CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

SECOND QUARTER & HALF YEAR ENDED

JUNE 30, 2019

Pakistan Oxygen Limited

Registered Office: P.O. Box 4845, West Wharf, Karachi - Pakistan

Our vision

To improve the quality of life and wellbeing of people, communities and environment by operating in all sectors of the economy; envisage growth aggressively as a market leader while admiring its people.

Our mission

To remain the Market leader in industrial and medical sector while growing aggressively in welding & hardgoods.

We shall achieve this profitably on sustained basis through the talent of our people, product reliability, superior product service & quality.

We would provide innovative solutions to our customers along with enhancing trust of our shareholders while keeping highest standards of ethics, safety and environment.

Company information

Board of Directors

Waqar Ahmed Malik	Non-Executive Chairman
Matin Amjad	Chief Executive
Fawad Anwar	Non-Executive Director
Atif Riaz Bokhari	Non-Executive Director
Siraj Dadabhoy	Non-Executive Director
Syed Hasan Ali Bukhari	Non-Executive Director
Sheikh Muhammad Abdullah	Non-Executive Director
Shahid Mehmood Umerani	Non-Executive Director
Feroz Rizvi	Independent Director
Muhammad Zindah Moin Mohajir	Independent Director

Chief Financial Officer

Syed Ali Adnan

Company Secretary

Mazhar Iqbal

Board Audit Committee

Muhammad Zindah Moin Mohajir	Chairman	Independent Director
Fawad Anwar	Member	Non-Executive Director
Feroz Rizvi	Member	Independent Director
Sheikh Muhammad Abdullah	Member	Non-Executive Director
Mazhar Iqbal	Secretary	Financial Controller & Company Secretary

Board Human Resource & Remuneration Committee

Feroz Rizvi	Chairman	Independent Director
Atif Riaz Bokhari	Member	Non-Executive Director
Syed Hasan Ali Bukhari	Member	Non-Executive Director
Shahid Mehmood Umerani	Member	Non-Executive Director
Muhammad Salim Sheikh	Secretary	Head of Human Resources

Share Transfer Committee

Muhammad Zindah Moin Mohajir	Chairman	Independent Director
Matin Amjad	Member	Chief Executive
Wakil Ahmed Khan	Secretary	Manager – Corporate Services

Bankers

Standard Chartered Bank (Pakistan) Limited
Deutsche Bank AG
HBL Bank Limited
Citibank NA
MCB Bank Limited
National Bank of Pakistan Limited
Meezan Bank Limited
Askari Bank Limited

Share Registrar

Central Depository Company of Pakistan Limited

Auditors

External Auditors
BDO Ebrahim & Co.

Internal Auditors
EY Ford Rhodes

Legal advisor

Ayesha Hamid of Hamid Law Associates

Registered office

West Wharf, Dockyard Road, Karachi–74000

Website

www.pakoxygen.com

Directors' Review

We are pleased to present the Directors' Review together with Condensed Interim Financial Information of your Company for half-year ended 30 June 2019. The accompanying Financial Statements were subject to a limited scope review by the Statutory Auditors, as required under the Code of Corporate Governance.

Pakistan's economy remained under pressure during fiscal year 2018-19. Real GDP growth declined to 3.3% due to various policy measures undertaken to contain rising fiscal and current account deficits. These measures, together with a hike in energy prices, led to a decline in large scale manufacturing. At the same time, work on infrastructure and development projects also slowed down, dampening demand for steel. CPI inflation was recorded at 8.9% in June 2019, while the Policy rate was increased by 100 bps to 13.25%. Reduced consumer spending power also adversely impacted demand for automobiles.

These sectors are significant demand drivers for our gases and hardgoods. However, improved share in the oil & gas and food & beverages sectors helped recover some of the lost volumes. Sustained growth of around 6% in the healthcare division, with consolidation in the hospital pipeline segment, also contributed, leading the Company to deliver a turnover of Rs. 2.3 billion, which is almost in line with last year.

Gross Profit for the half-year ended 30 June 2019 was recorded at Rs. 579 million, up 8% compared to last year, mainly due to productivity and margin improvement initiatives. In-house manufacturing of welding electrodes contributed to cost saving over last year despite higher costs of raw materials due to rupee devaluations. Overheads stood at Rs. 263 million, higher by 13% compared to last year, primarily due to inflation and increase in provision for doubtful debts mainly from Government institutions. Finance costs increased by 38% due to higher interest rates and higher utilization of credit facilities. As a result, Profit After Tax was recorded at Rs. 198 million, higher by 3% compared to the same period last year.

Current decline in economic activity may continue to dampen product demand in the short to medium term. However, Government's reform agenda and policy to restructure the economy is expected to stabilize and sustain economic growth in the longer term.

