CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

FOR THE NINE MONTHS ENDED

30 SEPTEMBER 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 (Alternate Director: Shahid Abdul Sattar)
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 (Alternate Director/Member: Shahid Abdul Sattar)
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 the Condensed Interim Financial Information (un-audited) of your Company for the quarter and nine months ended 30 September 2019.

Pakistan's economy continued to face challenges due to weakening of domestic demand over the past year in the backdrop of tightening policies and other economic measures aimed at addressing the country's macroeconomic imbalances. These measures have adversely affected the performance of the industrial sector and dampened manufacturing growth particularly in automobiles and steel sectors and associated industries. LSM posted a decline of 2.9 percent compared to a 6.3 percent growth recorded during the same period last year. The decline was largely attributed to a cut in public sector development projects funding, tightening monetary policy, currency depreciation and an unprecedented hike in energy prices. As a result, GDP growth moderated to 3.3 percent in FY19 compared to 5.5 percent of last year. CPI inflation rose steeply on a year-on-year basis from 5.8 percent to 11.6 percent. SBP policy rate stood at 13.25 percent (10 percent in December 2018).

The above stated economic factors adversely impacted the Company's performance during the period under review. The shipbreaking sector, which contributes substantially to the Company's Bulk business, remained sluggish due to reduced steel demand, higher interest rates and rupee devaluation.

However, despite the overall slowdown in economic activity and pricing pressure due to enhanced competition, your company achieved net sales of Rs. 3.5 billion, which is almost in line with last year. This was achieved due to higher sales in oil & gas, food & beverages and chemicals sectors and a notable surge in revenue from healthcare pipeline jobs.

Gross profit for the period under review is Rs. 852 million, up 4% compared to the same period last year despite rising input costs, which were mitigated through productivity gains and timely price increases.

Overheads stood at 396 million, which are 14% higher compared to last year mainly due to high inflation. As a result, after accounting for finance costs of Rs. 119 million, the Company recorded a profit after tax of Rs. 270 million, lower by 9% compared to the same period last year.

This year has seen unprecedented increase in electricity tariffs, with the recent hike of 23% announced by WAPDA, taking the full year increase to almost 74%, which substantially increases the Company's input costs. This together with the current decline in demand from major sectors like steel, automobile and fabrication shall continue to pose challenges to the Company's business in the months ahead.

On behalf of the Board

Karachi:	Matin Amjad	Waqar Ahmed Malik
22 October 2019	Chief Executive Officer	Chairman

ڈائریکٹرز کا جائزہ

ہم نہایت مسرت کے ساتھ ڈائریکٹرز کا جائزہ مع آپ کی کمپنی کی عبوری مالیاتی معلومات (غیر آڈٹ شدہ) برائے سہ ماہی اور نو ماہ مختتمہ 30 ستمبر 2019 کا خلاصہ پیش کرتے ہیں۔

پاکستان کی معیشت کو مستقل طور پر مشکلات کا سامنا ہے جس کی وجہ گزشتہ سال کے دوران میں ملکی طلب میں کمی ہے جس کے پس منظر میں سخت پالیسیز اور دیگر معاشی اقدامات ہیں جو ملک کی میکرو اکنامکس کے عدم توازن کو دور کرنے کے مقصد سے کئے گئے ہیں۔ ان اقدامات سے صنعتی شعبہ کی کارکردگی پر منفی اثر پڑا ہے اور صنعتوں، خاص طور پر آٹوموبائلز اور اسٹیل کے شعبہ جات اور ان سے منسلک صنعتوں میں مینوفیکچرنگ کی نمو متاثر ہوئی ہے۔ LSM میں 2.9 فیصد کمی واقع ہوئی جب کہ گزشتہ سال کی اسی مدت میں 6.3 فیصد اضافہ ریکارڈ کیا گیا تھا۔ اس کمی کی بڑی وجہ پبلک سیکٹر کے ڈیولپمنٹ پروجیکٹس کے فنڈز میں کٹوتی، مانیٹری پالیسی میں سختی، کرنسی کی قدر میں کمی اور توانائی کی قیمتوں میں غیر معمولی اضافہ ہے۔ اس کے نتیجے میں 2019 میں جی ڈی پی کی شرح نمو 3.3 فیصد ہوگئی جو کہ گزشتہ سال 5.5 فیصد تھی۔ CPI کی افراطِ زر میں سال بہ سال کی بنیاد پر تیزی سے اضافہ ہوا اور یہ 5.8 فیصد سے بڑھ کر 11.6 فیصد ہوگیا۔ SBP پالیسی ریٹ 13.25 فیصد رہا (جو دسمبر 2018 میں 10 فیصد تھا)۔

