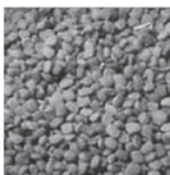




*Spreading goodness of Guar*

**Condensed Interim Financial Information  
(Un-audited) for the  
Six Months Period Ended June 30, 2019**



**GUAR SEED**



**GUAR SPLITS**



**GUAR GUM**



**GUAR MEAL**

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## COMPANY INFORMATION

AS ON JUNE 30, 2019

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### Board of Directors

Muhammad Moonis	Chairman
Shuaib Ahmed	Director/Vice Chairman
Muhammad Aslam Hanafi	Director
Mohammad Ali Hanafi	Director
Ozair Ahmed Hanafi	Director
Syed Hasan Ali Bukhari	Director
Tariq Mohamed Amin	Director
Zaeem Ahmad Hanafi	Director
Zahid Zaheer	Director

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### Chief Executive

Sajid Iqbal Hussain

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### Audit Committee

Tariq Mohamed Amin	Chairman
Zaeem Ahmad Hanafi	Member
Zahid Zaheer	Member
Syed Hasan Ali Bukhari	Member

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### Human Resource & Remuneration (HR&R) Committee

Zahid Zaheer	Chairman
Shuaib Ahmed	Member
Tariq Mohamed Amin	Member
Syed Hasan Ali Bukhari	Member

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### Chief Financial Officer

Jahanzeb Ashfaq

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### Company Secretary

Zafar Iqbal

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### Auditors

KPMG Taseer Hadi & Co.  
Chartered Accountants

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### Legal Advisor

Azizuddin & Co.

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### Bankers

Askari Bank Limited	Bank Al Habib Limited	JS Bank Limited
Habib Bank Limited	Habib Metropolitan Bank Limited	
MCB Bank Limited	Summit Bank Limited	

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### Registrar and Share Transfer Office

JWAFFS Registrar Services (Pvt.) Limited  
407-408, Al-Ameera Centre  
Shahrah-e-Iraq, Saddar  
Karachi

Phone: (92-21) 35662023-24

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### Registered Office

B-19/A, Irshad Qadri Road  
S.I.T.E., Karachi-75700  
P. O. Box 3639

Phone: (92-21) 32561124-26

Fax: (92-21) 32561320

E-mail: [info@pakchem.com.pk](mailto:info@pakchem.com.pk)

URL: [www.pakchem.com.pk](http://www.pakchem.com.pk)

## DIRECTORS' REPORT

On behalf of the Board of Directors, We are pleased to present the unaudited condensed interim financial information of the Company for the period ended June 30, 2019.

### Business Review

Net sale proceeds during the period under review are Rs. 401.425 million, whereas; during corresponding period, the net sales were Rs.395.763 million. Pre-tax profit during the period is Rs.3.876 million compared to a loss of Rs24.319 million in the corresponding period. Profit after tax is just at breakeven level of Rs.0.093 million whereas in the corresponding period loss was Rs.28.649 million.


### Future Outlook

Presently the product prices in the International market are decreasing due to depressed demand in Oil & Drilling industry, whereas the competition from India and local suppliers remained strong therefore; we do not expect significant improvement in the Company's performance in the months ahead.

### Acknowledgement

We appreciate the efforts of the employees for their hard work. We are grateful to the Board Members for their valuable guidance and continued support to improve the performance of the Company.

