000,001	6,000,000	16,611,300
1	6,000,001	8,000,000	7,500,000
1	8,000,001	9,000,000	8,725,250
2	10,000,001	11,000,000	20,843,550
<b>290</b>			<b>69,500,000</b>

**as at June 30, 2008**

<b>Catagories of Shareholders</b>	<b>Number</b>	<b>Shares Held</b>	<b>Percentage</b>
<b>Associated Companies, Undertakings and Ralated Parties</b>			
Descon Chemicals (Pvt) Limited	1	10,062,300	14.48%
Descon Corporation (Pvt) Limited	1	8,725,250	12.55%
Descon Engineering Limited	1	7,500,000	10.79%
Descon Holding (Pvt) Limited	1	1,953,200	2.81%
<b>Directors, CEO &amp; their Spouse and Minor Children</b>			
Mr. Abdul Razak Dawood	1	10,781,250	15.51%
Shaikh Azhar Ali	1	500	0.00%
Mr. Taimur Dawood	1	5,644,500	8.12%
Mr. Muhammad Nabeel Arif	1	500	0.00%
Syed Zamanat Abbas	1	500	0.00%
Mr. Muhammad Sadiq	1	500	0.00%
Mr. Faisal Dawood	1	5,644,500	8.12%
Directors spouses and minor children	4	4,439,500	6.39%
CEO spouse and minor children	1	25,500	0.04%
IGI Investment Bank Limited	1	4,000,000	5.76%
Individuals	273	10,722,000	15.43%
	<b>290</b>	<b>69,500,000</b>	<b>100.00%</b>
<b>Shareholders holding 10% or more voting interest</b>			
Mr. Abdul Razak Dawood	1	10,781,250	15.51%
Descon Chemicals (Pvt) Limited	1	10,062,300	14.48%
Descon Corporation (Pvt) Limited	1	8,725,250	12.55%
Descon Engineering Limited	1	7,500,000	10.79%



## **Review Report to the Members on Statement of Compliance with the Best Practices of Code of Corporate Governance**

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Descon Oxychem Limited** (“**the Company**”) to comply with the Listing Regulations of the respective Stock Exchanges, 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 system 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.

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 at 30 June 2008.

Lahore:  
September 22, 2008

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**KPMG Taseer Hadi & Co**  
**Chartered Accountants**

## Statement of Compliance with Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of Karachi stock exchange for the purpose of establishing a framework of good governance.

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

1. The company encourages representations of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board includes six independent non-executive directors and one executive director.
2. The directors of the company have confirmed that none of them is serving as director in more than ten listed companies, including this company.
3. All the directors have given declaration that they are aware of their duties and powers under the relevant laws and the company's Memorandum and Articles of Association and the listing regulations of the stock exchanges of Pakistan.
4. All the directors of the company are registered as taxpayer and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
5. There was no casual vacancy in the Board during the period since the company converted into public listed company.
6. The company is in the process of developing a 'Statement of Ethics and Business Practices', which will be signed by all the directors and employees of the company once approved by the Board.
7. 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.
8. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board including appointment, determination of remuneration and terms and conditions of employment of Chief Executive Officer appointed during the year.
9. The meetings of the Board were presided over by the Chairman, Mr. Abdul Razak Dawood and the Board met at least once in every quarter during the year. Written notices of the Board meetings, along with agenda and working paper, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. An orientation course will be arranged for the directors in the 4<sup>th</sup> quarter of 2008 to apprise them of their duties and responsibilities and to keep them informed of the enforcement of new laws, rules and regulations and amendments thereof.
11. All material information as required under the relevant rules, has been provided to the stock exchanges and to the Securities and Exchange Commission of Pakistan within prescribed time limit.



12. The Board has approved the appointment of the Manager Finance and Company Secretary, including his remuneration and terms and conditions of employment as determined by CEO.
13. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully described the salient matters required to be disclosed.
14. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
15. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
16. The company has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors.
18. The company is listed on Karachi Stock Exchange on September 15, 2008 and the first meeting of the audit committee was held on 19 September 2008. Going forward, the meetings of the audit committee will be held at least once every quarter prior to approval of interim and final results of the company as required by the Code. The term of reference of the Committee have been formed and advised to the committee for compliance.
19. Board Audit Committee Is in process of establishing Internal Audit function in the company as per guidelines of Code of Corporate Governance.
20. The statutory auditors have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by institute of Chartered Accountants of Pakistan.
21. We confirm that all other material principles contained in the code have been complied with.

Abdul Razak Dawood  
Chairman  
September 22, 2008

## Auditors Report to the Members

We have audited the annexed balance sheet of Descon Oxychem Limited (“the Company”) as at 30 June 2008 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 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 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 Companies business; and
  - iii) the business conducted, investments made and the expenditures 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 30 June 2008 and of the loss, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no zakat was deductible source under the Zakat and Ushr Ordinance, 1980.

