

PARTNERS IN
PROGRESS



QUARTERLY REPORT

MARCH 31, 2022
(UN-AUDITED)



Descon Oxychem Limited

Vision

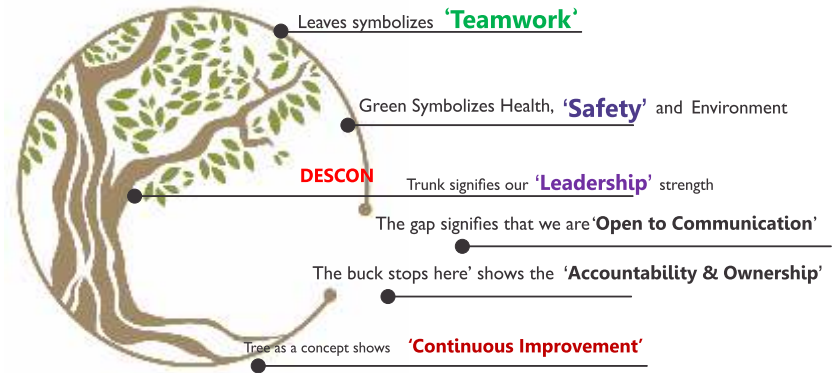
Winning together with our customers,
our ambition is to enhance local and
regional footprint while delivering
sustainable value to all stakeholders.

We are determined to:

- Strengthen our domestic market leadership position
- Establish a footprint in new segments & regional markets
- Achieve success through winning together with our customers driven by best cost propositions, motivated people and effective teamwork

Mission

Our Core Values



Continuous Improvement

"We believe excellence is a commitment to improve everything we do all the time."



Leadership

"We believe leaders inspire others to learn and achieve more."



Accountability and Ownership

"We believe in taking responsibility for our decisions, actions and their results."



Team Work

"We believe in the strength of the individual, yet we accomplish more by working together."



Open Communication

"We believe open communication is the foundation of trust."



Safety

"We believe HSE is of utmost importance and we attach the highest value to the safety of our employees and stakeholders."

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Company Information

Board of Directors

Taimur Dawood	Chairman
Asif Qadir	Independent Director
Farooq Nazir	
Mehreen Dawood	
Faisal Dawood	
Ali Asrar Hossain Aga	Independent Director
Haroon Waheed	Independent Director
M. Mohsin Zia	Chief Executive Officer

Muhammad Rizwan Qaiser

Chief Financial Officer

Abdul Sohail

Company Secretary

Auditors

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

Internal Auditors

M/s KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisors

M/s Hassan & Hassan Advocates

Bankers

Allied Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Habib Metropolitan Bank Limited

Share Registrar

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

Registered Office

Descon Headquarter
18-KM Ferozpur Road
Lahore-53000 Pakistan.
Tel: +92 42 35923721-9

Plant Site

18-KM Lahore - Sheikhpura Road,
Lahore, Pakistan.
Tel: +92 42 37971822-24
Fax: +92 42 3797 1834

Web Presence

Updated Company's Information
together with the latest Annual Report
can be accessed at Descon's website,
www.desconoxychem.com

DIRECTORS REPORT TO THE SHAREHOLDERS

For the nine months ended March 31, 2022

The Board of Directors of the company is pleased to present the nine months report along with the Financial Statements for the period ended March 31, 2022.

Your Company's ability to place incremental volume post expansion has strengthened the Company's ability to deliver robust financial results. Despite challenging environment due to significant increase in cost of raw materials, supply chain disruptions and global economic environment the Company has been able to deliver an improved gross profit by 19% in value terms in current period as compared to previous nine months. The summarized financial performance is given below.

