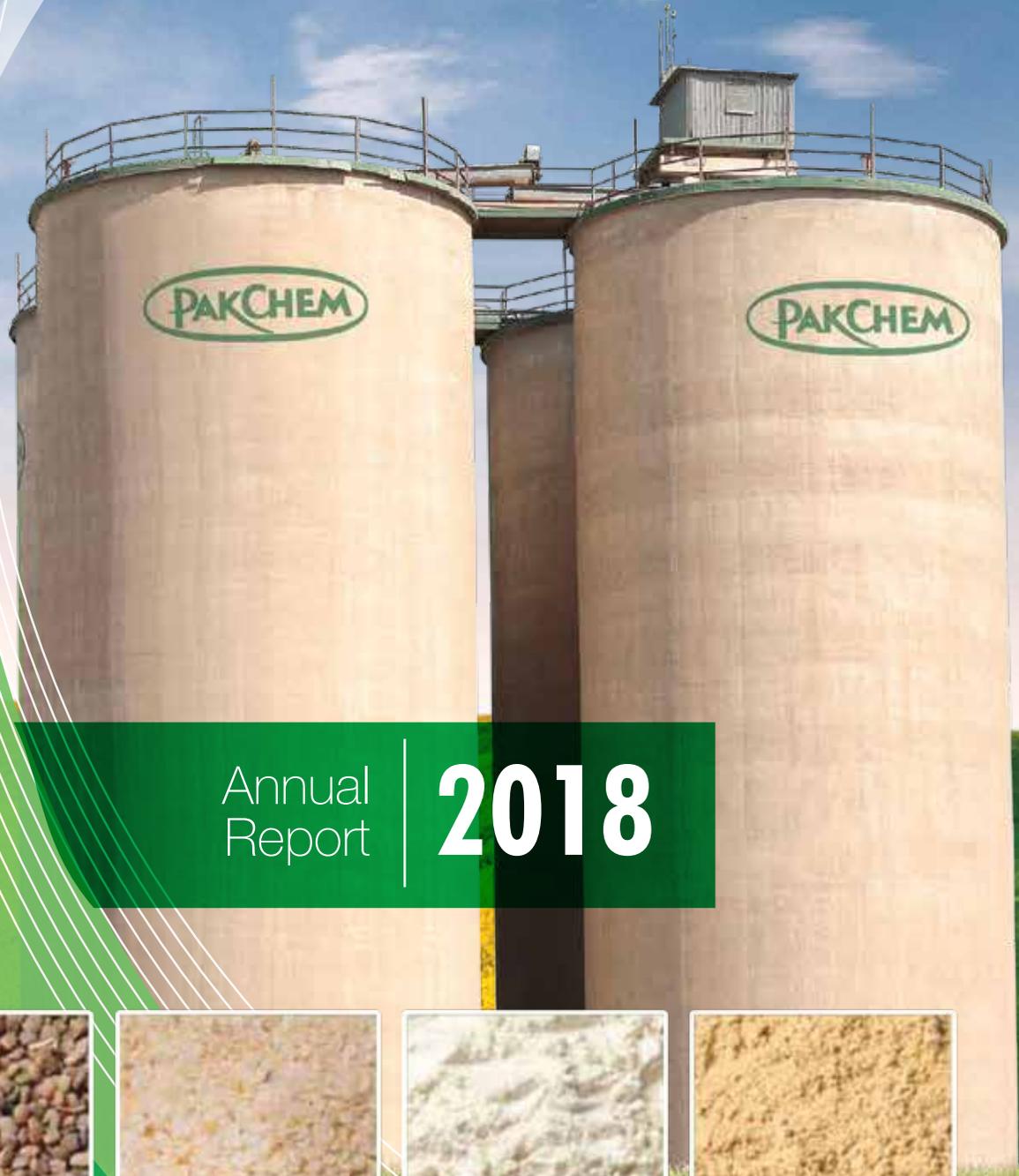




Spreading goodness of Guar



Annual Report

2018



GUAR SEED



GUAR SPLITS



GUAR GUM



GUAR MEAL



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VISION

To be number one guar products producing company of Pakistan.

MISSION

To achieve innovative growth which creates value for our stakeholders, customers and employees. Our Commitment is to maintain the highest standard of ethics, safety and environmental responsibility.

CORPORATE OBJECTIVES

- Develop a strong organization centered at Karachi, to run the existing business and exploit new opportunities;
- Develop relationships with agents and end users for a worldwide reach for our products and thus improve profitability;
- Develop a strategy on procurement of raw material to secure long-term business and development opportunities;
- Identify, establish and exploit new markets and technologies through research and development and marketing skills;
- Identify suitable acquisitions for reach synergies to improve our corporate position and profit potential;
- In recognition of its responsibilities as a corporate body, the company aims to:
 - Pursue personnel policies which recognize the aspirations and performance of individuals and which are suited to the diverse levels of skills required and the many career paths available in the company.
 - Have full regard to the attitudes and expectations of its client base at large and contribute as appropriate, to the formulation of positive attitudes and opinions.
 - Act as a reputable, efficient and responsible organization.

CODE OF CONDUCT

PakChem's policy is to strive for excellence in all aspects of its business with honesty, integrity and ethically.

PakChem complies with applicable laws and regulations of the Government of Pakistan. All employees are required to familiarize themselves with guidelines, limits of authority, law and regulations governing their individual areas of responsibilities and not exceed them. If in doubt, employees are advised to seek appropriate advice from the Company.

