

PARTNERS IN
PROGRESS



QUARTERLY REPORT

MARCH 31, 2021 (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.

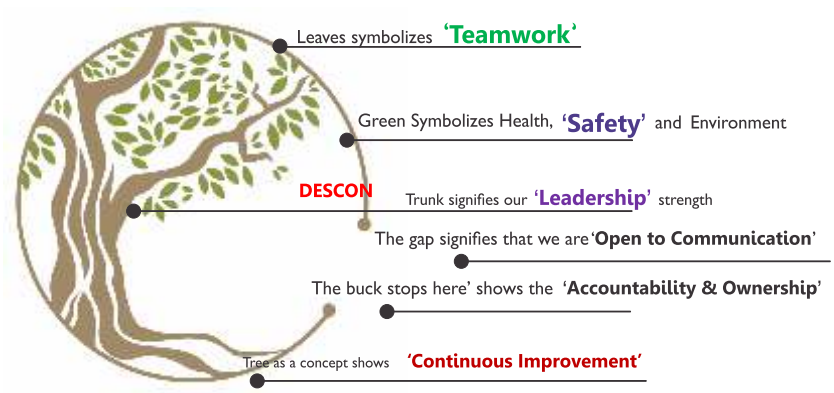


MISSION

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."

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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
Imran Qureshi	Chief Executive Officer

Muhammad Saqib Abbas
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
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 period ended March 31, 2021

The Board of Directors of the Company are pleased to present the nine months report along with the Financial statements for the period ending March 31, 2021.

Your Company continuously strives to sustain its consistent performance despite a challenging macro-economic environment further aggravated by the ongoing pandemic situation. The results below show that despite adverse conditions the business has been able to come out of it strongly by focusing more on its revenue streams and controllable costs.

The financial highlights for the quarter and nine months are as follow.

Financial Highlights	Three-month period ended		Nine-month period ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	Rupees in '000		Rupees in '000	
Sales	793,102	715,897	2,118,611	2,086,635
Gross profit	251,383	237,807	503,520	599,635
Profit from operations	203,502	191,646	375,555	461,672
Profit before taxation	184,191	182,101	335,445	385,156
Profit for the period	130,742	127,254	235,739	269,798
Earnings per share(Rupees)	0.75	0.80	1.35	1.96
Production (MT)	10,286	8,526	23,034	25,375

Your company has made a net profit of PKR 131 million during the three months ended March 2021 compared with a net profit of PKR 127 million in the corresponding period last year. The profit for nine months ended March 2021 is recorded at PKR 236 million as compared with profit of PKR 270 million in the corresponding period last year. The slight drop in gross profit percentage for March 2021 quarter as compared with corresponding period is attributable to incremental depreciation owing to plant expansion, increase in international prices of Brent and packing material. The production number for March 2021 quarter is up considerably as compared with corresponding period. The plant has started to touch consistently to enhanced production subsequent to plant expansion.

The cash generation has been phenomenal during the period. Your Company has generated PKR 698 million cash from operations as compared with PKR 522 same period last year. The healthy cash flow position will help the Company to cater its future debt servicing and to explore avenues of investments in capital projects.

The company continued to demonstrate its firm commitment to all aspects of health, safety and environment as well as integrating these actions with the organizational culture. Safety performance consistently improved, and the business achieved 7.7 million safe man hours with zero Lost Time Incidents, since commissioning its manufacturing facilities in December 2008. There was no recordable injury to any employee or contractor. The company remained fully compliant with its risk-based employees' health surveillance program.

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. Your Company is also striving hard to become the lowest cost producer by achieving maximum possible production efficiencies. Your company is consistently working on strategies to ensure these challenges are met effectively. Efforts to penetrate new segments and markets have been successfully implemented alongside organic growth in Textile and Mining sectors. Your Company is also exploring options to diversify into downstream products which will further strengthen the usage of hydrogen peroxide in local market. The business continues to invest in areas which reinforce its advantageous position in safety, manufacturing efficiency and building market leadership in key geographies.

We sincerely thank all patrons for their unflinching and steadfast support.