On behalf of the Board

Karachi:	Matin Amjad	Waqar Ahmed Malik
28 August 2019	Chief Executive Officer	Chairman

Pakistan Oxygen

ڈائریکٹرز کا جائزہ

ہمیں ڈائریکٹرز کا جائزہ مع آپ کی کمپنی کے عبوری مالیاتی معلومات برائے ششماہی مختتمہ 30 جون 2019 پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔ منسلک مالیاتی گوشوارے کا قانونی آڈیٹرز نے کوڈ آف کارپوریٹ گورننس کے تحت محدود جائزہ لیا ہے۔

سال 19-2018 کے دوران پاکستان کی معیشت دباؤ کا شکار رہی۔ بڑھتے ہوئے مالی اور کرنٹ اکاؤنٹس کے خساروں کو روکنے کے لیے اٹھائے گئے بیشتر پالیسی اقدامات کی بدولت اصل جی ڈی پی گروتھ کم ہو کر 3.3% کی شرح پر آ گئی۔ ان اقدامات بشمول توانائی کی قیمتوں میں اضافے سے بڑے پیمانے پر مینوفیکچرنگ میں کمی واقع ہوئی۔ اس کے ساتھ ساتھ انفرااسٹرکچر اور ترقیاتی منصوبوں پر کام بھی سست روی کا شکار رہا، جس کی بدولت اسٹیل کی طلب میں کمی واقع ہوئی۔ جون 2019 کے دوران CPI مہنگائی کی شرح 8.9 فیصد ریکارڈ کی گئی، جبکہ پالیسی ریٹ 100bps اضافے سے 13.25% کر دیا گیا ہے۔ صارفین کی قوت خرید میں کمی نے بھی آٹوموبائلز کی طلب کو بری طرح متاثر کیا۔

پیکلرز ہماری گیسز اور ہارڈ گڈز کے لیے طلب پیدا کرنے میں اہم کردار ادا کرتے ہیں۔ بہر حال، آکسیجن گیس، اور فوڈ اینڈ بیوریجز کے شعبوں میں مارکیٹ شیئرز میں آنے والی بہتری، حجم میں ہونے والے کچھ نقصانات کے ازالے میں معاون ثابت ہوئی۔ 6 فیصد کے حساب سے صحت کی نگہداشت کے شعبے میں مستحکم نمو، بالخصوص پائپ لائن کے سیگمنٹ نے بھی کمپنی کا ٹرن اوور 2.3 بلین روپے تک لے جانے میں اہم کردار ادا کیا، جو کہ تقریباً گزشتہ سال سے قریب تر ہے۔

30 جون 2019 کو ختم ہونے والی پہلی ششماہی کے دوران کل خالص منافع 579 ملین روپے رہا۔ جو سال گزشتہ کے مقابلے میں 8 فیصد زیادہ ہے، جس کی اہم وجہ پیداواری صلاحیت اور منافع میں بہتری کے لیے اٹھائے گئے اقدامات ہیں۔ روپے کی قدر میں کمی کے باعث خام مال کی قیمت میں اضافے کے باوجود ویلڈنگ الیکٹروڈز کی ان ہاؤس مینوفیکچرنگ نے اخراجات میں کمی میں گزشتہ سال کے مقابلے میں اپنا کردار ادا کیا۔ بنیادی طور پر مہنگائی اور سرکاری اداروں کی وصولیات سے متعلق bad debts کی پروویژن میں اضافے کے باعث اوور ہیڈز 263 ملین روپے رہے جو کہ گزشتہ سال کے مقابلے میں 13 فیصد زیادہ ہیں۔ زیادہ شرح سود اور کریڈٹ کی سہولتوں کے زیادہ استعمال کی بنا پر مالیاتی اخراجات میں 38 فیصد اضافہ ہوا۔ جس کے نتیجے میں بعد از ٹیکس منافع 198 ملین روپے ریکارڈ کیا گیا جو کہ گزشتہ سال میں اسی عرصے کے دوران حاصل ہونے والے منافع سے 3 فیصد زیادہ ہے۔

معاشی سرگرمیوں میں حالیہ کمی کی بدولت مختصر اور درمیانی مدت کے دوران میں پراڈکٹ کی طلب میں کمی برقرار رہ سکتی ہے۔ بہر حال توقع ہے کہ گورنمنٹ کی طرف سے اصلاحات کا ایجنڈا اور معیشت کو ری اسٹرکچر کرنے کی پالیسی طویل مدت میں معاشی نمو میں بہتری اور استحکام کا باعث بنے گی۔

منجانب بورڈ

کراچی:	متین امجد	وقار احمد ملک
28 اگست 2019	چیف ایگزیکٹو آفیسر	چیئرمین

BDO

Tel: +92 21 3568 3030
Fax: +92 21 3568 4239
www.bdo.com.pk

2nd Floor, Block-C
Lakson Square, Building No.1
Sarwar Shaheed Road
Karachi-74200
Pakistan

INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **PAKISTAN OXYGEN LIMITED** ("the Company") as at June 30, 2019 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six-month period then ended (here-in-after referred as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the six-month period ended June 30, 2019 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures for the quarters ended June 30, 2019 and June 30, 2018 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

KARACHI

DATED: 28 AUG 2019

BDO Ebrahim & Co.
CHARTERED ACCOUNTANTS
Engagement Partner: Raheel Shahnawaz

PAKISTAN OXYGEN LIMITED

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2019

		For the half year ended		For the second quarter ended	
		June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Note	----------Rupees in '000----------			
Gross sales	5	2,602,521	2,681,989	1,312,295	1,370,074
Trade discount and sales tax	5	(288,832)	(300,196)	(143,363)	(153,015)
Net sales		2,313,689	2,381,793	1,168,932	1,217,059
Cost of sales	5	(1,734,918)	(1,843,857)	(879,542)	(946,102)
Gross profit		578,771	537,936	289,390	270,957
Distribution and marketing expense	5	(126,942)	(100,365)	(63,892)	(31,080)
Administrative expenses	5	(107,807)	(106,366)	(54,851)	(50,697)
Other operating expenses		(26,779)	(24,954)	(13,314)	(14,030)
		(261,528)	(231,685)	(132,057)	(95,807)
Operating profit before other income		317,243	306,251	157,333	175,150
Other income		20,723	6,668	17,889	3,346
Operating profit		337,966	312,919	175,222	178,496
Finance costs		(71,729)	(50,864)	(36,869)	(26,976)
Profit before taxation		266,237	262,055	138,353	151,520
Taxation		(67,843)	(70,007)	(34,638)	(39,484)
Profit for the period		198,394	192,048	103,715	112,036
			(Restated)		**(Restated)**
Earnings per share - basic and diluted		6.10	5.90	3.19	3.44

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Syed Ali Adnan	Matin Amjad	Waqar A. Malik
Chief Financial Officer	Chief Executive Officer	Chairman

PAKISTAN OXYGEN LIMITED

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2019

	For the half year ended		For the second quarter ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	-------------------------Rupees in '000	-----------------------------		
Profit for the period	198,394	192,048	103,715	112,036
Other comprehensive income				
Items that will not be reclassified to profit and loss account				
Net re-measurement on defined benefit plans	-	2,280	-	-
Tax thereon	-	(684)	-	-
	-	1,596	-	-
Total comprehensive income for the period	198,394	193,644	103,715	112,036

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Syed Ali Adnan	Matin Amjad	Waqar A. Malik
Chief Financial Officer	Chief Executive Officer	Chairman

PAKISTAN OXYGEN LIMITED
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)
AS AT JUNE 30, 2019

	Note	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
		-----------Rupees in '000-----------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	4,552,611	4,558,190
Intangible assets		36,143	33,701
Investment in subsidiary		10	10
Long term loans		6,748	-
Long term deposits		75,375	69,853
		4,670,887	4,661,754
CURRENT ASSETS			
Stores and spares		188,245	161,393
Stock-in-trade	7	296,480	406,146
Trade debts		844,344	674,550
Loans and advances		43,029	18,543
Deposits and prepayments		163,968	130,279
Other receivables		116,729	136,443
Taxation-net		347,716	363,350
Cash and bank balances		14,712	144,780
		2,015,223	2,035,484
TOTAL ASSETS		6,686,110	6,697,238
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised share capital			
40,000,000 (2018: 40,000,000) Ordinary shares of Rs. 10 each		400,000	400,000
Issued, subscribed and paid-up capital			
32,550,336 (2018: 25,038,720) Ordinary shares of Rs. 10 each		325,503	250,387
Revenue reserves			
General reserves		1,725,250	1,579,262
Unappropriated profit		197,673	271,181
Capital reserves			
Surplus on revaluation of property, plant and equipment		1,798,150	1,798,150
		3,721,073	3,648,593
		4,046,576	3,898,980
NON-CURRENT LIABILITIES			
Long term deposits		186,246	184,818
Lease liabilities	8	30,868	-
Deferred liabilities		311,050	317,812
		528,164	502,630
CURRENT LIABILITIES			
Trade and other payables		1,107,898	1,024,246
Short term borrowings		844,833	978,568
Un-claimed dividend		21,381	22,814
Current portion of lease liabilities	8	2,258	-
Current maturity of long term financing		135,000	270,000
		2,111,370	2,295,628
TOTAL EQUITY AND LIABILITIES		6,686,110	6,697,238
CONTINGENCIES AND COMMITMENTS	9		

