Descon Oxychem Limited

Annual Report 2010

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Vision and Mission

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."

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

COMPANY INFORMATION

Board of Directors
Mr. Abdul Razak Dawood Director/Chairman
Mr. Taimur Dawood Director/Chief Executive Officer
Mr. Farooq Nazir
Mr. Salman Zakaria
Mr. Muhammad Sadiq
Mr. Faisal Dawood
Syed Zamanat Abbas

Company Secretary
Mr. Abdul Sohail

Audit Committee
Mr. Abdul Razak Dawood Chairman
Mr. Faisal Dawood Member
Syed Zamanat Abbas Member

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

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

Legal Advisors
Hassan & Hassan
Advocates

Bankers
Allied Bank Limited
Bank Al-Habib Limited
Habib Metropolitan Bank Limited
Habib Bank Limited
KASB Bank Limited
My Bank Limited
Soneri Bank Limited
Askari Bank Limited

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

Registered Office
Descon Headquarters
18-KM Ferozepur Road
Lahore - 53000
Tel: 042-35923721-9
Fax: 042-35923749
URL: www.desconoxychem.com

Plant
18-KM Lahore - Sheikhupura Road, Lahore
Pakistan.
Tel: 042-3797 1822-24
Fax: 042-3797 1831
URL: www.desconoxychem.com

Notice of Annual General Meeting

Notice is hereby given that 6th Annual General Meeting of Descon Oxychem Limited, will be held on Wednesday, October 13, 2010, at 10.00 am, at Descon Headquarters, 18-Km Ferozepur Road, Lahore, to transact the following business:

ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting of the company held on October 26, 2009.

2. To receive, consider and adopt the audited accounts of the company for the year ended 30th June 2010 together with the Director's and Auditor's Reports thereon.

3. To appoint the Auditors and fix their remuneration for the year ending June 30, 2011. The present Auditors M/s. A.F. Ferguson & Co., Chartered Accountants, retire and have offered themselves for re-appointment.

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

By Order of the Board

Lahore
August 30, 2010

(ABDUL SOHAIL)
COMPANY SECRETARY

Notes:-

1. The share transfer books of the company shall remain closed from 07-10-2010 to 13-10-2010 (both days inclusive).

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

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

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

Directors Report To Shareholders

Ladies & Gentlemen

The Directors welcome you to the 6th Annual General Meeting of the company and present before you the audited accounts along with the auditor's report for the year ended on June 30th 2010.

Business Environment
During the year under review your company has had its fair share of challenges which stretched all its resources to their limits. The year started with the after shocks of the 2008 financial crisis which depressed the international price of Hydrogen Peroxide to unprecedented levels owing to lower international demand and worldwide excess capacity. In the second quarter while the plant was producing at capacity, the prices started to firm up, it looked as if the worst was behind us but alas it was not the case. For five consecutive months, from October 2009 to February 2010 the plant was starved of natural gas, being an essential raw material, the production was down to a trickle. The management of your company under such “force majuere” type circumstances strived day and night, to address all issues, however insurmountable they may be seem.

By the grace of God and the efforts of your management the following major milestones have been achieved to realize the potential of the business in line with its long term goals:

- Built the infrastructure to resolve the issue related to improving supply of gas.
- Plant continuously producing at capacity.
- International Retail Price of H_2O_2 has moved from Rs 23/kg in August'09 to Rs 44/Kg in August'10 an increase of Rs 21/Kg (91%).
- Loans from the Sponsors of Rs 409 mn to help revive the business after successive unplanned catastrophes.
- In principle obtained agreements from almost all members of the Syndicate to reschedule the long term loans to align them with the current realities of the business.

Operational & Financial Highlights
The support from the Sponsors to the tune of Rs. 409 mn coupled with the support from the Syndicate of banks holding the portfolio of Rs 1.47 bn of long term loans has made it possible for your company to maintain its operations.

The plant is producing around full capacity for the last three months (many days in during this period it has achieved production volumes above full capacity), retail price is where the company can make healthy margins, banks have been very supportive to help us with the rescheduling of the debt and we see no reason why the business cannot achieve its true potential. The current business conditions have provided the confidence to all our stakeholders including the financial institutions to support the managements and Sponsors efforts to turnaround the business.

Future Outlook
The current monsoon floods have wreaked havoc for many of our communities, the resultant challenges for your company would not be very different from what will be faced by other businesses in the country, however, the management of your company has experienced and persevered much worse circumstances, hence are better equipped and confident that we have in place all the ingredients for a bright and prosperous future.

Corporate Governance
Your company is pleased to inform you that its Directors and management are fully conversant with the responsibilities as formulated in Code of Corporate Governance and incorporated in the listing regulations of stock exchanges issued by SECP. The prescribed practices are effectively under implementation in the company and there has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

The statements as required by the Code of Corporate Governance are given below:

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

ii. Books of Accounts
The company has maintained proper books of accounts.

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

iv. International Accounting Standards (IAS)
International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

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

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

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

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

ix. Trading Company's Shares
During the year under review no Director. CEO. CFO. Company Secretary and their spouses and minor children has sold or purchased any shares of the company.

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

xi. Dividends
The company could not declare any dividend due to loss arising during the year.

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

xiii. Communication
Communication with the shareholders is given high priority. Annual, Half Yearly and Quarterly Accounts are distributed to them within the time specified in the company's Ordinance, 1984. Every opportunity is given to the individual shareholders to attend and freely ask questions about the company's operations at the Annual General Meeting.

xiv. Board of Directors
During the year under review, five (05) meetings were held and the attendance of the Directors was as under:

Name of Director	Meetings Attended	Remarks
Mr. Abdul Razak Dawood	5	
Mr. Taimur Dawood	5	
Syed Zamanat Abbas	5	
Mr. Faisal Dawood	0	Leave of absence was granted in five meetings
Mr. Muhammad Sadiq	5	
Mr. Salman Zakaria	3	Appointed during the year
Mr. Farooq Nazir	2	Appointed during the year
Mr. Shaikh Azhar Ali	0	Leave of absence was granted in two meetings and resigned during this year

xv. Auditors
In pursuance of the Code of Corporate Governance, the Audit Committee has recommended the re-appointment of M/s A.F. Ferguson & Co., Chartered Accountants, as Auditors of the Company for the year ending June 30, 2011.

xvi. Audit Committee
The Board of Directors in compliance to the Code of Corporate Governance has established an audit committee and following non-executive Directors are its members:

Name of Director	Designation
Mr. Abdul Razak Dawood	Chairman
Syed Zamanat Abbas	Member
Mr. Faisal Dawood	Member

During the year under review, the committee has performed its functions satisfactory and in accordance with the Code of Corporate Governance.