For and on behalf of the Board

Lahore
April 21, 2021


CHIEF EXECUTIVE


DIRECTOR

ڈائریکٹرز رپورٹ برائے شیئر ہولڈرز

کہنی کے بورڈ آف ڈائریکٹرز 31 مارچ 2021 کو اختتام پذیر مدت کے لئے مالیاتی اسٹیٹمنٹس کے ہمراہ نو ماہی رپورٹ ازراہ سرت پیش کرتے ہیں۔ آپ کی کہنی ابتری معاشی ماحول اور عالمی وبا سے مزید بگڑنے والی حالات کے باوجود اپنی کارکردگی کو برقرار رکھنے کے لئے کوشاں ہے۔ ذیل میں دینے گئے نتائج سے واضح ہے کہ بدتر حالات کے باوجود کاروبار اپنی آمدنی کے سلسلوں اور کاہل کنٹرول اور اخراجات پر زیادہ توجہ دے کر مضبوطی سے اس صورت حال سے نکلنے میں کامیاب رہا ہے۔

سرماہی اور نو ماہی کی مالیاتی تفصیلات حسب ذیل ہیں:

اختتام پذیر نو ماہی		اختتام پذیر سرماہی		مالیاتی تفصیلات
31 مارچ، 2020	31 مارچ، 2021	31 مارچ، 2020	31 مارچ، 2021	
000 روپوں میں				
2,086,635	2,118,611	715,897	793,102	سیلز
599,635	503,520	237,807	251,383	جموئی منافع
461,672	375,555	191,646	203,502	آپریٹنگ منافع
385,156	335,445	182,101	184,191	نفع مجموعی سسٹمز
269,798	235,739	127,254	130,742	مذکورہ مدت میں منافع
1.96	1.35	0.80	0.75	فی حصص آمدنی (روپے)
25,375	23,034	8,526	10,286	پیداوار (مڑک سن)

آپ کی کہنی نے مارچ 2021 کو اختتام پذیر سرماہی کے دوران 131 ملین روپے خاص منافع کمایا جو گذشتہ برس کی اسی مدت میں 127 ملین روپے تھا۔ مارچ 2021 کو اختتام پذیر نو ماہی کے دوران کہنی کا منافع 236 ملین روپے رہا جو گذشتہ برس کی اسی مدت میں 270 ملین روپے تھا۔ گذشتہ برس کے مقابلہ میں مارچ 2021 کو اختتام پذیر سرماہی کے لئے اوسط جموئی منافع میں مختصر کی پلانٹ کی توسیع کے باعث اضافی فروسڈگی، عالمی سطح پر برینٹ اور بیجینگ بیٹریل کی قیمتوں میں اضافے سے منسوب کی جاتی ہے۔ کہنی نے پلانٹ کی توسیع کے بعد پیداوار میں مسلسل اضافہ کا آغاز کر دیا ہے۔

اس دورانہ میں نقد رقم کی پیداوار غیر معمولی رہی۔ آپ کی کہنی نے آپریٹنگ سے 698 ملین روپے کیش حاصل کیا جو گذشتہ برس 522 ملین روپے تھا۔ کیش فلو کی بہتر صورت حال سے کہنی کو مستقبل میں قرض کی فراہمی کو پورا کرنے اور کپٹل پروجیکٹس میں سرمایہ داری کی راہیں تلاش کرنے میں مدد ملے گی۔

کہنی صحت، تحفظ اور ماحولیات کے تمام پہلوؤں پر اپنے مضبوط عزم کا اظہار کرتی ہے اور ان امور کو ادارہ جاتی کلچر کے ساتھ متحد کرنے کے لئے پرعزم ہے۔ حفاظتی کارکردگی بھی مسلسل بہتر ہوئی اور دسمبر 2008ء میں صنعت کاری کے انماذ سے مزوری کے 7.7 ملین گھنٹوں میں حفر حادثات کا سنگ میل عبور کیا ہے۔ کسی بھی ملازم یا ٹھیکے دار کو کسی قسم کا نقصان رپورٹ نہیں ہوا ہے۔ کہنی ملازمین کے، مہیا سہسر ویلنس پروگرام میں رسک کے قواعد پر عمل طور پر عمل پیرا ہے۔

