



Spreading goodness of Guar

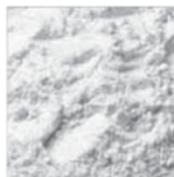
**Condensed Interim Financial Information
(Un-audited) for the
Six Months Period Ended June 30, 2018**



GUAR SEED



GUAR SPLITS



GUAR GUM



GUAR MEAL

CONTENTS:

Company Information	01
Directors' Report	02
Auditors' Report	04
Condensed Interim Statement of Financial Position	06
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income	07
Condensed Interim Statement of Changes in Equity	08
Condensed Interim Cash Flow Statement	09
Notes to the Condensed Interim Financial Information	10

COMPANY INFORMATION

AS ON JUNE 30, 2018

Board of Directors

Muhammad Moonis	Chairman
Shuaib Ahmed	Director/Vice Chairman
Sajid Iqbal Hussain	Director/Chief Executive
Muhammad Aslam Hanafi	Director
Mohammad Ali Hanafi	Director
Ozair Ahmed Hanafi	Director
Tariq Mohamed Amin	Director
Zaeem Ahmad Hanafi	Director
Zahid Zaheer	Director
Zubyr Soomro	Director

Chief Executive

Sajid Iqbal Hussain

Audit Committee

Tariq Mohamed Amin	Chairman
Zaeem Ahmad Hanafi	Member
Zahid Zaheer	Member
Zubyr Soomro	Member

Human Resource & Remuneration (HR&R) Committee

Zahid Zaheer	Chairman
Shuaib Ahmed	Member
Tariq Mohamed Amin	Member
Zubyr Soomro	Member

Chief Financial Officer & Company Secretary

Manzoor Ahmed

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

Azizuddin & Co.

Bankers

Askari Bank Limited
Habib Bank Limited
MCB Bank Limited

Registrar and Share Transfer Office

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

Phone: (92-21) 35662023-24

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
URL: www.pakchem.com.pk

DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the condensed interim financial information of the company with limited review by the Auditors for the half year ended June 30, 2018.

Business Review

Net sales during the period are Rs.395.8 million compared to Rs. 339.2 million last year corresponding period showing a growth of 17%. Overhead costs have remained within control in line with the production. However, volatility in raw material prices and increased tough competition from India has adversely impacted the margins.

Pre-tax loss during the period is Rs. 24.3 million compared to a loss of Rs. 24.0 million in the corresponding period 2017. After tax loss is Rs. 28.6 million compared with a loss of Rs. 27.8 million in the corresponding period of last year.

Future Outlook

Future outlook due to late monsoon rains in Sindh will impact the guar crop and consequently the price of seed looks to be uncertain.

Acknowledgement

We would like to thank the employees for their hard work. We also appreciate the valuable guidance of the Board members.

By order of the Board



Muhammad Aslam Hanafi
Deputy Managing Director



Muhammad Moonis
Chairman

Karachi: August 20, 2018

ڈائریکٹرز کا جائزہ

ہم بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2018 کو ختم ہونے والے ششماہی غیر آڈیٹڈ مالیاتی گوشوارے جو کہ آڈیٹرز کے محدود جائزے پر مشتمل ہیں، پیش کر رہے ہیں۔

کاروباری جائزہ

اس ششماہی کی حقیقی فروخت 395.8 ملین رہی جو کہ گزشتہ سال اس دوران 339.2 ملین تھی جو کہ 30 جون 2017 کی نسبت 17% اضافی رہی۔

بالائی اخراجات پیداوار کے تناسب سے قابو میں رہے۔ تاہم خام مال کی قیمتوں میں اتار چڑھاؤ اور ہندوستانی مارکٹ سے بڑھتے ہوئے شدید مقابلے نے منافع کی شرح کو ناموافق طور پر متاثر کیا۔

کمپنی کو اس مدت میں ٹیکس کی ادائیگی سے قبل 24.3 ملین کا خصاہ ہوا جبکہ گزشتہ سال اس دوران یہ خصاہ 24 ملین تھا۔ ٹیکس کی ادائیگی کے بعد خصاہ کی رقم 28.6 ملین روپے رہی جبکہ گزشتہ سال اس مدت کے دوران یہ خصاہ 27.8 ملین روپے تھا۔