Acknowledgments

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

For and on behalf of the Board

Lahore
August 30, 2010

Taimur Dawood
Chief Executive Officer

FORM 34

Pattern of Share Holding

No. of Shareholders	Shareholding From	Shareholding To	Total No of Shares
81	1	100	3,612
2,410	101	500	1,191,934
512	501	1,000	502,255
810	1,001	5,000	2,349,804
247	5,001	10,000	1,990,183
94	10,001	15,000	1,170,095
93	15,001	20,000	1,725,071
34	20,001	25,000	802,037
21	25,001	30,000	571,173
13	30,001	35,000	436,600
9	35,001	40,000	353,051
10	40,001	45,000	425,087
23	45,001	50,000	1,130,690
3	50,001	55,000	160,500
5	55,001	60,000	289,108
5	60,001	65,000	315,420
3	65,001	70,000	201,257
5	70,001	75,000	365,717
3	75,001	80,000	232,164
2	80,001	85,000	162,000
4	90,001	95,000	373,614
12	95,001	100,000	1,200,000
2	100,001	105,000	205,100
1	105,001	110,000	110,000
2	110,001	115,000	223,000
1	125,001	130,000	125,500
2	135,001	140,000	275,830
1	140,001	145,000	141,500
2	145,001	150,000	300,000
2	150,001	155,000	304,286
2	165,001	170,000	340,000
1	190,001	195,000	195,000
3	195,001	200,000	600,000
1	200,001	205,000	200,010
1	210,001	215,000	212,076
1	220,001	225,000	224,624
1	230,001	235,000	235,000
1	240,001	245,000	243,500
1	245,001	250,000	250,000
1	270,001	275,000	273,201
1	295,001	300,000	300,000
1	325,001	330,000	325,500
1	350,001	355,000	352,505
1	365,001	370,000	368,098
1	370,001	375,000	373,710
1	460,001	465,000	460,112
1	495,001	500,000	500,000
1	770,001	775,000	775,000
1	940,001	945,000	945,000
1	995,001	1,000,000	1,000,000
1	1,225,001	1,230,000	1,225,149
1	1,405,001	1,410,000	1,408,000
1	1,510,001	1,515,000	1,514,497
1	1,840,001	1,845,000	1,840,330
1	1,950,001	1,955,000	1,953,200
1	1,995,001	2,000,000	2,000,000
1	4,125,001	4,130,000	4,129,000
1	5,320,001	5,325,000	5,322,300
2	5,640,001	5,645,000	11,289,000
1	7,435,001	7,440,000	7,439,800
1	8,495,001	8,500,000	8,500,000
1	8,725,001	8,730,000	8,725,250
1	10,060,001	10,065,000	10,062,300
1	10,780,001	10,785,000	10,781,250
4,450			102,000,000

Categories of Shareholders

S.NO	NAME	HOLDING	%AGE
	DIRECTORS, CEO, THEIR SPOUSE AND MINOR CHILDREN		
1	Mr. ABDUL RAZAK DAWOOD	10,781,250	10.5699
2	Mr. TAIMUR DAWOOD	5,644,500	5.5338
3	Mr. FAISAL DAWOOD	5,644,500	5.5338
4	Mr.. MUHAMMAD SADIQ	500	0.0005
5	Mr. SALMAN ZAKARIA (CDC)	49,544	0.0486
6	Mr. FAROOQ NAZIR (CDC)	500	0.0005
7	SYED ZAMANAT ABBAS	500	0.0005
8	Mrs. BILQUiS DAWOOD W/O ABDUL RAZAK DAWOOD	4,129,000	4.0480
9	Ms. MEHREEN DAWOOD	5,322,300	5.2179
	Ms. MEHREEN DAWOOD (CDC)	80,500	0.0789
		31,653,094	31.0324
	ASSOCIATED COMPANIES		
1	DESCON CHEMICAL (PVT.) LIMITED	10,062,300	9.8650
2	DESCON CORPORATION (PVT.) LIMITED	8,725,250	8.5542
3	DESCON ENGINEERING LIMITED	7,439,800	7.2939
4	DESCON HOLDINGS (PVT.) LIMITED	1,953,200	1.9149
5	INTERWORLD TRAVELS (PVT) LIMITED	92,054	0.0902
		28,272,604	27.7182
	INSURANCE COMPANIES	2,840,330	2.7846
	FINANCIAL INSTITUTION	1,907,325	1.8699
	MODARABAS & MUTUAL FUNDS	1,040,352	1.0200
	JOINT STOCK COMPANIES	3,263,222	3.1992
	OTHERS	758,072	0.7432
	SHARES HELD BY THE GENERAL PUBLIC	32,265,001	31.6324
		102,000,000	**100.0000**

Share holder holding 10% or more voting interest

S.NO	NAME	HOLDING	%AGE
1	Mr. ABDUL RAZAK DAWOOD	10,781,250	10.5699
		10,781,250	**10.5699**

Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the "Code") contained in listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages the representation of independent and non-executive directors on its Board of Directors. At present the Board includes five (05) non-executive directors and two (2) executive directors.

2. The directors have confirmed that none of them is serving as a director in more than ten (10) listed companies, including this Company.

3. All the directors of the company 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 regulation of the stock exchanges of Pakistan.

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

5. A casual vacancy occurring in the Board on January 05, 2010 was filled up within thirty (30) days thereof.

6. The company has prepared a "Statement of Ethics and Business Practices" which has been signed by all directors and employees of the company.

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, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors have been taken by the Board.

9. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven (07) days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

10. The company intends to nominate its directors, one by one, to the Corporate Governance Leadership Skills Program of Pakistan Institute of Corporate Governance that will become mandatory effective June 2011.

11. The Board ensures arrangement of orientation courses for its directors to apprise them of their duties and responsibilities, and to keep them informed about the enforcement of new laws, rules and regulations thereof.

12. There were no new appointments in Internal Audit, CFO or Company Secretary during this year. However, all such appointments including their remuneration and terms and conditions of employment were approved by the Board.

13. The director's report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

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 (03) members, all of whom are non-executive directors including the Chairman of the committee.

18. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.

19. The Board has set-up an effective internal audit function by appointing a full-time Head of Internal Audit. The day to day operations of this function have been outsourced to M/s. KPMG Taseer Hadi & Company, Chartered Accountants who is considered suitably qualified and experienced.

20. All material information as required by under the relevant rules has been provided to the Stock Exchanges and to the Securities and Exchange Commission of Pakistan within the prescribed time.

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

22. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.

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

24. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Lahore
August 30, 2010

(Taimur Dawood)
Chief Executive Officer

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

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

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii a) of Listing Regulations 35 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee.

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

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2010.

A.F. Ferguson & Co
Chartered Accountants
Engagement Partner: Mr. Muhammad Masood

August 30, 2010

Auditors' Report to the Members

We have audited the annexed balance sheet of Descon Oxychem Limited as at June 30, 2010 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 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 in accounting policies as stated in note 2.4.1 to the annexed financial statements with which we concur
   (ii) The expenditure incurred during the year was for the purpose of the company's business; and
   (iii) The business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company.

(c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity. Together with the notes forming part there of 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, 2010 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

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

A.F. Ferguson & Co
Chartered Accountants
Engagement Partner: Mr. Muhammad Masood

August 30, 2010

BALANCE SHEET AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees (Restated)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
110,000,000 (2009: 110,000,000)			
ordinary shares of Rs 10 each		1,100,000,000	1,100,000,000
Issued, subscribed and paid up capital			
102,000,000 (2009: 102,000,000)			
ordinary shares of Rs 10 each	5	1,020,000,000	1,020,000,000
Reserves		437,146	-
Accumulated loss		(465,256,275)	(175,845,179)
		555,180,871	844,154,821
NON CURRENT LIABILITIES			
Long term finances			
- secured	6	1,280,221,596	1,469,818,187
- unsecured	7	408,784,832	-
Liabilities against assets subject to finance lease	8	141,191,038	-
		1,830,197,466	1,469,818,187
CURRENT LIABILITIES			
Current portion of non current liabilities	9	190,602,085	-
Finances under mark up			
arrangement - secured	10	286,473,215	259,319,520
Trade and other payables	11	157,611,939	404,005,888
Accrued finance cost	12	97,582,590	92,506,488
		732,269,829	755,831,896
CONTINGENCIES AND COMMITMENTS	13		
		3,117,648,166	3,069,804,904

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

Chief Executive Officer

	Note	2010 Rupees	2009 Rupees (Restated)
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	14	2,307,063,891	2,561,241,349
Assets subject to finance lease	15	137,012,283	-
Capital work-in-progress	16	43,403,304	51,185,827
Intangible asset	17	65,473,054	83,329,342
Long term deposits	18	79,579,622	12,917,133
Deferred taxation	19	85,246,571	27,872,124
		2,717,778,725	2,736,545,775
CURRENT ASSETS			
Stores and spares	20	135,371,467	131,911,775
Stock in trade	21	50,994,989	56,069,125
Trade debts	22	26,775,896	1,227,602
Investment - available for sale	23	11,658,197	-
Advances, deposits, prepayments			
and other receivables	24	114,900,818	140,761,500
Cash and bank balances	25	60,168,074	3,289,127
		399,869,441	333,259,129
		3,117,648,166	3,069,804,904