درج بالا معاشی عوامل نے زیرِ غور مدت کے دوران میں کمپنی کی کارکردگی کو بری طرح متاثر کیا۔ نیز شپ بریکنگ کا شعبہ، جو کمپنی کے Bulk Business میں سب سے اہم کردار ادا کرتا ہے، سست روی کا شکار رہا جس کی وجہ اسٹیل کی طلب میں کمی، زیادہ شرح سود اور روپے کی قدر میں کمی تھی۔ تاہم معاشی سرگرمیوں کی مجموعی سست روی اور بڑھتے ہوئے مقابلے کی بناء پر قیمتوں پر دباؤ کے باوجود، آپ کی کمپنی نے 3.5 بلین روپے کی خالص سیلز کی، جو تقریباً گزشتہ سال کے برابر ہے۔ اس کامیابی کی وجہ آئل اینڈ گیس، فوڈ اینڈ بیوریجز اور کیمیکل کے شعبہ جات میں سیلز میں اضافہ اور ہیلتھ پائپ لائن کے کام سے حاصل ہونے والی آمدنی میں نمایاں اضافہ تھی۔

زیرِ جائزہ مدت میں پیداواری لاگت میں اضافے (جس کے اثر کو پیداواری فائدے اور قیمتوں میں بروقت اضافے کے ذریعہ کم سے کم کیا گیا) کے باوجود مجموعی منافع 852 ملین روپے حاصل ہوا جو گزشتہ سال کی اسی مدت کے منافع کے مقابلے میں 4% زیادہ ہے۔

اوورہیڈز 396 ملین روپے رہے جو گزشتہ سال کی اسی مدت کے مقابلے میں 14% زیادہ ہیں جس کی بڑی وجہ افراطِ زر میں اضافہ ہے۔ اس کے نتیجے میں 119 ملین روپے کی مالیاتی اخراجات نکال کر کمپنی کو 270 ملین روپے کا بعد از ٹیکس منافع حاصل ہوا جو گزشتہ سال کی اسی مدت کے منافع سے 9% کم ہے۔

اس سال بجلی کے نرخوں میں غیر معمولی اضافہ دیکھنے میں آیا جس میں واپڈا کے حالیہ اعلان کردہ 23% اضافے کو شامل کرنے سے پورے سال میں تقریباً 74% اضافہ ہوا جس کی وجہ سے کمپنی کی پیداواری لاگت میں نمایاں اضافہ ہوا ہے۔ اس کے ساتھ ساتھ بڑے شعبہ جات جیسے اسٹیل، آٹوموبائل اور فیبریکیشن کی جانب سے موجودہ طلب میں کمی کا سلسلہ جاری ہے جو آنے والے مہینوں میں کمپنی کے کاروبار کیلئے چیلنج کی صورت میں موجود رہے گا۔

وقار احمد ملک	متین امجد	کراچی
چیئرمین	چیف ایگزیکٹو آفیسر	22 اکتوبر 2019

Pakistan Oxygen Limited

Condensed Interim Profit and Loss Account (Unaudited)