By order of the Board



**Sajid Iqbal Hussain**  
Chief Executive



**Muhammad Moonis**  
Chairman

Karachi: August 6, 2019

## ڈائریکٹرز کا جائزہ

ہم بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2019 کو اختتام پزیر ہونے والے غیر آڈٹ شدہ ششماہی مالیاتی گوشوارہ پیش کر رہے ہیں۔

### کاروباری جائزہ

اس ششماہی میں حتمی فروخت 401.425 ملین روپے رہی جو کہ گزشتہ سال اس مدت میں 395.763 ملین روپے تھی۔ بغیر ٹیکس کے منافع 3.876 روپے رہا جبکہ گزشتہ سال اس مدت کے دوران 24.619 ملین روپے کا خسارہ ہوا۔ بعد از ٹیکس نفع نہ نقصان کی سطح پر 0.093 ملین روپے رہا جبکہ گزشتہ سال اس مدت کے دوران 28.649 ملین روپے کا خسارہ ہوا۔

### مستقبل کے کاروباری حالات کی پیش گوئی

عالمی منڈی میں تیل نکالنے والی صنعتوں کی جانب سے ہماری مصنوعات کی مانگ میں کمی کی وجہ سے ہماری مصنوعات کی قیمتوں میں بھی کمی کے رجحان کا اندیشہ ہے۔ مقامی اور ہندوستانی مارکیٹ سے سخت مقابلہ ہے جس کے باعث کمپنی کی کارکردگی میں باقی ماندہ دنوں میں خاطر خواہ بہتری فی الحال بعید از قیاس ہے۔

### اعتراف

ہم کارکنان کے بے حد مشکور ہیں جو کہ مشکل حالات کے باوجود محنت اور لگن سے اپنا کام سرانجام دیتے رہے۔ ہم بورڈ ممبران کا بھی تہہ دل سے شکر یہ ادا کرتے ہیں جنکی قابل قدر صلاحیتوں اور ہنمائی سے انتظامیہ اپنے فرائض بہ احسن انجام دیتی رہی۔

بحکم بورڈ



محمد مونس  
چیرمین



ساجد اقبال حسین  
چیف ایگزیکٹو

کراچی: مورخہ 6 اگست، 2019



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

## INDEPENDENT AUDITORS' REVIEW REPORT

To the members of Pakistan Gum and Chemicals Limited

### Report on review of Interim Financial Information

#### *Introduction*

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Gum and Chemicals Limited ("the Company") as at 30 June 2019 and the related condensed interim statement of profit or loss and other comprehensive income, condensed interim statement of changes in equity, condensed interim statement of cash flows, and notes to the condensed interim financial information for the six-months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed 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 condensed 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 as applicable in Pakistan 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 is not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.



KPMG Taseer Hadi & Co.

**Other matters**

The figures of the condensed interim financial information for the quarter ended 30 June 2019, have not been reviewed and we do not express a conclusion thereon.

The engagement partner on the engagement resulting in this independent auditors' review report is Muhammed Nadeem.

**Date: 06 August 2019**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

## Condensed Interim Statement of Financial Position (Un-audited) As at June 30, 2019

	Note	Unaudited June 30, 2019	Audited December 31, 2018
Rupees in '000			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	92,240	94,083
<b>Current assets</b>			
Stores and spares		2,863	5,181
Stock-in-trade	8	212,267	284,924
Trade debts	9	69,153	50,129
Loans and advances		1,349	1,286
Deposits and prepayments		1,721	2,045
Other receivables		12,181	12,284
Short-term investments	10	6,874	104,891
Taxation - net		27,676	25,443
Cash and bank balances	11	95,070	13,416
		<b>429,154</b>	<b>499,599</b>
<b>Total assets</b>		<b>521,394</b>	<b>593,682</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>SHARE CAPITAL</b>			
<b>Authorised capital</b>			
10,000,000 Ordinary shares of Rs.10 each		100,000	100,000
<b>Issued, subscribed and paid-up capital</b>			
		42,486	42,486
<b>Capital reserves</b>			
		17,553	17,553
<b>Revenue reserves</b>			
		276,187	280,343
		<b>336,226</b>	<b>340,382</b>
<b>Non-current liabilities</b>			
Deferred taxation		2,135	2,645
<b>Current liabilities</b>			
Trade and other payables	12	30,512	98,200
Short term borrowings - secured	13	150,000	150,000
Unclaimed dividend		1,399	1,321
Mark-up accrued		1,122	1,134
		<b>183,033</b>	<b>250,655</b>
<b>Total equity and liabilities</b>		<b>521,394</b>	<b>593,682</b>
<b>Contingencies and commitments</b>			
	14		


The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.