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Syed Ali Adnan	Matin Amjad	Waqar A. Malik
Chief Financial Officer	Chief Executive Officer	Chairman

PAKISTAN OXYGEN LIMITED

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019	June 30, 2018
		----Rupees in '000----	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from / (used in) operations	10	453,714	(36,683)
Finance costs paid		(62,125)	(44,041)
Income tax paid		(59,009)	(97,412)
Post retirement medical benefits paid		(153)	(108)
Long term loans and deposits		(12,270)	-
Long term deposits		1,428	3,223
Net cash generated from / (used in) operating activities		321,585	(175,021)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(139,262)	(42,335)
Acquisition of intangibles		(3,292)	-
Proceeds from disposal of operating fixed assets		13,809	9,453
Interest received on balances with banks		-	132
Net cash used in investing activities		(128,745)	(32,750)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term financing		(135,000)	-
Repayment of lease liabilities		(2,663)	-
Dividends paid		(51,510)	(134,737)
Net cash used in financing activities		(189,173)	(134,737)
Net increase / (decrease) in cash and cash equivalents		3,667	(342,508)
Cash and cash equivalents at beginning of the period		(833,788)	(305,461)
Cash and cash equivalents at end of the period	11	(830,121)	(647,969)

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Syed Ali Adnan	Matin Amjad	Waqar A. Malik
Chief Financial Officer	Chief Executive Officer	Chairman

PAKISTAN OXYGEN LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

	Share capital	Revenue Reserves		Capital Reserves	
	Issued, subscribed and paid-up	General reserve	Unappropriated profit	Surplus on revaluation of property, plant and equipment	Total
	Rupees in '000				
Balance as at January 1, 2018	250,387	1,475,338	241,637	-	1,967,362
Total comprehensive income for the period					
Profit for the period	-	-	192,048	-	192,048
Other comprehensive income for the period	-	-	1,596	-	1,596
	-	-	193,644		193,644
Transactions with owners of the Company recognised directly in equity - distribution					
Final dividend for the year ended December 31, 2017 - Rs. 5.5 per share	-	-	(137,713)	-	(137,713)
Transfer to general reserve	-	103,924	(103,924)	-	-
Balance as at June 30, 2018	250,387	1,579,262	193,644	-	2,023,293
Balance as at January 1, 2019	250,387	1,579,262	271,181	1,798,150	3,898,980
Impact of change in accounting policy-note 3.5	-	-	(721)	-	(721)
Adjusted balance as January 1, 2019	250,387	1,579,262	270,460	1,798,150	3,898,259
Total comprehensive income for the period					
Profit for the period	-	-	198,394	-	198,394
Other comprehensive income for the period	-	-	-	-	-
	-	-	198,394	-	198,394
Transactions with owners of the Company recognised directly in equity - distribution					
Issuance of bonus shares in proportion of 3 shares for every 10 shares	75,116	-	(75,116)	-	-
Final dividend for the year ended December 31, 2018 - Rs. 2.00 per share	-	-	(50,077)	-	(50,077)
Transfer to general reserve	-	145,988	(145,988)	-	-
Balance as at June 30, 2019	325,503	1,725,250	197,673	1,798,150	4,046,576

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

Syed Ali Adnan	Matin Amjad	Waqar A. Malik
Chief Financial Officer	Chief Executive Officer	Chairman

PAKISTAN OXYGEN LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2019

1 LEGAL STATUS AND OPERATIONS

Pakistan Oxygen Limited ("the Company') was incorporated in Pakistan under the repealed Companies Act, 1913 (now Companies Act, 2017), as a private limited company in 1949 and converted into a public limited company in 1958. Its shares are quoted on Pakistan Stock Exchange Limited. The address of its registered office is West Wharf, Dockyard Road, Karachi, Pakistan

The Company is principally engaged in the manufacturing of industrial and medical gases, welding electrodes and marketing of medical equipment.

The Company owns a wholly owned subsidiary, BOC Pakistan (Private) Limited ("BOCPL"), which has not carried out any business activities during the period. Accordingly, exemption has been granted by the Securities and Exchange Commission of Pakistan ("SECP") from the application of sub-section (1) to (7) of section 228 of the Companies Act, 2017 requiring consolidation of subsidiary in the preparation of financial statements for the year ending December 31, 2019 and all interim periods within the aforementioned year.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information is unaudited but subject to the limited scope review by the auditors and is being submitted to the shareholders as required under section 237 of the Companies Act, 2017 and the listing regulations of the Pakistan Stock Exchange. This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended December 31, 2018 which have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan.

This condensed interim financial information of the Company for the six months period ended June 30, 2019 has 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.