The financial statements of the Company for the year ended 30 June 2007 were audited by another firm of auditors; whose report dated 05 October 2007 expressed an unqualified opinion on those financial statements.

September 22, 2008

**KPMG Taseer Hadi & Co.**  
Chartered Accountants

**Balance Sheet**

As at 30 June 2008

	Note	30 June 2008 Rupees	30 June 2007 Rupees Restated
<b>Non current assets</b>			
Property, plant and equipment	3	87,914,098	60,862,932
Capital work in progress	4	1,340,905,022	182,186,792
Intangible asset	5	72,376,438	72,376,438
Long term loan	6	2,600,000	2,600,000
Long term deposits	7	865,093	865,093
		<u>1,504,660,651</u>	<u>318,891,255</u>
<b>Current assets</b>			
Stores and spares		13,889,057	45,900
Deposits, prepayments and other receivables	8	35,232,662	787,164
Cash and bank balances	9	165,113,879	1,789,137
		<u>214,235,598</u>	<u>2,622,201</u>
<b>Current liabilities</b>			
Trade and other payables	10	55,452,480	9,986,185
Short term borrowings - unsecured	11	-	37,534,237
Markup accrued on long term loan		27,015,194	-
		<u>82,467,674</u>	<u>47,520,422</u>
<b>Net current assets</b>		<b>131,767,924</b>	<b>(44,898,221)</b>
<b>Non current liabilities</b>			
Long term loan - secured	12	955,686,172	-
<b>Contingencies and commitments</b>			
	13	<u>680,742,403</u>	<u>273,993,034</u>
<b>Represented by:</b>			
Share capital	14	695,000,000	20,000
Share deposit money	15	-	277,995,238
Accumulated loss		(14,257,597)	(4,022,204)
		<u>680,742,403</u>	<u>273,993,034</u>

The annexed notes 1 to 25 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive\_\_\_\_\_  
Director



**Profit and Loss Account**  
For the year ended 30 June 2008

	Note	<b>30 June 2008 Rupees</b>	30 June 2007 Rupees Restated
Sales - net		-	-
Cost of goods sold		-	-
<b>Gross profit</b>		<b>-</b>	<b>-</b>
Administrative expenses	16	<b>10,216,502</b>	1,945,988
<b>Operating loss</b>		<b>(10,216,502)</b>	<b>(1,945,988)</b>
Finance cost	17	<b>18,891</b>	86,900
<b>Loss before taxation</b>		<b>(10,235,393)</b>	<b>(2,032,888)</b>
Provision for taxation	18	-	-
<b>Loss after taxation</b>		<b>(10,235,393)</b>	<b>(2,032,888)</b>
Loss per share - basic and diluted	23	<b>(0.54)</b>	(1,016.44)

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

The annexed notes 1 to 25 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director



**Cash Flow Statement**  
For the year ended 30 June 2008

	Note	30 June 2008 Rupees	30 June 2007 Rupees Restated
<b>Loss for the year</b>		<b>(10,235,393)</b>	(2,032,888)
Adjustments for:			
Depreciation		966,431	149,086
Finance cost		18,891	86,900
<b>Loss before working capital changes</b>		<b>(9,250,071)</b>	(1,796,902)
<b>Effect on cash flow due to working capital changes:</b>			
<b>(Increase)/decrease in current assets</b>			
Stores and spares		(13,843,157)	(45,900)
Deposits, prepayments and other receivables		(31,367,212)	(279,709)
<b>Increase in current liabilities</b>			
Trade and other payables		45,466,295	9,926,185
		255,926	9,600,576
<b>Cash (used in)/generated from pre-operating activities</b>		<b>(8,994,145)</b>	7,803,674
Finance cost paid		(19,358,982)	(86,900)
Taxes paid		(3,078,286)	(507,455)
<b>Net cash (outflow)/inflow from pre-operating activities</b>		<b>(31,431,413)</b>	7,209,319
<b>Cash flows from investing activities</b>			
Fixed capital expenditure incurred		(1,140,380,542)	(199,000,786)
Intangible assets		-	(72,376,438)
Long term loan		-	(2,600,000)
Long term deposits		-	(865,093)
<b>Net cash outflow from investing activities</b>		<b>(1,140,380,542)</b>	(274,842,317)
<b>Cash flows from financing activities</b>			
Long term loan - secured		955,686,172	-
Short term borrowings - unsecured		(37,534,237)	37,534,237
Proceeds from issuance of shares / share deposit money		416,984,762	231,867,898
<b>Net cash inflow from financing activities</b>		<b>1,335,136,697</b>	269,402,135
<b>Net increase in cash and cash equivalents</b>		<b>163,324,742</b>	1,769,137
<b>Cash and cash equivalents at the beginning of year</b>		<b>1,789,137</b>	20,000
<b>Cash and cash equivalents at the end of year</b>	9	<b>165,113,879</b>	1,789,137