**Sajid Iqbal Hussain**  
CHIEF EXECUTIVE



**Muhammad Moonis**  
CHAIRMAN




**Jahanzeb Ashfaq**  
CHIEF FINANCIAL OFFICER



## Condensed Interim Statement of Profit or Loss and Other Comprehensive Income (Unaudited) For the Six Months Period and Quarter Ended June 30, 2019

Note	Six Months Period Ended		Quarter Ended		
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	
<b>Rupees in '000</b>					
Sales - net	15	401,425	395,763	194,953	174,165
Cost of sales		(367,758)	(387,906)	(181,885)	(175,428)
Gross profit / (loss)		33,667	7,857	13,068	(1,263)
Shipping expenses	16	(14,816)	(12,295)	(7,318)	(4,182)
Administrative expenses		(24,066)	(27,022)	(12,994)	(15,145)
Other operating expenses		(349)	-	-	-
		(39,231)	(39,317)	(20,312)	(19,327)
		(5,564)	(31,460)	(7,244)	(20,590)
Other income	17	11,925	9,619	9,663	5,576
Operating profit before finance costs		6,361	(21,841)	2,419	(15,014)
Finance costs		(2,485)	(2,478)	(1,306)	(1,205)
<b>Profit / (loss) before taxation</b>		<b>3,876</b>	<b>(24,319)</b>	<b>1,113</b>	<b>(16,219)</b>
Taxation		(3,783)	(4,330)	(1,249)	(2,166)
<b>Profit / (loss) for the period</b>		<b>93</b>	<b>(28,649)</b>	<b>(136)</b>	<b>(18,385)</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive profit / (loss) for the period</b>		<b>93</b>	<b>(28,649)</b>	<b>(136)</b>	<b>(18,385)</b>
<b>Rupees</b>					
<b>Profit / (Loss) per share - basic and diluted</b>	18	<b>0.02</b>	<b>(6.74)</b>	<b>(0.03)</b>	<b>(4.33)</b>

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

  
**Sajid Iqbal Hussain**  
CHIEF EXECUTIVE


  
**Muhammad Moonis**  
CHAIRMAN

  
**Jahanzeb Ashfaq**  
CHIEF FINANCIAL OFFICER


## Condensed Interim Statement of Cash Flows (Unaudited) For the Six Months Period Ended June 30, 2019

Note	Six months period ended	
	June 30, 2019	June 30, 2018
Rupees in '000		
<b>Cash flows from operating activities</b>		
Profit / (loss) before taxation for the period	3,876	(24,319)
Adjustments for:		
Depreciation	4,875	5,055
Finance costs	2,485	2,232
(Reversal) / provision against doubtful debts	(406)	84
Provision against sales tax refundable	-	1,709
Provision against slow moving stores and spares	305	268
Provision against compensated absences	900	900
Provision for gratuity	840	-
Provision for pension	30	-
Profit on financial assets	(3,020)	(2,672)
Loss on disposal of fixed assets	10	-
Net cash flows before working capital changes	9,895	(16,743)
<b>Changes in:</b>		
Stores and spares	2,013	(3,171)
Stock-in-trade	72,657	(76,781)
Trade debts	(18,618)	(1,670)
Loans and advances	(63)	390
Deposits and prepayments	324	(514)
Other receivables	(1,368)	1,391
Trade and other payables	(68,558)	(13,748)
Net cash (used in) operations	(3,718)	(110,846)
Income tax paid	(6,526)	(2,141)
Payment in respect of compensated absences	(30)	(1,520)
Contribution paid in respect of gratuity	(840)	-
Contribution paid in respect of pension	(15)	-
Finance costs paid	(2,497)	(2,201)
	(9,908)	(5,862)
Net cash (used in) operating activities	(13,626)	(116,708)
<b>Cash flows from investing activities</b>		
Capital expenditure	(3,172)	(99)
Proceeds from disposal of operating fixed assets	130	-
Interest income received	4,476	2,563
Net cash generated from investing activities	1,434	2,464
<b>Cash flows from financing activities</b>		
Net cash (used in) financing activities - dividend paid	(4,171)	-
Net decrease in cash and cash equivalents	(16,363)	(114,244)
<b>Cash and cash equivalents at beginning of the period</b>	111,433	237,708
<b>Cash and cash equivalents at end of the period</b>	19 95,070	123,464

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.