امکانات مستقبل

سندھ میں مونسون کی بارشوں کے دیر سے ہونے کے پیش نظر اس بات کا امکان ہے کہ اس کی وجہ سے گوار کی پیداوار متاثر ہوگی اور اس کی قیمت بھی غیر متوازن رہے گی۔

اعتراف

ہم معترف ہیں کارکنان کے جو کہ ان مشکل حالات میں انتھک محنت سے کام کرتے رہے اور مشکور ہیں بورڈ پر موجود اپنے ساتھیوں کا جتنے مفید مشوروں اور اصلاح کی بدولت ہم اپنے کام کی انجام دہی کر سکے۔

بورڈ کے حکم کے مطابق


محمد مemon
چیرمین


محمد اسلم خٹک
ڈپٹی چیف ڈائریکٹر

کراچی: مورخہ 20 اگست، 2018



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3585 5847
Fax + 92 (21) 3585 5095
Internet www.kpmg.com.pk

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 2018 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 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 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., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

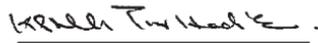
Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Other matters

The figures of the condensed interim statement of profit or loss and other comprehensive income for the quarter ended 30 June 2018 and 30 June 2017, 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: 20 August, 2018
Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Condensed Interim Statement of Financial Position (Un-audited) As at June 30, 2018

	Note	Unaudited June 30, 2018	Audited December 31, 2017
Rupees in '000			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	99,459	104,415
Long term deposits		878	878
		100,337	105,293
CURRENT ASSETS			
Stores and spares		5,143	2,240
Stock-in-trade	7	166,563	89,782
Trade debts	8	50,427	48,841
Loans and advances	9	1,229	1,619
Short-term prepayments		761	247
Other receivables	10	4,045	7,036
Short-term investments	11	75,881	211,126
Taxation - net		24,196	26,322
Cash and bank balances	12	54,457	33,456
		382,702	420,669
TOTAL ASSETS		483,039	525,962
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorised capital			
10,000,000 Ordinary shares of Rs.10 each		100,000	100,000
Issued, subscribed and paid-up capital			
		42,486	42,486
Capital reserves			
		17,553	17,553
Revenue reserves			
		230,444	259,093
		290,483	319,132
NON-CURRENT LIABILITIES			
Deferred taxation		1,855	1,792
CURRENT LIABILITIES			
Trade and other payables	13	38,523	52,891
Short term borrowings - secured	14	150,000	150,000
Unclaimed dividend		1,506	1,506
Mark-up accrued		672	641
		190,701	205,038
TOTAL EQUITY AND LIABILITIES		483,039	525,962
CONTINGENCIES AND COMMITMENTS			
	15		

The annexed notes from 1 to 30 form an integral part of this condensed interim financial information. These financial statements are signed by two directors authorized by the Board in the absence of CEO.



Muhammad Aslam Hanafi
Deputy Managing Director



Muhammad Moonis
Chairman



Manzoor Ahmed
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, 2018

Note	Six Months Period Ended		Quarter Ended		
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	
Rupees in '000					
Sales - net	16	395,763	339,179	174,165	190,985
Cost of sales	17	(387,906)	(325,875)	(175,428)	(188,901)
Gross profit / (loss)		7,857	13,304	(1,263)	2,084
Shipping expenses	18	(12,295)	(12,980)	(4,182)	(7,246)
Administrative expenses	19	(27,022)	(27,786)	(15,145)	(13,430)
Other operating expenses		-	(56)	-	-
		(39,317)	(40,822)	(19,327)	(20,676)
		(31,460)	(27,518)	(20,590)	(18,592)
Other income	20	9,619	4,106	5,576	2,555
Operating profit before finance costs		(21,841)	(23,412)	(15,014)	(16,037)
Finance costs	21	(2,478)	(609)	(1,205)	(574)
Loss before taxation		(24,319)	(24,021)	(16,219)	(16,611)
Taxation	22	(4,330)	(3,793)	(2,166)	(1,897)
Loss for the period		(28,649)	(27,814)	(18,385)	(18,508)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the period		(28,649)	(27,814)	(18,385)	(18,508)
Rupees					
Loss per share - basic and diluted	23	(6.74)	(6.55)	(4.33)	(4.36)

The annexed notes from 1 to 30 form an integral part of this condensed interim financial information. These financial statements are signed by two directors authorized by the Board in the absence of CEO.