	Note	For the nine months ended		For the third quarter ended	
		30 September 2019	30 September 2018	**30 September 2019**	30 September 2018
		-----------------------------Rupees in '000	-----------------------------		
Gross sales	5	**3,975,814**	4,076,982	**1,373,293**	1,394,993
Trade discount and sales tax	5	**(441,222)**	(458,538)	**(152,390)**	(158,342)
Net sales		**3,534,592**	3,618,444	**1,220,903**	1,236,651
Cost of sales	5	**(2,683,031)**	(2,797,643)	**(948,114)**	(953,786)
Gross profit		**851,560**	820,801	**272,789**	282,865
Distribution and marketing expenses	5	**(196,530)**	(156,133)	**(69,588)**	(55,766)
Administrative expenses	5	**(160,596)**	(151,728)	**(52,789)**	(45,362)
Other operating expenses		**(38,558)**	(38,694)	**(11,779)**	(13,740)
		(395,685)	(346,555)	**(134,157)**	(114,868)
Operating profit before other income		**455,876**	474,246	**138,632**	167,997
Other income		**24,723**	9,342	**4,000**	2,674
Operating profit		**480,598**	483,588	**142,632**	170,671
Finance costs		**(118,676)**	(82,681)	**(46,947)**	(31,817)
Profit before taxation		**361,922**	400,907	**95,685**	138,854
Taxation		**(91,901)**	(104,219)	**(24,058)**	(34,212)
Profit for the period		**270,021**	296,688	**71,627**	104,642
			(Restated)		**(Restated)**
Earnings per share - basic and diluted (Rupees)		**8.30**	9.11	**2.20**	3.21

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

Syed Ali Adnan
Chief Financial Officer

Matin Amjad
Chief Executive Officer

Waqar A. Malik
Chairman

Pakistan Oxygen Limited
Condensed Interim Statement of Comprehensive Income (Unaudited)

	For the nine months ended		For the third quarter ended	
	30 September 2019	30 September 2018	**30 September 2019**	30 September 2018
	---------------------------Rupees in '000		-------------------------------	
Profit for the period	**270,021**	296,688	**71,627**	104,642
Other comprehensive income				
Items that will never 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	**270,021**	298,284	**71,627**	104,642

The annexed notes 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
As at 30 September 2019

	Note	30 September 2019 (Unaudited)	31 December 2018 (Audited)
		----------Rupees in '000----------	
ASSETS			
Non-current assets			
Property, plant and equipment	6	**4,488,222**	4,558,190
Intangible assets		**34,229**	33,701
Investment in subsidiary		**10**	10
Long term Loans		**7,490**	-
Long term deposits		**75,376**	69,853
		4,605,327	4,661,754
Current assets			
Stores and spares		**200,813**	161,393
Stock-in-trade	7	**405,725**	406,146
Trade debts		**951,493**	674,550
Loans and advances		**28,978**	18,543
Deposits and prepayments		**278,681**	130,279
Other receivables		**129,485**	136,443
Taxation - net		**354,883**	363,350
Cash and bank balances		**8,030**	144,780
		2,358,087	2,035,484
Total assets		**6,963,414**	6,697,238
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorised:			
40,000,000 (2018: 40,000,000) Ordinary shares of Rs. 10 each		**400,000**	400,000
Issued, subscribed and paid-up:			
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		**269,300**	271,181
Capital reserves			
Surplus on revaluation of property, plant and equipment		**1,798,150**	1,798,150
		3,792,700	3,648,593
		4,118,203	3,898,980
Non-current liabilities			
Long term deposits		**190,415**	184,818
Lease liabilities	8	**30,218**	-
Deferred liabilities		**299,440**	317,812
		520,073	502,630
Current liabilities			
Trade and other payables		**1,044,427**	1,024,246
Short term borrowings		**1,123,365**	978,568
Un-claimed dividend		**19,926**	22,814
Current portion of lease liabilities	8	**2,421**	-
Current maturity of long term financing		**135,000**	270,000
		2,325,138	2,295,628
Total equity and liabilities		**6,963,414**	6,697,238
Contingencies and Commitments	9		