مستقبل کا منظر

آپ کی کہنی لاکھ میں نمایاں اضافے کے ماحول میں اپنے اہداف کو برقرار رکھ کر مالیاتی کارکردگی میں استحکام کے لئے کوشاں ہے۔ آپ کی کہنی کم ترین لاگت پر بہترین پیداواری کارکردگی حاصل کرنے کے لئے کوشاں ہے۔ آپ کی کہنی ان چیلنجز سے مؤثر انداز میں نبھنے کے لئے حکمت عملی مرتب کرنے کے لئے لگا تار محنت کر رہی ہے۔ بیکسائیل اور مائنگ کے شعبوں میں آرگنیک نمو کے ساتھ ساتھ نئے شعبوں اور منڈیوں میں داخلہ پر کامیابی سے عمل ہوا ہے۔ آپ کی کہنی ڈاؤن سٹریٹ مصنوعات میں تنوع کے مواقع تلاش کر رہی ہے جس کی وجہ سے مقامی منڈی میں ہائیڈروجن پراکسائیڈ کے استعمال میں بہتری آنے کی۔ آپ کی کہنی ایسے شعبوں میں سرمایہ داری کر رہی ہے جو اسے تحفظ، پیداواری عموگی اور اہم علاقوں کی منڈیوں میں سرفہرست رکھے گی۔

ہم اپنے سٹیک ہولڈرز کی حمایت اور تعاون کے لئے ان کے تہدول سے شکر گزار ہیں۔

منجانب/ برائے بورڈ آف ڈائریکٹرز

لاہور

21 اپریل، 2021ء

Director,
ڈائریکٹر

Humayun Anwar,
چیف ایگزیکٹو

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT MARCH 31, 2021**

	Note	Un-audited March 31, 2021 (Rupees in thousand)	Audited June 30, 2020
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
220,000,000 (June 30, 2020: 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, 2020: 150,888,866) ordinary shares of Rs 10 each	5	1,750,311	1,508,889
Share premium	5	3,022	244,444
Accumulated profits		266,832	181,982
		2,020,165	1,935,315
NON CURRENT LIABILITIES			
Long term finances - secured	6	1,007,475	215,923
Lease liabilities		13,031	24,054
Deferred taxation		226,009	189,328
Deferred grant		20,693	-
		1,267,208	429,305
CURRENT LIABILITIES			
Current portion of non current liabilities		134,438	22,431
Finances under mark up arrangements - secured		10,923	32,283
Trade and other payables		541,803	409,043
Dividend payable		2,408	1,528
Accrued finance cost		16,495	6,780
		706,067	472,065
CONTINGENCIES AND COMMITMENTS	7	3,993,440	2,836,685
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8	2,511,701	2,031,207
Intangible assets		21,841	27,318
Long term deposits		17,554	17,554
		2,551,096	2,076,079
CURRENT ASSETS			
Stores and spares		360,071	319,793
Stock in trade	9	117,870	183,058
Trade debts		104,119	54,940
Advances, deposits, prepayments and other receivables	10	134,038	121,529
Income tax recoverable		68,071	74,341
Short term Investments	11	552,310	-
Bank balances		105,865	6,945
		1,442,344	760,606
		3,993,440	2,836,685

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, 2021

	Note	Three-month period ended		Nine-month period ended	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
..... (Rupees in thousand)					
Sales	12	793,102	715,897	2,118,611	2,086,635
Cost of sales	13	(541,719)	(478,090)	(1,615,091)	(1,487,000)
Gross profit		251,383	237,807	503,520	599,635
Administrative expenses		(24,753)	(22,619)	(75,205)	(76,600)
Distribution and selling costs		(14,082)	(15,546)	(31,399)	(39,359)
Other income		6,132	5,250	11,729	8,909
Other operating expenses		(15,178)	(13,246)	(33,090)	(30,913)
Profit from operations		203,502	191,646	375,555	461,672
Finance costs		(19,311)	(9,545)	(40,110)	(76,516)
Profit before taxation		184,191	182,101	335,445	385,156
Taxation		(53,449)	(54,847)	(99,706)	(115,358)
Profit for the period		130,742	127,254	235,739	269,798
Earnings per share			(Restated)		(Restated)
- basic and diluted - Rupees	14.1	0.75	0.80	1.35	1.96

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, 2021

	Three-month period ended		Nine-month period ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
(Rupees in thousand).....			
Profit for the period	130,742	127,254	235,739	269,798
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	<u>130,742</u>	<u>127,254</u>	<u>235,739</u>	<u>269,798</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 CHANGES IN EQUITY (UN-AUDITED)
 FOR THE NINE-MONTH PERIOD ENDED MARCH 31, 2021