  
**Sajid Iqbal Hussain**  
CHIEF EXECUTIVE

  
**Muhammad Moonis**  
CHAIRMAN

  
**Jahanzeb Ashfaq**  
CHIEF FINANCIAL OFFICER

## Condensed Interim Statement of Changes in Equity (Unaudited) For the Six Months Period Ended June 30, 2019

	Issued, subscribed and paid-up capital	Capital reserve Share premium	Revenue Reserves			Total
			General	Unapp- ropriated profit	Sub total	
-----Rupees'000-----						
<b>Balance as at 31 December 2017</b>	42,486	17,553	462,839	(203,746)	259,093	319,132
<b>Total comprehensive income for the period</b>						
Loss for the period	-	-	-	(28,649)	(28,649)	(28,649)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	-	(28,649)	(28,649)	(28,649)
<b>Balance as at 30 June 2018</b>	42,486	17,553	462,839	(232,395)	230,444	290,483
<b>Balance as at 31 December 2018</b>	42,486	17,553	462,839	(182,496)	280,343	340,382
<b>Total comprehensive income for the period</b>						
Income for the period	-	-	-	93	93	93
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	-	-	-	93	93	93
<b>Transaction with owner of the Company - distributions</b>						
Dividend						
- Final 10% (i.e. Re. 1.00 per share) for the year ended 31 Dec 2018	-	-	-	(4,249)	(4,249)	(4,249)
<b>Balance as at 30 June 2019</b>	42,486	17,553	462,839	(186,652)	276,187	336,226

The annexed notes from 1 to 22 form an integral part of this condensed interim financial information.



**Sajid Iqbal Hussain**  
CHIEF EXECUTIVE



**Muhammad Moonis**  
CHAIRMAN



**Jahanzeb Ashfaq**  
CHIEF FINANCIAL OFFICER

## Notes to the Condensed Interim Financial Information (Unaudited) For the Six Months Period Ended June 30, 2019

### 1. THE COMPANY AND ITS OPERATIONS

Pakistan Gum and Chemicals Limited ("the Company") was incorporated in Pakistan as a public limited company in 1982 under the repealed Companies Act, 1913 (now the Companies Act, 2017) and is quoted on the Pakistan Stock Exchange. The registered office of the Company is located at B-19/A, Irshad Qadri Road, SITE, Karachi.

The Company is principally engaged in the production and sale of guar gum and its allied products.

The Board of the Directors of the Company in its meeting held on 19 June 2019 has resolved to delist the Company from Pakistan Stock Exchange (PSX) under rule 5.13 of Voluntarily Delisting Rules of the Rule Book. The Company will submit a formal application to the PSX and for which the sponsors have been authorized to buy-back ordinary shares held by the minority shareholders of the Company to an extent and a price to be determined in accordance with the regulations or as may be determined by the PSX or Securities and Exchange Commission of Pakistan for the purpose of voluntary delisting of the Company from PSX.

### 2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 This condensed interim financial information of the Company for the six months period ended 30 June 2019 has been prepared in accordance with the accounting and reporting standard as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

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

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

2.2 This condensed interim financial information of the Company does not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended 31 December 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual audited financial statements.