Director

Profit and Loss Account
For the Year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees (Restated)
Sales	26	709,672,163	191,334,616
Cost of goods sold	27	(683,401,018)	(228,164,903)
Gross profit / (loss)		26,271,145	(36,830,287)
Administrative expenses	28	(38,662,494)	(34,161,308)
Distribution and selling costs	29	(42,583,427)	(10,473,517)
Other operating expenses	30	(101,460)	(35,096)
Other operating income	31	7,037,503	592
		(74,309,878)	(44,669,329)
Loss from operations		(48,038,733)	(81,499,616)
Finance cost	32	(288,065,532)	(96,219,570)
Loss before taxation		(336,104,265)	(177,719,186)
Taxation	33	46,693,169	27,643,842
Loss for the year		(289,411,096)	(150,075,344)
Loss per share - basic and diluted	34	(2.84)	(1.55)

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

Statement of Comprehensive Income
For the Year ended June 30, 2010

	2010 Rupees	2009 Rupees (Restated)
Loss for the year	(289,411,096)	(150,075,344)
Other comprehensive income		
Un-realized gain on available for sale investments	437,146	-
Total comprehensive loss for the year	(288,973,950)	(150,075,344)

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

Chief Executive Officer **Director**

Cash Flow Statement
For the year ended June 30, 2010

	Note	2010 Rupees	2009 Rupees (Restated)
Cash flow from operating activities			
Cash generated from operations	35	141,802,106	44,136,126
Finance cost paid		(278,483,064)	(168,350,299)
Profit on deposits received		51,746	857,001
Taxes paid		(13,920,116)	(11,531,907)
Net cash used in operating activities		(150,549,328)	(134,889,079)
Cash flow from investing activities			
Fixed capital expenditure		(159,540,808)	(1,099,015,978)
Intangible asset		-	(16,905,000)
Proceeds from sale of property, plant and equipment		143,046,438	24,810
Proceeds from finance lease facility		142,196,532	
Repayment of long term loan from SNGPL		-	2,561,000
Long term security deposits paid		(67,452,582)	(12,052,040)
Investments in open ended mutual fund		(9,975,000)	-
Net cash used in investing activities		48,274,580	(1,125,387,208)
Cash flow from financing activities			
Loan from associated company - unsecured		132,000,000	514,132,015
Proceeds from issuance of share capital		-	325,000,000
Net cash generated from financing activities		132,000,000	839,132,015
Net increase / decrease in cash and cash equivalents		29,725,252	(421,144,272)
Cash and cash equivalents at the beginning of year		(256,030,393)	165,113,879
Cash and cash equivalents at the end of year	38	(226,305,141)	(256,030,393)

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

Statement of Changes in Equity
For the year ended June 30, 2010

(Rupees)

	Share capital	Share deposit money	Fair value reserve	Accumulated loss	Total
Balance as on June 30, 2008	695,000,000		-	(14,257,597)	680,742,403
Share deposit money received	-	325,000,000	-	-	325,000,000
Issue of ordinary shares	325,000,000	(325,000,000)	-	-	-
Cost of issuance of shares			-	(11,512,238)	(11,512,238)
Total comprehensive loss for the year restated - refer note 2.2	-	-	-	(150,075,344)	(150,075,344)
Balance as on June 30, 2009 - restated	1,020,000,000	-	-	(175,845,179)	844,154,821
Total comprehensive loss for the year					
Loss for the year	-	-	-	(289,411,096)	(289,411,096)
Other comprehensive income					
Un-realized gain on available for sale investments	-	-	437,146	-	437,146
Total comprehensive income / (loss) for the year	-	-	437,146	(289,411,096)	(288,973,950)
Balance as on June 30, 2010	1,020,000,000	-	437,146	(465,256,275)	555,180,871

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

Notes to and Forming Part of the Financial Statements
For the year ended June 30, 2010

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 from December 1, 2008 and commercial production from 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 The company's inventory of 'working solution' classified under stores and spares was inadvertently overvalued by Rs 28.6 million as at June 30, 2009. This error has been rectified during the period by restating the opening balance of equity and stores and spares by the same amount in line with the requirements of International Accounting Standard (IAS) 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors'.

2.3 During the year, there were unexpected shortages and interruptions in supply of gas to the company resulting in production loss and lower margins which were contrary to the commitment made by the supplier and beyond the control of the company. The company has incurred a net loss of Rs 289.411 million during the year and accumulated loss stands at Rs 464.819 million as at June 30, 2010. Current liabilities exceed current assets by Rs 332.400 million and the existing borrowing facilities are fully utilized. These conditions indicate the existence of an uncertainty on the company's ability to continue as going concern. The management of the company, however, is very confident that it will be able to meet its obligations on time and carry on the business without any curtailment based on the timely and proactive action taken by it, including:

- Conversion of short term payable of Rs 276.785 million to associated companies into an interest bearing long term loan;
- Additional funding from associated companies of Rs 132 million as an interest bearing long term loan.

Furthermore, the company is in advance stages of finalizing of restructuring of its existing syndicate loan for relaxation in key terms including the payment period and the syndicate members representing substantial portion of the lending have already communicated in-principle agreement to the relaxation in terms. The management is confident that the restructuring will be completed within a few months.

2.4 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:

- IFRS 2, 'Share based payment' is effective from 1 January 2009. Currently effective IFRSs require attribution of group share-based payment transactions only if they are equity settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.

- IFRS 3, 'Business Combinations' effective from 01 July 2009, broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquiree to be measured at fair value, with the related gain or loss recognised in profit or loss and any noncontrolling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquiree, on a transaction-by-transaction basis.

- IFRS 4, 'Insurance Contracts' is effective from 1 July 2009. The standard and amendments clarify how to account for embedded derivatives, how to separately account for deposit components to avoid the omission of assets and liabilities, further it permits an expanded presentation for insurance contracts acquired in a business combination or portfolio transfer and addresses limited aspects of discretionary participation features contained in insurance contracts or financial instruments. Overall, the IFRS disclosure help users understand the amounts in the insurer's financial statements that arise from insurance contracts and the nature and extent of risks arising from insurance contracts.

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

- IFRS 8, 'Operating segments' is effective from 1 July 2009, replacing IAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

- IFRIC 12, 'Service Concession Arrangements' is effective from 1 July 2009. The IFRIC gives guidance on the accounting by operators for public-to-private service concession arrangements. Infrastructure within the scope of this Interpretation shall not be recognised as property, plant and equipment of the operator because the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the operator.

- IFRIC 13, 'Customer loyalty programmes' is effective from 1 July 2009 and clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

- IFRIC 15, 'Accounting for agreements for the construction of real estate' is effective from 1 July 2009 and addresses whether an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18. The IFRIC clarifies that the terms of the agreement and all the surrounding facts and circumstances must be considered when determining under which standard the agreement will be considered. Such a determination requires judgement with respect to each agreement. IAS 11 applies when the agreement for the construction of real estate meets the definition of a construction contract, that is the buyer is able to specify the major structural elements of the design of the real estate before construction begins and/or specify major structural changes once construction is in progress. In contrast an agreement for the construction of real estate in which buyers have only limited ability to influence the design of the real estate is an agreement for the sale of goods within the scope of IAS 18.

- IFRIC 16, 'Hedges of a net investment in a foreign operation' is effective from 1 July 2009. A derivative or a non-derivative instrument (or a combination of derivative and non-derivative instruments) may be designated as a hedging instrument in a hedge of a net investment in a foreign operation. The hedging instrument(s) may be held by any entity or entities within the group, as long as the designation, documentation and effectiveness requirements of IAS 39 paragraph 88 that relate to a net investment hedge are satisfied. In particular, the hedging strategy of the group should be clearly documented because of the possibility of different designations at different levels of the group.