The annexed notes 1 to 25 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director

**Statement of Changes in Equity**  
For the year ended 30 June 2008

	Note	Share capital	Share deposit money	Accumulated loss	Total
(-----Rupees-----)					
<b>Balance as at 30 June 2006 - as reported</b>		20,000	46,127,340	-	<b>46,147,340</b>
Effect of prior period error	2.2	-	-	(1,989,316)	<b>(1,989,316)</b>
<b>Balance as at 30 June 2006 - as restated</b>		<u>20,000</u>	<u>46,127,340</u>	<u>(1,989,316)</u>	<b>44,158,024</b>
Share deposit money received		-	231,867,898	-	<b>231,867,898</b>
Loss for the year		-	-	(2,032,888)	<b>(2,032,888)</b>
<b>Balance as at 30 June 2007</b>		<u>20,000</u>	<u>277,995,238</u>	<u>(4,022,204)</u>	<b>273,993,034</b>
Share deposit money received		-	416,984,762	-	<b>416,984,762</b>
Shares issued		694,980,000	(694,980,000)	-	-
Loss for the year		-	-	(10,235,393)	<b>(10,235,393)</b>
<b>Balance as at 30 June 2008</b>		<u><u>695,000,000</u></u>	<u><u>-</u></u>	<u><u>(14,257,597)</u></u>	<b>680,742,403</b>

The annexed notes 1 to 25 form an integral part of these financial statements.

\_\_\_\_\_  
Chief Executive

\_\_\_\_\_  
Director



## Notes to the Financial Statements for the Year Ended June 30, 2008

### 1 Legal status and nature of the business

Descon Oxychem Limited ("the Company") was incorporated in Pakistan as a private limited company on 12 November 2004 under the Companies Ordinance, 1984. The Company has been converted into a Public Limited Company with effect from 28 February 2008 as approved by Securities and Exchange Commission of Pakistan (SECP) vide letter No. ARL 16222 dated 14 March 2008. The registered office of the Company is situated at 18-KM Ferozpur Road, Lahore. The principal activity of the Company is manufacture, procurement and sale of hydrogen peroxide and allied products. The Company has not commenced commercial operations.

Effective from 15 September 2008 Company's shares have been formally listed on Karachi stock exchange of Pakistan.

### 2 Significant accounting policies

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the 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 Prior period error

The amount of pre operating expenses shown as non current assets in the prior period financial statements up to June 30, 2007 comprised of expenses of administrative nature. This treatment was not in line with requirements of IAS 16 "Property plant and equipment". Therefore, the management has decided to adjust the amount of administrative expense with retrospective effect and prior year figure has been restated in the current period in accordance with the treatment specified in IAS – 8 "Accounting Policies, Changes in Accounting Estimates and Error". Accordingly the retained earning has been adjusted for the prior period.

#### 2.3 Accounting convention and basis of preparation

These accounts have been prepared under the historical cost convention.

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments that effect the application of policies and reported amount of assets and liabilities and income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revision to accounting estimates are recognized prospectively commencing from the period of revision.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

- Residual values and useful life of depreciable assets - note 2.5
- Provision for taxation - note 2.13
- Contingencies - note 13

## 2.4 Initial Application of a standard or an Interpretation

### *Standards, amendments and interpretations effective in 2007*

Amendment to IAS 1 - "Presentation of Financial Statements - Capital Disclosures", introduces new disclosures about the level of an entity's capital and how it manages capital. Adoption of this amendment has only resulted in additional disclosures given in note 21.3 to the financial statements.

### *Standards, interpretations and amendments to published approved accounting standards that are relevant but not yet effective*

Revised IAS 23 - Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The application of this revised standard is not likely to have any effect on Company's financial statements.

IFRS 7 "Financial instruments: Disclosures" and IFRS 8 "Operating Segments" will be effective from 01 July 2008 and 01 July 2009 respectively. Adoption of IFRS 7 "Financial instruments: Disclosures" will effect the disclosures being presented in financial statements, however adoption of IFRS 8 "Operating Segments" will not effect the disclosures being presented in financial statements.

## 2.5 Property, plant and equipment and depreciation

Property, plant and equipment except freehold land are carried at historical cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost.

On disposal or scrapping, the cost of the assets and the corresponding depreciation is adjusted and the resultant gain or loss is dealt with through the profit and loss account.

Depreciation on property, plant and equipment other than free hold land is charged on straight-line basis, whereby the cost of assets is written off over their useful life. The rates of depreciation are specified in note 3.

Depreciation on property, plant and equipment is charged from the month in which an asset is available for use while no depreciation is charged in the month the asset is disposed off. The assets' residual values and useful life are reviewed at balance sheet date and adjusted if impact on depreciation is significant.

Assets, which have been fully depreciated, are retained in the books at a nominal value of Rupee 1.

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 a straight line basis over their estimated useful lives.