Muhammad Aslam Hanafi
Deputy Managing Director


Muhammad Moonis
Chairman


Manzoor Ahmed
Chief Financial Officer

Condensed Interim Statement of Changes in Equity (Unaudited) For the Six Months Period Ended June 30, 2018

	Issued, subscribed and paid-up capital	Capital reserve Share premium	Revenue Reserves			Total
			General	Unapp- ropriated profit	Sub total	
-----Rupees'000-----						
Balance as at 31 December 2016	42,486	17,553	462,839	(174,144)	288,695	348,734
Total comprehensive income for the period						
Loss for the period	-	-	-	(27,814)	(27,814)	(27,814)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(27,814)	(27,814)	(27,814)
Balance as at 30 June 2017	42,486	17,553	462,839	(201,958)	260,881	320,920
Balance as at 31 December 2017	42,486	17,553	462,839	(203,746)	259,093	319,132
Total comprehensive income for the period						
Loss for the period	-	-	-	(28,649)	(28,649)	(28,649)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(28,649)	(28,649)	(28,649)
Balance as at 30 June 2018	42,486	17,553	462,839	(232,395)	230,444	290,483

The annexed notes from 1 to 30 form an integral part of this condensed interim financial information. These financial statements are signed by two directors authorized by the Board in the absence of CEO.



Muhammad Aslam Hanafi
Deputy Managing Director



Muhammad Moonis
Chairman



Manzoor Ahmed
Chief Financial Officer

Condensed Interim Statement of Cash Flows (Unaudited) For the Six Months Period Ended June 30, 2018

Note	Six months period ended	
	June 30, 2018	June 30, 2017
Rupees in '000		
CASH FLOWS FROM OPERATING ACTIVITIES		
	(24,319)	(24,021)
Loss before taxation for the period		
Adjustments for non cash charges and other items:		
Depreciation	5,055	6,049
Impairment	-	388
Finance costs	2,232	417
Provision / (reversal) against doubtful debts	84	(16)
Provision against sales tax refundable	1,709	-
Provision against slow moving stores and spares	268	-
Provision against compensated absences	900	1,032
Profit on financial assets	(2,672)	(3,404)
Loss on disposal of fixed assets	-	56
Net cash flows before working capital changes	(16,743)	(19,499)
Changes in:		
Stores and spares	(3,171)	1,885
Stock-in-trade	(76,781)	3,826
Trade debts	(1,670)	(45,248)
Loans and advances	390	(231)
Short-term prepayments	(514)	(137)
Other receivables	1,391	(813)
Trade and other payables	(13,748)	15,314
Mark-up accrued	31	413
Cash (used in) operations	(110,815)	(44,490)
Income tax paid	(2,141)	(5,541)
Payment in respect of compensated absences	(1,520)	-
Finance costs paid	(2,232)	(417)
	(5,893)	(5,958)
Net cash (used in) operating activities	(116,708)	(50,448)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(99)	(2,338)
Investment in term deposit receipts	-	(756)
Proceeds from disposal of operating fixed assets	-	339
Interest income received	2,563	3,289
Net cash generated from investing activities	2,464	534
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash generated from financing activities - export refinance loan	-	75,000
Net (decrease) / increase in cash and cash equivalents	(114,244)	25,086
Cash and cash equivalents at beginning of the period	237,708	128,861
Cash and cash equivalents at end of the period	123,464	153,947

The annexed notes from 1 to 30 form an integral part of this condensed interim financial information. These financial statements are signed by two directors authorized by the Board in the absence of CEO.