2.3 This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand, except otherwise stated.

2.4 This condensed interim financial information is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual financial statements of the Company as at and for the year ended 31 December 2018 except as disclosed in note 3.1 below:

### 3.1 Changes in significant accounting policies

The Company has adopted IFRS 15 'Revenue from Contracts with Customers', IFRS 9 'Financial Instruments' and IFRS 16 'Leases' from 01 January 2019 which are effective from annual periods beginning on or after 01 July 2018.

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

#### 3.1.1 IFRS 15 'Revenue from Contracts with Customers'

On 28 May 2014, the International Accounting Standards Board ("IASB") issued International Financial Reporting Standards ("IFRS") 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are made rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and the number of revenue related interpretations.

The Company manufactures and contracts with customers for the sale of guar gum and allied products which generally include single performance obligation. The management has concluded that revenue from sale of goods be recognised at the point in time when control of the asset is transferred to the customer, which is when the goods are dispatched to the customer. Invoices are generated and revenue is recognised at that point in time, as the control has been transferred to the customers. Invoices are usually payable within 30 days. The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, did not have an impact on the timing and amounts of revenue recognition of the Company. Therefore, adoption of IFRS 15 at 01 January 2019, did not have an effect on the condensed interim financial information of the Company.

#### 3.1.2 IFRS 9 Financial Instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The details of new significant accounting policies adopted 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, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

**Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest income is calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

**Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents recovery of part of the cost of the investments. Other gains and losses are recognised in OCI and are never reclassified to profit or loss.

**ii. Impacts of change in classification and measurement of financial assets and financial liabilities due to adoption of IFRS 9**

The following table 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 31 December 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original Carrying Amount	New Carrying Amount
Rupees in '000				
<b>Financial assets</b>				
Trade debts	Held to maturity	Amortized cost	50,129	50,129
Loans and advances	Held to maturity	Amortized cost	528	528
Other receivables	Held to maturity	Amortized cost	1,727	1,727
Short-term investments	Held to maturity	Amortized cost	104,891	104,891
Cash and bank balances	Held to maturity	Amortized cost	13,416	13,416

**iii. Impairment of financial assets**

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company's experience of collection history and no historical loss rates / bad debts and normal receivable aging, the move from an incurred loss model to an expected loss model has no impact on the financial position and / or financial performance of the Company. Short term investments and bank balances are also measured at expected credit losses. Since these assets are short term in nature, no credit loss is expected on these balances.

**iv. Transition**

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. However, there is no impact of the changes in accounting policies on the condensed interim statement of financial position except for the classification of assets and liabilities of the comparative period.

### 3.1.3 IFRS 16 'Leases'

IFRS 16 'Leases' (effective for annual period beginning on or after 01 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The Company did not have any lease arrangement as at 30 June 2019 therefore, adoption of IFRS 16 at 1 January 2019, did not have an effect on the condensed interim financial information of the Company.

#### 4. New or Amendments / Interpretations to Existing Standards, Interpretation and Forthcoming Requirements

There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 January 2019 other than those disclosed in note 3.1, are considered not to be relevant or do not have any significant effect on the Company's financial position and are therefore not stated in these financial statements.

#### 5. Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.



## 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these condensed interim financial information, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied in the preparation of the annual financial statements of the Company for the year ended 31 December 2018 except those disclosed in note 3.1.

	Note	Unaudited June 30, 2019	Audited December 31, 2018
Rupees in '000			
<b>7. PROPERTY PLANT &amp; EQUIPMENT</b>			
Operating fixed assets	7.1	90,941	91,429
Capital work-in-progress	7.2	1,299	2,654
		<u>92,240</u>	<u>94,083</u>
<b>7.1 Operating fixed assets</b>			
Opening net book value		91,429	99,357
Additions during the period / year	7.1.1	4,527	2,469
		95,956	101,826
Disposals during the period / year	7.1.2	(140)	(440)
Depreciation charged during the period / year		(4,875)	(9,957)
		(5,015)	(10,397)
		<u>90,941</u>	<u>91,429</u>
<b>7.1.1 Additions during the period / year</b>			
Vehicle		4,471	2,271
Equipment		56	198
		<u>4,527</u>	<u>2,469</u>
<b>7.1.2 Disposals during the period / year</b>			
Vehicle		(140)	(440)

**7.1.3** The Company holds leasehold land for Rs. 0.106 million, measuring 3 acre and situated at B-19/A, Irshad Qadri Road, SITE, Karachi.