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 cost of the item can be measured reliably. All other repairs and maintenance costs are charged to expense as and when incurred.

## 2.6 Capital work-in-progress

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



## 2.7 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 will commence from the date of commercial production.

## 2.8 Impairment of assets

The Company assesses at each balance sheet date, whether there is any indication that assets may be impaired. If such an indication exists, the carrying amount of such assets is reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed their respective recoverable amounts, assets are written down to their recoverable amount and resulting impairment loss is recognized in income currently. The recoverable amount is 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. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. A reversal of the impairment loss is recognized in income.

## 2.9 Stores and spares

These are valued at the 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 invoice value plus other directly attributable charges incurred thereon.

## 2.10 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. In the balance sheet, short term borrowings are included in current liabilities.

## 2.11 Provisions

A provision is recognized in the balance sheet when the Company has a present obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

## 2.12 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods, services received and exemptions available.

## 2.13 Taxation

### *Current*

The charge for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits and tax rebates, if any.

*Deferred*

The Company accounts for deferred taxation, using the balance sheet liability method, on all temporary differences arising on differences between carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax liabilities are 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 profit and loss account, except in the case of items credited or charged to equity, in which case it is also included in equity.

**2.14 Borrowing costs**

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

**2.15 Employee retirement benefits***Defined contribution scheme*

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

**2.16 Foreign currencies**

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange, which approximate those prevailing at the Balance Sheet date. Foreign currency transactions are translated at the rates prevailing at the date of transaction. All non-monetary items are translated into rupees at exchange rate prevailing at the date of transaction or on the date when fair values are determined. Exchange differences, if any, are taken to profit and loss account currently.

**2.17 Financial instruments**

- (i) Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.
- (ii) Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset.
- (iii) Financial liabilities are de-recognized when they are extinguished - that is, when the obligation specified in the contract is discharged, cancelled, or expired.

**2.18 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.



3 Property, plant and equipment

	Cost		Rate %	Depreciation		Net book value as at 30 June 2008 Rupees
	As at 01 July 2007 Rupees	As at 30 June 2008 Rupees		As at 01 July 2007 Rupees	For the period Rupees	
<i>Owned</i>						
Freehold land	60,089,957	21,946,800	-	-	-	82,036,757
Computer equipment	718,204	1,362,656	30	121,026	364,721	1,595,113
Office equipment	110,807	142,258	20	15,234	34,451	203,380
Electrical equipment	60,500	161,700	20	9,842	20,376	191,982
Furniture and fixture	32,550	315,800	10	2,984	17,996	327,370
Motor vehicles	-	4,088,383	20	-	528,887	3,559,496
<b>30 June 2008</b>	<b>61,012,018</b>	<b>28,017,597</b>		<b>149,086</b>	<b>966,431</b>	<b>87,914,098</b>

	Cost		Rate %	Depreciation		Net book value as at 30 June 2007 Rupees
	As at 01 July 2006 Rupees	As at 30 June 2007 Rupees		As at 01 July 2006 Rupees	For the period Rupees	
<i>Owned</i>						
Freehold land	-	60,089,957	-	-	-	60,089,957
Computer equipment	-	718,204	30	-	121,026	597,178
Office equipment	-	110,807	20	-	15,234	95,573
Electrical equipment	-	60,500	20	-	9,842	50,658
Furniture and fixture	-	32,550	10	-	2,984	29,566
<b>30 June 2007</b>	<b>-</b>	<b>61,012,018</b>		<b>-</b>	<b>149,086</b>	<b>60,862,932</b>

3.1 Depreciation for the period has been charged as administrative expense.



	Note	30 June 2008 Rupees	30 June 2007 Rupees Restated
<b>4 Capital work in progress</b>			
Civil works		154,827,914	4,695,958
Plant and machinery	4.1	743,678,175	157,165,755
Advances	4.2	332,658,955	650,220
Unallocated expenditure	4.3	109,739,978	19,674,859
		<u>1,340,905,022</u>	<u>182,186,792</u>
<b>4.1 Plant and machinery</b>			
Plant and machinery		709,020,013	122,507,593
Dismantling, loading, transportation and shipping of plant		34,658,162	34,658,162
		<u>743,678,175</u>	<u>157,165,755</u>
<b>4.2 Advances</b>			
Civil works		36,690,937	423,045
Plant and machinery		295,444,552	-
Others		523,466	227,175
		<u>332,658,955</u>	<u>650,220</u>
<b>4.3 Unallocated expenditure</b>			
Opening balance		19,674,859	4,315,377
Expenses incurred during the year:			
Salaries, wages and other benefits	4.3.1	19,463,478	9,788,007
Medical facility		223,565	255,059
Vehicle running and maintenance		2,376,181	302,114
Communication		604,513	115,707
Printing and stationary		885,149	313,326
Traveling and entertainment		2,333,031	1,041,953
Consultancy fee		5,950	-
Contractor services charges		1,596,861	-
Electricity		1,381,555	190,552
Rent and rates		905,020	-
Insurance		3,493,221	-
Repair and maintenance		493,719	-
Legal and professional fee		666,250	19,602
Markup on long term loan		46,246,674	-
Loan arrangement fee		8,081,198	2,640,000
Site development		597,377	-
Bank charges		108,611	-
Miscellaneous		602,766	693,162
		<u>90,065,119</u>	<u>15,359,482</u>
		<u>109,739,978</u>	<u>19,674,859</u>