2.4.1 Amendments to published standards effective in current year

- IAS 1 (revised), 'Presentation of financial statements'. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (profit and loss account and statement of comprehensive income).

The company has preferred to present two statements; a profit and loss account (income statement) and a second statement beginning with profit or loss and display components of other comprehensive income (statement of comprehensive income). Comparative information has also been re-presented so it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on profit for the year.

- IAS 23 'Borrowing Costs' Certain amendments have been published that are applicable to the company's financial statements covering annual periods, beginning on or after July 01, 2009. Adoption of these amendments require the company to capitalize the borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs has been removed. The company's current accounting policy is in compliance with this amendment, and therefore there is no impact on the company's financial statements.

- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 July 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. However, there is no impact on the company as there are no external or internal indicators of impairment.

- IAS 38 (Amendment), 'Intangible assets' (effective from July 1, 2009). The amended standard states that a prepayment may only be recognized in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. Its adoption has not had any impact on the company's financial statements.

- IAS 39 (Amendment), 'Financial Instruments: Recognition and Measurement' - Reclassification of Financial Assets (effective from July 1, 2009). This amendment to the Standard permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category, a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. Its adoption has not had any impact on the company's financial statements.

- IFRS 7 'Financial Instruments : Disclosures' is effective from July 01, 2009. It requires disclosures about the significance of financial instruments for the company's financial position and performance, as well as quantitative and qualitative disclosure on the nature and extent to risks, however, it does not have any impact on the classification and valuation of the company's financial instruments.

2.4.2 Amendments to published standards effective in current year not applicable to the company

The following amendments to existing standards have been published that are not applicable to the company's financial statements:

- IAS 27, 'Consolidated and Separate Financial Statements' is effective from 01 July 2009, requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss.

- IFRIC 17, Distributions of non-cash assets to owners is effective from 1 July 2009 and states that when a Bank distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non-cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.

- IFRIC 18, 'Transfers of Assets from Customers' is effective from 1 July 2009. Entities may enter into transactions where assets are transferred by a customer in return for connection to a network and/or provision of ongoing access to goods or services delivered through that network. IFRIC 18 requires an item transferred from a customer to be recognised when it meets the definition of an asset in the IASB Framework. All relevant facts should be considered to determine whether the entity controls the item and whether it is probable there will be future economic benefits. The asset is recognised initially at fair value. The corresponding credit is revenue and recognised in accordance with IAS 18, 'Revenue'.

There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after July 1, 2009 but were considered not to be relevant or did not have any significant effect on the company's operations.

2.4.3 Amendments and interpretations to published standards not yet effective

The following amendments and interpretations to existing standards have been published and are mandatory for the company's accounting periods beginning on or after their respective effective dates:

AS 24 - Related Party Disclosures (revised 2009) – effective for annual periods beginning on or after July 01, 2011. The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.

2.4.4 Standards and interpretations to existing standards that are not applicable to the company and not yet effective

Standards or Interpretations	Effective date (accounting periods beginning on or after)
IAS 32 - Classification of rights issues	July 01, 2010
IFRS 9 - Financial instruments	July 01, 2013
IFRIC 14 - IAS 19 - The limit on a defined benefit assets, minimum funding requirements and their interaction	July 01, 2011
IFRIC 19 - Extinguishing financial liabilities with equity instruments	July 01, 2010

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

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

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

4.3 Property, plant and equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and any identified impairment loss. Freehold land is stated at cost. Cost in relation to certain property, plant and equipment comprises historical cost and borrowing costs referred to in note 14.

Depreciation on all property, plant and equipment except land is charged to profit on the straight line basis so as to write off the historical cost of an asset over its estimated useful life at the rates given in note 14 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, 2010 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.

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. Assets subject to finance lease are initially recognized at lower of present value of minimum lease payments under the lease arrangements and the fair value of 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.

Assets acquired under a finance lease are depreciated over the useful life of the asset on reducing balance method at the rates given in note 15. Depreciation on leased assets is charged to the profit and loss account.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

4.6 Capital work in progress

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.

4.7 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.

4.8 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.

4.9 Financial instruments

4.9.1 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.

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.

4.9.2 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.

4.9.3 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.

4.10 Trade debts

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the period end. Bad debts are written off when identified.

4.11 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.

4.12 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.

4.13 Trade and other payables

Liabilities for trade creditors and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for the goods and/or services received, whether or not billed to the company, exemptions available.

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.

4.14 Foreign currency transactions and translation

All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates which approximate those prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

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

4.15 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.

4.16 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

2010	2009		2010	2009
(Number of shares)			Rupees	Rupees
102,000,000	69,500,000	Ordinary shares of Rs 10 each fully paid in cash as at the beginning of the year	1,020,000,000	695,000,000
-	32,500,000	Issuance of shares against cash	-	325,000,000
102,000,000	102,000,000	Ordinary shares of Rs 10 each fully paid in in cash as at June 30	1,020,000,000	1,020,000,000

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

	2010	2009
	(Number of shares)	
Descon Corporation (Private) Limited	8,725,250	8,725,250
Descon Engineering Limited	7,439,800	7,500,000
Descon Chemicals (Private) Limited	10,062,300	10,430,398
Descon Holdings (Private) Limited	1,953,200	1,953,200
Interworld Travels (Private) Limited	92,054	92,054
	28,272,604	28,700,902

6. Long term finances - secured

		2010 Rupees	2009 Rupees
Long term finances - secured	- note 6.1	1,469,818,187	1,469,818,187
Less: Current portion shown under current liabilities	- note 9	189,596,591	-
		1,280,221,596	1,469,818,187

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 effective markup charged per annum ranges from 15.13% to 16.77%. Out of the aggregate facility of Rs 1.470 billion (2009: Rs 1.470 billion), the amount availed as at June 30, 2010 is Rs 1.470 billion (2009: 1.470 billion) repayable in 9 semi annual installments commencing in August 2010.

The company has requested its lenders to restructure the syndicate loan for relaxation in terms, including the payment period and the company believes that the lenders are principally in agreement with the restructuring plan.

As specified in the restructuring plan prepared by the company, the sponsors have already converted a current payable of Rs 276.78 million into a long term unsecured loan as referred to in note 7.1 and provided additional funds of Rs 132 million as a long term unsecured loan (note 7.2 and 7.3).

In case of delay in the repayments under the finance agreement compensation at 20% per annum on the overdue amount will be charged.

7. Long term finances - unsecured

		2010 Rupees	2009 Rupees
From associated company :			
- Descon Engineering Limited - Loan 1	- note 7.1	276,784,832	-
- Descon Engineering Limited - Loan 2	- note 7.2	112,000,000	-
- Interworld Travels (Private) Limited - Loan 3	- note 7.3	20,000,000	-
		408,784,832	-

7.1 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 loan is repayable in one installment in June 2015 and the markup is payable only after 50% of the facility under note 6 has been discharged. The loan carries markup at six month KIBOR plus 2.75%.

7.2 The loan was disbursed to the company under an agreement dated May 19, 2010 by DEL, an associated company. This loan is repayable in one installment in May 2015 and the markup is payable only after 50% of the facility under note 6 has been discharged. Mark-up charged on the loan is six months KIBOR plus 2.00%.

7.3 This loan has been obtained from Interworld Travels (Private) Limited, an associated company, in order to meet the working capital requirements of the company. During the period the loan carried markup on the basis of 3 month KIBOR on the date of disbursement plus 1%. The markup charged during the year ranged from Re 0.36 to 0.37 per 1000 per diem. The facility is unsecured. The loan was originally payable within one year of disbursement but pursuant to an agreement dated June 30, 2010 the loan is repayable in one installment in June 2015 and the markup is payable only after 50% of the facility under note 6 has been discharged. As per the new terms the loan carries markup on the basis of 6 month KIBOR as on the date of execution of the agreement, to be reset every 6 month, plus 100 bps.