The annexed notes 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 Cash Flow Statement (Unaudited)

For the nine months ended 30 September 2019

	Note	30 September 2019	30 September 2018
		---------Rupees in '000--------------	
CASH FLOW FROM OPERATING ACTIVITIES			
Cash generated from operations	10	**262,932**	157,158
Finance costs paid		**(91,816)**	(57,474)
Income tax paid		**(102,037)**	(170,708)
Post retirement medical benefits paid		**(204)**	(924)
Long term loans and deposits		**(13,012)**	-
Long term deposits		**5,596**	4,858
Net cash generated from/(used in) operating activities		**61,458**	(67,090)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		**(163,118)**	(59,207)
Acquisition of Intangibles		**(3,292)**	(26,827)
Proceeds from disposal of operating assets		**15,365**	10,619
Interest received on balances with banks		**-**	239
Net cash used in investing activities		**(151,045)**	(75,176)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long term financing		**(135,000)**	(250,000)
Repayment of lease liabilities		**(3,995)**	-
Dividends paid		**(52,965)**	(135,956)
Net cash used in financing activities		**(191,960)**	(385,956)
Net decrease in cash and cash equivalents		**(281,547)**	(528,222)
Cash and cash equivalents at beginning of the year		**(833,788)**	(305,461)
Cash and cash equivalents at end of the period	11	**(1,115,335)**	(833,683)

The annexed notes 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 nine months ended 30 september 2019

	Share capital	Capital Reserves	Revenue Reserves		Total
	Issued, subscribed and paid-up	Surplus on revaluation of property, plant & equipment	General reserve	Unappropriated profit	
	Rupees in '000				
Balance as at 1 January 2018	250,387	-	1,475,338	241,637	1,967,362
Total comprehensive income for the period:					
Profit for the period	-	-	-	296,688	296,688
Other comprehensive income for the period	-	-	-	1,596	1,596
	-		-	298,284	298,284
Transactions with owners of the Company recognised directly in equity					
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 30 September 2018	250,387	-	1,579,262	298,284	2,127,933
Balance as at 1 January 2019	**250,387**	**1,798,150**	**1,579,262**	**271,181**	**3,898,980**
Impact of change in accounting policy-note 3.5	**-**	**-**	**-**	**(721)**	**(721)**
Adjusted balance as January 1, 2019	**250,387**	**1,798,150**	**1,579,262**	**270,460**	**3,898,259**
Total comprehensive income for the period:					
Profit for the period	**-**	**-**	**-**	**270,021**	**270,021**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**
	-	**-**	**-**	**270,021**	**270,021**
Transactions with owners of the Company recognised directly in equity					
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 30 September 2019	**325,503**	**1,798,150**	**1,725,250**	**269,300**	**4,118,203**

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

Syed Ali Adnan
Chief Financial Officer

Matin Amjad
Chief Executive Officer

Waqar A. Malik
Chairman

Pakistan Oxygen Limited
Notes to the Condensed Interim Financial Information (Unaudited)
For the nine months ended 30 September 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 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 Nine months period ended September 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 Nine months ended September 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 at 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 recognized.

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 measurement bases:

- 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 application.
- 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. 14.063 million.