PakChem is committed to practice, implement and deliver quality products and services which consistently offer value in terms of price and quality and to continually improve the process to satisfy customer needs and the expectations. PakChem is committed to run its business in an environmentally sound and sustainable manner and develop a strong organization centered at Karachi, to run the existing business and exploit new opportunities. PakChem is aware of its social responsibility and as resolved to contribute to community activities as a good corporate citizen.

PakChem believes in having full regard to the attitudes and expectations of its client based at large and contributing as appropriate to the formulation of positive attitudes and opinions. PakChem believes in fair competition, and supports well defined competition laws.

PakChem does not support any political party nor contributes to the funds of groups whose activities promote sectoral interests. PakChem will promote its legitimate business interests through trade associations etc.

PakChem fully adheres to the relevancy and reliability for financial reporting and transparency under the framework of legal requirements, International Accounting Standards and generally accepted accounting principles.

PakChem is an equal opportunity employer. The company recruits and promotes employees on merits, and is committed to provide safe and healthy working conditions for all its employees. The company believes in maintaining good communication with employees and ensures that the responsibilities, authorities and their inter relation are defined and conveyed effectively within the organization.

PakChem ensures that the resources required to implement and improve the products and services and to achieve customer satisfaction are invariably available. These requirements include work space and associated facilities, equipment, hardware, software and support services. All concerned are encouraged to identify and manage work conditions needed to achieve conformity of the product through documented procedures, work instructions, measuring and monitoring instructions, specifications and standards outlined and made available within the company.

It is the responsibility of the Board to ensure that the above principles are complied with, and the internal audit committee constituted by the Board will monitor such compliance.

COMPANY INFORMATION

AS ON DECEMBER 31, 2018

Board of Directors

Muhammad Moonis	Chairman
Shuaib Ahmed	Director/Vice Chairman
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

Jahanzeb Ashfaq

Company Secretary

Zafar Iqbal

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

Azizuddin & Co.

Bankers

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

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

Registered Office / Head 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

SIX YEARS FINANCIAL HIGHLIGHTS

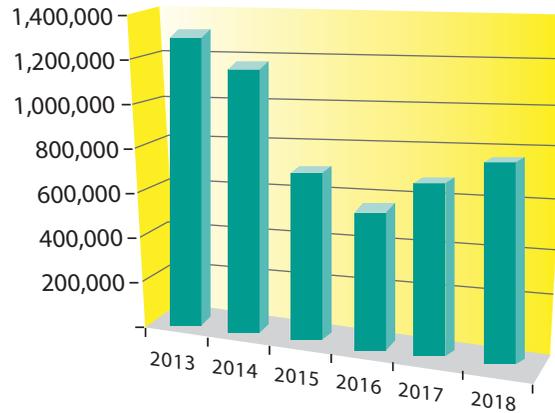
(Rupees in Thousands)

	2018	2017	2016	2015	2014	2013
Operating assets	91,429	99,357	105,950	122,331	134,801	59,524
Capital work-in-progress	2,654	5,058	6,025	6,025	6,637	81,400
Long term security deposits	-	-	878	878	878	862
Net current and other assets	248,944	216,509	238,004	316,402	405,411	349,925
Total assets employed	343,027	320,924	350,857	445,636	547,727	491,711
Ordinary capital	42,486	42,486	42,486	42,486	42,486	42,486
Reserves	297,896	276,646	306,248	400,302	501,635	448,581
Non-current liabilities	2,645	1,792	2,123	2,848	3,606	644
Total funds employed	343,027	320,924	350,857	445,636	547,727	491,711
Net turnover	763,546	620,394	486,457	684,144	1,187,576	1,317,205
Profit/(Loss) before taxation	28,069	(22,594)	(90,786)	(71,149)	91,359	92,549
% of net sales	3.68	(3.64)	(18.66)	(10.40)	7.69	7.03
% of average assets employed	8.46	(6.73)	(22.80)	(14.32)	17.58	19.46
Profit / (Loss) after taxation	18,750	(28,816)	(94,951)	(75,471)	77,521	76,441
Cash dividend - amount	4,249	-	-	-	21,243	21,243
Bonus Shares - %	-	-	-	-	-	-
Right Shares - %	-	-	-	-	-	-
Cash dividend - %	10	-	-	-	50	50
Earnings/(loss) per share Rs.	4.41	(6.78)	(22.35)	(17.76)	18.25	17.99
Break-up value	80.12	75.11	82.08	104.22	128.07	115.58
No. of shares	4,249	4,249	4,249	4,249	4,249	4,249

GRAPHICAL PRESENTATION

Sales -Net

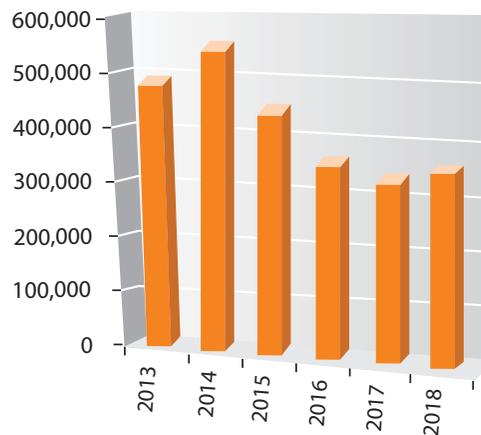
Rupees in '000



	2013	2014	2015	2016	2017	2018
Sales - Net	1,317,205	1,187,576	684,144	486,457	620,394	763,546

