

PARTNERS IN
PROGRESS



QUARTERLY

REPORT

SEPTEMBER 30, 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.

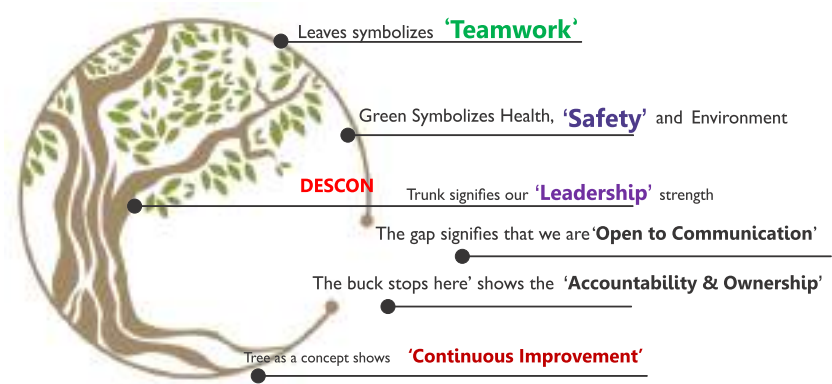


MISSION

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

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."

Contents

03	Company Information
04	Directors' Report - English
05	Directors' Report - Urdu
06	Condensed Interim Statement of Financial Position
07	Condensed Interim Statement of Profit or Loss Account
08	Condensed Interim Statement of Comprehensive Income
09	Condensed Interim Statement of Changes in Equity
10	Condensed Interim Statement of Cash Flows
11	Notes to the Condensed Interim Financial Statements

Company Information

Board of Directors

Taimur Dawood	Chairman
Asif Qadir	Independent Director
Farooq Nazir	Non-Executive Director
Mehreen Dawood	Non-Executive Director
Faisal Dawood	Non-Executive Director
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
The Bank of Punjab

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 quarter ended September 30, 2022

The Board of Directors are pleased to present the financial statements of the Company for the quarter ended September 30, 2022. The financial highlights for the quarter are.

	Quarter ended	
	September 30, 2022	September 30, 2021
	Rupees in '000	
Local Sales (MT)	8,984	11,329
Export Sales (MT)	1,072	210
Sales value	1,700,225	788,281
Cost of sales	857,340	699,141
Gross profit	842,885	89,140
Profit from operations	745,883	44,488
Profit after tax	518,832	22,416
Earnings per share – Basic – Rupees	2.96	0.13

Despite many challenges profitability of the Company has gone up primarily driven by strategy to improve margins both in the local market and export segments. The cost of sales has also increased on the back of high raw material cost owing to upswing in global commodity market prices which has positivity impacted the price of hydrogen per oxide. The ongoing slowdown of demand in the textile sector coupled with the significant increase in the cost of gas and electricity have gradually started to impact the margins.

It is important to note that post capacity expansion in 2020 the company has taken advantage of increased volumes available for adding of new segments and markets. In addition to this the increased capacity has also led to economies of scale and helped in strengthening the company's position in the local as well as international H2O2 market. Going forward your company strives to maintain profitability in the face of reduced demand for textile in the developed world.

Improved profitability has also resulted in improvement in cash flows enabling the company to prepay its long-term loan with total repayment amounting to PKR 180 million which will help reduce the finance cost significantly as well as improve the Debt-to-Equity ratio. Stringent controls over fixed costs coupled with efficient working capital management will continue to contribute towards improved profitability. Your company has been able to achieve minimal short-term funding facilities during the quarter due to efficient working capital management.

Future Outlook

The challenge for your Company is to sustain the strong financial performance by maintaining its margins in an environment of significant cost increases owing to increased raw material costs and reduced demand in textile sector. Your company is consistently working on strategies to ensure these challenges are mitigated effectively. Efforts to penetrate new segments and markets have been successfully implemented. Your company is also targeting improved consumption factors in line with the management target to achieve economies of scale. Our target is to become the lowest cost producer in the region by implementing a well thought through manufacturing excellence program. Your company also targets to enhance its footprint in the international arena diversifying against local price/demand fluctuations. The business continues to invest in areas which reinforce its advantageous position in safety, manufacturing efficiency and building market leadership in key geographies.