The comparative statement of financial position presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Company for the year ended December 31, 2018, whereas the comparative condensed interim profit and loss accounts, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial information for the half year ended June 30, 2018.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except leasehold and freehold land which are recognized at revalued amount and lease liabilities and certain retirement benefits which are recognized at present values. This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees, which is the functional and presentation currency of the Company.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted by the Company in the preparation of this condensed interim financial information are the same as those applied in the preparation of the preceding annual audited financial statements of the Company as at and for the year ended December 31, 2018 except as described below.

3.2 There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Company's accounting period beginning on or after July 01, 2018 and January 01, 2019. These standards, interpretations and amendments are either not relevant to the Company's operations or are not expected to have a significant effect on this condensed interim financial information except as disclosed in note 3.3, 3.4 and 3.5 below.

3.3 IFRS 15 - Revenue from Contracts with Customers

IFRS 15 'Revenue from Contracts with Customers' supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers.

Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company has assessed that significant performance obligation in contracts with customers are closely related and, therefore, are discharged over the period of the relationship with relevant customers. The Company's revenue recognition policy is in line with the requirements of IFRS 15 and accordingly, there is no impact on this condensed interim financial information on the date of initial recognition.

3.4 IFRS 9 - Financial Instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan through its S.R.O. 229 (I)/2019 and is effective for accounting period / year ending on or after June 30, 2019.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. **Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at January 01, 2019.

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
				-------------Rs. '000	-------------
Financial assets					
Trade debts	(a)	Loans and receivables	Amortised cost	674,550	674,550
Loans and advances	(a)	Loans and receivables	Amortised cost	18,543	18,543
Cash and bank balances	(a)	Loans and receivables	Amortised cost	144,780	144,780
				837,873	837,873

(a) These financial assets classified as 'loans and receivables' have been classified as amortised cost.

ii. **Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Company's financial assets include mainly trade debts, deposits, advances, other receivables and bank balances.

The Company's trade receivables do not contain a significant financing component (as determined in terms of the requirements of IFRS 15 Revenue from Contracts with Customers), therefore, the Company is using simplified approach, that does not require the Company to track the changes in credit risk, but, instead, requires to recognise a loss allowance based on lifetime ECLs at each reporting date.

iii. **Transition**

The Company has used the exemption not to restate comparative periods and any adjustments on adoption of IFRS 9 are to be recognized in statement of changes in equity as on January 1, 2019. However, the adoption of IFRS 9 did not have any impact on opening retained earnings as on January 1, 2019. Accordingly, the comparative information is presented as per the requirements of IAS 39.

3.5 IFRS 16 - Leases

IFRS 16 'Leases' was issued on January 01, 2016. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for accounting periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease' The Company applied IFRS 16 with a date of initial application of January 01, 2019.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. The Company does not have significant leasing activities acting as a lessor.

Transition method and practical expedients utilised

The Company applied IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (January 01, 2019), without restatement of comparative figures.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- applied a single discount rate to a portfolio of leases with similar characteristics.
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- excluded initial direct costs from measuring the right-of-use asset at the date of initial
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Previously, the Company classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company and, therefore, charged leased payments to profit and loss account under operating leases.

On adoption of IFRS 16, the Company recognised a right-of-use asset and lease liability at the commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of cost to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. Right-of-use assets are measured at their carrying amounts as if IFRS 16 had been applied since the commencement date of lease contract.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company used its incremental borrowing rate as the discount rate as at January 01, 2019.

The right-of-use asset is subsequently depreciated using straight line method from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by the impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

Subsequently, the lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in the rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

On transition to IFRS 16, the Company recognised right-to-use assets, lease liabilities and deferred tax recognising the difference in retained earnings on the date of initial application as follows;

		January 01, 2019
		-----'Rs in '000-----
Property, plant and equipment		
Right-of-use assets - Buildings		24,311
Deferred tax asset		295
Lease liabilities		
Non-current	(23,381)	
Current	(1,946)	
		(25,327)
Retained earnings		(721)

4 ACCOUNTING ESTIMATES, JUDGMENTS, FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

In preparing this condensed interim financial information, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. Estimates and judgements made by management in the preparation of this condensed interim financial information are the same as those that were applied to the audited annual financial statements of the Company as at and for the year ended December 31, 2018 except as disclosed in the notes.

The Company's financial risk management objectives and policies are consistent with those disclosed in the audited annual financial statements of the Company as at and for the year ended December 31, 2018.

The Company has established control framework with respect to the measurements of fair values. Management uses observable inputs / data as far as possible to determine fair values of assets and liabilities, wherever required or permitted under the approved accounting standards. At reporting date management considers fair values of financial assets and liabilities not measured at fair values approximate their carrying amounts.