5. SEGMENT RESULTS (UN-AUDITED)

	For the nine months ended						For the third quarter ended					
	30 September 2019			30 September 2018			**30 September 2019**			30 September 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	**3,115,327**	**860,487**	**3,975,814**	3,214,995	861,987	4,076,982	**1,074,548**	**298,745**	**1,373,293**	1,093,723	301,270	1,394,993
Less:												
Trade discount	**11,865**	**-**	**11,865**	4,463		4,463	**3,229**	**-**	**3,229**	2,486	-	2,486
Sales tax	**305,945**	**123,413**	**429,358**	331,002	123,073	454,075	**106,031**	**43,131**	**149,162**	112,641	43,215	155,856
	317,809	**123,413**	**441,222**	335,465	123,073	458,538	**109,259**	**43,131**	**152,390**	115,127	43,215	158,342
Net sales	**2,797,518**	**737,074**	**3,534,592**	2,879,530	738,914	3,618,444	**965,289**	**255,614**	**1,220,903**	978,596	258,055	1,236,651
Less:												
Cost of sales	**2,060,869**	**622,163**	**2,683,031**	2,150,364	647,279	2,797,643	**712,956**	**235,158**	**948,114**	735,811	217,975	953,786
Distribution and marketing expenses	**170,010**	**26,520**	**196,530**	138,701	17,431	156,133	**-** **63,785**	**-** **5,803**	**69,588**	47,955	7,811	55,766
Administrative expenses	**138,925**	**21,671**	**160,596**	134,789	16,939	151,728	**48,712**	**4,077**	**52,789**	38,617	6,745	45,362
	2,369,804	**670,354**	**3,040,159**	2,423,854	681,649	3,105,504	**825,453**	**245,038**	**1,070,491**	822,383	232,531	1,054,914
Segment result	**427,714**	**66,720**	**494,433**	455,676	57,265	512,940	**139,836**	**10,576**	**150,412**	156,213	25,524	181,737
Unallocated corporate expenses:												
- Other operating expenses			**(38,558)**			(38,694)			**(11,779)**			(13,740)
- Other income			**24,723**			9,342			**4,000**			2,674
			(13,835)			(29,352)			**(7,779)**			(11,066)
Operating profit			**480,598**			483,588			**142,632**			170,671
Finance costs			**(118,676)**			(82,681)			**(46,947)**			(31,817)
Taxation			**(91,901)**			(104,219)			**(24,058)**			(34,212)
Profit for the period			**270,021**			296,688			**71,627**			104,642

6. PROPERTY, PLANT AND EQUIPMENT

	Note	30 September 2019 (Unaudited)	31 December 2018 (Audited)
		---------------Rupees in '000---	----------------
Operating assets	6.1	**4,408,627**	4,395,765
Capital work-in-progress		**49,909**	162,425
Right-of-use assets - Building	6.2	**29,686**	-
		4,488,222	4,558,190

6.1 Operating assets

Net book value/revalued amount as at 1 January 2019 / 2018	**4,395,765**	2,749,332
Additions during the period / year:		
- Land and Building	**4,354**	-
- Plant and machinery	**217,265**	200,057
- Vehicles	**32,589**	21,077
- Furniture, fittings and office equipments	**1,684**	-
- Computer equipments	**17,161**	1,102
	273,053	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	**(259,314)**	(363,865)
	(260,191)	(373,953)
	4,408,627	4,395,765

6.2 Right-of-use assets - Building

The recognised right-of-use assets relate to the following types of assets:

Building	**29,686**	-
Balance as at January 1, 2019 / 2018	**24,311**	-
Additions during the period / year	**8,737**	-
Depreciation charge during the period / year	**(3,362)**	-
	29,686	-

7 STOCK-IN-TRADE

Raw and packing materials		
- in hand	**151,679**	156,632
- in transit	**-**	3,672
	151,679	160,304
Finished goods		
- in hand	**247,872**	245,842
- in transit	**6,174**	-
	254,046	245,842
	405,725	406,146

7.1 The cost of raw and packaging materials and finished goods has been adjusted net of provision for slow moving and obsolete stock by Rs. 35.753 million (31 December 2018: Rs. 36.870 millions).

		30 September 2019	31 December 2018
		(Unaudited)	(Audited)
		--------------Rupees in '000--------------	
8	**LEASE LIABILITIES**		
	Lease liabilities	**32,639**	-
	Less: Current portion	**(2,421)**	-
		30,218	-
	Maturity analysis-contractual undiscounted cashflow:		
	Less than one year	**5,656**	-
	One to five year	**30,461**	-
	More than five year	**11,712**	-
	Total undiscounted lease liability	**47,829**	-

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 Lessor. The Court has directed parties to maintain status quo. The amount not acknowledged as debt in this regard as at 30 September 2019 amounted to Rs. 49.881 million (31 December 2018: Rs.47.943 million).