Financial Highlights

	Three -months period ended		Nine-month period ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	Rupees in '000		Rupees in '000	
Sales	982,107	793,102	2,907,122	2,118,611
Cost of goods sold	(887,476)	(541,749)	(2,308,619)	(1,615,091)
Gross profit	94,631	251,383	598,503	503,520
Profit from operations	47,299	203,502	434,806	375,555
EBITDA	134,928	304,227	691,316	623,641
Profit before taxation	35,981	184,191	399,127	335,445
Tax	(10,265)	(53,449)	(112,898)	(99,706)
Profit for the period	25,716	130,742	286,229	235,739
Earnings per share – Basic	0.15	0.75	1.64	1.35

Your company generated an EBITDA of PKR 691 million vs PKR 624 million in the corresponding period last year. In line with EBITDA your company also made a net profit of PKR 286 million during the nine months compared with a net profit of PKR 236 million in the corresponding period last year an Increase of 21%. During this quarter the company successfully completed a planned annual turnaround (ATR) making necessary improvements for sustainable future operations and improved efficiency. The gross profit for third quarter has decreased from PKR 251 million to PKR 95 million on the account of one-off planned ATR related costs and lower production due to ATR related shut down.

Despite a significant increase in gas price, principal raw material of the company, the price of the finished product has been kept competitive in line with the international environment.

During the quarter the company also made significant efforts to make inroads into new profitable segments with potential to increase demand for our product.

DIRECTORS REPORT TO THE SHAREHOLDERS

For the nine months ended March 31, 2022

In line with the increased nine months profitability the company has also incurred income tax expense of PKR 113 million, significantly adding to the national exchequer. The Company's business model based on imports substitution has saved approximately USD 16 million in foreign currency with local production of critical raw material needed by different manufacturing industries.

Future Outlook

With strong downstream demand the Company foresees a significant increase in demand for its product in both short and long term. The challenge for your Company is to consistently supply product in this high demand environment while ensuring strong financial performance. Efforts to penetrate new segments and markets have been successfully implemented alongside organic growth in textile and mining sectors. Your company is also targeting consistent improvement in raw material consumption therefore maintaining its cost leadership position in the market. The business continues to invest in areas which reinforce its competitive position in safety, manufacturing efficiency and building market leadership.

We would like to thank all stakeholders for their contribution and support.

For and on behalf of the Board

Lahore
April 20, 2022


CHIEF EXECUTIVE


DIRECTOR

ڈائریکٹر رپورٹ برائے شیئر ہولڈر

31 مارچ 2022 کو ختم ہونے والی نو ماہی کے لئے ڈائریکٹرز کی حصص داران کو رپورٹ کمپنی کے بورڈ آف ڈائریکٹرز 31 مارچ 2022 کو ختم ہونے والی مدت کے مالیاتی گوشواروں کے ساتھ نو ماہی رپورٹ پیش کرتے ہوئے خوش محسوس کر رہے ہیں۔ توسیع کے بعد آپ کی کمپنی کے حجم میں اضافہ کرنے کی صلاحیت نے کمپنی کی مضبوط مالی نتائج فراہم کرنے کی صلاحیت کو تقویت بخشی ہے۔ خام مال کی قیمتوں میں نمایاں اضافے، سپلائی چین میں رکاوٹوں اور عالمی اقتصادی ماحول کی وجہ سے مشکل ماحول کے باوجود کمپنی گزشتہ نو ماہی کے مقابلے موجودہ مدت میں قدر کے لحاظ سے 19 فیصد بہتر مجموعی منافع فراہم کرنے میں کامیاب رہی ہے۔ مالیاتی کارکردگی کا خلاصہ ذیل میں دیا گیا ہے۔

مالیاتی جھلکیاں

تفصیل		تخمینہ سہ ماہی		تخمینہ نو ماہی	
		31 مارچ 2022	31 مارچ 2021	31 مارچ 2022	31 مارچ 2021
		روپے ہزاروں میں		روپے ہزاروں میں	
فروخت		982,107	793,102	2,907,122	2,118,611
فروخت شدہ سامان کی لاگت		(887,476)	(541,749)	(2,308,619)	(1,615,091)
مجموعی منافع		94,631	251,383	598,503	503,520
آپریٹرز سے منافع		47,299	203,502	434,806	375,555
EBITDA		134,928	304,227	691,316	623,641
گیس سے سبسڈ منافع		35,981	184,191	399,127	335,445
گیس		(10,265)	(53,449)	(112,898)	(99,706)
مدت کے لیے منافع		25,716	130,742	286,229	235,739
فی شیئر آمدنی - بنیادی		0.15	0.75	1.64	1.35