4.1 Change in accounting estimate

Useful lives of property, plant and equipment

Para 51 of International Accounting Standards (IAS) 16 "Property, Plant and Equipment" states that the residual value and the useful life of an asset shall be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Para 61 of International Accounting Standards (IAS) 16 "Property, Plant and Equipment" states that the depreciation method applied to an asset shall be reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern. Such a change shall be accounted for as a change in an accounting estimate in accordance with IAS 8.

During the period, the Company reviewed the useful life and the depreciation method of leasehold land and determined that the useful life of leasehold land is indefinite.

Had there been no change in accounting estimate, the carrying value of the operating fixed assets and profit for the period would have been lower by Rs. 9,375 thousand.

5 SEGMENT RESULTS (UN-AUDITED)

	For the half year ended						For the second quarter ended					
	June 30, 2019			June 30, 2018			June 30, 2019			June 30, 2018		
	Industrial, medical and other gases	Welding and others	Total	Industrial, medical and other gases	Welding and others	Total	Industrial, medical and other gases	Welding and others	Total	Industrial, medical and other gases	Welding and others	Total
	(Rupees in '000)						(Rupees in '000)					
Gross sales	2,040,779	561,742	2,602,521	2,121,271	560,718	2,681,989	1,015,365	296,930	1,312,295	1,060,430	309,644	1,370,074
Less:												
Trade discount	8,636	-	8,636	1,977	-	1,977	2,950	-	2,950	1,071	-	1,071
Sales tax	199,914	80,282	280,196	218,360	79,859	298,219	97,879	42,534	140,413	108,223	43,721	151,944
	208,550	80,282	288,832	220,337	79,859	300,196	100,829	42,534	143,363	109,294	43,721	153,015
Net sales	1,832,229	481,460	2,313,689	1,900,934	480,859	2,381,793	914,536	254,396	1,168,932	951,136	265,923	1,217,059
Less:												
Cost of sales	1,347,913	387,005	1,734,918	1,414,553	429,304	1,843,857	676,551	202,991	879,542	711,089	235,013	946,102
Distribution and marketing expenses	106,225	20,717	126,942	90,746	9,619	100,365	52,555	11,337	63,892	26,819	4,261	31,080
Administrative expenses	90,213	17,594	107,807	96,172	10,194	106,366	45,135	9,716	54,851	44,807	5,890	50,697
	1,544,351	425,316	1,969,667	1,601,471	449,117	2,050,588	774,241	224,044	998,285	782,715	245,164	1,027,879
Segment result	287,878	56,144	344,022	299,463	31,742	331,205	140,295	30,352	170,647	168,421	20,759	189,180
Unallocated corporate expenses:												
Other operating expenses			(26,779)			(24,954)			(13,314)			(14,030)
Other income			20,723			6,668			17,889			3,346
			(6,056)			(18,286)			4,575			(10,684)
Operating profit			337,966			312,919			175,222			178,496
Finance costs			(71,729)			(50,864)			(36,869)			(26,976)
Taxation			(67,843)			(70,007)			(34,638)			(39,484)
Profit for the period			198,394			192,048			103,715			112,036

		Note	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
			------------Rupees in '000------------	
6	**PROPERTY, PLANT AND EQUIPMENT**			
	Operating fixed assets	6.1	4,471,090	4,395,765
	Capital work-in-progress		50,714	162,425
	Right-of-use assets - Building	6.2	30,807	-
			4,552,611	4,558,190
6.1	**Operating fixed assets**			
	Net book value as at January 1, 2019 / 2018		4,395,765	2,749,332
	Additions during the period / year:			
	Land and building		4,354	-
	Plant and machinery		206,680	200,057
	Vehicles		23,930	21,077
	Furniture, fittings and office equipments		980	-
	Computer equipments		12,445	1,102
			248,389	222,236
	Revaluation surplus		-	1,798,150
	Less:			
	Disposals during the period / year - net book value		(877)	(10,088)
	Depreciation charge during the period / year		(172,187)	(363,865)
			(173,064)	(373,953)
			4,471,090	4,395,765
6.2	**Right-of-use assets - Building**			
	The recognised right-of-use assets relate to the following types of assets:			
	Building		30,807	-
	Balance as at January 1, 2019 / 2018		24,311	-
	Additions during the period / year		8,737	-
	Depreciation charge during the period / year		(2,241)	-
			30,807	-
7	**STOCK-IN-TRADE**			
	Raw and packing materials			
	in hand		103,054	156,632
	in transit		-	3,672
			103,054	160,304
	Finished goods			
	in hand		175,327	245,842
	in transit		18,099	-
			193,426	245,842
			296,480	406,146

7.1 The cost of raw and packaging materials and finished goods has been adjusted net of provision for slow moving, obsolete stock and net realizable value by Rs. 35,253 thousand (December 31, 2018: Rs. 36,870 thousand).