	Share capital Ordinary share capital	Capital reserve Share premium	Revenue reserve Accumulated (loss) / profits	Capital and reserves Total
.....(Rupees in thousand).....				
Balance as on July 1, 2019 (audited)	1,020,000	-	(236,441)	783,559
Profit for the period	-	-	269,798	269,798
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	269,798	269,798
Issuance of 48,888,866 ordinary shares of Rs. 10 per share plus premium of Rs. 5 each	488,889	244,444		733,333
Transactions with owners, recognised directly in equity	-	-	-	-
Balance as on March 31, 2020 (un-audited)	1,508,889	244,444	33,357	1,786,690
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 - note 5.1	241,422	(241,422)	-	-
	241,422	(241,422)	(150,889)	(150,889)
Balance as on March 31, 2021 (un-audited)	1,750,311	3,022	266,832	2,020,165

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, 2021

	Note	Nine-month period ended	
		March 31, 2021	March 31, 2020
(Rupees in thousand)			
Cash flows from operating activities			
Cash generated from operations	16	698,152	522,061
Finance cost paid		(30,395)	(103,977)
Profit on deposits received		3,476	3,856
Income tax paid		(56,755)	(87,564)
Net cash generated from operating activities		614,478	334,376
Cash flows from investing activities			
Fixed capital expenditure (including intangibles)		(705,103)	(207,192)
Net cash used in investing activities		(705,103)	(207,192)
Cash flows from financing activities			
Proceeds from long term finance		924,252	50,000
Principal element of lease payments		(11,023)	-
Ordinary dividends paid		(150,014)	(854)
Net cash generated from financing activities		763,215	49,146
Net increase in cash and cash equivalents		672,590	176,330
Cash and cash equivalents at beginning of the period		(25,338)	(93,324)
Cash and cash equivalents at the end of the period	17	647,252	83,006

The annexed notes 1 to 22 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 AND NINE-MONTH PERIOD ENDED MARCH 31, 2021

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, 2020.

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, 2020. Further, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2020, 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

Grants from the government are recognised 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 recognised 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, 2020, 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, 2021 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, 2021 has been made using the tax rate that would be applicable to expected total annual earnings.

5. Issued, subscribed and paid up capital

Un-audited March 31, 2021 (Number of shares)	Audited June 30, 2020		Un-audited March 31, 2021 (Rupees in thousands)	Audited June 30, 2020
		Ordinary shares of Rs 10 each		
102,000,000	102,000,000	- Fully paid in cash	1,020,000	1,020,000
48,888,900	48,888,900	- Fully paid for consideration other than cash	488,889	488,889
24,142,218		- Fully paid as bonus shares	241,422	-
175,031,118	150,888,900		1,750,311	1,508,889

- 5.1 Bonus shares in the ratio of sixteen bonus shares for every hundred shares held by the shareholders was proposed in the Board of Directors meeting held on September 2, 2020. The approval of the members for issuance of bonus shares was obtained in the Annual General Meeting held on October 21, 2020. As a result, the Company issued 24,142,218 shares of Rs 10 each during the period against the share premium.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE-MONTH AND NINE-MONTH PERIOD ENDED MARCH 31, 2021

	Un-audited March 31, 2021 (Rupees in thousand)	Audited June 30, 2020
6. Long term finances - secured		
Opening balance	223,131	877,631
Add: disbursements during the period / year	923,385	78,833
Less: conversion of loan to equity	-	(733,333)
	<u>1,146,516</u>	<u>223,131</u>
Less: deferred grant - note 6.1	(20,693)	-
	<u>1,125,823</u>	<u>223,131</u>
Less: current portion shown under current liabilities	(118,348)	(7,208)
	<u>1,007,475</u>	<u>215,923</u>

- 6.1** This represents deferred grant recognised in respect of the benefit of below-market interest rate on long term financing facility of Rs 162.98 million, availed from Allied Bank Limited. Out of which Rs. 58.39 million under State Bank of Pakistan's Refinance Scheme for payment of wages and salaries to the workers / employees and Rs. 104.59 million under State Bank of Pakistan's Temporary Economic Refinance Facility (TERF).

7. Contingencies and commitments

7.1 Contingencies

- i)** Guarantee issued to Sui Northern Gas Pipeline Limited against the performance of a contract of Rs 55.32 million (June 30, 2020: Rs 48.64 million).
- ii)** Guarantee issued to Pakistan State Oil against the performance of a contract of Rs 3.50 million (June 30, 2020: Rs 3.50 million).
- iii)** The Honorable Supreme Court of Pakistan 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.

The Company has filed a writ petition in the Honorable Lahore High Court against the above mentioned order pleading that the said order be reviewed under article 199 of the Constitution of Islamic Republic of Pakistan, 1973.