آپ کی کمپنی نے گزشتہ سال کی اسی مدت میں 624 ملین روپے کے مقابلے 691 ملین روپے کا EBITDA پیدا کیا۔ EBITDA کے مطابق آپ کی کمپنی نے نو ماہی کے دوران 286 ملین روپے کا خالص منافع بھی کمایا جبکہ پچھلے سال کی اسی مدت میں 236 ملین روپے کا خالص منافع ہوا تھا (21% کا اضافہ)۔ اس سہ ماہی کے دوران کمپنی نے پائیدار مستقبل کے آپریٹرز اور بہتر کارکردگی کے لئے ضروری اپروومنٹ کرتے ہوئے ایک منصوبہ بندی کے تحت سالانہ ٹرن اراؤنڈ (ATR) کو کامیابی سے مکمل کیا ہے۔ تیسری سہ ماہی کے لئے مجموعی منافع ATR سے متعلقہ شٹ ڈاؤن کی وجہ سے one-off منصوبہ کے تحت ATR سے متعلقہ اخراجات اور کم پیداوار کی بدولت 251 ملین روپے سے کم ہو کر 95 ملین روپے ہو گیا۔

گیس، کمپنی کے اصل خام مال کی قیمتوں میں نمایاں اضافہ کے باوجود، تیار مصنوعات کی قیمت بین الاقوامی ماحول کے مطابق مسابقتی رکھی گئیں۔

سہ ماہی کے دوران کمپنی نے ہماری مصنوعات کی طلب کی بڑھانے کے لئے پمپنگل کے ساتھ نئے منافع بخش شعبوں میں راہیں بنانے کے لئے نمایاں کوششیں بھی کی ہیں۔


نو ماہی کے زیادہ منافع کے مطابق پہلی 13 ملین روپے کا ٹکڑا بھی ادا کر کے قومی خزانہ میں نمایاں اضافہ کیا ہے۔


درآمدات کے مقابل پر مبنی کمپنی کے کاروباری ماڈل نے مختلف مینوفیکچرنگ صنعتوں کے لئے ضروری کریشیکل خام مال کی مقامی پیداوار کے ساتھ غیر ملکی کرنسی میں تقریباً 16 ملین امریکی ڈالر کی بچت کی ہے۔

تیزی سے کم ہوتی طلب کے ساتھ کمپنی مختصر اور طویل مدتی دونوں میں اپنی مصنوعات کی طلب میں نمایاں اضافے کی پیش گوئی کرتی ہے۔ آپ کی کمپنی کے لیے چیلنج یہ ہے کہ مضبوط مالی کارکردگی کو یقینی بناتے ہوئے اس زیادہ طلب والے ماحول میں مسلسل مصنوعات کی فراہمی کرے۔ ٹیکنالوجی اور کان کنی کے شعبوں میں نامیاتی ترقی کے ساتھ ساتھ نئے شعبوں اور منڈیوں میں داخل ہونے کی کوششوں کو کامیابی سے نافذ کیا گیا ہے۔ آپ کی کمپنی خام مال کی کھپت میں مسلسل بہتری کو بھی ہدف بنارہی ہے اس لیے مارکیٹ میں اپنی لاگت کی قیادت کی پوزیشن کو برقرار رکھتی ہے۔ کاروبار ان شعبوں میں سرمایہ کاری کرتا رہتا ہے جو حفاظت، مینوفیکچرنگ کی کارکردگی اور مارکیٹ کی قیادت کی تعمیر میں اس کی مسابقتی پوزیشن کو تقویت دیتے ہیں۔