8. Liabilities against assets subject to finance lease

	2010 Rupees	2009 Rupees
Present value of minimum lease payments	142,196,532	-
Less: Current portion shown under current liabilities - note 9	(1,005,494)	-
	141,191,038	-

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 18.39% 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 Razzaq Dawood.

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

	Minimum Lease payments	Finance cost not due	Present value of lease Liability 2010	2009
		Rupees		
Not later than one year	22,350,000	21,344,506	1,005,494	-
Later than one year and not later than five years	160,513,113	19,322,075	141,191,038	-
	182,863,113	40,666,581	142,196,532	-

9. Current portion of long term liabilities

		2010 Rupees	2009 Rupees
Long term finances - secured	- note 6	189,596,591	
Liabilities against assets subject to finance lease - secured	- note 8	1,005,494	-
		190,602,085	-

10. Finances under mark up arrangements - secured

		2010 Rupees	2009 Rupees
Running finance	- note 10.1	141,029,795	199,319,520
Term finance	- note 10.2	-	60,000,000
Bill discounting facility	- note 10.3	45,443,420	-
Bridge loan	- note 10.4	100,000,000	-
		286,473,215	259,319,520

10.1 Running finance

This represents the outstanding balance against the running finance facility of Rs 200 million (2009: 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 0.37 to Re 0.38 per 1000 per diem on the outstanding balance or part thereof.

10.2 Term finance

This has been repaid during the year.

10.3 Bill discounting facility

This represents the bill discounting facility of Rs 50 million (2009: Nil) availed from Bank AL-Habib Limited to meet the working capital requirements of the company. The bills are discounted on 30 to 60 days on a markup of one month KIBOR plus 1%.

10.4 Bridge Loan

This head represents the short term bridge loan of Rs 100 million (2009: Nil) availed from KASB bank in order to meet the working capital requirements of the company. The loan carries a markup of 3 month KIBOR reviewed on first working day of every calendar quarter on the basis of arithmetic mean of previous six working days plus 2.5% per annum. The rate of mark up is Re 0.41 per 1000 per diem.

The bridge loan is repayable by 30 September, 2010.

10.5 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 a customer.
The bridge loan from KASB bank is secured against ranking charge over present & future fixed assets of the company (including land, building, plant & machinery) for Rs 134 million and a personal guarantee of Mr Abdul Razak Dawood.

Of the aggregate facility of Rs 75 million (2009 : Rs 75 million) for opening of letter of credit for import of machinery, raw material and stores and Rs 50.027 million (2009 : Nil) for letter of guarantee from a consortium of banks the amount utilized at June 30, 2010 was Rs 60,791 million (2009: Rs 26.685) and Rs 50.027 (2009 : Nil) respectively.

		2010 Rupees	2009 Rupees
11. Trade and other payables			
Trade creditors	- note 11.1	77,155,136	374,637,005
Bills payable		19,885,331	-
Advances from customers		7,287,573	4,872,806
Associated undertakings	- note 11.2	25,424,230	983,432
Accrued and other liabilities	- note 11.3	27,686,067	23,075,525
Withholding tax payable		122,365	229,259
Workers' welfare fund	- note 11.4	51,237	18,263
Other payables		-	189,598
		157,611,939	404,005,888

11.1 Trade creditors includes interest free amount due to associated companies amounting to Rs 9.85 million (2009: 281.248 million) and is in the normal course of business.

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

	2010 Rupees	2009 Rupee
Descon Chemicals Private Limited	23,742,161	(2,316)
Descon Corporation Private Limited	754,387	-
Descon Engineering Limited	927,682	985,748
	25,424,230	983,432

11.3 This includes an amount of Rs Nil (2009: Rs 199.871 thousand) payable to the company's provident fund.

11.4 Workers' welfare fund

	2010 Rupees	2009 Rupee
As at July 01	18,263	-
Add: provision for the year	32,974	18,263
As at June 30	51,237	18,263

12. Accrued finance cost

	2010	2009
Finances under markup arrangements - secured	10,522,411	9,476,630
Long term finances		
- secured	77,031,221	83,029,858
- unsecured	3,053,981	-
Liabilities against assets subject to finance lease - secured	6,974,977	-
	97,582,590	92,506,488

13. Contingencies and commitments

13.1 Contingencies

(i) Guarantee issued to Sui Northern Gas Pipeline against the performance of a contract amounting to Rs 48.64 million (2009: Rs 48.64 million).

(ii) Claims not acknowledged as debts amounting to Rs Nil (2009: Rs 15.150 million)

13.2 Commitments

The company has the following commitments in respect of:

(i) Letters of credit other than capital expenditure Rs 44.126 million (2009: Rs 28.930 million).

(ii) Contract for capital expenditure amounting to Rs Nil (2009: Rs 3.222 million) .

14. Property, plant and equipment

2010 (Rupees)

	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 %
Freehold land	101,315,554		101,315,554	-	-	-	101,315,554	-
Buildings on freehold land	247,430,720	1,217,715	248,648,435	3,960,294	12,554,377	16,514,671	232,133,764	5
Plant, machinery and equipment	2,233,704,438	33,331,661 (149,189,803)	2,117,846,296	46,745,619	135,196,505 (6,993,265)	174,948,859	1,942,897,437	6.25
Lab equipment	13,544,222	427,781	13,972,003	256,497	893,991	1,150,488	12,821,515	6.25
Material handling	70,187	-	70,187	3,917	15,109	19,026	51,161	20
Tools and equipment	3,895,381	-	3,895,381	88,422	236,193	324,615	3,570,766	6.25
Computer equipment	4,543,828	350,227	4,894,055	1,540,808	1,550,714	3,091,522	1,802,533	33.33
Electrical equipment	376,286		376,286	96,887	75,257	172,144	204,142	20
Office equipment	4,711,417	24,800 (43,800)	4,692,417	372,837	919,254 (25,520)	1,266,571	3,425,846	20
Furniture and fixture	2,099,219	5,512,137 (281,100)	7,330,256	126,441	544,012 (7,027)	663,426	6,666,830	10
Vehicles	4,088,383	794,000 (825,000)	4,057,383	1,346,564	893,976 (357,500)	1,883,040	2,174,343	20
2010	2,615,779,635	41,658,321 (150,339,703)	2,507,098,253	54,538,286	152,879,388 (7,383,312)	200,034,362	2,307,063,891	

	2009						(Rupees)	
	Cost as at July 1, 2008	Additions/ (deletions)	Cost as at June 30, 2009	Accumulated depreciation as on July 1, 2008	Depreciation charge/ (deletions) for the year	Accumulated depreciation as on June 30, 2009	Net book value as on June 30, 2009	Rate of depreciation %
Freehold land	82,036,757	19,278,797	101,315,554	-	-	-	101,315,554	-
Buildings on freehold land		247,430,720	247,430,720	-	3,960,294	3,960,294	243,470,426	5
Plant, machinery and equipment		2,233,704,438	2,233,704,438	-	46,745,619	46,745,619	2,186,958,819	6.25
Lab equipment		13,544,222	13,544,222	-	256,497	256,497	13,287,725	6.25
Material handling		70,187	70,187	-	3,917	3,917	66,270	20
Tools and equipment		3,895,381	3,895,381	-	88,422	88,422	3,806,959	6.25
Computer equipment	2,080,860	2,462,968	4,543,828	485,747	1,055,061	1,540,808	3,003,020	33.33
Electrical equipment	222,200	154,086	376,286	30,218	66,669	96,887	279,399	20
Office equipment	253,065	4,493,636 (35,284)	4,711,417	49,685	333,626 (10,474)	372,837	4,338,580	20
Furniture and fixture	348,350	1,750,869	2,099,219	20,980	105,461	126,441	1,972,778	10
Vehicles	4,088,383		4,088,383	528,887	817,677	1,346,564	2,741,819	20
2009	89,029,615 -	2,526,785,304 (35,284)	2,615,779,635 -	1,115,517 -	53,433,243 (10,474)	54,538,286 -	2,561,241,349 -	