We would like to thank all stakeholders for their contribution and support in the past year.

For and on behalf of the Board

Lahore
October 20, 2022


CHIEF EXECUTIVE


DIRECTOR

ڈائریکٹرز رپورٹ برائے حصص داران

30 ستمبر 2022 کو ختم ہونے والی سرمایہ کے لیے ڈائریکٹرز کی حصص داران رپورٹ
کھین کے بورڈ آف ڈائریکٹرز 30 ستمبر 2022 کو ختم ہونے والی سرمایہ کے مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کر رہے ہیں۔
سرمایہ کے لئے مالیاتی جھلکیاں حسب ذیل ہیں:

تفصیل		سرمایہ مختتمہ
	30 ستمبر 2022ء	30 ستمبر 2021ء
	'000 روپوں میں	
مقامی فروخت (میٹرک ٹن)	8,984	11,329
برآمد فروخت (میٹرک ٹن)	1,072	210
فروخت قدر	1,700,225	788,281
فروخت کی لاگت	857,340	699,141
مجموعی منافع	842,885	89,140
آپریٹنگ منافع	745,883	44,488
گیس کے بعد منافع	518,832	22,416
فی ٹن پیمانہ - بنیادی روپے	2.96	0.13

متحدہ دوشکات کے باوجود، کھین کا منافع بنیادی طور پر دونوں مقامی مارکیٹ اور برآمدی شعبوں میں بہتر مارجنز کی نکتہ عملی کی وجہ سے زیادہ ہوا۔ عالمی اجناس کی مارکیٹ قیمتوں میں اضافے کی وجہ سے خام مال کی زیادہ قیمت کی وجہ سے فروخت کی لاگت میں بھی اضافہ ہوا ہے جس نے ہائیڈروجن پر آکسیجن کی قیمت پر مثبت اثر ڈالا ہے۔ لیگنائل سیکٹر میں طلب میں جاری سست روی اور گیس اور بجلی کی قیمتوں میں نمایاں اضافے نے بتدریج مارجنز کو متاثر کرنا شروع کر دیا ہے۔

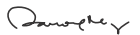
یہ باور کرنا ضروری ہے کہ 2020 میں صلاحیت میں توسیع کے بعد کھین نے نئے ٹیکنیکس اور ماریٹوں کو شامل کرنے کے لیے دستیاب زیادہ حجم کا فائدہ اٹھایا ہے۔ اس کے علاوہ زیادہ صلاحیت نے بھی بڑے پیمانے پر معیشتوں کو ختم دیا اور مقامی اور بین الاقوامی H2O2 مارکیٹ میں کھین کی پوزیشن کو مضبوط بنانے میں مدد کی ہے۔ آگے بڑھتے ہوئے آپ کی کھین ترقی یافتہ دنیا میں لیگنائل کی کم طلب کے مقابلہ میں منافع کو برقرار رکھنے کی کوشش کرتی ہے۔


بہتر منافع کے نتیجے میں کیش فلو میں بھی بہتری آئی ہے جس نے کھین کو 180 ملین روپے کل ادائیگی کے ساتھ طویل مدتی قرض کی قبل از ادائیگی کے قابل بنایا ہے جو مالیاتی لاگت کو نمایاں طور پر کم کرنے کے ساتھ ساتھ قرض کے ایکویٹی تناسب کو بہتر بنانے میں مدد کرے گا۔ موثر ورکنگ کیونٹنٹ کے ساتھ مقررہ لاگت پر سخت کنٹرول بہتر منافع میں اضافہ ڈالتا رہے گا۔ آپ کی کھین موثر ورکنگ کیونٹنٹ کی وجہ سے سرمایہ کے دوران کم سے کم ٹھیک مدتی فیزکس کی سہولیات حاصل کرنے میں کامیاب رہی ہے۔