Muhammad Aslam Hanafi
Deputy Managing Director


Muhammad Moonis
Chairman


Manzoor Ahmed
Chief Financial Officer

Notes to the Condensed Interim Financial Information (Unaudited) For the Six Months Period Ended June 30, 2018

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. East West Group Holdings Inc., British Virgin Island - the Holding Company, held 2,549,131 (sixty percent) [2017: 2,549,131 (sixty percent)] Ordinary shares of Rs. 10 each as at the reporting date.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

2.1 This condensed interim financial information of the Company for the six months period ended 30 June 2018 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 2017. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in the preparation of this condensed interim financial information are same as those applied in the preparation of annual audited financial statements of the Company for the year ended 31 December 2017 except for the following:

- the first time application of financial reporting requirements, including disclosure and presentation requirements of the Companies Act, 2017 effective from 30 June 2018, some of the amounts reported for the previous period have been reclassified. However, there was no change in the reported amounts of statement of profit or loss and other comprehensive income or the amounts presented in the statement of financial position except for presentation.
- new or amendments / interpretations to existing standards and interpretation as stated in note no. 4.1.

4. NEW OR AMENDMENTS / INTERPRETATIONS TO EXISTING STANDARDS, INTERPRETATION AND FORTHCOMING REQUIREMENTS

4.1 There are new and amended standards and interpretations as notified under the Companies Act, 2017 that are mandatory for accounting periods beginning 1 July 2017 but are considered not to be relevant or do not have any significant effect on the Company's financial statements and are therefore not stated in these financial information.

4.2 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 2018:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial information.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial information.
- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit and loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial information.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Company's financial information.

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial information.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The management has completed an initial assessment of the potential impact on revenue and considered that the impact would not be significant.
- IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The amendments are not likely to have an impact on the Company's financial information.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 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 amendments are not likely to have an impact on the Company's financial information.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial information.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial information.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial information.

5. 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 2017.

	Note	Unaudited June 30, 2018	Audited December 31, 2017
Rupees in '000			
6. PROPERTY PLANT & EQUIPMENT			
Operating fixed assets	6.1	96,660	99,357
Capital work-in-progress	6.2	2,799	5,058
		<u>99,459</u>	<u>104,415</u>
6.1 Operating fixed assets			
Opening net book value		99,357	105,950
Additions during the period / year	6.1.1	2,358	5,176
		<u>101,715</u>	<u>111,126</u>
Disposals during the period / year	6.1.2	-	(681)
Depreciation charged during the period / year		(5,055)	(11,088)
		<u>(5,055)</u>	<u>(11,769)</u>
		<u>96,660</u>	<u>99,357</u>
6.1.1 Additions during the period / year			
Plant and machinery		-	5,004
Vehicle		2,271	-
Equipment		87	172
		<u>2,358</u>	<u>5,176</u>
6.1.2 Disposals during the period / year			
Vehicle		-	(625)
Equipment		-	(56)
		<u>-</u>	<u>(681)</u>

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

6.1.4 The building on leasehold land held for Rs. 25.118 million and situated at B-19/A, Irshad Qadri Road, SITE, Karachi.

	Note	Unaudited June 30, 2018	Audited December 31, 2017
Rupees in '000			
6.2 Capital work-in-progress			
Balance at beginning of the period / year		5,058	6,025
Additions during the period / year		12	2,570
Impairment		-	(388)
Transferred to operating fixed assets	6.1.1	<u>(2,271)</u>	<u>(3,149)</u>
		<u>2,799</u>	<u>5,058</u>
7. STOCK-IN-TRADE			
Raw materials		30,740	16,280
Packing materials		3,160	2,232
Finished goods	7.1	<u>132,663</u>	<u>71,270</u>
		<u>166,563</u>	<u>89,782</u>

7.1 Stock in trade of Rs. 12.47 million (2017: Rs. 22.489 million) are carried at their net realisable value (NRV) of Rs. 11.28 million (2017: Rs. 16.251 million).