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 provision of section 8 (2) of the Gas Infrastructure Development Cess Act, 2015, not to be collected. The applicability of first provision 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 and the amount to be paid by the Company. Accordingly, the Company has not recognised the estimated provision of Rs 43 million in these condensed interim financial statements.

7.2 Commitments

- i) Letters of credit other than capital expenditure aggregating to Rs 48.07 million (June 30, 2020: Rs 75.57 million).
- ii) Letters of credit and contracts for capital expenditure aggregating to Rs 11.02 million (June 30, 2020: Rs 32.36 million).

		Un-audited March 31, 2021	Audited June 30, 2020
(Rupees in thousand)			
8. Property, plant and equipment			
Operating assets			
- Owned assets	- note 8.1	2,245,773	1,109,058
- Right of use assets	- note 8.2	25,712	36,732
Capital work-in-progress		153,109	823,346
Major spare parts, catalysts and standby equipment [including in transit Nil (June 30, 2020: 17.159 million)]		87,107	62,071
		<u>2,511,701</u>	<u>2,031,207</u>
8.1 Owned assets			
		1,109,058	1,212,314
Add: Opening book value			
Add: Additions during the period / year	- note 8.1.1	1,350,018	78,570
		<u>2,459,076</u>	<u>1,290,884</u>
Less: Disposals during the period / year (at book value)	- note 8.1.2	-	(690)
Less: Depreciation charged during the period / year		(213,303)	(181,136)
Closing book value		<u>2,245,773</u>	<u>1,109,058</u>
8.1.1 Additions during the period / year			
Buildings on freehold land		18,560	5,649
Plant, machinery and equipment		1,326,184	63,759
Laboratory equipment		290	754
Tools and equipment		1,143	6,127
Computer equipment		1,519	1,740
Office equipment		246	509
Furniture and fixture		2,076	32
		<u>1,350,018</u>	<u>78,570</u>
8.1.2 Disposals during the period / year			
Plant, machinery and equipment		-	(677)
Computer equipment		-	(13)
		<u>-</u>	<u>(690)</u>

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8.2 Right of use assets

Add: Opening book value	36,732	-
Add: Recognition during the period / year	-	44,078
Less: Depreciation charged during the period / year	(11,020)	(7,346)
	<u>25,712</u>	<u>36,732</u>

9. Stock in trade

Raw materials [including in transit of Rs 10.29 million (June 30, 2020: Rs 13.66 million)]	72,091	67,377
Work-in-process	15,522	8,702
Finished goods		
- purchased for resale	1,795	7,107
- own manufactured	28,462	99,872
	<u>117,870</u>	<u>183,058</u>

10. These includes sales tax recoverable of Rs 88.92 million (June 30, 2020: Rs 90.80 million).
11. This represents investment in NBP money market and NBP financial sector funds with 6.87% average rate of return.

12. Sales

	Un-audited		Un-audited	
	Three-month period ended		Nine-month period ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
(Rupees in thousand).....			
Gross sales:				
- Local	941,155	850,001	2,500,445	2,464,641
- Export	2,606	4,023	20,551	8,768
	<u>943,761</u>	<u>854,024</u>	<u>2,520,996</u>	<u>2,473,409</u>
Less: Commission and discount on sales	(16,481)	(15,294)	(46,361)	(44,824)
Less: Sales tax	(134,178)	(122,833)	(356,024)	(341,950)
	<u>793,102</u>	<u>715,897</u>	<u>2,118,611</u>	<u>2,086,635</u>