**7.1.4** The building on leasehold land held for Rs. 20.530 million and situated at B-19/A, Irshad Qadri Road, SITE, Karachi.

	Note	Unaudited June 30, 2019	Audited December 31, 2018
Rupees in '000			
<b>7.2 Capital work-in-progress</b>			
Balance at beginning of the period / year		2,654	5,058
Additions during the period / year		3,041	2,666
Impairment		-	(2,799)
Transferred to operating fixed assets	7.1.1	(4,396)	(2,271)
		<u>1,299</u>	<u>2,654</u>

	Note	Unaudited June 30, 2019	Audited December 31, 2018
Rupees in '000			
<b>8. STOCK-IN-TRADE</b>			
Raw materials		50,274	79,911
Packing materials		3,360	1,982
Finished goods	8.1	158,633	203,031
		<u>212,267</u>	<u>284,924</u>

**8.1** This includes finished goods with cost of Rs 24.270 million (2018: 23.319 million) which are being carried at their net realizable value of Rs. 23.276 million (2018: 22.98) million.

	Note	Unaudited June 30, 2019	Audited December 31, 2018
Rupees in '000			
<b>9. TRADE DEBTS</b>			
<b>Related parties - unsecured</b>			
- Orkila Pakistan (Private) Limited	21	334	677
- Secured - against letters of credit		62,705	48,699
<b>Unsecured</b>			
Considered good		6,114	753
Considered doubtful		1,221	1,627
Provision against doubtful trade debts		(1,221)	(1,627)
		<u>6,114</u>	<u>753</u>
		<u>69,153</u>	<u>50,129</u>

**10. SHORT-TERM INVESTMENTS - held to maturity**

Treasury bills	10.1	-	98,017
Term deposit receipts	10.2	6,874	6,874
		<u>6,874</u>	<u>104,891</u>

**10.1** This represent treasury bills which carried yield of 10.30% (2018: 8.79% and matured during the period on 27 March 2019. Accrued mark-up thereon is Rs. NIL (2018: Rs. 1.605 million)

**10.2** The term deposit receipts amounting to Rs. 6.874 million (2018: Rs. 6.874 million) under lien against letter of guarantee issued by Askari Bank to Sui Southern Gas Company (refer note 14.2). Accrued mark-up thereon is Rs. 0.271 million (2018: Rs. 0.122 million).

Note	Unaudited June 30, 2019	Audited December 31, 2018
	Rupees in '000	
<b>11. CASH AND BANK BALANCES</b>		
<b>Cash in hand</b>	<b>107</b>	334
<b>With banks:</b>		
- <b>Current accounts</b>		
Local currency	<b>91,992</b>	11,095
Foreign currency	<b>681</b>	282
	<b>92,673</b>	11,377
- <b>Saving accounts</b>		
local currency	11.1 <b>2,290</b>	1,705
	<b>95,070</b>	<b>13,416</b>

11.1 Interest rates on saving account, ranging between 6% and 8% (2018: 4% and 6%) per annum.

Note	Unaudited June 30, 2019	Audited December 31, 2018
	Rupees in '000	
<b>12. TRADE AND OTHER PAYABLES</b>		
Trade creditors - related parties	21 <b>2,797</b>	3,073
- others	<b>2,050</b>	63,821
	<b>4,847</b>	66,894
Accrued liabilities	<b>10,247</b>	13,025
Compensated absences	<b>4,924</b>	4,054
Employees' gratuity fund	<b>2,298</b>	2,298
Sales tax payable	<b>394</b>	797
Bonus to employees	<b>2,159</b>	7,000
Advances from customers	<b>2,045</b>	1,578
Workers welfare fund	<b>935</b>	807
Workers profit participation fund	<b>211</b>	1,520
Tax deducted at source	<b>745</b>	227
Employees' car and motorcycle loan scheme	<b>1,707</b>	-
	<b>30,512</b>	<b>98,200</b>