مستقبل کا نقطہ نظر

خام مال کی زیادہ لاگت اور لیگنائل سیکٹر میں طلب میں کمی کی وجہ سے لاگت میں نمایاں اضافہ کے ماحول میں اپنے مارجنز کو برقرار رکھنے ہوئے مضبوط مالی کارکردگی کو برقرار رکھنا آپ کی کھین کے لئے چیلنج ہے۔ آپ کی کھین مستقل طور پر سخت عملوں پر کام کر رہی ہے تاکہ یہ یقینی بنایا جاسکے کہ ان مشکلات کو موثر طریقے سے کم کیا گیا ہے۔ نئے شعبوں اور منڈیوں میں داخل ہونے کی کوششوں کو کامیابی کے ساتھ نافذ کیا گیا ہے۔ آپ کی کھین کی بنیادی معیشتوں کو حاصل کرنے کے لیے انتظامی ہدف کے مطابق پھٹ کے بہتر عمول کو بھی ہدف بنادیا ہے۔ ہمارا ہدف میٹالورجیکل ایکسی لینس پروگرام کے ذریعے ایک اچھے سوچ کوالیٹر کے خطے میں سب سے کم لاگت پر ڈیولپر بننا ہے۔ آپ کی کھین مقامی قیمت/طلب کے اتار چڑھاؤ کے خلاف متنوع بین الاقوامی میدان میں اپنے قدم جماتے گا بھی ہدف رکھتی ہے۔ کاروباران شعبوں میں سرمایہ کاری کرتا رہتا ہے جو حفاظت، میٹالورجیکل کی کارکردگی اور کلیدی جغرافیوں میں مارکیٹ کی قیادت کی تعمیر میں اپنی فائدہ مند پوزیشن کو تقویت دیتے ہیں۔
ہم تمام اسٹیک ہولڈرز کی توجہ سال میں شرکت اور تعاون کے لیے ان کا شکریہ ادا کرتے ہیں۔

مغنا/برائے بورڈ آف ڈائریکٹرز


ڈائریکٹر


چیف ایگزیکٹو

لاہور
120 اکتوبر 2022ء

DESCON OXYCHEM LIMITED

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT SEPTEMBER 30, 2022

		Un-audited September 30, 2022 (Rupees in thousand)	Audited June 30, 2022
EQUITY AND LIABILITIES	Note		
SHARE CAPITAL AND RESERVES			
Authorized capital 2,200,000 (June 30, 2021: 2,200,000) ordinary shares of Rs 10 each		2,200,000	2,200,000
Issued, subscribed and paid up capital 175,031,084 (2021: 175,031,084) Ordinary shares of Rs 10 each		1,750,311	1,750,311
Share Premium		3,022	3,022
Accumulated Profit		1,124,474	605,642
		2,877,807	2,358,975
NON-CURRENT LIABILITIES			
Long term finance - unsecured	5	122,639	257,865
Deferred grant		24,188	24,188
Lease Liabilities		7,827	10,482
Deferred taxation		216,577	240,370
		371,231	532,905
CURRENT LIABILITIES			
Current Portion of Non Current Liabilities		46,547	91,892
Finances under mark up arrangements - secured	7	13,340	14,620
Trade and other payables		721,212	766,457
Income tax payable		364,396	128,084
Dividend payable		3,237	3,237
Accrued finance cost		544	8,849
		1,149,276	1,013,139
CONTINGENCIES AND COMMITMENTS	8		
		4,398,314	3,905,019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,443,824	2,489,830
Intangible assets		24,315	26,972
Long term loans - secured		6,025	6,025
Long term deposits and prepayments		25,023	23,423
		2,499,187	2,546,250
CURRENT ASSETS			
Stores and spares		594,046	509,916
Stock-in-trade	10	347,558	248,816
Trade debts - unsecured		134,141	237,383
Advances, deposits, prepayments and other receivables	11	158,126	106,483
Short Term Investments		402,367	150,000
Cash and bank balances	12	262,889	106,171
		1,899,127	1,358,769
		4,398,314	3,905,019