**4.3.1** Salaries, wages and other benefits include Rs. 798,531 in respect of defined contribution scheme. (30 June 2007: Rs. 84,752)



	<i>Note</i>	<b>30 June 2008 Rupees</b>	30 June 2007 Rupees
<b>5 Intangible asset</b>			
Product licensing, technology and know-how	5.1	<u><b>72,376,438</b></u>	<u>72,376,438</u>
<b>5.1</b>	This represents non exclusive and non transferable right and license for the production of hydrogen peroxide acquired from Chematur Ecoplanning Oy, Finland.		
	<i>Note</i>	<b>30 June 2008 Rupees</b>	30 June 2007 Rupees
<b>6 Long term loan</b>			
Loan to SNGPL	6.1	<u><b>2,600,000</b></u>	<u>2,600,000</u>
<b>6.1</b>	This represents loan to Sui Northern Gas Pipelines Limited (SNGPL) on soft term basis under an agreement to obtain gas connection for industrial use. It carries markup @ 1.5 % p.a. The principal portion is repayable in 10 equal annual installments commencing April 2010.		
	<i>Note</i>	<b>30 June 2008 Rupees</b>	30 June 2007 Rupees
<b>7 Long term deposits</b>			
Long term security deposits	7.1	<u><b>865,093</b></u>	<u>865,093</u>
<b>7.1</b>	This represents security deposit given to Lahore Electric Supplying Company (LESCO) against 200 KVA connection.		
	<i>Note</i>	<b>30 June 2008 Rupees</b>	30 June 2007 Rupees
<b>8 Deposits, prepayments and other receivables</b>			
Insurance - prepaid		<b>532,404</b>	264,709
Prepaid commission for bank guarantee		<b>749,056</b>	-
Advance rent		<b>175,000</b>	-
Income tax deducted at source		<b>3,585,741</b>	507,455
Sales tax recoverable		<b>19,316,274</b>	-
Excise duty recoverable		<b>3,798,942</b>	-
Advances to employees	8.1 & 8.2	<b>29,311</b>	15,000
Security deposits		<b>1,429,441</b>	-
Advance against services		<b>1,200,000</b>	-
Letter of credit margin		<b>4,248,269</b>	-
Other receivables		<b>168,224</b>	-
		<u><b>35,232,662</b></u>	<u>787,164</u>

- 8.1** These are interest free advances to Company's employees in respect of traveling and general expenses. These include an aggregate amount of Rs. 20,000 (30 June 2007 : Rs. 15,000) receivable from the Executives of the Company. Receivable from Directors and Chief Executive as at 30 June 2008 is NIL (30 June 2007 : NIL)
- 8.2** Maximum aggregate amount due from executives of the Company at the end of any month during the current year was Rs. 299,000 (30 June 2007: Rs. 15,000)

	Note	30 June 2008 Rupees	30 June 2007 Rupees
<b>9 Cash and bank balances</b>			
Cash in hand		48,136	20,000
Cash at banks			
Current accounts - local currency		147,268,235	1,769,137
Saving accounts - local currency	9.1	17,797,508	-
		<u>165,113,879</u>	<u>1,789,137</u>

- 9.1** These carry markup at the rate of 9% per annum (30 June 2007 : NIL)

	Note	30 June 2008 Rupees	30 June 2007 Rupees
<b>10 Trade and other payables</b>			
Suppliers		32,766,516	641,512
Associated undertakings			
Descon Engineering Limited		3,075,488	8,084,795
Accrued and other liabilities		1,522,826	1,259,878
Withholding tax payable		18,087,650	-
		<u>55,452,480</u>	<u>9,986,185</u>

**11 Short term borrowings - unsecured**

Descon Engineering Limited	11.1	-	37,534,237
		<u>-</u>	<u>37,534,237</u>

- 11.1** This represents an unsecured and interest free loan from Descon Engineering Limited to meet the liquidity requirements. The loan has been repaid during the current year.

**12 Long term loan - secured**

Allied Bank Limited	12.1	<u>955,686,172</u>	-
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**12.1** This loan has been obtained from a consortium of financial institutions led by Allied Bank Limited. It is secured by a first ranking hypothecation charge over all present and future fixed assets excluding land and building, first pari passu mortgage charge over land and building and personal guarantee of Mr. Abdul Razak Dawood valid uptill the time the Company is not listed on the stock exchange. It carries mark up at six month KIBOR plus 2.75% p.a and is payable semi annually. The effective mark up charged per annum ranges from 12.86% to 13.01%. Out of the aggregate facility of Rs. 1.47 billion, the amount availed as at 30 June 2008 is Rs. 955.68 million (30 June 2007: Rs. NIL), repayable in 10 semi annual installments commencing 18 August 2010.