ہم تمام اسٹیک ہولڈرز کی شراکت اور تعاون کے لیے ان کا شکریہ ادا کرتے ہیں۔

منجانب / برائے بورڈ آف ڈائریکٹرز


ڈائریکٹر


چیف ایگزیکٹو

لاہور

20 اپریل 2022ء

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT MARCH 31, 2022

	Note	Un-audited March 31, 2022 (Rupees in thousand)	Audited June 30, 2021 (Rupees in thousand)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
220,000,000 (June 30, 2021: 220,000,000)			
ordinary shares of Rs 10 each		2,200,000	2,200,000
Issued, subscribed and paid up capital			
175,031,084 (June 30, 2021: 175,031,084)			
ordinary shares of Rs 10 each		1,750,311	1,750,311
Share premium		3,022	3,022
Accumulated profits		420,994	309,796
		2,174,327	2,063,129
NON CURRENT LIABILITIES			
Long term finances - secured	5	377,138	929,178
Lease liabilities		-	8,513
Deferred taxation		207,911	229,202
Deferred grant		28,545	24,041
		613,594	1,190,934
CURRENT LIABILITIES			
Current portion of non current liabilities		84,674	193,993
Finances under mark up arrangements - secured		13,953	57,500
Current portion of deferred grant		9,160	7,918
Trade and other payables	6	719,385	356,112
Dividend payable		3,678	2,222
Accrued finance cost		9,854	20,863
		840,704	638,608
CONTINGENCIES AND COMMITMENTS			
	7		
		3,628,625	3,892,671
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	2,502,462	2,439,580
Intangible assets		15,787	20,123
Long term deposits		17,554	17,554
		2,535,803	2,477,257
CURRENT ASSETS			
Stores and spares	9	409,626	339,041
Stock in trade	10	162,785	154,557
Trade debts		178,700	72,448
Advances, deposits, prepayments and other receivables		237,920	134,587
Short term investments	11	-	560,622
Income tax recoverable		41,449	96,853
Bank balances		62,342	57,306
		1,092,822	1,415,414
		3,628,625	3,892,671

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS (UN-AUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED MARCH 31, 2022

		Three-month period ended		Nine-month period ended	
		March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Note		(Rupees in thousand)			
Sales	12	982,107	793,102	2,907,122	2,118,611
Cost of sales	13	(887,476)	(541,719)	(2,308,619)	(1,615,091)
Gross profit		94,631	251,383	598,503	503,520
Administrative expenses		(27,870)	(24,753)	(83,981)	(75,205)
Distribution and selling costs		(19,254)	(18,049)	(55,675)	(41,946)
Other (Expense) / income		3,175	6,132	10,598	11,729
Other operating expenses		(3,383)	(11,211)	(34,639)	(22,543)
Profit from operations		47,299	203,502	434,806	375,555
Finance costs		(11,318)	(19,311)	(35,679)	(40,110)
Profit before taxation		35,981	184,191	399,127	335,445
Taxation		(10,265)	(53,449)	(112,898)	(99,706)
Profit for the period		25,716	130,742	286,229	235,739
Earnings per share					
- basic and diluted - Rupees	14	0.15	0.75	1.64	1.35

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED MARCH 31, 2022

	Three-month period ended		Nine-month period ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
(Rupees in thousand).....			
Profit for the period	25,716	130,742	286,229	235,739
Other comprehensive income				
- Items that may be reclassified subsequently to profit or loss	-	-	-	-
- Items that will not be reclassified subsequently to profit or loss	-	-	-	-
Total comprehensive income for the period	25,716	130,742	286,229	235,739