The annexed notes 1 to 23 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 PERIOD ENDED SEPTEMBER 30, 2022

		Three-month period ended	
		September 30, 2022	September 30, 2021
		...(Rupees in thousand)...	
	Note		
Sales	13	1,700,225	788,281
Cost of goods sold	14	(857,340)	(699,141)
Gross profit		842,885	89,140
Administrative expenses		(30,293)	(23,963)
Distribution and selling costs		(24,820)	(22,071)
Other income		12,841	3,529
Other operating expenses		(54,760)	(2,147)
Profit from operations		745,853	44,488
Finance cost		(6,987)	(13,122)
Profit before taxation		738,866	31,366
Taxation		(220,034)	(8,950)
Profit for the period		518,832	22,416
Earnings per share			
- Basic & Diluted - Rupees	15.1	2.96	0.13

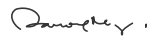
The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

DESCON OXYCHEM LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

	Three-month period ended	
	September 30, 2022	September 30, 2021
(Rupees in thousand).....	
Profit for the period	518,832	22,416
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	518,832	22,416

The annexed notes 1 to 23 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 THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

	(Rupees in thousand)		(Rupees in thousand)	
	Share Capital	Revenue Reserves	Accumulated	Total
	Ordinary share capital	Preference share capital	loss / profit	
	(Rupees in thousand)			
Balance as on July 1, 2021 (audited)	1,750,311	3,022	309,796	2,063,129
Profit for the period	-	-	22,416	22,416
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	22,416	22,416
Balance as on September 30, 2021 (un-audited)	1,750,311	3,022	332,212	2,085,545
Balance as on July 1, 2022 (audited)	1,750,311	3,022	605,642	2,358,975
Profit for the period	-	-	518,832	518,832
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	518,832	518,832
Balance as on September 30, 2022 (un-audited)	1,750,311	3,022	1,124,474	2,877,807


The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

DESCON OXYCHEM LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

		Three-month period ended	
		September 30, 2022	September 30, 2021
Note		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	17	659,656	141,172
Finance cost paid		(15,292)	(24,556)
Profit on deposits received		7,637	1,689
Income tax paid		(7,515)	(19,543)
Net cash generated from operating activities		644,486	98,762
Cash flows from investing activities			
Fixed capital expenditure (including intangibles)		(49,295)	(17,830)
Sale / (Purchase) of Short Term Investment		(252,367)	560,622
Long Term Deposits		(1,600)	
Net cash (used in) / generated from investing activities		(303,262)	542,792
Cash flows from financing activities			
Net payments against long term finance		(180,571)	(505,827)
Principle element of lease payments		(2,655)	(3,709)
Dividend paid		-	(14)
Net cash used in financing activities		(183,226)	(509,550)
Net increase in cash and cash equivalents		157,998	132,004
Cash and cash equivalents at beginning of the period		91,551	(194)
Cash and cash equivalents at the end of the period	18	249,549	131,810

The annexed notes 1 to 23 form an integral part of these condensed interim financial statements.



CHIEF EXECUTIVE



CHIEF FINANCIAL OFFICER



DIRECTOR

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022**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. 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. It is principally engaged in the manufacturing, 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** 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, 2022.

3. Significant accounting policies

- 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, 2022. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2022, except for estimation of provision for taxation as referred to in note 4 and adoption of accounting policy as set out in note 3.2.

3.2 Government grants

- 3.2.1** Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

3.3 Standards, amendments and interpretations to published approved accounting standards

3.3.1 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, 2022, 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.

3.3.2 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 ended September 30, 2022 has been made using the tax rate that would be applicable to expected total annual earnings.