### 13. SHORT TERM BORROWINGS - secured

The Company has borrowed short term running finance under Export Refinance Scheme of the State Bank of Pakistan from a commercial bank having a limit of Rs. 150 million (2018: Rs 150 million) with sub limit of Export Refinance Scheme II of Rs. 65 million (2018: Rs 150 million). The rate of mark-up on this facility is SBP rate plus 1% per annum payable quarterly. This facility matures within six months. The facility is secured by way of first pari passu charge of Rs. 200 million over movables and stock (present and future stock in trade, raw material store spares and accessories), 120 million over book debts and receivables (outstanding, money, receivables, claims, bills, contracts, engagements, securities, investments rights and assets excluding property) and 1st pari passu charge of Rs. 207.70 million over fixed assets (All piece and parcel of land, all present and future plant and machinery, equipment).

### 13.1 Reconciliation of movements of liabilities to cashflow arising from financing activities:

	loans and borrowings	Dividend payable	Total
	Rupees in '000		
<b>Balance as at 1 January 2019</b>	150,000	1,321	151,321
<b>Changes from financing cash flows</b>			
Proceeds from loans and short-term borrowings	150,000	-	150,000
Dividend declared	-	4,249	4,249
	150,000	4,249	154,249
Repayments of short-term borrowings	(150,000)	-	(150,000)
Dividend paid	-	(4,171)	(4,171)
	(150,000)	(4,171)	(154,171)
<b>Balance at 30 June 2019</b>	<b>150,000</b>	<b>1,399</b>	<b>151,399</b>

### 14. CONTINGENCIES AND COMMITMENTS

14.1 The status of contingencies as at 30 June 2019 is the same as reported in the annual financial statements for the year ended 31 December 2018.

14.2 Commitment includes letter of guarantee Rs. 6.874 million (2018: Rs.6.874 million) (refer note 10.2).

### 15. SALES - NET

	Unaudited Six Months Period Ended		Unaudited Quarter Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees in '000			
Gross sale				
Local	79,701	104,236	27,725	66,328
Export	332,348	306,446	170,472	117,090
	412,049	410,682	198,197	183,418
Sales commission	(1,781)	(2,003)	(843)	(1,198)
Sales tax	(8,655)	(11,433)	(2,273)	(7,101)
Discount	(188)	(1,483)	(128)	(954)
	401,425	395,763	194,953	174,165

15.1 The timing of revenue recognition is at the point in time when control of the asset is transferred to the customer (refer note 3.1.1).

## 15.2 Disaggregation of revenue with respect to primary geographical markets

The Company's revenue from customers by geographical location is detailed below:

### Geographical Location

	Unaudited Six Months Period Ended		Unaudited Quarter Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
	Rupees in '000			
Africa	333	215	-	-
Asia	347,380	359,258	185,847	179,722
Australia	872	-	-	-
Europe	63,464	46,100	12,350	3,696
North America	-	5,109	-	-
	<b>412,049</b>	<b>410,682</b>	<b>198,197</b>	<b>183,418</b>

## 16. SHIPPING EXPENSES

Freight expenses	9,343	7,138	4,506	2,147
Port expenses	3,726	3,444	1,988	1,302
Bank documentation charges	954	899	424	269
Marine insurance	379	312	213	153
Courier charges	414	502	187	311
	<b>14,816</b>	<b>12,295</b>	<b>7,318</b>	<b>4,182</b>

## 17. OTHER INCOME

### Income from financial assets

#### Interest / return on

Term deposits receipts	1,474	811	1,349	85
Treasury bill	1,334	1,735	-	1,073
Bank deposits	210	122	5	-
Loan to employees	2	4	297	2
	<b>3,020</b>	<b>2,672</b>	<b>1,651</b>	<b>1,160</b>