14.1 The depreciation charge has been allocated as follows:

		2010 Rupees	2009 Rupees
Cost of goods sold	- note 27	151,775,051	50,392,639
Administrative expenses	- note 28	1,050,252	2,983,937
Distribution and selling cost	- note 29	54,085	56,667
		152,879,388	53,433,243

14.2 Disposal of Property, plant and equipment

Particulars of assets	Sold to	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of Disposal
		Rupees				
Plant and Machinery	**Outside parties**					
	Orix Leasing	149,189,803	6,993,265	142,196,538	142,196,532	Negotiation
Vehicles	**(Outside parties)**					
	Mr. Adnan	825,000	357,500	467,500	568,804	Negotiation
Other Assets having book value below Rs. 50,000		324,900	32,547	292,353	281,102	
		150,339,703	7,383,312	142,956,391	143,046,438	

15. Assets subject to finance lease

	2010						(Rupees)	
	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 Jun 30, 2010	Rate of depreciation %
Plant, machinery and equipment	-	142,196,532	142,196,532	-	5,184,249	5,184,249	137,012,283	6.25
2010	-	142,196,532	142,196,532	-	5,184,249	5,184,249	137,012,283	
2009	-	-	-	-	-	-	-	

15.1 The amortization charge for the year has been allocated to cost of sales as referred to in note 27.

		2010 Rupees	2009 Rupee
16. Capital work-in-progress			
Civil works		40,341,262	37,529,742
Unallocated expenditure	- note 16.1	3,062,042	3,062,042
Advances	- note 16.2	-	10,594,043
		43,403,304	51,185,827

16.1 Unallocated expenditure

		2010	2009
Opening balance		3,062,042	109,739,978
Expenses incurred during the year:			
Salaries, wages and other benefits	- note 16.1.1	-	12,778,418
Medical facility		-	106,338
Vehicle running and maintenance		-	1,031,090
Communication		-	365,452
Printing and stationery		-	568,365
Traveling and entertainment		-	2,756,820
Contractor services charges		-	7,590,527
Electricity		-	9,954,815
Rent and rates		-	2,103,312
Insurance		-	1,205,384
Legal and professional fee		-	2,060,784
Markup on:			
Long term loan - secured	- note 16.1.2	-	132,174,675
Finances under markup arrangement - secured		-	5,580,876
Site development		-	1,325,131
Trial run operating loss	- note 16.1.3	-	36,493,789
Miscellaneous		-	2,253,104
		-	218,348,880
Unallocated expenditure incurred to date	- note 16.1.4	3,062,042	328,088,858
Unallocated expenditure capitalized		-	(325,026,816)
		3,062,042	3,062,042

16.1.1 Salaries, wages and other benefits include Rs Nil (2009: Rs 481.513 thousand) in respect of defined contribution scheme.

16.1.2 Markup on long term loan is net of markup income on bank deposits amounting to Rs Nil (2009: Rs 856.409 thousand)

16.1.3 Trial run operating loss

		2010 Rupees	2009 Rupees
Sales		-	45,412,020
Cost of goods sold			
Raw material consumed		-	48,854,143
Salaries, wages and other benefits	- note 16.1.3.1	-	12,745,430
Medical facility		-	162,890
Vehicle running and maintenance		-	174,547
Communication		-	232,367
Printing and stationery		-	233,056
Traveling and entertainment		-	3,818,898
Contractor services charges		-	10,726,801
Electricity		-	25,376,626
Rent and rates		-	2,997,399
Insurance		-	1,720,716
Repair and maintenance		-	1,246,384
Miscellaneous		-	813,670
Cost of goods manufactured		-	109,102,927
Less: Work in process at conclusion of trial production run		-	(2,027,963)
Cost of goods produced during trial production run		-	107,074,964
Less: Finished goods at conclusion of trial production run		-	(25,169,155)
			81,905,809
Trial run operating loss		-	(36,493,789)

16.1.3.1 Salaries, wages and other benefits include Rs Nil (2009: Rs 326.099 thousand) in respect of defined contribution scheme.

16.1.4 This includes borrowing cost capitalized of Rs Nil (2009: Rs 184.002 million) in aggregate.

16.2 Advances	2010 Rupees	2009 Rupees
Civil works	-	274,457
Plant and machinery	-	3,203,114
Others	-	7,116,472
	-	10,594,043

17. Intangible asset	2010 Rupees	2009 Rupees
Cost as at July 01	83,329,342	72,376,438
Additions during the year	-	16,905,000
Amortization during the year	(17,856,288)	(5,952,096)
Cost as at June 30	65,473,054	83,329,342

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.

18. Long term deposits		2010 Rupees	2009 Rupees
Cost as at July 01		12,917,133	865,093
Security deposits paid during the year	- note 18.1	83,845,879	12,052,040
Security deposits repaid/adjusted during the year		(17,183,390)	-
Cost as at June 30		79,579,622	12,917,133

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

19. Deferred taxation

The asset for deferred taxation comprises temporary differences in:	2010	2009
Accelerated tax depreciation	(417,739,828)	(426,306,592)
Unused tax losses	502,986,399	454,178,716
	85,246,571	27,872,124

Tax losses amounting to Rs 98.608 million and Rs 87.097 million expire in the year 2015 and the year 2016, respectively. The company has not recognized deferred tax assets of Rs 64.997 million (2009: Rs 36.963 million) and Rs 10.269 million (2009: Nil) in respect of the business tax loss and minimum tax under section 113 of the income tax ordinance available for carry forward based on prudence principle as sufficient tax profits may not be available to set these off.

20. Stores and spares

Stores and spares include working solution of Rs 68.240 million (2009: Rs 68.816 million) and items which may result in fixed capital expenditure but are not distinguishable.

21. Stock in trade

	2010	2009
Raw materials [including in transit of Rs 21.153 million (2009: 2.494 million)]	33,034,744	15,811,981
Packing material	674,738	202,193
Work-in-process	3,125,173	2,604,030
Finished goods [including in transit of Rs Nil (2009: Rs 2.144 million)]	14,160,334	37,450,921
	50,994,989	56,069,125

22. These are unsecured considered good receivables including Rs 328,887 due from Descon Engineering Limited, an associated of the company.

		2010 Rupees	2009 Rupees
23.	**Investment - available for sale**		
	Available for sale - at cost	11,221,051	-
		11,221,051	-
	Add : fair value gain during the year	437,146	-
		11,658,197	-

23.1 This relates to investment in an open ended mutual fund maintained by MCB by the name of cash optimizer fund. It is a money market fund which makes investments in fixed income instruments with a maximum maturity of 180 days and weighted average maturity up to 90 days. The fund has been maintained to meet the company's liquidity requirements. The return on the fund is in the form of bonus units and cash dividend.