	Note	Unaudited June 30, 2018	Audited December 31, 2017
Rupees in '000			
8. TRADE DEBTS			
Related parties - considered good:			
- Orkila Pakistan (Private) Limited	26	876	720
Considered good:			
- Secured - against letters of credit		44,707	45,957
- Unsecured		4,844	2,164
		<u>50,427</u>	<u>48,841</u>
Considered doubtful:			
- Unsecured		1,384	1,300
- Provision against doubtful debts		<u>(1,384)</u>	<u>(1,300)</u>
		<u>-</u>	<u>-</u>
		<u>50,427</u>	<u>48,841</u>

9. LOANS AND ADVANCES

Loans - secured, considered good			
Loans to employees	9.1	186	1,006
Advances - unsecured, considered good			
- suppliers		370	402
- employees		673	211
		<u>1,043</u>	<u>613</u>
		<u>1,229</u>	<u>1,619</u>

- 9.1 These loans are recoverable in monthly installments over a period not exceeding one year and carrying an interest at 3 months KIBOR + 1.5% at the date of loan rendered. These loans are secured against the outstanding balances of staff retirement benefits of the respective employee.

	Note	Unaudited June 30, 2018	Audited December 31, 2017
Rupees in '000			
10. OTHER RECEIVABLES			
Interest receivable		766	657
Sales tax - net		3,279	6,036
Receivable from staff gratuity fund		-	338
Receivable against employees provident fund		-	5
		<u>4,045</u>	<u>7,036</u>
11. SHORT-TERM INVESTMENTS - held to maturity			
Treasury bills	11.1	69,007	54,252
Term deposit receipts	11.2	6,874	156,874
		<u>75,881</u>	<u>211,126</u>

- 11.1 This represent treasury bills which carry yield of 6.22%, maturing latest by 2 August 2018. Accrued mark-up thereon is Rs. 0.615 million.

- 11.2 These represent term deposit receipts of Askari Commercial Bank which carry return rate of 4.75% to 5% (31 December 2017: 4.75% to 6.5%) per annum, maturing latest by 27 May 2019 (2017: 27 May 2017). The term deposit receipts amounting to Rs. 6.874 million (2017: Rs. 6.874 million) under lien against letter of guarantee issued by Askari Commercial Bank to Sui Southern Gas Company (refer note 15.2). Accrued mark-up thereon is Rs. 0.162 million (2017: Rs. 0.096 million) (refer note 10).

	Note	Unaudited June 30, 2018	Audited December 31, 2017
Rupees in '000			
12. CASH AND BANK BALANCES			
Cash in hand			
		-	109
With banks:			
- Current accounts			
Local currency		37,686	28,448
Foreign currency		273	194
		<u>37,959</u>	28,642
- Saving accounts			
local currency	12.1	16,498	4,705
		<u>54,457</u>	<u>33,456</u>

- 12.1 Interest rates on saving account, ranging between 3.75% and 4.5% (2017: 3.5% and 4.0%) per annum.

Note	Unaudited	Audited
	June 30, 2018	December 31, 2017
Rupees in '000		
13. TRADE AND OTHER PAYABLES		
Trade creditors - related parties	26	2,062
- others		20,573
	1,268	
	6,963	
Accrued liabilities		22,635
Gratuity payable to contract employees		12,705
Compensated absences		3,961
Employees' pension fund		4,800
Bonus to employees		-
Advances from customers		819
Workers welfare fund		3,830
Tax deducted at source		4,800
Employees' car and motorcycle loan scheme		953
		325
		1,972
		581
		496
		442
		378
	38,523	52,891

14. SHORT TERM BORROWINGS - secured

Export Refinance Scheme of SBP	14.1	150,000	150,000
--------------------------------	------	----------------	---------

14.1 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 with sub limit of Export Refinance Scheme II of Rs. 65 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).

14.2 Reconciliation of movements of liabilities to cashflow arising from financing activities:

	Liabilities loans and borrowings
	Rupees in '000
Balance as at 1 January 2018	150,000
Changes from financing cash flows	
Proceeds from loans and short-term borrowings	150,000
Repayments of short-term borrowings	(150,000)
Total changes from financing cash flows	-
Short term borrowing - secured	150,000
Balance at 30 June 2018	150,000

15. CONTINGENCIES AND COMMITMENTS

15.1 The status of contingencies as at 30 June 2018 is the same as reported in the annual financial statements for the year ended 31 December 2017.