		Un-audited September 2022 (Rupees in thousand)	Audited June 2022
5	Long term finance - secured		
	Syndicate term finance facility (STFF)	5.1	-
	Long term finance facility (LTFF)	5.2	7,066
	Temporary economic refinance facility (TERF)	5.3	139,577
			146,643
	Less : Current portion shown under current liabilities		(24,004)
			122,639
			257,865

5.1 Syndicate Term Finance (STFF)

This represent outstanding balance against aggregate facility of Rs 1,100 million from syndicate of financial institutions (Allied Bank Limited and Pak China Investment Company Limited) to finance the capacity expansion project. During the current period, the Company has fully prepaid this facility to Allied Bank Limited. Portion of STFF of Rs 174.81 million from the Allied Bank Limited was converted into Temporary economic refinance facility (TERF) as referred to in note 5.3.

Terms of markup

The facility carries mark-up at 3 months KIBOR + 0.9% per annum payable quarterly.

Terms of repayment

It is repayable in thirteen equal bi-annual installments commencing from October 8, 2021.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

Security

It is secured against first charge by way of hypothecation over all present and future fixed assets (excluding land and building) of the Company.

5.2 Long Term Finance Facility (LTFF)

This represent disbursement against aggregate facility of Rs 58.3 million from Allied Bank Limited to pay salaries and wages under State Bank of Pakistan's Refinance Scheme for payment of Wages and Salaries.

Terms of markup

The facility carry markup at SBP rate plus 1% per annum. The Markup has been accrued during the period at effective rate. Markup is payable quarterly in arrears.

Terms of repayment

The balance is repayable in six equal quarterly installments ending on November 17, 2022.

Security

It is secured by first pari passu charge over all present and future current assets of the Company with 25% margin. It is also secured by an aggregate sum of Rs 80 million by a ranking charge over all present and future plant and machinery of the Company.

5.3 Temporary Economic Refinance Facility (TERF)

This represents the amount converted from the portion of STFF obtained from Allied Bank Limited under the SBP's Temporary Economic Refinance Facility.

Terms of markup

The facility carries markup at 2.00% per annum. The mark-up has been accrued using effective rates method. Mark-up is payable quarterly in arrears.

Terms of repayment

It is repayable in twenty six equal quarterly installments commencing from September 23, 2022.

Security

Along with the STFF, it is secured against first charge by way of hypothecation over all present and future fixed assets (excluding land and building) of the Company.

Deferred grant

6.

Deferred grant has been recognized as the difference between the fair value and proceeds received under LTFF and TERF as referred to in note 5.2 & 5.3 in accordance with the accounting policy as referred to in note 3.2. 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 September 30, 2022 (Rupees in thousand)	Audited June 30, 2022
7	Finances under mark up arrangements - secured		
	Allied Bank Limited	-	-
	Bank Al-Habib Limited	13,340	14,620
		<u>13,340</u>	<u>14,620</u>

8 Contingencies and commitments

8.1 Contingencies

- i) Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract of Rs 144.37 million (June 30, 2022: Rs 104.48 million).
- ii) Guarantee issued to Pakistan State Oil against the performance of a contract of Rs 3.5 million (June 30, 2022: Rs 3.5 million).
- iii) Guarantee issued to Al-Technique Corporation of Pakistan against the performance of a contract of Rs 18.7 million (June 30, 2022: Rs 18.7 million).
- iv) The Honorable Supreme Court of Pakistan ('SCP') 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 SCP, 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 against the aforesaid order which is pending adjudication.

The Company's legal advisor is of the opinion that the judgement of the Honorable Supreme Court of Pakistan 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 the applicability of arrears to the Company until the decision of the Committee, the Company has provided guarantee of Rs 55.32 million to SNGPL. The Company is hopeful of a favourable outcome. Accordingly, the Company has not recognised the provision of Rs 55.32 million in these financial statements.

Commitments

- i) Letters of credit and contracts of capital expenditure amounting to Rs Nil (June 30, 2022: Rs 10.52 million).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

- ii) Letter of credit other than capital expenditure amounting to Rs 188.96 million (June 30, 2022: Rs 188.68 million)
- iii) Post dated cheques issued in favor of National Tariff Commission of Pakistan and Collector of customs aggregating to Rs 2.38 million (June 30, 2022: 2.38 million).