Shareholders Equity

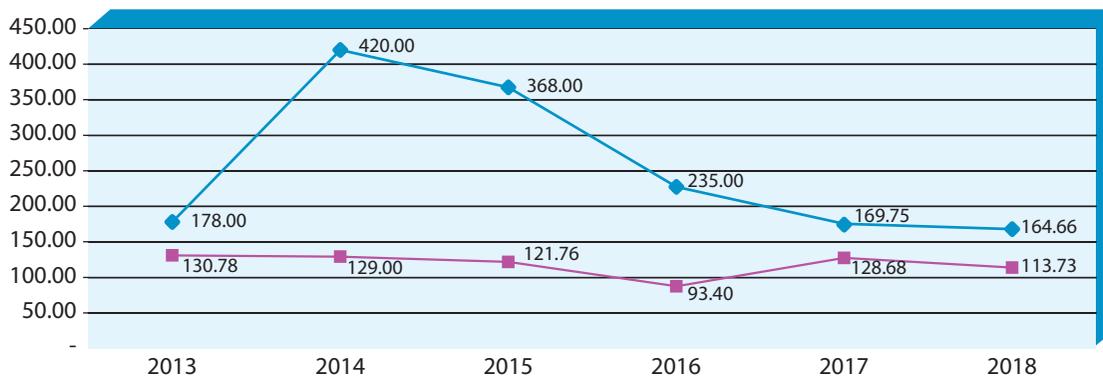
Rupees in '000



	2013	2014	2015	2016	2017	2018
Shareholders Equity	491,067	544,121	442,788	348,734	319,132	340,382

Share Price Movement

Rupees



	2013	2014	2015	2016	2017	2018
High	178.00	420.00	368.00	235.00	169.75	164.66
Low	130.78	129.00	121.76	93.40	128.68	113.73

Profit/(loss) Before Taxation

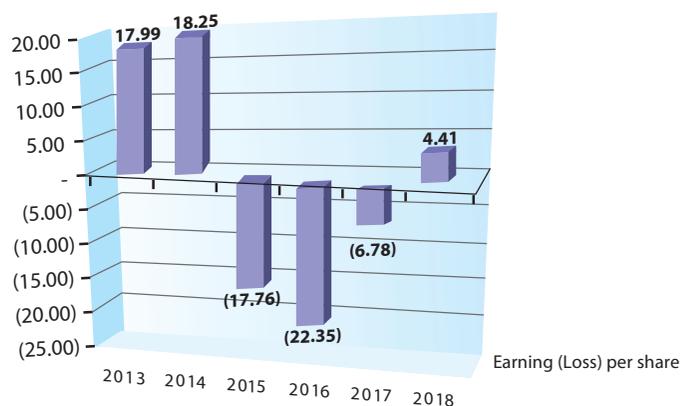
Rupees in '000



	2013	2014	2015	2016	2017	2018
Profit/(Loss) before taxation	92,549	91,359	(71,149)	(90,786)	(22,594)	28,069

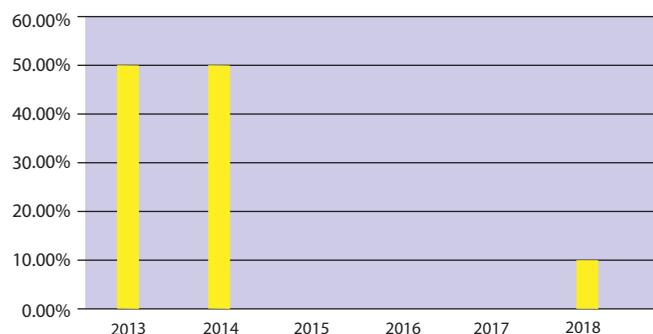
Earning/(loss) per share based on After taxation

Rupees



	2013	2014	2015	2016	2017	2018
Earning/(loss) per share	17.99	18.25	(17.76)	(22.35)	(6.78)	4.41

Dividend Payout



	2013	2014	2015	2016	2017	2018
Right	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bonus Shares	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash Dividend	50.0%	50.0%	0.0%	0.0%	0.0%	10.0%

NOTICE OF MEETING

Notice is hereby given that the 56th Annual General Meeting of Pakistan Gum and Chemicals Limited, will be held on Thursday, 25 April, 2019 at 10:00 a.m. at Company's registered office, located at B-19/A, Irshad Qadri Road, SITE, Karachi to transact the following business:

Ordinary Business:

1. To consider and adopt the Annual Audited Financial Statements of the company for the year ended 31 December, 2018 together with Directors' and Auditors' reports thereon.
2. To consider, approve and authorize the payment of final dividend for the year ended 31 December 2018. The Directors have recommended the payment of a final dividend of 10%.
3. To appoint Auditors for the year ending December 31, 2019 and to authorize the Board to fix their remuneration.

Special Business:

1. To ratify and approve transactions conducted with Related Parties for the year ended 31 December 2018 by passing the following special resolution with or without modification:

"RESOLVED THAT the transactions conducted with Related Parties as disclosed in the note 37 of the financial statements for the year ended 31 December 2018 be and are hereby ratified, approved and confirmed".

2. To authorize the Board of Directors of the Company to approve transactions with Related Parties for the financial year ending 31 December 2019 by passing the following special resolution with or without modification:

"RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to approve the transactions to be conducted with Related Parties on case to case basis for the financial year ending 31 December 2019.

RESOLVED FURTHER THAT these transactions by the Board shall be deemed to have been approved by the shareholders and shall be placed before the shareholders in the next Annual General Meeting for their formal ratification/approval".