			2010 Rupees	2009 Rupees
24.	**Advances, deposits, prepayments and other receivables.**			
	Advances to suppliers		9,693,755	6,416,312
	Advances to employees	- note 24.1	92,500	10,000
	Prepayments		1,777,822	6,884,871
	Recoverable from government:			
	- Income tax		18,128,204	14,889,366
	- Special excise duty		-	12,449,013
	- Sales tax		83,815,240	98,826,121
			101,943,444	126,164,500
	Security deposits		1,393,297	1,274,441
	Other receivables		-	11,376
			114,900,818	140,761,500

24.1 These are interest free advances for traveling and general expenses. These include an aggregate amount of Rs Nil (2009: Rs 10,000) receivable from the executives of the company. Maximum aggregate amount due from executives of the company at the end of any month during the current year was Rs Nil (2009: Rs 189,290 thousand)

			2010 Rupees	2009 Rupees
25.	**Cash and bank balances**			
	At banks on:			
-	- Saving accounts	- note 25.1	48	355
	- Current accounts		43,513,897	3,228,089
	- Term deposit accounts	- note 25.2	16,500,000	-
			60,013,945	3,228,444
	In hand		154,129	60,683
			60,168,074	3,289,127

25.1 Profit on balances in savings accounts ranges from 5% to 12% per annum (2009: 5% to 12% per annum)

25.2 This represents amount in Habib Metropolitan Bank Limited for deposit account, redeemable in one month. It carries mark-up at the rate of 10.25 %

		2010 Rupees	2009 Rupees
26.	**Sales**		
	Gross sales:		
	- Local	677,711,429	191,970,480
	- Export	41,217,121	22,828,199
		718,928,550	214,798,679
	Less: Commission on sales	(9,256,387)	(2,672,938)
	Less: Trade discount	-	(20,791,125)
		709,672,163	191,334,616

			2010 Rupees	2009 Rupees (Restated)
27.	**Cost of sales**			
	Raw materials consumed		254,049,994	110,105,439
	Salaries, wages and other benefits	- note 27.1	40,379,640	14,257,106
	Repair and maintenance		15,744,719	1,642,516
	Production supplies		13,011,605	6,887,390
	Fuel and power		98,670,894	35,506,850
	Printing and stationery		563,289	475,664
	Services through contractors		54,998,033	5,722,527
	Traveling		224,461	2,732,899
	Communication		553,835	183,670
	Rent and rates		-	2,554,220
	Depreciation on property, plant and equipment	- note 14.1	151,775,052	50,392,639
	Depreciation on assets subject to finance lease	- note 15	5,184,249	-
	Amortization on intangible assets	- note 17	17,856,288	5,952,096
	Insurance		5,246,664	1,778,900
	Loading and unloading		-	1,433,414
	Safety items consumed		535,605	367,524
	Miscellaneous		2,309,791	1,232,075
			661,104,119	241,224,929
	Add: Opening work in process		2,604,030	-
	Work in process at conclusion of trial production run		-	2,027,963
	Less: Closing work in process		(3,125,173)	(2,604,030)
			(521,143)	(576,067)
	Cost of goods produced		660,582,976	240,648,862
	Add: Opening finished goods		37,653,114	-
	Finished goods at conclusion of trial production run		-	25,169,155
	Less: Closing finished goods		(14,835,072)	(37,653,114)
			22,818,042	(12,483,959)
			683,401,018	228,164,903

27.1 Salaries, wages and other benefits include provident fund contribution of Rs 1,585.45 thousand (2009: Rs 260.338 thousand) by the company.

		2010 Rupees	2009 Rupees
28. Administrative expenses			
Salaries, allowances and other benefits	- note 28.1	17,443,688	13,516,133
Services through contractor		-	3,900,944
Medical facility		360,807	296,433
Vehicle running and maintenance		44,475	65,094
Entertainment		757,738	891,086
Communication		327,857	403,259
Printing and stationary		1,028,634	1,126,419
Traveling and conveyance		499,443	2,352,645
Charity and donation		-	33,633
Insurance		116,515	86,827
Fees and subscriptions		5,316,531	88,494
Rent and Rates		-	504,348
Legal and professional fee	- note 28.2	9,382,007	6,510,699
Depreciation on property, plant and equipment	- note 14.1	1,050,252	2,983,937
Advances written off		820,691	-
Others		1,513,856	1,401,357
		38,662,494	34,161,308

28.1 Salaries, wages and other benefits include provident fund contribution of Rs 215.34 thousand (2009: Rs 435.687 thousand) by the company.

28.2 Auditors remuneration

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

	2010 Rupees	2009 Rupees
Statutory audit	650,000	600,000
Half yearly review	250,000	200,000
Certification Charges	100,000	-
Out of pocket expenses	41,472	31,383
	1,041,472	831,383

		2010 Rupees	2009 Rupees
29. Distribution and selling cost			
Salaries, allowances and other benefits	- note 29.1	11,369,696	1,502,710
Medical facility		128,478	49,012
Entertainment		18,829	25,882
Communication		55,480	115,296
Traveling and conveyance		476,308	454,517
Advertisement		20,000	636,340
Insurance		268,625	12,460
Loading and unloading charges		15,396	4,813
Freight and forwarding		29,854,583	6,758,619
Depreciation on property, plant and equipment	- note 14.1	54,085	56,667
Others		321,947	857,201
		42,583,427	10,473,517

29.1 Salaries, wages and other benefits include provident fund contribution of Rs 104.39 thousand (2009: Rs 51.548 thousand) by the company.

		2010 Rupees	2009 Rupees
30. Other operating expenses			
Workers' Welfare Fund	- note 11.4	32,974	18,263
Exchange loss		68,486	16,833
		101,460	35,096

	2010 Rupees	2009 Rupees
31. Other operating income		
Income from financial assets		
Interest on bank deposits	51,746	592
Gain on sale of investment	1,246,051	-
	1,297,797	592
Income from non-financial assets		
Gain on sale of fixed assets	90,047	-
Scrap sales	5,645,147	-
Others	4,512	-
	5,739,706	-
	7,037,503	592

		2010 Rupees	2009 Rupees
32. Finance cost			
Interest and mark-up on:			
- Long term finances			
- secured		226,673,029	79,385,748
- unsecured		3,053,981	-
- Finances under markup arrangement - secured	- note 32.1	46,857,190	15,549,306
- Liabilities against assets subject to finance lease		6,974,977	-
Bank charges and others		4,506,355	1,284,516
		288,065,532	96,219,570

32.1 This includes penalties levied by lenders of Rs 747,625 due to delayed payments.

	2010 Rupees	2009 Rupees (Restated)
33. Taxation		
For the year		
- Current	(10,681,278)	228,282
- Deferred	80,098,184	(23,477,343)
	69,416,906	(23,249,061)
Prior year		
- Current	-	-
- Deferred	(22,723,737)	(4,394,781)
	(22,723,737)	(4,394,781)
	46,693,169	(27,643,842)

33.1 In view of the available income tax losses, the provision for current taxation represents tax under 'Final Tax Regime' and tax on minimum turnover under section 113 of the Income Tax Ordinance, 2001. Minimum tax under section 113 is available for set off for 5 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, 2010 are estimated approximately at Rs 1,622.809 million (2009: Rs 1,375 million).

33.2 Tax charge reconciliation

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

	2010 %	2009 % (Restated)
Applicable tax rate	35.00	35.00
Tax effect under presumptive regime	(5.28)	(4.30)
Tax losses for which no deferred tax asset is recognized	(9.07)	(17.61)
Effect of change in prior years tax and rounding off	(6.76)	2.46
	(21.11)	(19.45)
Average effective tax rate charged to profit and loss account	13.89	15.55

34. Loss per share

34.1 Basic loss per share

		2010 Rupees	2009 Rupees (Restated)
Loss for the year	Rupees	(289,411,096)	(150,075,344)
Weighted average number of ordinary shares in issue during the year	Number	102,000,000	96,746,575
Loss per share	Rupees	(2.84)	(1.55)

34.2 Diluted earnings per share

Diluted earnings per share has not been presented as the company doesn't have any convertible instrument in issue as at June 30, 2010 and June 30, 2009 which would have any effect on the earnings per share if the option to convert is exercised.