15.2 Commitment includes letter of guarantee Rs. 6.874 million (31 December 2017: Rs.6.874 million).

16. SALES - NET

	Unaudited Six Months Period Ended		Unaudited Quarter Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	Rupees in '000			
Gross sale	104,236	81,773	66,328	38,264
Local	306,446	268,022	117,090	157,621
Export	410,682	349,795	183,418	195,885
Sales commission	(2,003)	(1,594)	(1,198)	(712)
Sales tax	(11,433)	(8,733)	(7,101)	(4,120)
Discount	(1,483)	(289)	(954)	(68)
	395,763	339,179	174,165	190,985

17. COST OF SALES
Raw material consumed

Opening stock	16,280	52,020	45,820	61,129
Purchases	369,322	235,674	115,498	110,433
	385,602	287,694	161,318	171,562
Closing stock	(30,740)	(34,930)	(30,740)	(34,930)
	354,862	252,764	130,578	136,632

Packing material consumed

Opening stock	2,232	2,368	3,180	2,148
Purchases	11,916	7,061	6,876	2,984
	14,148	9,429	10,056	5,132
Closing stock	(3,160)	(1,925)	(3,160)	(1,925)
	10,988	7,504	6,896	3,207

Manufacturing overheads

Stores and spares consumed	3,200	4,403	1,662	1,486
Salaries, wages and benefits	24,520	21,288	13,325	10,124
Utilities	41,665	40,727	20,126	19,114
Depreciation	4,197	4,760	2,095	2,391
Repairs and maintenance	2,364	1,071	1,866	535
Handling charges	5,248	4,346	2,317	2,781
Rent, rates and taxes	-	434	-	327
Insurance	457	501	249	250
Travelling and conveyance	37	785	(390)	392
Laboratory expenses	1,201	657	672	462
Communication	77	84	77	46
Entertainment	103	138	95	138
Provision / (reversal) against slow moving stores and spares	268	-	(11)	(22)
Others	112	120	107	55
	83,449	79,314	42,190	38,079

Cost of goods manufactured

Opening stock of finished goods	449,299	339,582	179,664	177,918
	71,270	57,511	128,427	82,201
	520,569	397,093	308,091	260,119
Closing stock	(132,663)	(71,218)	(132,663)	(71,218)
Cost of good sold	387,906	325,875	175,428	188,901

18. SHIPPING EXPENSES

	Unaudited Six Months Period Ended		Unaudited Quarter Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Rupees in '000				
Freight expenses	7,138	7,801	2,147	4,371
Port expenses	3,444	3,707	1,302	2,017
Bank documentation charges	899	712	269	374
Marine insurance	312	270	153	195
Courier charges	502	490	311	289
	12,295	12,980	4,182	7,246

19. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	16,135	17,469	8,798	8,736
Utilities	2,164	2,203	1,048	1,023
Depreciation	858	1,289	427	604
Sales promotion expenses	174	140	(51)	57
Security service charges	561	480	281	239
Repairs and maintenance	526	757	290	572
Rent, rates and taxes	32	54	-	27
Insurance	113	128	61	62
Travelling and conveyance	795	2,498	317	654
Communication	312	320	142	180
Entertainment	563	528	444	398
Provision / (reversal) against debts considered doubtful	84	(16)	84	-
Provision / (reversal) against sales tax refundable	1,709	-	1,583	-
Printing and stationery	441	360	293	263
Auditor's remuneration	429	418	245	207
Subscription	578	402	262	160
Legal and professional charges	1,493	621	866	150
Advertisement	55	105	55	68
Charity and donation	-	30	-	30
	27,022	27,786	15,145	13,430

20. OTHER INCOME

Income from financial assets				
Interest / return on				
Term deposits receipts	811	3,181	85	1,908
Treasury bill	1,735	-	1,073	-
Bank deposits	122	171	-	22
Loan to employees	4	52	2	1
	2,672	3,404	1,160	1,931
Income from non - financial assets				
Scrap sales	1,164	313	573	313
Exchange gain	5,783	389	3,843	311
	6,947	702	4,416	624
	9,619	4,106	5,576	2,555

21. FINANCE COSTS

	Unaudited Six Months Period Ended		Unaudited Quarter Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	Rupees in '000			
Mark-up on export refinance	2,232	417	1,122	413
Bank charges and other	246	192	83	161
	<u>2,478</u>	<u>609</u>	<u>1,205</u>	<u>574</u>

