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## Company Information

### Board of Directors

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

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

### Company Secretary

Mr. Muhammad Asad

### Audit Committee

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

Chairman  
Member  
Member

### External Auditors

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

### Internal Auditors

M/S KPMG Taseer Hadi & Co.  
Chartered Accountants

### Legal Advisors

Hassan & Hassan Advocates

### Bankers

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

KASB Bank Limited  
Mybank Limited  
Soneri Bank Limited  
Bank Alhabib Limited

### Share Registrar

Corplink (Pvt) Limited  
Wings Arcade, 1-K, Commercial  
Model Town, Lahore  
Tel: 042-5839182, 5887262, 5916719  
Fax: 042-5869037

### Registered Office

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

### Head Office and Plant

18-KM Lahore-Sheikhupura Road  
Lahore  
Tel: 042-797 1822-24  
Fax: 042-797 1831  
URL: [www.desconoxychem.com](http://www.desconoxychem.com)



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

### **Ladies and Gentlemen**

The Directors of the Company submit to the shareholders, the quarterly report together with the un-audited financial statements of the Company for the nine months ended March 31, 2009.

### **Project & Production status**

By the grace of Almighty Allah, The Company started commercial production from March 1, 2009. With a sense of satisfaction we would like to announce some additional developments which also took place during the month of March 2009, namely:-

- a) Achievement of 100% production capacity of your plant
- b) Successful production and launch of the food grade Hydrogen Peroxide for our valued customers. Food grade Hydrogen Peroxide has been produced in Pakistan for the first time.

### **Marketing and Future Outlook**

Customers have appreciated quality of the products, and now your Company has started receiving repeat orders from majority of the customers. The Company has also started supplies in tankers to the customers. Besides the textile industry, your Company has also sold products to the paper-board and food packaging industries.

The slowdown of the World economies has had a negative effect on demand and prices of hydrogen peroxide globally and locally. Due to this slowdown of demand some regional producers are dumping product in the local market which has forced the Company to sell its product at lower than anticipated prices. We have started to see some signs of recovery and expect the overall market to start returning to normal operating parameters in the second quarter of 2009. Directors are confident that the Company will overcome the current market challenges.

We want to thank our valued customers for showing their confidence in our products.

The Board is also very appreciative of the efforts of all the employees in bringing the plant up to full production in shorter time than anticipated and producing quality products.

We wish to inform all our stakeholders that we look with confidence to our future.

For and on Behalf of the Board

**Muhammad Nabeel Arif**  
**Chief Executive Officer**  
**April 24, 2009**

**Condensed Interim Balance Sheet**

As at March 31, 2009

	<i>Note</i>	<b>March 31 2009 (Un-Audited) Rupees</b>	June 30 2008 (Audited) Rupees
<b>Non current assets</b>			
Property, plant and equipment	4	2,581,259,203	87,914,098
Capital work in progress	5	43,214,517	1,340,905,022
Intangible asset		87,793,412	72,376,438
Long term loan		2,600,000	2,600,000
Deferred tax asset		16,646,541	-
Long term deposit	6	12,917,133	865,093
		<u>2,744,430,806</u>	<u>1,504,660,651</u>
<b>Current assets</b>			
Stores and spares		65,205,430	13,889,057
Stock in Trade	7	170,756,918	-
Trade Debts		466,560	-
Deposits, prepayments and other receivables		119,428,788	35,232,662
Cash and bank balances		3,345,103	165,113,879
		<u>359,202,799</u>	<u>214,235,598</u>
<b>Current liabilities</b>			
Advances from customers		5,378,022	-
Trade and other payables		381,769,625	55,452,480
Short-term running finance	8	289,047,876	-
Mark-up accrued on short-term running finance		8,396,976	-
Mark-up accrued on long-term loan		22,655,916	27,015,194
		<u>707,248,415</u>	<u>82,467,674</u>
<b>Net current assets</b>		<b>(348,045,616)</b>	131,767,924
<b>Non current liabilities</b>			
Long-term loan - secured	9	1,423,765,188	955,686,172
<b>Contingencies and commitments</b>			
	10	<u>972,620,002</u>	<u>680,742,403</u>
<b>Represented by:</b>			
Share capital	11	1,020,000,000	695,000,000
Accumulated loss		(47,379,998)	(14,257,597)
		<u>972,620,002</u>	<u>680,742,403</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Chief Executive Officer