35. Cash flow from operating activities

		2010 Rupees	2009 Rupees (Restated)
Loss before taxation		(336,104,265)	(177,719,186)
Adjustment for:			
- Depreciation on property, plant and equipment	- note 14	152,879,388	53,433,243
- Depreciation on assets subject to finance lease	- note 15	5,184,249	-
- Amortization of intangible assets	- note 17	17,856,288	5,952,096
- Provision for accumulating compensated absences		-	2,026,965
- Gain on disposal of fixed assets	- note 31	(90,047)	-
- Provision for leave fare assistance		-	498,850
- Provision for workers welfare fund	- note 30	32,974	18,263
- Net exchange loss	- note 30	68,486	16,833
- Interest from bank deposits	- note 31	(51,746)	(592)
- Advances written off	- note 28	820,691	-
- Gain on sale of investment		(1,246,051)	-
- Finance cost	- note 32	283,559,166	94,935,054
Profit/(loss) before working capital changes		122,909,133	(20,838,474)
Effect on cash flow due to working capital changes:			
(Increase)/ decrease in current assets			
- Stores, spares and loose tools		(2,482,055)	(118,022,718)
- Stock in trade		5,074,136	(56,069,125)
- Trade debts		(25,616,780)	(1,103,554)
- Advances, deposits, prepayments and other receivables		16,812,977	(94,186,213)
Increase in current liabilities			
- Creditors, accrued and other liabilities		25,104,695	334,356,210
		18,892,973	64,974,600
Cash generated from operations		141,802,106	44,136,126

36. Remuneration of Chief Executive, Directors and Executives

	Chief Executive 30 June 2010	Chief Executive 30 June 2009	Directors 30 June 2010	Directors 30 June 2009	Executives 30 June 2010	Executives 30 June 2009
Remuneration	1,400,995	3,752,953	753,992	-	14,190,779	21,107,273
Provident Fund	128,976	214,797	6,174	-	647,464	1,149,091
Medical facility	28,520	18,857	35,923	-	194,295	435,689
Leave passage	-	60,000	-	-	-	800,092
Reimbursable expenses	-	81,139	-	-	1,524,835	1,031,908
	1,558,491	4,127,746	796,089	-	16,557,373	24,524,053
No. of persons	**1**	**1**	**1**	**-**	**17**	**20**

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

37. 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 37. Other significant transactions with related parties are as follows:

		2010 Rupees	2009 Rupees
i. Associated undertakings	Purchase of goods and services	10,716,807	49,497,724
	Purchases in respect of Fixed capital expenditure	7,609,625	662,843,752
	Sale of goods	398,223	-
	Disposal of asset	281,100	-
	Share of common expenses	24,693,043	-
	Mark-up expense	3,053,981	-
	Sale of scrap	-	2,961,802
ii. Post employment benefit plans	Expense charged in respect of retirement contribution plans	1,905,176	1,555,185

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

38. Cash and cash equivalents

		2010	2009
Cash and bank balances	- note 25	60,168,074	3,289,127
Finances under mark up arrangements - secured	- note 10	(286,473,215)	(259,319,520)
		(226,305,141)	(256,030,393)

39. Capacity and production

		Planned Production Capacity	Commercial production 2010	Trial production 2009	Commercial production 2009
Production of hydrogen peroxide (on 100% concentration and based on 360 working days)	Metric Tonnes	15,000	10,070	1,194	3,945
Production of packing material (based on 360 working days)	Number	1,080,000	561,837	86,116	231,794

The shortfall is due to stoppages in supply of gas.

40. Financial risk management objectives

40.1 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 Letter of Credits in foreign currency. The management does not view hedging as being financially feasible.
The company's foreign exchange risk exposure is limited to the outstanding foreign currency balances payable or receivable at any balance sheet date. The company has no outstanding foreign currency balances as at June 30, 2010.

(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:

	2010 Rupees	2009 Rupees
Fixed rate instruments		
Financial assets		
Saving bank accounts	48	355
Term deposit account	16,500,000	-
Floating rate instruments		
Financial liabilities		
Long term finances		
- secured	1,469,818,187	1,469,818,187
- unsecured	408,784,832	-
Finances under markup arrangement - secured	286,473,215	259,319,520
Liabilities against assets subject to finance lease	142,196,532	-
	2,307,272,766	1,729,137,707

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.

Cash flow sensitivity analysis for variable rate instruments

If interest rates on saving bank accounts, long term loan and finances under mark-up arrangement, at the year end date, had been 1% higher / lower with all other variables held constant, loss after taxation for the year would have been Rs 15.494 million (2009: Rs 9.452 million) higher / lower, mainly as a result of higher / lower interest expense on floating rate borrowings.

(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 and its balances at banks. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2010 Rupees	2009 Rupees
Trade debts	26,775,896	1,227,602
Long term deposits	79,579,622	12,917,133
Advances, deposits, prepayments and other receivables	1,393,297	1,274,441
Investment - Available for sale	11,658,197	-
Bank balances	60,013,945	3,228,444
	179,420,957	18,647,620

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings. The company believes that it is not exposed to major concentration of credit risk as its exposure is spread over a large number of counter parties and trade debts are subject to specific credit ceilings.

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

	Rating Short term	Rating Long term	Agency	2010 Rupees	2009 Rupees
Habib Metropolitan Bank Limited	A1+	AA+	Pacra	22,491,790	669,725
Habib Bank Limited	A1+	AA+	Pacra/JCR	3,796,281	374,096
KASB Bank Limited	A1	A	Pacra	48	355
Allied Bank Limited	A1+	AA	Pacra	23,117,809	2,184,268
Bank AlHabib Ltd.	A1+	AA+	Pacra	10,608,017	-
				60,013,945	3,228,444

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, 2010 the company had borrowing limits available from financial institutions at Rs 58.970 million, investment available for sale at Rs 11.658 million and 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

	Carrying amount	Less than one year (Rupees)	More than one year
The following are the contractual maturities of financial liabilities as at June 30, 2010:			
Short term running finance	286,473,215	286,473,215	-
Accrued finance cost	97,582,590	97,582,590	-
Trade and other payables	157,611,939	157,611,939	-
Long term finances			
- secured	1,469,818,187	189,596,591	1,280,221,596
- unsecured	408,784,832	-	408,784,832
Liabilities against assets subject to finance lease	142,196,532	1,005,494	141,191,038
	2,562,467,295	732,269,829	1,830,197,466

The following are the contractual maturities of financial liabilities as at June 30, 2009:

Short term running finance	259,319,520	259,319,520	
Accrued finance cost	92,506,488	92,506,488	-
Trade and other payables	404,005,888	404,005,888	-
Long term loan	1,469,818,187	-	1,469,818,187
	2,225,650,083	755,831,896	1,469,818,187

40.2 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.

40.3 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 79% (2009: 63%). This increase is due to losses during the year and additions to long term borrowings during the year.

41. Date of authorization for issue

These financial statements were authorized for issue on **August 30, 2010** by the Board of Directors

42. Subsequent events

There are no subsequent events occurring after balance sheet date.

43. Corresponding figures

Previous year's figures have been rearranged, wherever necessary for the purposes of comparison. However, no significant re-arrangements have been made.

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, Ferozepur Road, Lahore not less than 48 hours befre the time of holding the meeting.

A Proxy must be member of the Company. Signature should agree with the specimen register with the Company

Please quote registered Folio / CDC Account numbers

I/We ______________________________

of ______________________________

being a member of Descon Oxychem Limited entitled to vote and holder of ______________

ordinary shares, hereby appoint Mr./Mrs/Mst. ______________________

of ______________________________

who is also a member of the Company, as my/our proxy in my/our absence to attend and vote for me/us on my/our behalf at the Sixth Annual General Meeting of the Company to be held at Descon Headquarters, 18-KM Ferozepur Road, Lahore on Wednesday, October13, 2010 at 10:00 hrs. and at any adjournment thereof.

As witness my/our hand this ______________ day of ______________ 2010

Signed by the said ______________________ in the presence of

____

____
(Member's Signature)

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

Place ______________

Date ______________

____
(Witness's Signature)