8	**LEASE LIABILITIES**			
	Lease liabilities		33,126	-
	Less: Current portion		(2,258)	-
			30,868	-
	Maturity analysis-contractual undiscounted cashflow			
	Less than one year		5,553	-
	One to five year		25,406	-
	More than five year		18,203	-
	Total undiscounted lease liability		49,162	-

8.1 When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate which is 15%.

9 **CONTINGENCIES AND COMMITMENTS**

9.1 **Contingencies**

The Company has disputed the unilateral increase in rentals of one of its leased premises being exorbitant, unreasonable and unjustified. Therefore, a civil suit has been filed against

The Court has directed parties to maintain status quo. The amount not acknowledged as debt in this regard as at June 30, 2019 amounted to Rs. 49,218 thousand (December 31, 2018: Rs. 47,943 thousand).

9.2 **Commitments**

Capital commitments outstanding as at June 30, 2019 amounted to Rs. 77,306 thousand (December 31, 2018: Rs. 163,614 thousand).

		Note	June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
			-------------Rupees in '000	------------------
10	**CASH GENERATED / (USED IN) FROM OPERATIONS**			
	Profit before taxation		266,237	262,055
	Adjustments for :			
	Depreciation		174,428	180,244
	Amortisation		3,436	1,860
	Gain on disposal of property, plant and equipmen		(12,934)	-438
	Interest income on balances with banks		-	-132
	Finance cost		71,729	50,864
	Post retirement medical benefits		486	276
	Liabilities no longer payable written back		(6,138)	-
	Working capital changes	10.1	(43,530)	-531,412
			453,714	(36,683)
10.1	**Working capital changes**			
	(Increase) / decrease in current assets:			
	Stores and spares		(26,852)	-48,653
	Stock-in-trade		109,666	-102,290
	Trade debts		(169,794)	-22,770
	Loans and advances		(24,486)	-5,182
	Deposit and prepayments		(33,689)	-44,443
	Other receivables		19,714	1,155
			(125,441)	(222,183)
	Increase / (decrease) in current liabilities:			
	Trade and other payables		81,911	-309,229
			(43,530)	(531,412)
11	**CASH AND CASH EQUIVALENTS**			
	Cash and bank balances		14,712	133,322
	Short term borrowings		(844,833)	(781,291)
			(830,121)	(647,969)

12 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of group companies, holding company, entities with common directors, major shareholders, key management employees and retirement benefit funds. Transactions and balances with related parties and associated undertakings are given below:

12.1 Transactions with related parties are summarised as follows:

and nature of relationship	Nature of transactions	June 30, 2019 (Un-audited)	June 30, 2018 (Un-audited)
		----------Rupees in '000	---------------
Adira Capital Holdings (Private) Limited - Holding Company	Dividend paid	16,546	60,374
	Issuance of bonus shares	24,818	-
Associated companies by virtue of shareholding and common directorship	Sale of goods	75,012	51,869
	Purchase of goods and receipt of	63,318	38,716
	Interest expense	16,962	3,270
	Dividend paid	21,715	49,802
	Issuance of bonus shares	32,573	-
Staff retirement benefits	Contributions to staff retirement fu	17,329	15,139
	Re-measurement: Actuarial gain recognised in other comprehensive income	-	2,280
Key management perso	Compensation	136,024	122,025
Directors	Meeting fee	2,638	4,100

12.2 Balances with related parties are summarised as follows:

	June 30, 2019 (Un-audited)	December 31, 2018 (Audited)
	----------Rupees in '000	---------------
Receivable from Staff retirement funds	22,397	22,564
Receivable from associated companies by virtue of shareholding and common directorship	17,836	8,970
Payable to Staff retirement funds	198	1,866
Short term financing facilities including markup payable:		
Standard Chartered Bank (Pakistan) Limited	698,860	623,379

12.3 Sales, purchases and other transactions with related parties are carried out on commercial terms and conditions.

13 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objective and policies are consistent with that disclosed in the annual audited financial statements of the Company for the year ended December 31, 2018.

14 DATE OF AUTHORISATION

This condensed interim financial information was authorized for issue on 28 August 2019 by the Board of Directors of the Company.

15 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. However, no significant reclassification has been made during the period.