3. To consider and approve transmission of Annual Audited Accounts through CD instead of transmitting of accounts in hard copies.
4. To transact any other ordinary business as may be placed before the meeting with the permission of the Chair.

By Order of the Board



Zafar Iqbal
Company Secretary
Karachi: 19 March, 2019

Notes:

1. The Share Transfer Books of the Company will remain closed from 18 April, 2019 to 25 April, 2019 (both days inclusive). Transfers received in order by our registrar M/s JWAFS Registrar Services (Pvt) Limited 407-408 Al-Ameera Center, Shara-e-Iraq, Saddar Karachi, at the close of business on April 17, 2019 will be treated in time for the purpose of attending the meeting.
2. CDC shareholders are requested to bring their original CNIC, Account No., Sub-Account number and participant's number in Central Depository System for identification purpose for attending the meeting. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

3. A member entitled to attend and vote at the meeting may appoint another person on his / her behalf as his / her proxy to attend, speak and vote and a proxy so appointed shall have such right with respect to attending, speaking and voting at the meeting as are available to a Member. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting. A proxy need not be a member of the Company.
4. Non-CDC shareholders are requested to notify any change in their addresses immediately.

CDC Account Holders will further have to follow the guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

Payment of Cash Dividend Electronically:

The Securities and Exchange Commission of Pakistan (SECP) had earlier initiated an e-dividend mechanism through its letter No.8(4)SM/CDC/2008 dated 5 April 2013. The Companies Act 2017 also now provides in section 242 that any dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholders. As such, the company will only be able to make payment of cash dividends to its shareholders through electronic mode. Therefore, shareholders (in case of shareholding in Physical Form) are advised that they must provide the following information/details at the earliest to the Share Registrar of the Company i. e. JWAFPS Registrar Services (Pvt.) Limited 407-408 Al-Ameera Centre, Shakra-e-Iraq, Saddar, Karachi:

- (i) Folio/CDC Account Number
- (ii) CNIC No (Copy attached)
- (iii) Mobile/Landline No
- (iv) Title of Bank Account
- (v) International Bank Account Number (IBAN)
- (vi) Bank Name
- (vii) Branch name and Address

Deduction of withholding tax on the amount of dividend:

- i) Deductions will be made as under:

a) For filers of income tax returns	15.0%
b) For non-filers of income tax returns	20.0%

Therefore, all the shareholders whose names are not entered into the Active Tax-payers List (ATL) on the website of FBR, despite fact that they are filers, are advised to make sure that their names are entered into ATL before the date for payment of the cash dividend otherwise tax on their cash dividend will be deducted @ 20.0% instead of 15.0%.

- ii) As per FBR Circulars C.No.1 (29) WHT/2006 dated 30 June 2010 and C No.1 (43) DG (WHT)-Vol.II-66417-R, dated 12 May 2015, a valid exemption certificate is mandatory to claim exemption of withholding tax under section 150 of the Income Tax Ordinance, 2001 (tax on dividend amount) where the statutory exemption under clause 47B of part-IV of Second Schedule is available.

Circulation of Annual Audited Accounts and Notice of AGM through E-mail, CD, DVD or USB

Securities & Exchange Commission of Pakistan has under and pursuant to SRO No.787(I)/2014, dated 8 September 2014 and SRO 470(I) dated 31 May 2016 permitted companies to circulate their annual balance sheet and profit and loss accounts, Auditor's Report and Director's Report etc. ("Annual Audited Accounts") along with the notice of Annual General meeting ("AGM Notice"), to its shareholders by e-mail, CD, DVD or USB. Therefore, any Shareholder who desires to receive hard copies of the Notice and Annual Audited Accounts are requested to forward their requirement to Share Registrar or Company Secretary.

سالانہ اجلاس عام کی اطلاع

پاکستان گم اینڈ کیمیکلز لمیٹڈ کا 56 واں سالانہ اجلاس عام بروز جمعرات مورخہ 25 اپریل 2019ء 10:00 بجے کمپنی کے رجسٹرڈ آفس، B-19/A ارشاد قادری روڈ، سائینٹ، کراچی، میں درج ذیل معاملات طے کرنے کے لئے منعقد ہوگا۔

عام کاروبار:

- ۱۔ 31 دسمبر 2018ء کے اختتام پزیر سال کے آڈٹ شدہ اکاؤنٹس بشمول ڈائریکٹرز اور آڈیٹرز کی رپورٹس پر غور اور منظوری۔
- ۲۔ 31 دسمبر 2018ء کو ختم ہونے والے سال کیلئے حتمی منافع منقسمہ پر غور، اس کی منظوری اور اعلان۔ ڈائریکٹرز نے 31 دسمبر 2018ء کے سال کیلئے 10% منافع کی ادائیگی کی تجویز دی ہے جو کہ 1.00 روپے فی شیئر بنتے ہیں۔
- ۳۔ اختتامی سال 31 دسمبر 2019ء کے لئے آڈیٹرز کا تقرری اور مشاہرے کا تعین۔

خاص کاروبار:

- ۱۔ سال 2018ء کے دوران متعلقہ پارٹی کے ساتھ ہونے والے کاروبار کی مندرجہ ذیل خاص قرارداد کی اسی طرح یا ترمیم کے ساتھ منظوری۔
قرارداد کے مطابق متعلقہ پارٹی کے ساتھ ہونے والے کاروبار کی تفصیلات جو کہ ختم پزیر سال 2018ء کے مالی گوشوارے کے نوٹ نمبر 37 میں شایعہ کی گئی ہے کی توثیق، منظوری اور تصدیق۔
- ۲۔ بورڈ آف ڈائریکٹرز کو سال 2019ء کے دوران متعلقہ پارٹی کے ساتھ کئے جانے والے کاروبار کا اختیار مندرجہ ذیل خاص قرارداد کی اسی طرح یا کسی ترمیم کے ساتھ منظوری۔
"قرارداد کے مطابق متعلقہ پارٹی کے ساتھ ہونے والے کاروبار جو کہ سال 2019ء میں کئے جائیں گے کا بورڈ آف ڈائریکٹرز کو مجاز کرنے کی توثیق، منظوری اور تصدیق۔
"مزید قرارداد منظور کی گئی کہ یہ کاروبار حصص داران کی منظوری کے مطابق تصور کئے جائیں گے تاہم ان کی باضابطہ توثیق و منظوری آئندہ آنے والے سالانہ اجلاس میں کی جائیگی۔"
- ۳۔ اکاؤنٹس کی ترسیل ڈاک کے بجائے CD کے ذریعہ کرنے کے بارے میں غور اور منظوری کی صورت میں اپنانے کا فیصلہ۔
- ۴۔ چیئرمین کی اجازت سے کسی اور عام کاروبار پر عملدرآمد۔

بحکم برائے بورڈ



ظفر اقبال

کمپنی سیکریٹری

کراچی: 19 مارچ 2019ء

نوٹ:

- ۱۔ کمپنی کی شیئر ٹرانسفر بکس 18 اپریل 2019ء تا 25 اپریل 2019ء بشمول دونوں دن بند رکھی جائیں گی۔ ٹرانسفرز جو کہ ترتیب میں

JWAFFS Registrar Services (Pvt.) Limited, 407-408, Al Ameerah Centre, Saddar,

Karachi تک 17 اپریل 2019ء کو پہنچ جائینگے بروقت قراردادیں اور میٹنگ میں حاضری کے اہل ہونگے۔

۲- CDC حصہ داروں سے گزارش کی جاتی ہے کہ وہ اپنا کمپیوٹرائزڈ شناختی کارڈ، اپنا اکاؤنٹ یا ذیلی اکاؤنٹ نمبر اور سینٹرل ڈیپوزیٹری سسٹم میں شرکت کرنے والے کا نمبر شناخت کے لئے ہمراہ لیکر اجلاس میں شرکت کریں۔ Corporate Entity ہونے کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد یا مختار نامہ، نامزد افراد کے نمونہ دستخط، اجلاس میں شرکت کے وقت حاضر کرنے ہونگے۔

۳- عام اجلاس میں شرکت اور ووٹ دہندہ ممبر اپنی شرکت کرنے، بولنے اور ووٹ دینے کے لئے پراسی کا تقرر کر سکتے ہیں۔ ضروری نہیں کہ یہ تقرری کسی ممبر ہی کی ہو ایسی تقرری کی اطلاع کمپنی کے رجسٹرڈ آفس میں میٹنگ سے کم از کم اڑتالیس گھنٹے قبل داخل کرنی لازمی ہے۔

۴- فزیکل حصص یافتگان سے گزارش ہے کہ اگر ان کے موجودہ پتہ میں کوئی تبدیلی ہوئی ہے تو اس کی اطلاع فوری طور پر کمپنی کو کریں۔

CDC ممبران مزید پیروی کے لئے SECP کے سرکلر نمبر ۱ مورخہ ۲۶ جنوری ۲۰۰۰ء سے مدد لے سکتے ہیں۔

الیکٹرانک طریقہ سے منافع منقسمہ کی ادائیگی

SECP کے سرکلر نمبر 2008 SM/CDC (4) 8 بطاریخ 5 اپریل 2013 کے تحت بزریرجی الیکٹرانک ادائیگی کا آغاز کیا تھا کمپنیز ایکٹ 2017 کے سیکشن 242 کے تحت کسی بھی قبل ادا نقد منافع منقسمہ کی ادائیگی صرف بزریرجی الیکٹرانک براہ راست شیئر ہولڈر کے نامزد کردہ بینک اکاؤنٹ میں کی جائے گی۔ اس لئے کمپنی شیئر ہولڈرز کو نقد منافع کی ادائیگی صرف الیکٹرانک طریقہ کار کے تحت ادا کر سکتے گی۔ لہذا شیئر ہولڈرز کو مطلع کیا جاتا ہے کہ الیکٹرانک طریقہ کار کے تحت منافع منقسمہ کی وصولی کے لئے اپنے بینک مینڈیٹ کی تفصیلات جلد از جلد کمپنی کے شیئر رجسٹرار

JWAFFS Registrar Services (Pvt.) Limited, 407-408, Al Ameer Centre, Saddar, Karachi

کو مندرجہ ذیل طریقہ سے فراہم کریں:

- (i) فولیو یا سی ڈی سی اکاؤنٹ نمبر
- (ii) شناختی کارڈ نمبر (کاپی منسلک کریں)
- (iii) موبائل نمبر
- (iv) عنوان اکاؤنٹ
- (v) بین الاقوامی اکاؤنٹ نمبر (IBAN)
- (vi) بینک کا نام
- (vii) برانچ کا نام بمہ پتہ

منافع پرنیکس کی کٹوتی کی شرع

وہ ہولڈنگ ٹیکس کی کٹوتی کی مختلف شرع مندرجہ ذیل ہیں:

- (i) انکم ٹیکس فائیلرز کیلئے 15.0 فیصد
- (ii) انکم ٹیکس نان فائیلرز کیلئے 20.0 فیصد

وہ تمام شیئر ہولڈرز جن کے نام FBR کی ویب سائٹ پر ATL میں موجود نہیں باوجود یہ کہ انہوں نے ٹیکس ریٹرن فائیل کر دی ہو، ان کو متنبہ کیا جاتا ہے کہ وہ نقد منافع کی ادائیگی سے قبل اپنے نام کی یقینی موجودگی ATL میں کروالیں۔ بصورت دیگر ان کے منافع پرنیکس کی کٹوتی 15% کے بجائے 20% کی جائے گی۔

FBR کے سرکلر No.1(29)WHT/2006-C بتاریخ 30 جون 2010 اور C.No.1(43)DG(WHT)/2008-Vol.II-66417-R کے تحت انکم ٹیکس آرڈیننس 2001 (منافع کی رقم پر ٹیکس) کے سیکشن 150 کے مطابق کٹوتی سے استثنیٰ کا دعویٰ کرنے کیلئے مؤثر استثنیٰ کا سرٹیفیکٹ لازمی جمع کرانا ہوگا۔

SECP نے بزرگیہ نوٹیفیکیشن SRO787(I)2014 بتاریخ 8 ستمبر 2014 اور SRO470(1)2016 بتاریخ 31 مئی 2016 کمپنیز کو اجازت دی ہے کہ وہ اپنی سالانہ اجلاس عام کی اطلاع کے ساتھ سالانہ بیلینس شیٹ اور نفع و نقصان کی تفصیلات، آڈیٹرز اور ڈائریکٹرز رپورٹ وغیرہ (سالانہ آڈٹ شدہ اکاؤنٹس) اپنے حصص یافتگان کو بزرگیہ CD ترسیل کرے۔ کمپنی کے وہ حصص یافتگان جو مستقبل میں نوٹس اور سالانہ آڈٹ شدہ اکاؤنٹس کی چھٹی ہوئی کاپی وصول کرنے کے خواہشمند ہیں، ان سے گزارش ہے کہ وہ اپنی خواہش کا تحریری عندیہ رجسٹرار یا کمپنی سیکریٹری کو جمع کرائیں۔ آڈٹ شدہ مالیاتی حسابات اور رپورٹس مذکورہ ویب سائٹ پر مہیا کی جا رہی ہے۔

پاکستان گم اینڈ کیمیکلز لمیٹڈ، B-19/A، ارشاد قادری روڈ، سائٹ، کراچی۔

فون نمبر: 26-32561124، فیکس نمبر: 32561320 ای میل: info@pakchem.com.pk

CHAIRMAN'S REVIEW REPORT

I am pleased to present Chairman's Review report as required under section 192 of the Companies Act 2017.

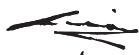
Overall, the Board is working well given its organizational model and board structure, with board members having the appropriate range of skills, knowledge and experience, as well as the degree of diversity, necessary to enable it to effectively govern the business.

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of Pakistan Gum and Chemicals Limited has been carried out. The purpose of this evaluation is to ensure that the board's overall performance and effectiveness is measured and bench marked against expectations in the context of objectives set for the company.

For the financial year ended December 31, 2018, overall performance and effectiveness of the Board, its members and its committees has been assessed as satisfactory. The assessment is based on an evaluation of integral components, including vision, mission and values; engagement in strategic planning; formulation of policies monitoring the organization's business activities; monitor financial resource management; effective fiscal oversight; equitable treatment of all employees and efficiency in carrying out the Board's business and its committees. Improvement is an ongoing process leading to action plans.

The Board of Directors of your company received agendas and supporting written material including follow up materials in sufficient time prior to the board and its committee meetings. The board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.

I would like to thank my fellow directors who had carried their responsibilities diligently and look forward to their contribution in future.



Muhammad Moonis
Chairman

Karachi: 19 March, 2019

کمپنی کی کارکردگی پر چیئرمین کی جائزہ رپورٹ

میں یہ بتانے میں نہایت خوشی اور فخر محسوس کرتا ہوں کہ اپنے فعال تنظیمی ڈھانچے اور اسٹریٹجی کی بنا پر بورڈ نہایت تندہی سے کام کر رہا ہے۔ بورڈ اراکین باصلاحیت علم اور تجربہ کے حامل ہیں جو کہ کمپنی کے کاروبار کو موثر طریقے سے چلانے کے لئے انتہائی ضروری ہے۔

کوڈ آف کارپوریٹ گورننس کے تقاضے کے تحت پاکستان گم اینڈ کیمیکلز لمیٹڈ کے ڈائریکٹرز کی کارکردگی کا سالانہ جائزہ لیا جاتا ہے۔ اس جائزے کا مقصد اس بات کو یقینی بنانا ہے کہ کمپنی کے لئے متعین کئے گئے اہداف و مقاصد سے وابستہ بورڈ کی مجموعی کارکردگی کیسی رہی۔

31 دسمبر 2018ء کو ختم ہونے والے مالی سال کیلئے بورڈ، اس کے اراکان اور اس کی کمیٹیوں کی مجموعی کارکردگی نہایت تسلی بخش رہی۔ مجموعی جائزہ جن بنیادوں پر قابل اطمینان رہا ان لازمی اجزا میں دورانہ پیشگی، تکمیل مشن اور اعلیٰ حکمت عملی ہے اس حوالے سے منصوبہ بندی، پالیسی کی تشکیل، تنظیم کی کاروباری سرگرمیوں کی نگرانی، فنانشل ریورس مینجمنٹ کی نگرانی، موثر مالیاتی نگرانی، تمام ملازمین کے ساتھ یکساں سلوک، بورڈ اور اس کی ذیلی کمیٹیوں کی موثر کارکردگی شامل ہے۔ بہتری ایک مسلسل جاری رہنے والا عمل ہے جو منصوبوں کی عملی تشکیل کی صورت میں ہی سامنے آتا ہے۔