### 13 Contingencies and commitments

#### 13.1 Contingencies

**13.1.1** The Company is contingently liable for Rs. 48.64 million (2007: NIL) in respect of guarantees issued by its bankers in favour of Sui Northern Gas Pipelines Limited.

**13.1.2** The Company entered into a contract for transfer of technology, know how and process basis engineering dated 30 June 2006 with Chematur Ecoplanning Oy Limited ("Chematur"). Pursuant to the Contract, the Company remitted US\$ 2.97 million to Chematur on account of fees for technical services and royalties.

The Company was required to deduct advance tax at the rate of fifteen percent (15%) on the gross amount of the payments made to Chematur. The Company, however, did not deduct tax under Section 152(1) of the Ordinance relying upon the exemption under Article 12(1) of the Agreement between the Islamic Republic of Pakistan and the Republic of Finland for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income date 16 January 1996.

The Company subsequently, filed an application on 16 June 2008 under Section 159(1) of the Ordinance to the Commissioner of Income Tax claiming exemption from the deduction of advance tax on the payments remitted by the Company to Chematur on the basis of Article 12(1) of the Treaty which authorizes Finnish tax authorities to levy tax on the Payments remitted by the Company to Chematur in Finland.

In response to the Application, the Taxation Officer (the "TO") issued the notice date 08 September 2008 rejecting the Application on the ground that Article 12(2) of the Treaty concurrently authorizes Pakistani tax authorities to levy tax on the payments remitted to Chematur at the rate of fifteen percent (15%) works out to be Rs. 27.7 million. The TO has further show caused the Company in terms of Section 161 and Section 205 of the Ordinance. The Company has filed an appeal disputing the rejection of the Application by the TO on the ground, among others, that the Treaty enables the taxation of the Payments in Finland and that, as a maximum, it caps the tax liability of the Company in Pakistan to ten percent (10%) which works out to be Rs. 18 million as opposed to the fifteen percent (15%) tax liability demanded by the TO in the Notice. The Company has already recorded the tax liability of Rs. 18 million and in case of an adverse decision the Company may be required to account for the remaining tax liability of Rs. 9.7 million and additional tax and penalty amount to Rs. 2.6 million. Based on legal advice, the Company is hopeful that this matter will be decided in favour of the Company

#### 13.3 Commitments

Capital commitments in respect of capital expenditure at balance sheet date amount to Rs. 850.797 million (30 June 2007: Rs. 335.816 million).

<b>14 Share capital</b>	Note	<b>30 June 2008</b>	30 June 2007
<b>Authorized capital</b>		<b>Rupees</b>	Rupees
110,000,000 (30 June 2007: 20,000,000) ordinary shares of Rs. 10 each		<b>1,100,000,000</b>	200,000,000

	Note	30 June 2008 Rupees	30 June 2007 Rupees
<b>Issued, subscribed and paid up capital</b>			
69,500,000 (30 June 2007 : 2,000) ordinary shares of Rs. 10 each	14.1	<u>695,000,000</u>	<u>20,000</u>
		<b>Number of shares</b>	<b>Number of shares</b>
<b>14.1 Shares held by related parties</b>			
<b>Descon Corporation (Private) Limited</b>		<b>8,725,250</b>	-
Percentage of equity held 12.55% (30 June 2007: NIL)			
<b>Descon Engineering Limited</b>		<b>7,500,000</b>	-
Percentage of equity held 10.79% (30 June 2007: NIL)			
<b>Descon Chemicals (Private) Limited</b>		<b>10,062,300</b>	-
Percentage of equity held 14.48% (30 June 2007: NIL)			
<b>Descon Holding (Private) Limited</b>		<b>1,953,200</b>	-
Percentage of equity held 2.81% (30 June 2007: NIL)			
		<u>28,240,750</u>	-
<b>15 Share deposit money</b>			
Directors		-	139,503,063
Associates			
Descon Holding (Private) Limited		-	3,140,000
Descon Corporation (Private) Limited		-	82,752,500
Descon Chemicals (Private) Limited		-	32,999,675
		-	118,892,175
Others		-	19,600,000
		<u>-</u>	<u>277,995,238</u>
		<b>30 June 2008 Rupees</b>	<b>30 June 2007 Rupees</b>
<b>16 Administrative expenses</b>			
Salaries, wages and other benefits	16.1	<b>3,400,406</b>	1,038,046
Medical		<b>66,848</b>	-
Vehicle running and maintenance		<b>270,191</b>	56,036
Entertainment		<b>129,547</b>	-
Communication		<b>41,987</b>	129,570
Printing and stationary		<b>49,591</b>	260
Traveling		<b>47,112</b>	600
Consultancy fee		<b>55,000</b>	-
Advertisement		-	245,832
Insurance		<b>22,000</b>	-
Rent and rates		-	141,400
Legal and professional fee		<b>4,599,284</b>	-
Auditors remuneration	16.2	<b>480,000</b>	100,000
Depreciation	3.1	<b>966,431</b>	149,086
Others		<b>88,105</b>	85,158
		<u>10,216,502</u>	<u>1,945,988</u>