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2022

	Share capital	Capital reserve	Revenue reserve	Capital and reserves
	Ordinary share capital	Share premium	Accumulated (loss) / profits	Total
(Rupees in thousand).....			
Balance as on July 1, 2020 (audited)	1,508,889	244,444	181,982	1,935,315
Profit for the period	-	-	235,739	235,739
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	235,739	235,739
Transactions with owners, recognised directly in equity				
Final dividend for the year ended June 30, 2020 @ 10% (Rs 1 per share)	-	-	(150,889)	(150,889)
16% bonus shares issued	241,422	(241,422)	-	-
	241,422	(241,422)	(150,889)	(150,889)
Balance as on March 31, 2021 (un-audited)	<u>1,750,311</u>	<u>3,022</u>	<u>266,832</u>	<u>2,020,165</u>
Balance as on July 1, 2021 (audited)	1,750,311	3,022	309,796	2,063,129
Profit for the period	-	-	286,229	286,229
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	286,229	286,229
Transactions with owners, recognised directly in equity				
Final dividend for the year ended June 30, 2021 @ 10% (Rs 1 per share)	-	-	(175,031)	(175,031)
Balance as on March 31, 2022 (un-audited)	<u>1,750,311</u>	<u>3,022</u>	<u>420,994</u>	<u>2,174,327</u>

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2022

	Note	Nine-month period ended	
		March 31, 2022 (Rupees in thousand)	March 31, 2021
Cash flows from operating activities			
Cash generated from operations	16	760,836	698,152
Finance cost paid		(46,688)	(30,395)
Profit received on deposits		5,355	3,476
Net income tax paid		(78,785)	(56,755)
Net cash generated from operating activities		640,718	614,478
Cash flows from investing activities			
Fixed capital expenditure		(315,056)	(705,103)
Sale / (Purchase) of short term investments		560,622	(552,310)
Net cash generated from/(used in) investing activities		245,566	(1,257,413)
Cash flows from financing activities			
Repayments of long term finances - secured		(654,138)	-
Net proceeds from long term finances - secured		-	924,252
Principal element of lease payments		(9,988)	(11,023)
Ordinary dividends paid		(173,575)	(150,014)
Net cash (used in)/generated from financing activities		(837,701)	763,215
Net increase in cash and cash equivalents		48,583	120,280
Cash and cash equivalents at beginning of the period		(194)	(25,338)
Cash and cash equivalents at the end of the period	17	48,389	94,942

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

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 (now the Companies Act, 2017) and was converted into a public limited company with effect from February 28, 2008. Subsequently, on September 15, 2008, it was listed on Karachi Stock Exchange (now Pakistan 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. The Company is principally engaged in the manufacture, procurement and sale of hydrogen peroxide and allied products. The Company commenced its commercial production on March 1, 2009.

2. Basis of preparation

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard ('IAS') 34, Interim Financial Reporting, issued by the International Accounting Standards Board ('IASB') as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Company's annual audited financial statements for the year ended June 30, 2021.

3. Significant accounting policies and estimates

3.1 The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding annual published financial statements of the Company for the year ended June 30, 2021. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2021, except for estimation of provision for taxation as referred to in note 4.

3.2 Standards, amendments and interpretations to published approved accounting standards

3.2.1 Standards, amendments and interpretations to existing standards effective in the current period

Certain standards, amendments and interpretations to International Financial Reporting Standards ('IFRS') are effective for accounting periods beginning on July 1, 2021, but are considered not to be relevant or to have any significant effect on the Company's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these condensed interim financial statements.

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

There are certain standards, amendments to the accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these condensed interim financial statements.

4. Taxation

The provision for taxation for the quarter and nine months ended March 31, 2022 has been made using the tax rate that would be applicable to expected total annual earnings.

5. Long term finances - secured

	Un-audited March 31, 2022 (Rupees in thousand)	Audited June 30, 2021
Opening balance	1,107,648	223,131
Add: Receipts during the year	-	936,273
Less: Recognition of deferred grant - note 5.1	(10,593)	(36,090)
	1,097,055	1,123,314
Less: Repayment during the year	(649,290)	(15,666)
	447,765	1,107,648
Less: current portion shown under current liabilities	(70,627)	(178,470)
	377,138	929,178

- 5.1 Deferred grant has been recognized as the difference between the fair value and proceeds received under Long Term Financing Facility (LTFF) and Temporary Economic Refinance Facility (TERF) schemes of State Bank of Pakistan. There are no unfulfilled conditions or contingencies attached to this grant effecting its recognition at the reporting date. The grant will be amortized in line with the tenure of the LTFF and TERF.