	Note	Un-audited September 30, 2022 (Rupees in thousand)	Audited June 30, 2022
9 Property, plant and equipment			
Operating assets:			
- Owned Assets	9.1	2,053,675	2,127,348
- Right of Use Assets	9.2	18,307	23,092
Capital work-in-progress		253,171	228,530
Major spare parts, catalysts and standby equipment [including in transit of Rs NIL (June 30, 2022: Rs. NIL)]		118,671	110,861
		<u>2,443,824</u>	<u>2,489,830</u>
9.1 Operating assets			
Opening book value		2,127,348	2,168,190
Add: Additions during the period / year	9.1.1	17,101	286,199
		<u>2,144,449</u>	<u>2,454,389</u>
Less: Disposals during the period / year (at book value)	9.1.2	(239)	(2)
Less: Depreciation charged during the period / year		(90,535)	(327,039)
Closing book value		<u>2,053,675</u>	<u>2,127,348</u>
9.1.1 Additions during the period / year			
Buildings on freehold land		-	21,287
Plant, machinery and equipment		9,529	245,407
Plant, machinery and equipment - catalyst		-	4,301
Laboratory equipment		191	204
Material handling		560	-
Tools and equipment		856	3,047
IT equipments		1,279	7,330
Office equipment & Appliances		4,686	1,918
Furniture and fixture		-	2,705
		<u>17,101</u>	<u>286,199</u>

		Un-audited September 30, 2022 (Rupees in thousand)	Audited June 30, 2022
9.1.2 Disposals during the period / year			
Office equipment & Appliances		(239)	-
IT equipments		-	(2)
		<u>(239)</u>	<u>(2)</u>
9.2 Right of Use Assets			
Opening Book Value		23,092	22,039
Additions during the period / year		-	27,796
Re-assessment during the year			1,238
Derecognition during the year			(9,595)
Depreciation Charge during the period / year		(4,785)	(18,386)
		<u>18,307</u>	<u>23,092</u>
10 Stock in trade	Note		
Raw material [including in transit of Rs 14.85 million (June 30, 2022: Rs 92.45 million)]		207,087	206,166
Work-in-process	10.1	32,732	16,748
Finished goods	10.2	107,739	25,902
		<u>347,558</u>	<u>248,816</u>
10.1	Work-in-process include unused packing material of Rs 32.732 million (June 30, 2022: Rs 16.75 million).		
10.2	Finished goods includes stock purchased for resale Rs. 0.6 million (June 30, 2022 : Rs 0.6 million) and provision for obsolete stock of Rs. 0.2 million (June 30, 2022: Rs 0.2 million).		
11.	These include sales tax recoverable of Rs 23.05 million (June 30, 2022: Rs 45.29 million).		
		Un-audited September 30, 2022 (Rupees in thousand)	Audited June 30, 2022
12 Cash and bank balances			
At banks on:			
- Current accounts		77,107	30,644
- Saving accounts		185,782	75,527
		<u>262,889</u>	<u>106,171</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

		Un-audited	
		Three-month period ended	
		September 30, 2022	September 30, 2021
		(Rupees in thousand)	
13 Sales			
Gross sales:			
- Local		1,780,795	922,650
- Export		210,836	14,256
		<u>1,991,631</u>	<u>936,906</u>
Less: Commission on sales		(37,772)	(16,888)
Less: Sales tax		(253,634)	(131,737)
		<u>1,700,225</u>	<u>788,281</u>
14 Cost of goods sold			
Raw material consumed		578,137	371,760
Salaries, wages and other benefits		45,534	33,137
Repair and maintenance		14,059	14,816
Fuel and power		173,736	102,376
Packing material		3,860	1,775
Quality assurance		558	522
Services through contractors		16,848	12,863
Travelling		1,974	352
Communication		203	286
Rent & rates		2,312	2,084
Depreciation on property, plant and equipment		96,402	83,402
Insurance		3,591	3,466
Safety items consumed		967	318
Miscellaneous		4,081	2,138
		<u>942,262</u>	<u>629,295</u>
Add: Opening work in process		<u>16,748</u>	<u>13,942</u>
Less: Closing work in process		<u>(32,732)</u>	<u>(4,793)</u>
		<u>(15,984)</u>	<u>9,149</u>
Cost of goods produced		<u>926,278</u>	<u>638,444</u>
Add: Opening finished goods		<u>25,902</u>	<u>35,214</u>
Less: Closing finished goods		<u>(107,739)</u>	<u>(23,960)</u>
		<u>(81,837)</u>	<u>11,254</u>
Cost of goods sold - own manufactured		<u>844,441</u>	<u>649,698</u>
Cost of goods sold - purchase for resale		-	41,890
Cost of services		<u>12,899</u>	<u>7,553</u>
		<u>857,340</u>	<u>699,141</u>