22. TAXATION

Current	4,267	3,636	2,134	1,818
Deferred	63	157	32	79
	<u>4,330</u>	<u>3,793</u>	<u>2,166</u>	<u>1,897</u>

23. LOSS PER SHARE - BASIC AND DILUTED

Loss for the period	(28,649)	(27,814)	(18,385)	(18,508)
	(Number of shares)			
Weighted average number of ordinary shares in issue during the period	4,248,552	4,248,552	4,248,552	4,248,552
	(Rupees)			
Loss per share - basic and diluted	(6.74)	(6.55)	(4.33)	(4.36)

24. CASH AND CASH EQUIVALENTS

		Unaudited June 30, 2018	Audited December 31, 2017
		Rupees in '000	
Cash and bank balances	12	54,457	33,456
Treasury bills	11.1	69,007	54,252
Term deposit receipts	11.2	-	150,000
		<u>123,464</u>	<u>237,708</u>

25. 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 the year ended 31 December 2017.

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 Company has not disclosed the fair values of its financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

26. 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	2018	2017
				Rupees in '000	
Transactions					
Orkila Pakistan (Private) Limited	Associated Undertaking	Common directorship	Commission on Sale	<u>1,233</u>	<u>822</u>
			Sale of goods	<u>790</u>	<u>1,293</u>
			Payable in respect of commission	<u>540</u>	<u>1,013</u>
			Receivable in respect of sales	<u>876</u>	<u>720</u>
Shipwell (Private) Limited	Associated Undertaking	Common directorship	Commission on Sale	<u>618</u>	<u>666</u>
			Payable in respect of commission	<u>109</u>	<u>127</u>
IAL Logistics Pakistan (Private) Limited	Associated Undertaking	Common directorship	Freight forwarding and transportation	<u>9,513</u>	<u>10,103</u>
			Payable in respect of shipping expenses	<u>619</u>	<u>922</u>
Pakistan Gum and Chemicals Limited - Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made	<u>202</u>	<u>6,864</u>
Pakistan Gum and Chemicals Limited - Pension Fund	Retirement benefit fund	Employees benefit fund	Contribution made	<u>1,270</u>	<u>2,798</u>
Pakistan Gum and Chemicals Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	<u>1,503</u>	<u>719</u>
Key management personnel	Related parties	Executives	Remuneration and benefits	<u>5,489</u>	<u>8,494</u>
Directors and their spouse	Related parties	Directors	Remuneration and benefits	<u>6,415</u>	<u>5,672</u>

27. ANNUAL PRODUCTION CAPACITY

	Unaudited Six Months Period Ended			
	June 30, 2018		June 30, 2017	
	Available capacity	Actual production	Available capacity	Actual production
(Metric Tonnes)				
Guar Splits	6,500	1,916	6,500	1,770
Guar Powder	7,800	1,253	7,800	1,413
Guar Meal	14,625	4,342	14,625	4,059

28. GENERAL

28.1 STAFF STRENGTH

	June 30, 2018	December 31, 2017
(Number of employees)		
Number of employees as at	20	22
Number of factory employees as at	88	91
Average number of employees	110	119

29. COMPARATIVE FIGURES

The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. The preparation and presentation of these financial information for the period ended 30 June 2018 is in accordance with requirements in Companies Act, 2017. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Major reclassifications include unclaimed dividend of Rs. 1.506 million which have been reclassified from trade and other payables to face of statement of financial position separately.

30. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue in the Board of Directors meeting held on 20 August, 2018.

These financial statements are signed by two directors authorized by the Board in the absence of CEO.



Muhammad Aslam Hanafi
Deputy Managing Director



Muhammad Moonis
Chairman



Manzoor Ahmed
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

1963-2018

**B-19/A, IRSHAD QADRI ROAD, SINDH INDUSTRIAL TRADING ESTATE,
KARACHI - 75700, PAKISTAN TEL NO. +92 21 3256 1124-6, FAX NO. +92 21 3256 1320,
EMAIL: INFO@PAKCHEM.COM.PK, MARKETING@PAKCHEM.COM.PK**