	Un-audited March 31, 2022	Audited June 30, 2021
	(Rupees in thousand)	
6. Trade and other payables		
Trade creditors	345,771	118,804
Bills payable	87,890	96,684
Associated companies	8,947	4,663
Contract liability	61,627	31,864
Accrued liabilities	175,658	73,938
Worker's profit participation fund	21,058	20,374
Worker's welfare fund	16,937	8,342
Other liabilities	1,497	1,443
	719,385	356,112

7. Contingencies and commitments

7.1 Contingencies

- i) Descon Oxychem Limited has issued guarantees to the following parties:

Against performance of contracts:

Sui Northern Gas Pipelines Limited	93,260	50,000
Pakistan State Oil Company Limited	3,500	3,500
Al-Technique Corporation of Pakistan	18,700	-
	115,460	53,500

- ii) The Honorable Supreme Court of Pakistan ('HSCP') in its decision dated August 13, 2020 held that Gas Infrastructure Development Cess (GIDC), as initially levied through Gas Infrastructure Development Cess Act, 2011 and modified via different notifications issued from time to time and thereafter re-levied through the Gas Infrastructure Development Cess Ordinance, 2014, stands payable to SNGPL in twenty four (24) equal monthly installments with immediate effect.

Pursuant to the order of the HSCP, Sui Northern Gas Pipelines Limited (SNGPL) raised a demand for the collection of the GIDC arrears. The company filed a writ petition under article 199 of the Constitution of Islamic Republic of Pakistan, 1973 in the Honorable Lahore High Court ('HLHC') against the demand raised, pleading that demanding arrears of GIDC are illegal, unlawful and ultra vires to the first proviso to section 8 (2) of the Gas Infrastructure Development Cess Act, 2015. The writ petition was decided in favor of the Company by HLHC vide its order dated June 17, 2021. SNGPL has filed an intra court appeal in HLHC which is pending adjudication.

The Company's legal advisor is of the opinion that the judgement does not apply to arrears under the Gas Infrastructure Development Cess Act, 2011 and Gas Infrastructure Development Ordinance 2014 that are, in terms of first proviso of section 8 (2) of the Gas Infrastructure Development Cess Act, 2015, not to be collected. The applicability of first proviso of section 8 (2) is subject to the determination by High Level Committee ('Committee') of Sui Northern Gas Pipelines Limited. The decision has not been made by the Committee on its applicability and the amount to be paid by the Company. Accordingly, the Company has not recognized the estimated provision of Rs 55.32 million (June 30, 2021: Rs 55.32 million) in these condensed interim financial statements. However, the Company has provided guarantee of Rs 55.32 million (June 30, 2021: Rs 55.32 million) to SNGPL.

7.2 Commitments

- i) Letters of credit other than capital expenditure aggregating to Rs. 157.3 million (June 30, 2021: Rs 92.81 million).
- ii) Letters of credit and contracts for capital expenditure aggregating to Rs. 12.1 million (June 30, 2021: Rs 21.66 million).
- iii) Post dated cheques issued in favour of National Tariff Commission of Pakistan and Collector of customs aggregating to Rs 2.14 million (June 30, 2021: Rs 2.38 million).

8. Property, plant and equipment

Operating assets

		Un-audited March 31, 2022 (Rupees in thousand)	Audited June 30, 2021
- Owned assets	- note 8.1	2,124,071	2,168,190
- Right of use assets	- note 8.2	11,020	22,039
Capital work-in-progress [including in transit of Rs 112 million (June 30, 2021: Rs 3.44 million)]		266,135	144,842
Major spare parts, catalysts and standby equipment [including in transit of Rs 5.38 million (June 30, 2021: Nil)]		101,236	104,509
		<u>2,502,462</u>	<u>2,439,580</u>