Director

**Condensed Interim Profit And Loss Account**

For the Nine months ended March 31, 2009 (Un-Audited)

	<i>Note</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
		<b>March 31 2009 Rupees</b>	<b>March 31 2008 Rupees</b>	<b>March 31 2009 Rupees</b>	<b>March 31 2008 Rupees</b>
Sales - net		31,600,620	-	31,600,620	-
Cost of goods sold	12	29,993,714	-	29,993,714	-
<b>Gross profit</b>		<b>1,606,906</b>	<b>-</b>	<b>1,606,906</b>	<b>-</b>
Administrative and marketing expenses		7,523,860	3,774,008	15,805,685	8,844,638
<b>Operating loss</b>		<b>(5,916,954)</b>	<b>(3,774,008)</b>	<b>(14,198,779)</b>	<b>(8,844,638)</b>
Finance cost		24,205,518	13,118	24,205,518	-
<b>Loss before taxation</b>		<b>(30,122,472)</b>	<b>(3,787,126)</b>	<b>(38,404,297)</b>	<b>(8,844,638)</b>
Provision for taxation	13	(16,646,541)	-	(16,646,541)	-
<b>Loss after taxation</b>		<b>(13,475,931)</b>	<b>(3,787,126)</b>	<b>(21,757,756)</b>	<b>(8,844,638)</b>
Loss per share - basic and diluted		<b>(0.13)</b>	<b>(0.16)</b>	<b>(0.24)</b>	<b>(1.15)</b>

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

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Chief Executive Officer

Director

**Condensed Interim Cash Flow Statement**

For the Nine months ended March 31, 2009 (Un-Audited)

Notes

	Nine months ended	
	March 31 2009	March 31 2008
	(Rupees)	
<b>Cash generated from operating / pre-operating activities</b>		
<b>Loss for the period</b>	(38,404,297)	(8,864,129)
Adjustments for:		
Depreciation/Amortization	15,577,805	612,887
Financial charges	24,205,518	19,491
<b>Cash flow before working capital changes</b>	<u>1,379,026</u>	<u>(8,231,751)</u>
Effect on cash flow due to working capital changes		
- Increase in stores and spares	(51,316,373)	(742,248)
- Increase in stock-in-trade	(170,756,918)	-
- Increase in trade debts	(466,560)	-
- Increase in advances, deposits, prepayments and other receivables	(76,007,632)	(3,119,718)
- Decrease in short term borrowings - unsecured	-	(37,534,237)
- Increase in advances from customers	5,378,022	-
- Increase in trade and other payables	326,317,146	31,793,197
	<u>33,147,685</u>	<u>(9,603,006)</u>
<b>Cash generated/(used in) from operating / pre-operating activities</b>	<u>34,526,711</u>	<u>(17,834,757)</u>
Finance cost paid	(159,281,224)	(19,491)
Taxes paid	(8,188,494)	(876,852)
<b>Net cash (outflow) from operating/pre-operating activities</b>	<u>(132,943,007)</u>	<u>(18,731,100)</u>
<b>Cash flow from investing activities</b>		
Fixed capital expenditure incurred	(1,070,630,976)	(656,177,644)
Long term deposits	(12,052,040)	-
Intangible asset	(16,905,000)	-
<b>Net cash outflow from investing activities</b>	<u>(1,099,588,016)</u>	<u>(656,177,644)</u>
<b>Cash flows from financing activities</b>		
Long-term loan - secured	468,079,016	500,000,004
Cost of issuance of shares	(11,364,645)	-
Proceeds from issuance of shares / share deposit money	325,000,000	299,505,762
<b>Net cash inflow from financing activities</b>	<u>781,714,371</u>	<u>799,505,766</u>
<b>Net (decrease)/ increase in cash and cash equivalents</b>	<u>(450,816,652)</u>	<u>124,597,022</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>165,113,879</u>	<u>1,789,137</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>(285,702,773)</u>	<u>126,386,159</u>

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The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Chief Executive Officer

Director

**Condensed Interim Statement Of Changes In Equity**

For the Nine months ended March 31, 2009 (Un-Audited)