### Income from non - financial assets

Scrap sales	1,150	1,164	619	573
Exchange gain	7,755	5,783	7,393	3,843
	<b>8,905</b>	<b>6,947</b>	<b>8,012</b>	<b>4,416</b>
	<b>11,925</b>	<b>9,619</b>	<b>9,663</b>	<b>5,576</b>

## 18. PROFIT / (LOSS) PER SHARE - BASIC AND DILUTED

Profit / (loss) for the period	<b>93</b>	<b>(28,649)</b>	<b>(136)</b>	<b>(18,385)</b>
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(Number of shares)

Weighted average number of ordinary shares in issue during the period	<b>4,248,552</b>	<b>4,248,552</b>	<b>4,248,552</b>	<b>4,248,552</b>
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Rupees in '000

Profit/(Loss) per share - basic and diluted	<b>0.02</b>	<b>(6.74)</b>	<b>(0.03)</b>	<b>(4.33)</b>
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## 19. CASH AND CASH EQUIVALENTS

Cash and bank balances  
Treasury bills

Note	Unaudited June 30, 2019	Audited December 31, 2018
	Rupees in '000	
11	95,070	54,457
	-	69,007
	<u>95,070</u>	<u>123,464</u>

## 20. FINANCIAL RISK MANAGEMENT

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Level 1 : Fair value measurements using quoted (unadjusted) in active markets for identical asset or liability.

Level 2 : Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 : Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The carrying values of all financial assets and liabilities reflected in the financial statements are approximate to their fair values.

## 21. TRANSACTIONS WITH RELATED PARTIES


The related party of the Company comprise the Holding Company, associates, retirement funds, directors and key management personnel of the Company.

Details of the transactions with related parties and balances with them, if not disclosed elsewhere in these condensed interim financial information are as follows:

Name	Nature of relationship	Basis of relationship	Nature of transaction	2019	2018
				Rupees in '000	
<b>Transactions</b>					
Orkila Pakistan (Private) Limited	Associated Undertaking	Common directorship	Commission on Sale	<u>1,125</u>	<u>1,233</u>
			Sale of goods	<u>1,158</u>	<u>790</u>
			Payable in respect of commission	<u>517</u>	<u>733</u>
			Receivable in respect of sales	<u>334</u>	<u>677</u>
Shipwell (Private) Limited	Associated Undertaking	Common directorship	Commission on Sale	<u>345</u>	<u>618</u>
			Payable in respect of commission	<u>172</u>	<u>228</u>
IAL Logistics Pakistan (Private) Limited	Associated Undertaking	Common directorship	Freight forwarding and transportation	<u>11,765</u>	<u>9,513</u>
			Payable in respect of shipping expenses	<u>2,108</u>	<u>2,112</u>
Pakistan Gum and Chemicals Limited - Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made	<u>840</u>	<u>202</u>
Pakistan Gum and Chemicals Limited - Pension Fund	Retirement benefit fund	Employees benefit fund	Contribution made	<u>15</u>	<u>1,270</u>
Pakistan Gum and Chemicals Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	<u>1,876</u>	<u>1,503</u>
Key management personnel	Related parties	Executives	Remuneration and benefits	<u>8,151</u>	<u>5,489</u>
Directors and their spouse	Related parties	Directors	Remuneration and benefits	<u>4,597</u>	<u>6,415</u>

## 22. DATE OF AUTHORIZATION FOR ISSUE

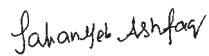
This condensed interim financial information was authorized for issue in the Board of Directors meeting held on 6 August, 2019.



**Sajid Iqbal Hussain**  
CHIEF EXECUTIVE



**Muhammad Moonis**  
CHAIRMAN



**Jahanzeb Ashfaq**  
CHIEF FINANCIAL OFFICER



**1963-2019**

**PAKISTAN GUM & CHEMICALS LIMITED**

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