8.1 Owned assets

Opening book value		2,168,190	1,109,058
Add: Additions during the period / year	- note 8.1.1	195,617	1,353,142
		<u>2,363,807</u>	<u>2,462,200</u>
Less: Disposals during the period / year (at book value) - note 8.1.2		(83)	(1,628)
Less: Depreciation charged during the period / year		(239,653)	(292,382)
Closing book value		<u>2,124,071</u>	<u>2,168,190</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED MARCH 31, 2022

	Un-audited March 31, 2022 (Rupees in thousand)	Audited June 30, 2021
8.1.1 Additions during the period / year		
Buildings on freehold land	5,851	18,561
Plant, machinery and equipment	180,279	1,327,545
Laboratory equipment	204	291
Tools and equipment	2,619	1,435
Computer equipment	2,405	1,779
Office equipment	1,554	1,414
Furniture and fixture	2,705	2,117
	195,617	1,353,142
8.1.2 Disposals during the period / year		
Plant, machinery and equipment	-	(1,628)
Computer equipment	(83)	
8.2 Right of use assets		
Add: Opening book value	22,039	36,732
Less: Depreciation charged during the period / year	(11,019)	(14,693)
	11,020	22,039
9. Stores and spares		
General stores and spares [including - note 9.1 in transit of Rs 3.9 million (2021: Rs 0.32 million)]	232,211	174,540
Working solution	184,073	171,159
Provision for obsolescence	(6,658)	(6,658)
	409,626	339,041
9.1 General stores and spares include raw material for working solution of Rs 83.85 million (June 30, 2021: Rs 31.10 million).		
10. Stock in trade		
Raw materials [including in transit of Rs 16.24 million (June 30, 2021: Rs 40.01 million)]	125,892	104,762
Work-in-process	17,862	13,942
Finished goods		
- purchased for resale	639	639
- own manufactured	18,392	35,214
	162,785	154,557

11 These includes sales tax recoverable of Rs 39.3 million (June 30, 2021: Rs 85.82 million)

	Un-audited		Un-audited	
	Three-month period ended		Nine-month period ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
(Rupees in thousand).....			
12. Sales				
Gross sales:				
- Local	1,160,264	941,155	3,423,486	2,500,445
- Export	7,955	2,606	37,755	20,551
	1,168,219	943,761	3,461,241	2,520,996
Less: Commission and discount on sales	(21,436)	(16,481)	(65,233)	(46,361)
Less: Sales tax	(164,676)	(134,178)	(488,886)	(356,024)
	982,107	793,102	2,907,122	2,118,611
13. Cost of sales				
Raw material consumed	373,125	261,275	1,173,264	578,296
Packing material	1,630	1,777	5,146	4,255
Salaries, wages and other benefits	35,014	22,021	106,145	92,450
Fuel and power	120,858	94,035	328,460	231,102
Services through contractors	10,820	14,800	39,408	36,508
Repair and maintenance	24,660	24,138	53,962	55,700
Shutdown expenses	37,148	-	37,148	33,688
Quality assurance	417	851	1,578	1,708
Travelling	68	432	1,089	1,263
Communication	289	290	779	814
Rent & rates	4,212	2,308	7,980	7,662
Depreciation on property, plant and equipment:		-		
- owned assets	81,818	77,136	239,280	212,733
- right of use assets	3,673	3,673	11,019	11,019
Amortization of intangible assets	1,896	1,896	5,687	5,763
Insurance	3,522	3,702	10,512	10,500
Safety items consumed	1,435	725	2,514	1,255
Miscellaneous	4,855	2,975	10,450	8,436
	705,440	512,034	2,034,421	1,293,152
Add: Opening work in process	11,495	12,660	13,942	8,702
Less: Closing work in process	(17,862)	(15,522)	(17,862)	(15,522)
	(6,367)	(2,862)	(3,920)	(6,820)
Cost of goods produced	699,073	509,172	2,030,501	1,286,332
Add: Opening finished goods	29,791	9,859	35,214	99,872
Less: Closing finished goods	(18,392)	(28,462)	(18,392)	(28,462)
	11,399	(18,603)	16,822	71,410
Cost of goods sold - own manufactured	710,472	490,569	2,047,323	1,357,742
Cost of goods sold - purchase for resale	168,922	40,675	229,691	228,706
Cost of services	8,082	10,475	31,605	28,643
	887,476	541,719	2,308,619	1,615,091