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کو ایجنڈے اور ضروری تحریری مواد بشمول بیرونی، میٹریل، بورڈ اور اس کی ذیلی کمیٹی میٹنگز کے شروع ہونے سے قبل مناسب وقت پر موصول ہو جاتے ہیں۔ بورڈ اپنی ذمہ داریوں سے عہدہ برآ ہونے کے لئے گاہے بگاہے اجلاس منعقد کرتا ہے۔ اہم فیصلوں میں ایگزیکٹو، نان ایگزیکٹو اور آزاد ڈائریکٹرز بھی برابری کی بنیاد پر شامل ہوتے ہیں۔

میں اپنے ساتھی ڈائریکٹرز کا شکریہ ادا کرتا ہوں جنہوں نے اپنی ذمہ داریاں محنت اور جانفشانی سے سرانجام دی ہیں اور مستقبل میں بھی ان کی معاونت کی توقع رکھتا ہوں۔

محمد منوں
چیئرمین

کراچی: 19 مارچ 2019ء

DIRECTORS' REPORT

On behalf of the Board of Directors, it is my pleasure to welcome you to the 56th Annual General Meeting of the Company.

Business Review

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

Operating performance of the company has improved during the year 2018 in all major areas and is reflected in the after-tax profit of Rs. 19 million compared with after tax loss of Rs. 29 million in 2017.

The company has achieved sales of 764 million with a growth of 23.1% with the corresponding year.

Gross Profit has significantly improved and almost two times of the last year. There is an increase in earnings per share from Negative Rs 6.78 to positive Rs 4.41 for the year 2018.

Appropriations

	Rupees in '000
Net profit for the year before taxation	28,069
Provision for taxation	(9,319)
Net Profit for the year after taxation	18,750
Appropriations	
Proposed Cash Dividend	4,249
Proposed Bonus Shares	-
Transfer to General Reserve	-
	4,249
Profit carried forward	14,501
Earnings per share (Rupees)	4.41

The Compositions of the Board

The total number of directors is ten as per the following:

- Male : Ten
- Female: None

The compositions of the board along with the meetings of the Board held and attendance of each director is as follows.

Names of Directors	Category	Meetings	
		Held	Attended
Mr. Zubyr Soomro	Independent	6	4
Mr. Muhammad Moonis	Executive Director	6	6
Mr. Shuaib Ahmed	Other Non-executive Director	6	6
Mr. Ozair Ahmed Hanafi	Other Non-executive Director	6	6
Mr. Mohammad Ali Hanafi	Other Non-executive Director	6	4
Mr. Tariq Mohamed Amin	Other Non-executive Director	6	6
Mr. Zahid Zaheer	Other Non-executive Director	6	5
Mr. Zaeem Ahmad Hanafi	Other Non-executive Director	6	5
Mr. Sajid Iqbal Hussain	Executive Director	6	5
Mr. Muhammad Aslam Hanafi	Executive Director	6	6

The Board granted leave of absence to those directors who could not attend the Board meetings.

Committees of the Board

A. Audit Committee

The Compositions of the Committee along with the meetings of the Committee held and attendance of each member is as follows.

Names of Directors	Category	Meetings	
		Held	Attended
Mr. Tariq Mohamed Amin	Chairman	4	4
Mr. Zahid Zaheer	Member	4	3
Mr. Zaeem Ahmad Hanafi	Member	4	4
Mr. Zubyr Soomro	Member	4	3
Mr. Sajid Iqbal Hussain	Executive Director –By invitation	4	3

The Audit Committee granted leave of absence to those members who could not attend the Audit Committee meetings.

B. Human Resource and Remuneration Committee

The Compositions of the Committee along with the meetings of the Committee held and attendance of each member is as follows.

Names of Directors	Category	Meetings	
		Held	Attended
Mr. Zahid Zaheer	Chairman	1	1
Mr. Shuaib Ahmed	Member	1	1
Mr. Tariq Mohamed Amin	Member	1	1
Mr. Zubyr Soomro	Member	1	1
Mr. Sajid Iqbal Hussain	Executive Director- By invitation	1	1

Directors Remuneration

The Board of Directors has approved a Remuneration policy for Directors. The salient features of which are:

The Company will not pay any remuneration to its non executive directors except as meeting fee for attending the Board and its Committee meetings.

The remuneration of a director for attending meetings of the Board of Directors or its Committees shall from time to time be determined and approved by the Board of Directors.

A director shall be provided or reimbursed for all travelling, boarding, lodging and other expenses incurred by them for attending the meetings of the Board, its Committees and/or General Meetings of the Company.

Principal Risks

Risks	Mitigating factors
Raw material cost component is a major part of the overall cost of production of the Company. Suppliers may increase the cost of Guar seed price corresponding to the Indian Market.	The Company monitors the seed price situation and cautiously purchase and at times limiting the purchase of seed so that the Company may not expose to high risk.
Fluctuations in foreign currency rates	The Company is trying to increase the exports to mitigate currency fluctuation risk.
Insufficient cash available to pay liabilities resulting in a liquidity problem.	The Company has Proactive Cash management system. Committed credit lines from banks are also available to bridge a liquidity gap, if any.