16.1 Salaries, wages and other benefits include Rs. 58,422 in respect of defined contribution scheme. (30 June 2007 : NIL).

Note	<b>30 June</b>	30 June
	<b>2008</b>	2007
	<b>Rupees</b>	Rupees

16.2 Auditors remuneration include the following:

Audit fee	<b>262,500</b>	50,000
Other certifications	<b>187,500</b>	50,000
Out of pocket expenses	<b>30,000</b>	-
	<b>480,000</b>	100,000

<b>30 June</b>	30 June
<b>2008</b>	2007
<b>Rupees</b>	Rupees

17 Finance cost

Bank charges	<b>18,891</b>	86,900
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18 Taxation

Provision for taxation has not been made in these accounts as the Company has no taxable income in the current year (30 June 2007 : NIL).

19 Remuneration of Chief Executive, Directors and Executives

	Chief Executive		Directors		Executives	
	30 June	30 June	30 June	30 June	30 June	30 June
	2008	2007	2008	2007	2008	2007
(-----Rupees-----)						
Remuneration	2,696,618	-	-	-	6,111,199	4,489,204
Provident Fund	91,406	-	-	-	261,364	77,248
Medical	25,062	-	-	-	70,793	32,456
Leave Passage	30,000	-	-	-	-	-
Reimbursable expenses	160,734	-	-	-	561,924	164,836
	<b>3,003,820</b>	-	-	-	<b>7,005,280</b>	4,763,744
<b>No. of Persons</b>	<b>1</b>	-	-	-	<b>7</b>	4

The Company provides free residential telephones and company maintained car to the Chief Executive and certain Executives.

<b>Planned</b>		
<b>Production</b>		
<b>Capacity</b>	<b>Actual</b>	
<b>(in metric tonnes)</b>	<b>2008</b>	2007
	<b>(in metric tonnes)</b>	

20 Plant capacity and production	20.1	<b>15,000</b>	-	-
(on 100% concentration and based on 330 working days)				

20.1 The Company has not commenced production as at 30 June 2008.

## 21 Financial assets and liabilities

As at 30 June 2008

	Markup/interest bearing			Non interest bearing			Total
	Maturity in		Maturity	Maturity in		Maturity	
	Maturity	more than		more than	more than		
within	one year	in more	within	one year	in more		
one	and less	than	one	and less	than		
year	than five	five	year	than five	five		
	years	years		years	years		
(-----Rupees-----)							
<b>Financial assets on balance sheet</b>							
Long term loans	-	1,040,000	1,560,000	-	-	-	2,600,000
Long term deposits	-	-	-	-	865,093	-	865,093
Deposits, prepayments and other receivables	-	-	-	5,875,245	-	-	5,875,245
Cash and bank balances	17,797,508	-	-	147,316,371	-	-	165,113,879
	17,797,508	1,040,000	1,560,000	153,191,616	865,093	-	174,454,217
<b>Financial liabilities on balance sheet</b>							
Markup accrued	-	-	-	27,015,194	-	-	27,015,194
Trade and other payables	-	-	-	35,842,004	-	-	35,842,004
Long term loan - secured	-	533,158,984	422,527,188	-	-	-	955,686,172
	-	533,158,984	422,527,188	62,857,198	-	-	1,018,543,370
<b>On balance sheet gap</b>	<b>17,797,508</b>	<b>(532,118,984)</b>	<b>(420,967,188)</b>	<b>90,334,418</b>	<b>865,093</b>	<b>-</b>	<b>(844,089,153)</b>

As at 30 June 2007

	Markup/interest bearing			Non interest bearing			Total
	Maturity in		Maturity	Maturity in		Maturity	
	Maturity	more than		more than	more than		
within	one year	in more	within	one year	in more		
one	and less	than	one	and less	than		
year	than five	five	year	than five	five		
	years	years		years	years		
(-----Rupees-----)							
<b>Financial assets on balance sheet</b>							
Long term loans	-	1,040,000	1,560,000	-	-	-	2,600,000
Long term deposits	-	-	-	-	865,093	-	865,093
Deposits, prepayments and other receivables	-	-	-	15,000	-	-	15,000
Cash and bank balances	-	-	-	1,789,137	-	-	1,789,137
	-	1,040,000	1,560,000	1,804,137	865,093	-	5,269,230
<b>Financial liabilities on balance sheet</b>							
Short term borrowing - unsecured	-	-	-	37,534,237	-	-	37,534,237
Trade and other payables	-	-	-	8,726,307	-	-	8,726,307
	-	-	-	46,260,544	-	-	46,260,544
<b>On balance sheet gap</b>	<b>-</b>	<b>1,040,000</b>	<b>1,560,000</b>	<b>(44,456,407)</b>	<b>865,093</b>	<b>-</b>	<b>(40,991,314)</b>

The effective interest / markup rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.