	Un-audited		Un-audited		
	Three-month period ended		Nine-month period ended		
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	
13. Cost of sales					
Raw material consumed	261,275	223,343	578,296	664,120	
Packing material	1,777	703	4,255	2,936	
Salaries, wages and other benefits	22,021	27,593	92,450	86,101	
Fuel and power	94,035	97,319	231,102	261,337	
Services through contractors	14,800	14,886	36,508	44,346	
Repair and maintenance	21,481	10,073	46,971	46,701	
Shutdown expenses	-	-	33,688	-	
Quality assurance	3,508	8,469	10,437	9,123	
Travelling	432	734	1,263	2,720	
Communication	290	234	814	788	
Rent & rates	2,308	7,208	7,662	23,177	
Depreciation on property, plant and equipment:					
- owned assets	77,136	46,549	212,733	134,313	
- right of use assets	3,673	-	11,019	-	
Amortization of intangible assets	1,896	1,566	5,763	4,850	
Insurance	3,702	3,272	10,500	9,805	
Safety items consumed	725	374	1,255	1,256	
Miscellaneous	2,975	995	8,436	6,455	
	512,034	443,318	1,293,152	1,298,028	
Add: Opening work in process	12,660	8,075	8,702	4,218	
Less: Closing work in process	(15,522)	(6,805)	(15,522)	(6,805)	
	(2,862)	1,270	(6,820)	(2,587)	
Cost of goods produced	509,172	444,588	1,286,332	1,295,441	
Add: Opening finished goods	9,859	21,113	99,872	18,649	
Less: Closing finished goods	(28,462)	(60,801)	(28,462)	(60,801)	
	(18,603)	(39,688)	71,410	(42,152)	
Cost of goods sold - own manufactured	490,569	404,900	1,357,742	1,253,289	
Cost of goods sold - purchase for resale	40,675	65,116	228,706	205,280	
Cost of services	10,475	8,074	28,643	28,431	
	541,719	478,090	1,615,091	1,487,000	
14. Earnings per share		(Restated)		(Restated)	
14.1 Basic earnings per share					
Profit for the period	Rupees in thousand	130,742	127,254	235,739	269,798
Weighted average number					
of ordinary shares	Number in thousand	175,030	159,988	175,031	137,386
Earnings per share	Rupees	0.75	0.80	1.35	1.96

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14.2 Diluted earnings per share

There is no dilutive effect on the basic earnings per share of the Company. Number of shares in issue and earnings per share for the period ended March 31, 2020 have been restated, taking the effect of bonus shares at the rate of 16% issued during the current period.

15. Transactions with related parties

Relationship with the Company	Nature of transaction	Un-audited	
		Nine-month period ended	
		March 31, 2021	March 31, 2020
		(Rupees in thousand)	
i. Associated companies	Purchase of goods and services	490,724	187,327
	Sale of goods	1,418	51
	Share of common expenses charged to the Company	19,478	18,762
	Share of common expenses charged by the Company	2,909	2,369
	Mark-up expense on long term loan	-	63,997
	Payment of ordinary dividend	94,341	-
	Royalty charged to the Company	10,547	-
ii. Post employment benefit plans	Expense charged in respect of retirement benefit plans	4,783	4,462
iii. Key management personnel	Salaries and other employee benefits	50,871	41,872
		Un-audited March 31, 2021	Audited June 30, 2020
		(Rupees in thousand)	
Period-end balances			
	Payable to related parties	81,975	18,417
	Advances to related parties	17,633	21,450
	Accrued finance cost	-	1,823
	Receivable from related parties	420	-

	Un-audited	
	Nine-month period ended	
	March 31, 2021	March 31, 2020
	(Rupees in thousand)	
16. Cash generated from operations		
Profit before taxation	335,445	385,156
Adjustments for:		
- Depreciation on property, plant and equipment:		
- owned assets	213,303	134,887
- right of use assets	11,020	-
- Amortization of intangible assets	5,763	4,850
- Finance costs	40,110	76,516
- Interest on bank deposits	(3,476)	(3,856)
- Exchange Gain / loss	(1,182)	1,761
- Loss on sale of property, plant and equipment	-	13
Cashflows before working capital changes	600,983	599,327
Effect on cash flow due to working capital changes		
- Increase in stores and spares	(40,278)	(18,908)
- Decrease / (increase) in stock-in-trade	65,188	(78,556)
- (Increase) / decrease in trade debts	(49,179)	21,183
- (Increase) / decrease in advances, deposits, prepayments and other receivables	(12,509)	11,039
- Increase / (decrease) in trade and other payables	133,947	(12,024)
	97,169	(77,266)
Cash generated from operations	698,152	522,061
17. Cash and cash equivalents		
Short Term Investments	552,310	40,406
Bank balances	105,865	55,953
Finances under mark up arrangements - secured	(10,923)	(13,353)
	647,252	83,006
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.

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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.

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, 2020.

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 21, 2021 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. However no significant rearrangements have been made.


CHIEF EXECUTIVE


CHIEF FINANCIAL OFFICER


DIRECTOR

BOOK POST



Descon Oxychem Limited

Descon Headquarters, 18 km Ferozpur Road,

Lahore - 54760, Pakistan

T: +92 42 3 7971822-24

F: +92 42 3 7971834

W: www.desconoxychem.com

E: dol@descon.com