	Share capital	Share deposit money	Accumulated loss	Total
	(-----Rupees-----)			
<b>Balance as at July 01, 2007</b>	20,000	277,995,238	(4,022,204)	<b>273,993,034</b>
Share deposit money received	-	57,122,888	-	<b>57,122,888</b>
Shares issued	502,501,000	(260,118,126)	-	<b>242,382,874</b>
Loss for the period	-	-	(8,864,129)	<b>(8,864,129)</b>
<b>Balance as at March 31, 2008</b>	<b>502,521,000</b>	<b>75,000,000</b>	<b>(12,886,333)</b>	<b>564,634,667</b>
Share deposit money received	-	(75,000,000)	-	<b>(75,000,000)</b>
Shares issued	192,479,000	-	-	<b>192,479,000</b>
Loss for the period	-	-	(1,371,264)	<b>(1,371,264)</b>
<b>Balance as at June 30, 2008</b>	<b>695,000,000</b>	<b>-</b>	<b>(14,257,597)</b>	<b>680,742,403</b>
Shares issued	325,000,000	-	-	<b>325,000,000</b>
<b>Cost of issuance of shares</b>	<b>-</b>	<b>-</b>	<b>(11,364,645)</b>	<b>(11,364,645)</b>
Loss for the period	-	-	(21,757,756)	<b>(21,757,756)</b>
<b>Balance as at March 31, 2009</b>	<b><u>1,020,000,000</u></b>	<b><u>-</u></b>	<b><u>(47,379,998)</u></b>	<b><u>972,620,002</u></b>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

Chief Executive Officer

Director



# Notes To And Forming Part Of The Condensed Interim Financial Information

For the Nine months ended March 31, 2009 (Un-Audited)

## 1. The Company and its operations

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 company is principally engaged in manufacture, procurement and sale of hydrogen peroxide and allied products. The registered office of the company is situated at 18-KM Ferozpur Road, Lahore and the factory is situated at 18-KM Lahore-Sheikhupura Road, Lahore.

The company commenced commercial operations from March 1, 2009.

## 2. Statement of compliance

This condensed interim financial information is un-audited and is being submitted to the members as required by section 245 of the Companies Ordinance, 1984. The condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 'Interim Financial Reporting'.

## 3. Significant accounting policies

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2008. The following policies have been adopted during the period:

### 3.1 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 values 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.

### 3.2 Capital work in progress

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

		March 31 2,009	June 30, 2008
		Rupees	Rupees
<b>4. Property, plant and equipment</b>			
	Opening book value	87,914,098	60,862,932
Add:	Additions during the period - note 4.1	2,507,434,885	28,017,597
		<u>2,595,348,983</u>	<u>88,880,529</u>
Less:	Depreciation charged during the period	14,089,780	966,431
	Closing book value	<u>2,581,259,203</u>	<u>87,914,098</u>





	<b>March 31 2009 Rupees</b>	<b>June 30 2008 Rupees</b>
<b>4.1 Following is the detail of additions during the period</b>		
Freehold land	23,661,173	21,946,800
Building & civil works	235,793,768	-
Plant & machinery	2,244,255,002	-
Computer equipment	1,822,275	1,362,656
Office equipment	831,990	142,258
Electrical equipment	154,086	161,700
Material handling	43,000	-
Furniture and fixture	873,591	315,800
Motor vehicles	-	4,088,383
	<u>2,507,434,885</u>	<u>28,017,597</u>
<b>5. Capital work in progress</b>		
Civil works	26,286,717	154,827,914
Plant and Machinery	-	743,678,175
Advances	12,841,507	332,658,955
Unallocated expenditure	4,086,293	109,739,978
	<u>43,214,517</u>	<u>1,340,905,022</u>
<b>6. Long term security deposit</b>		
Opening balance	865,093	865,093
Security deposits paid during the period - note 6.1	12,052,040	-
	<u>12,917,133</u>	<u>865,093</u>
<b>6.1</b>	This represents security deposit paid for industrial connection of 5,096 Kilo Watts through an independent grid station of 132 KVA.	
<b>7. Stock-in-trade</b>	<b>March 31 2009 Rupees</b>	<b>June 30 2008 Rupees</b>
Raw materials	30,339,903	-
Work-in-process	103,199,731	-
Finished goods	37,217,284	-
	<u>170,756,918</u>	<u>-</u>
<b>8. Short term running finance - secured</b>		
This represents running finance facility availed from Bank Al Habib Limited under markup arrangement with amount of total facility available of Rs 290 million (June 2008: Nil). The facility was obtained to meet the working capital requirements of the company and carries effective range of markup between Rs 0.3693 and Rs 0.4174 per Rs 1,000 per diem on the outstanding balance or part thereof. It is secured by way of first pari passu charge over current assets of the company.		
<b>9. Long term loan - secured</b>	<b>March 31 2009 Rupees</b>	<b>June 30 2008 Rupees</b>
Opening balance	955,686,172	-
Disbursement during the period	468,079,016	955,686,172
	<u>1,423,765,188</u>	<u>955,686,172</u>