## **21.1 Financial risk management objectives**

The Company finances its operations through equity and borrowings and management of working capital with a view to maintaining a reasonable mix between various sources of finance to minimize risk.

Taken as a whole, risk arising from the Company's financial instruments is limited as there is no significant exposure to price and cash flow risk in respect of such instruments.

### **21.1.1 Concentration of credit risk**

The credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. The company's credit risk is primarily attributable to its balances at bank and advances to suppliers / creditors. The credit risk on liquid funds is limited because the counter parties are banks and suppliers / creditors with reasonable high credit ratings. There is no concentration of credit risk with customers as the company has not commenced its commercial operations.

### **21.1.2 Interest rate risk**

Financial assets and liabilities include balance of Rs. 955,686,172 (2007: Rs. nil), which is subject to interest rate risk. Applicable interest rates for financial assets and liabilities have been indicated in respective notes.

### **21.1.3 Liquidity risk**

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The Company follows an effective cash management and planning policy to ensure availability of funds and to take appropriate measures for new requirements.

### **21.1.4 Foreign currency exchange risk**

Foreign currency exchange risk is the risk that the value of financial instrument will fluctuate due to changes in foreign currency exchange rates. Foreign exchange risk arises mainly where receivables and payables exist due to transactions with foreign buyers and suppliers. The company is exposed to foreign currency exchange risk in respect of commitments against L/C in foreign currency. The management does not view hedging as being financially feasible.

## **21.2 Fair value 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.

## **21.3 Capital management**

The Board's policy is to establish a strong capital base so as to gain investor, creditor and market confidence and to sustain the planned future operations of the business.



The Company's objectives when managing capital are:

- a) to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders; and
- b) to provide an adequate return to shareholders.

The debt-to-equity ratios as at 30 June 2008 and as at 30 June 2007 were:

	<b>30 June 2008 Rupees</b>	30 June 2007 Rupees
Total debt	<b>955,686,172</b>	37,534,237
Total equity and debt	<b>1,636,428,575</b>	311,527,271
Debt-to-equity ratio	<b>58.4 : 41.6</b>	12.0 : 88.0

The change in the debt-to-equity ratio during the current year resulted primarily from further issue of capital and obtaining loan to finance the project.

The Company is not subject to externally imposed capital requirements.

## 22 Related party transactions

The related parties comprise associated undertakings, other related group companies, directors of the Company and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, if any are shown under loans, deposits, prepayments and other receivables and trade and other payables. Other significant transactions with related parties are as follows:

<b>Relationship with the Company</b>	<b>Nature of transactions</b>	<b>30 June 2008 Rupees</b>	30 June 2007 Rupees
Associated undertakings	Purchase of goods and services	<u><b>58,821,046</b></u>	<u>20,434,590</u>
	Advance against purchase of plant	<u><b>198,454,661</b></u>	<u>-</u>

## 23 Loss per share

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

		<b>30 June 2008</b>	30 June 2007
Loss for the year after taxation	Rupees	<u><b>(10,235,393)</b></u>	<u>(2,032,888)</u>
Weighted average number of ordinary shares	Number	<u><b>18,918,956</b></u>	<u>2,000</u>
Loss per share	Rupees	<u><b>(0.54)</b></u>	<u>(1,016.44)</u>



**24 Date of authorization for issue**

These financial statements were authorized for issue on September 22, 2008 by the Board of Directors.

**25 General**

**25.1** The figures have been rounded off to nearest rupee.

**25.2** Previous year figures have been re-arranged, wherever necessary, for the purpose of comparison. Significant re-arrangements have been made as referred to in note 2.2.

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**Chief Executive**

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**Director**

## FORM OF PROXY

### IMPORTANT

This form of Proxy, in order to be effective, must be deposited duly completed, at the Company's Registered Office at Descon Head Quarter, 18-KM, Ferozpur 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 registered 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 Fourth Annual General Meeting of the Company to be held at Avari Hotel, Sutlej Hall, Shahrah-e-Quaid-e-Azam, Lahore on Thursday October 30, 2008 at 10:00 a.m. and at any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2008

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

\_\_\_\_\_

Place \_\_\_\_\_

Date \_\_\_\_\_

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

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

Affix Rs. 5/-  
Revenue Stamp which  
must be cancelled either by  
signature over it or by  
some other means