16 GENERAL

Amounts have been rounded off to the nearest thousands of rupees unless otherwise

Syed Ali Adnan	Matin Amjad	Waqar A. Malik
Chief Financial Officer	Chief Executive Officer	Chairman

Our Products and Services

In Pakistan our business and reputation is built around our customers. Whatever the industry or interest, we continue to respond to its needs as quickly and effectively as possible. The ever changing requirements of customers are the driving force behind the development of all our products, technologies and support services. Pakistan Oxygen provides gas products, facilities and turnkey services and solutions which are customized to meet the unique needs of our customers and add value to their businesses. Our competitive advantage is our extensive process engineering, project development and comprehensive product portfolio. We have the widest range of bulk and compressed gases product lines as well as welding consumables, equipments and safety gear. At Pakistan Oxygen, our highly qualified and experienced engineers, product managers, technologists and marketers excel at providing dedicated support. A Pakistan Oxygen customer receives for each gas application, the complete solution – gas, know-how, tailor-made hardware and customized services

Industrial gases

Bulk gases

- Liquid oxygen
- Liquid nitrogen
- Liquid argon
- Pipeline & Trailer hydrogen
- Liquid carbon dioxide
- Industrial pipelines

PGP gases

- Compressed oxygen
- Aviation oxygen
- Compressed nitrogen
- Compressed argon
- Compressed air
- Compressed hydrogen
- Compressed carbon dioxide
- Dissolved acetylene

Specialty gases

- High purity gases
- Research grade gases
- Gaseous chemicals
- Calibration mixtures
- Argon mixtures
- Welding gas mixtures
- Sterilization gases
- Propane
- Helium (liquid & compressed)
- Refrigerants

Healthcare

Medical gases

- Liquid medical oxygen
- Compressed medical oxygen
- Nitrous oxide
- ENTONOX®
- Specialty Medical Gases & Mixtures e.g. Helium, Carbon dioxide, Heliox etc

Medical equipment

- Medical Air, Vacuum & AGSS Plants
- Medical Gases high & low-Pressure Monitoring & Alarm Systems, High precision flowmeters
- Suction injector units and oxygen therapy products
- ENTONOX® delivery systems complete with apparatus, regulators and cylinders

Medical engineering services

- Consultation, design, Installation and servicing of medical gas pipeline systems – (O2, N2O, Air, Suction etc)
- Safety, quality, risk analysis & training on medical gas pipeline systems.

Welding & others

Welding consumables

- Low hydrogen welding electrodes Fortrex E7018
- Mild Steel welding electrodes - Zodian Universal E6013
- Mild Steel welding electrodes - Matador47 E6013
- Mild Steel welding electrode - Spark E6013
- Stainless steel electrodes- Matador SS (E308 & E308L)
- Special Electrodes
- MIG welding wires- Matador

Welding machines

- Automatic
- Semi-automatic
- Manual

Welding accessories

- Regulators
- Cutting torches
- Welding torches
- Cutting machines
- Abrasives (Cutting & Grinding discs)
- Welding Cable
- Gas control equipment
- Safety equipment

PGP – others

- Calcium Carbide
- Industrial gases pipeline (O2, N2, DA, Ar etc)
- Training on safe use of industrial gases and pipelines system.

BUSINESS LOCATIONS

Registered office/head office

Karachi
P.O.Box 4845, West Wharf
Phones +92.21.32313361 (9 lines)
Fax 92.21 32312968

North-western region

Lahore — **Nitrous oxide plant**
P.O.Box 205
Shalamar Link Road, Mughalpura — **Gas compression facility**
Phones +92.42.36824091 (4 lines)
Fax + 92.42.36817573

Plot No. 705, Sundar Industrial Estate — **ASU plant**
Phones +92.42.35297244-47 (4 lines)

Mehmood Kot
Adjacent to PARCO — **Nitrogen plant**
Mid Country Refinery, Mehmood Kot
Qasba Gujrat, Muzaffargarh
Phones +92.66.2290751 & 2290484-85
Fax +92.66.2290752

Faisalabad
Altaf Ganj Chowk — **Sales depot**
Near Usman Flour Mills — **Gas compression facility**
Jhang Road
Phones +92.41.2653463 & 2650564
Sales depot

Wah Cantonment
Kabul Road — **Acetylene plant**
Phone +92.51.4545359
Taxila — **Gas compression facility**
Adjacent to HMC No.2
Phones +92.51.4560701(5 lines) & 4560600
Fax +92.51.4560700

Rawalpindi — **Sales office**
2nd Floor, Jahangir Multiplex
Golra Mor, Peshawar Road
Phones +92.51.2315501 (3 lines)
Fax +92.51.2315050

Southern region

Karachi — **Gas compression facility**
P.O.Box 4845, West Wharf — **Acetylene plant**
Phones +92.21.32313361 (9 lines) — **Electrode factory**
Fax +92.21.32312968 — **Speciality gases**

Port Qasim — **ASU plant**
Plot EZ/1/P-5(SP-1), Eastern Zone — **Hydrogen plant**
Phones +92.21.34740058 & 34740060 — **Carbon dioxide plant**
Fax +92.21.34740059 — **Dry ice plant**

Sukkur — **Sales depot**
A-15, Airport Road
Near Bhatti Hospital
Phone +92.71.5630871