15 Earnings per share

15.1 Basic earnings per share

		Un-audited Three-month period ended	
		September 30, 2022	September 30, 2021
Profit for the period	Rupees in thousand	518,832	22,416
Weighted average number of ordinary shares	Number in thousand	175,031	175,031
Earnings per share	Rupees	2.96	0.13

15.2 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 September 30, 2022 and September 30, 2021, which would have any effect on the earnings per share if the option to convert is exercised.

16. Transactions with related parties

Relationship with the Company	Nature of transaction	Un-audited Three-month period ended	
		September 30, 2022 (Rupees in thousand)	September 30, 2021 (Rupees in thousand)
i. Related parties other than holding company	Purchase of goods and services	7,743	3,754
	Sale of Goods		282
	Share of common expenses charged to the Company	11,969	8,920
	Share of common expenses charged by the Company	649	960
	Royalty charged to the Company	8,491	3,941
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	2,023	1,146
iii. Key management personnel	Salaries and other employee benefits	18,573	12,584
Period-end balances		Un-audited September 30, 2022 (Rupees in thousand)	Audited June 30, 2022 (Rupees in thousand)
Payable to Related Parties		47,222	37,947
Advances from Related Parties		34	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH PERIOD ENDED SEPTEMBER 30, 2022

		Un-audited	
		Three-month period ended	
		September 30, 2022	September 30, 2021
		(Rupees in thousand)	
17	Cash generated from operations		
	Profit before taxation	738,866	31,366
	Adjustments for:		
	- Depreciation on property, plant and equipment & amortization	97,958	83,402
	- Finance cost	6,987	13,122
	- Interest on bank deposits	(7,637)	(1,689)
	- Exchange (gain) / loss	(110)	321
	Cashflows before working capital changes	836,064	126,522
	Effect on cash flow due to working capital changes		
	- Increase in stores and spares	(84,130)	(26,588)
	- (Increase) / Decrease in stock-in-trade	(98,742)	50,561
	- (Increase) / Decrease in trade debts	103,242	(53,261)
	- (Increase) / Decrease in advances, deposits, prepayments and other receivables	(51,643)	16,689
	- Increase / (Decrease) in trade and other payables	(45,135)	27,249
		(176,408)	14,650
	Cash generated from operations	659,656	141,172
		Un-audited September 30, 2022	Un-audited September 30, 2021
		(Rupees in thousand)	
18	Cash and cash equivalents		
	Cash and bank balances - note 12	262,889	136,760
	Finances under mark up arrangement - secured - note 7	(13,340)	(4,950)
		249,549	131,810
19	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 of reporting date, There were no Level 1, 2 or 3 assets or liabilities during prior or current period.

20 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, 2022.

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

21 Date of authorization for issue

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

22 Subsequent events

The members of the Company at their Annual General Meeting held on October 20, 2022 has approved the final cash dividend of Rs. 2 per share for the year ended June 30, 2022 as proposed by the Board of Directors at their meeting held on September 07, 2022. These Financial Statements do not include the effect of these appropriations which will be accounted for in the period in which they are approved

23 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