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED MARCH 31, 2022

		Un-audited		Un-audited	
		Three-month period ended		Nine-month period ended	
		March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
14. Earnings per share					
14.1 Basic earnings per share					
Profit for the period	Rupees in thousand	25,716	130,742	286,229	235,739
Weighted average number of ordinary shares	Number in thousand	175,031	175,031	175,031	175,031
Earnings per share	Rupees	0.15	0.75	1.64	1.35

14.2 Diluted earnings per share

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at March 31, 2022 and March 31, 2021, which would have any effect on the earnings per share if the option to convert is exercised.

15. Transactions and balances with related parties

		Un-audited	
		Nine-month period ended	
Relationship with the Company	Nature of transaction	March 31, 2022 (Rupees in thousand)	March 31, 2021 (Rupees in thousand)
i. Associated companies	Purchase of goods and services	41,674	490,724
	Sale of goods	601	1,418
	Share of common expenses charged to the company	27,269	19,478
	Share of common expenses charged by the company	2,771	2,909
	Payment of ordinary dividend	108,054	94,341
	Royalty charged to the company	14,538	10,547
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	4,732	4,783
iii. Key management personnel	Salaries and other employee benefits	51,513	50,871
Period-end balances			
Payable to related parties		73,411	35,953
Advances to related parties		622	-
Advances from related parties		42	14

16. Cash generated from operations

	Un-audited	
	Nine-month period ended	
	March 31, 2022	March 31, 2021
(Rupees in thousand)		
Profit before taxation	399,127	335,445
Adjustments for:		
- Depreciation on property, plant and equipment:		
- owned assets	239,653	213,303
- right of use assets	11,019	11,020
- Amortization of intangible assets	5,838	5,763
- Finance costs	35,679	40,110
- Interest on bank deposits	(5,355)	(3,476)
- Exchange loss / (Gain)	4,917	(1,182)
Cashflows before working capital changes	690,878	600,983
Effect on cash flow due to working capital changes		
- Increase in stores and spares	(70,585)	(40,278)
- (Increase) / decrease in stock-in-trade	(8,228)	65,188
- Increase in trade debts	(106,252)	(49,179)
- Increase in advances, deposits, prepayments and other receivables	(103,333)	(12,509)
- Increase in trade and other payables	358,356	133,947
	69,958	97,169
Cash generated from operations	760,836	698,152

17. Cash and cash equivalents

Bank balances	62,342	105,865
Finances under mark up arrangements - secured	(13,953)	(10,923)
	48,389	94,942

18. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms. The carrying values of all financial assets and liabilities reflected in these financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

Specific valuation techniques used to value financial instruments include:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at June 30, 2021 the Company held investments in mutual funds carried at fair value based on level 1 input which were disposed off during the current period. Except for these short term investments, there were no Level 1, 2 or 3 assets or liabilities during prior or current period.

19. Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk price risk), credit risk and liquidity risk.

The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at June 30, 2021.

There have been no significant changes in the risk management policies since the year end.

20. Date of authorization for issue

These condensed interim financial statements were authorized for issue on April 20, 2022 by the Board of Directors of the Company.

21. Subsequent event

There are no significant events after the statement of financial position date.

22. Corresponding figures

In order to comply with the requirements of IAS 34, the condensed interim statement of financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

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


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

BOOK POST



Descon Oxychem Limited

Descon Headquarters, 18 km Ferozepur Road,
Lahore - 54760, Pakistan
T: +92 42 3 7971822-24
F: +92 42 3 7971834
W: www.desconoxychem.com
E: dol@descon.com