This represents the loan obtained from a consortium of financial institutions led by Allied Bank Limited. It is secured by a first ranking hypothecation charge over all present and future fixed assets excluding land and building and first pari passu mortgage charge over land and building. 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 13.01% to 16.77%. Out of the aggregate facility of Rs. 1.47 billion, the amount availed as at March 31, 2009 is Rs 1,423.765 million (June 2008: Rs 955.68 million), repayable in 10 semi annual installments commencing August 24, 2010.



**10. Contingencies and commitments**

**10.1 Contingencies**

The company is contingently liable for Rs. 48.64 million (June 2008: Nil) in respect of guarantees issued by its bankers in favour of Sui Northern Gas Pipelines Limited.

**10.2 Commitments**

Commitments in respect of contracts for capital expenditure amount to Rs. 7,775 thousand as at March 31, 2009 (June 2008: Rs. 850,797 thousand).

	March 31, 2009 Rupees	June 30, 2008 Rupees
<b>11. Share capital</b>		
<b>Authorized share capital</b>		
110,000,000 (June 2008: 110,000,000) ordinary shares of Rs. 10 each	<u>1,100,000,000</u>	<u>1,100,000,000</u>
<b>Issued, subscribed and paid up capital</b>		
102,000,000 (June 2008: 69,500,000) ordinary shares of Rs. 10 each fully paid in cash	<u>1,020,000,000</u>	<u>695,000,000</u>

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

	Number of shares	
<b>Descon Corporation (Private) Limited</b>		
Percentage of equity held 8.55% (June 2008: 12.55%)	8,725,250	8,725,250
<b>Descon Engineering Limited</b>		
Percentage of equity held 7.35% (June 2008: 10.79%)	7,500,000	7,500,000
<b>Descon Chemicals (Private) limited</b>		
Percentage of equity held 10.22% (June 2008: 14.48%)	10,430,398	10,062,300
<b>Descon Holding (Private) Limited</b>		
Percentage of equity held 1.91% (June 2008: 2.81%)	1,953,200	1,953,200
<b>Interworld Travels (Private) Limited</b>		
Percentage of equity held 0.09% (June 2008: Nil)	92,054	-
	<u>28,700,902</u>	<u>28,240,750</u>

	Three months ended		Nine months ended	
	March 31 2009 Rupees	March 31 2008 Rupees	March 31 2009 Rupees	March 31 2008 Rupees
<b>12. Cost of goods sold</b>				
Finished goods - opening stock of trial run production	14,727,168	-	14,727,168	-
Cost of goods manufactured	<u>52,483,830</u>	-	<u>52,483,830</u>	-
	67,210,998	-	67,210,998	-
Finished goods - closing stock	<u>(37,217,284)</u>	-	<u>(37,217,284)</u>	-
	<u>29,993,714</u>	-	<u>29,993,714</u>	-

**13. Deferred taxation**

The deferred tax asset amounting to Rs.16.647 Millions recognized as at March 31, 2009 (June 30, 2008 Nil) against unabsorbed tax losses arising due to deductible temporary differences after setting off deferred tax liability.

**14. Transactions with related parties**

Relationship with the company	Nature of transaction	Nine months ended	
		March 31 2009 Rupees	March 31 2008 Rupees
i. Associated undertakings	Purchase of goods and services Advances against purchase of plant	679,646,544	3,046,276
ii. Key management personnel	Remuneration for services	-	150,073,020
		4,748,696	2,327,722



DESCON OXYCHEM LIMITED

3rd Quarter Accounts  
March 2009

	March 31 2009 Rupees	March 31 2008 Rupees
<b>15. Cash and cash equivalents</b>		
Cash and bank balances	3,345,103	126,386,159
Short term running finance - secured	(289,047,876)	-
	<u>(285,702,773)</u>	<u>126,386,159</u>

**16. Date of authorization for issue**

This condensed interim financial information was authorised for issue on April 24, 2009 by the Board of Directors of the Company.

**17. Corresponding figures**

Corresponding figures have been re-arranged, wherever necessary, for the purposes of comparison. However no significant re-arrangement has been made.

Chief Executive Officer

Director