9.2 Commitments

Capital commitments outstanding as at 30 September 2019 amounted to Rs.96.194 million (31 December 2018: Rs. 163.614 million).

10 CASH GENERATED FROM OPERATIONS

	Note	30 September 2019	30 September 2018
		(Un-audited)	(Un-audited)
		--------------Rupees in '000--------------	
Profit before taxation		**361,922**	400,907
Adjustments for :			
Depreciation		**262,675**	272,195
Amortisation		**5,349**	2,790
Gain on disposal of property, plant and equipment		**(14,487)**	(1,604)
Mark-up income from savings and deposit accounts		**-**	(239)
Finance cost		**118,676**	82,681
Post retirement medical benefits		**729**	414
Liabilities written back not payable		**(6,138)**	-
Working capital changes	10.1	**(465,795)**	(599,986)
		262,932	157,158

10.1 Working capital changes

Decrease / (increase) in current assets:		
Stores and spares	**(39,420)**	(67,526)
Stock-in-trade	**421**	(126,925)
Trade debts	**(276,943)**	(100,423)
Loans and advances	**(10,435)**	6,446
Deposit and prepayments	**(148,402)**	(36,409)
Other receivables	**6,958**	27,577
	(467,821)	(297,260)
Increase/ (decrease) in current liabilities:		
Trade and other payables	**2,025**	(302,726)
	(465,795)	(599,986)

	30 September 2019 (Un-audited)	30 September 2018 (Un-audited)
	--------------Rupees in '000--------------	
11 CASH AND CASH EQUIVALENTS		
Cash and bank balances	**8,030**	122,609
Short term borrowings - running financ 6 mark-up arrangement	**(1,123,365)**	(956,292)
	(1,115,335)	(833,683)

12. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The related parties comprise of associated companies, 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:

Nature of Relationship	Nature of Transaction	30 September 2019	30 September 2018
		--------------Rupees in '000--------------	
Major shareholders and associated companies by virtue common directorship	Dividend	**38,261**	110,176
	Issuance of Bonus shares	**57,391**	-
	Sale of goods	**117,109**	83,923
	Interest expense	**30,892**	13,367
	Purchase of goods and receipt of services	**85,490**	57,323
Key management personnel	Compensation	**207,904**	173,119
Directors	Meeting fee	**4,437**	5,325
Staff retirement benefits	Contributions to staff retirement	**26,543**	23,024
	Re-measurement: Actuarial (loss) / gain recognised in other comprehensive income	**-**	2,280

12.2 Balances with related parties are summarised as follows:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Receivable from:	--------------Rupees in '000--------------	
Staff Retirement Funds	**18,198**	22,564
Associated companies by virtue of shareholding and common directorship	**24,032**	8,970
Payable to:		
Staff Retirement Funds	**1,867**	1,866
Associated companies by virtue of shareholding and common directorship	**10,236**	1,684
Short term financing facilities including markup payable:		
Standard Chartard Bank (Pakistan) Ltd	**1,064,373**	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. 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.

15. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on 22 October 2019 by the Board of Directors of the Company.

16 GENERAL

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

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**, **Gas compression facility**
P.O.Box 205
Shalamar Link Road, Mughalpura
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 — **Nitrogen plant**
Adjacent to PARCO
Mid Country Refinery, Mehmood Kot
Qasba Gujrat, Muzaffargarh
Phones +92.66.2290751 & 2290484-85
Fax +92.66.2290752

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

Wah Cantonment — **Acetylene plant**
Kabul Road
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**, **Acetylene plant**, **Electrode factory**, **Speciality gases**
P.O.Box 4845, West Wharf
Phones +92.21.32313361 (9 lines)
Fax +92.21.32312968

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

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