Impact on the Company Business on the Environment

The Company is committed to environment friendly situation.

Corporate Social Responsibility

For a business to take responsibility for its actions, it must be fully accountable. Here at Pakistan Gum and Chemicals Limited, we have gone beyond the legal requirements to enhance transparency and credibility and strengthened our management infrastructure. All this is done to ensure that we fulfill our social responsibility as it is the least we can do. Being socially responsible is more than just a corporate requirement for us. The Company continuously takes multifaceted initiatives to fulfill this moral obligation.

Subsequent Events

There were no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statement relates and the date of the report.

Statement on Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed and explained.
- The Board of Directors has established an efficient system of internal financial controls which is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There is no default in payment of any debt during the year.
- Key operating and financial data of last six years are summarized.
- There is no change that has occurred during the financial year concerning the nature of the business of the Company from last year.
- The Company operates funded gratuity, pension and provident fund schemes for its eligible employees. The fair value of investments amounted to Rs.59 million as at December 31, 2018.

Dividend

The Board of Directors is pleased to announce dividend @ Re.1.00 for the year ended 31 December 2018.

Future Prospects and main trends and factors

The Management is fully conscious of the current difficult business conditions and necessary steps are being taken on regular basis.

Despite forecasts of an increase in demand, there is no indication that price of guar gum will rise since there is also excess supply in the market. A silver lining is the increasing awareness and trends towards consumption of organic foods, which bodes well for demand of guar gum powder.

However increase in demand by the food industry will not make up for decrease in demand for industrial grade products for hydraulic fracturing industry. Furthermore guar production is also subject to seasonal changes and hoarding and black marketing of its seeds.

Pattern of shareholdings

The pattern of shareholdings of the Company as at December 31, 2018 is given on page 69 of this report.

Auditors

The present auditors KPMG Taseer Hadi & Co, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Board of Directors asked the management of the Company to re-negotiate the audit fee with the existing auditors KPMG Taseer Hadi & Co. Chartered Accountants, for the appointment as auditors of the company for the year ending December 31, 2019. The external auditors have confirmed that:

- i) They have been awarded a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan (ICAP).
- ii) Neither KPMG Taseer Hadi & Co. Chartered Accountants (the Firm) nor any of its partners or their spouses or minor children, at any time during the year, held, purchased, sold or took any position in the shares of the Company or any of its associated companies or undertakings;
- iii) The Firm and all its Partners are in compliance with the International Federation of Accountants (IFAC) Guidelines on code of ethics as adopted by the ICAP; and
- iv) The Firm or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and that IFAC Guidelines in this regard have been observed.

Acknowledgement

We would like to thank the employees for their hard work under very trying conditions. We also owe a debt of gratitude to the Board Members for their wise counsel and continued support.

By order of the Board



Sajid Iqbal Hussain
Chief Executive

Karachi: 19 March, 2019



Muhammad Moonis
Chairman

ڈائریکٹرز کا جائزہ

ہم آپ سب کو بورڈ آف ڈائریکٹرز کی جانب سے ۵۶ ویں سالانہ عام اجلاس میں شرکت پر خوش آمدید کہتے ہیں۔

کاروباری جائزہ

بنیادی طور پر کمپنی گوارم اور اس کی منسلکہ مصنوعات کی پیداوار اور فروخت سے منسلک ہے۔

سال ۲۰۱۸ میں کمپنی کی کارکردگی تمام اہم شعبوں میں بہتر رہی جس کے باعث ٹیکس کے بعد 19 ملین روپے کا خالص منافع ہوا جبکہ گزشتہ سال 29 ملین روپے کا خسارہ تھا۔ یہ بات باعث مسرت ہے کہ کمپنی اس سال 764 ملین کا مال فروخت کرنے میں کامیاب ہوئی جو گزشتہ سال سے 23.1 فیصد زیادہ ہے۔ یعنی کہ بنیادی منافع پچھلے سال کی بنسبت دوگنا ہے۔ اس مالی سال میں فی حصص آمدنی 4.41 روپے رہی جبکہ پچھلے مالی سال میں فی حصص خسارہ 6.78 روپے تھا۔

اپروپرائٹنس

روپیہ 000	
28,069	حتمی منافع قبل از ٹیکس
(9,319)	تعمینہ ٹیکس
18,750	حتمی منافع بعد از ٹیکس
	اپروپرائٹنس
4,249	مجوزہ نقد ڈیویڈنڈ
-	مجوزہ بونس حصص
-	جزل ریزرو میں منتقلی
4,249	
14,501	آگے لیجانے والا منافع
4.41	آمدنی فی حصص روپے

بورڈ آف ڈائریکٹرز کی ساخت

ڈائریکٹرز کی کل تعداد 10 ہے جو مندرجہ ذیل ہیں

۱- مرد: 10

۲- عورت: 0

بورڈ کی ساخت بمعہ میٹنگ اور ڈائریکٹرز کی حاضری کی تفصیلات مندرجہ ذیل ہیں

میتنگز	حاضری	منعقد	تفصیل	نام
	4	6	آزاد	جناب زبیر سومرو
	6	6	ایگزیکٹو	جناب محمد منوں
	6	6	دیگر غیر ایگزیکٹو	جناب شعیب احمد
	6	6	دیگر غیر ایگزیکٹو	جناب عزیز احمد حنفی
	4	6	دیگر غیر ایگزیکٹو	جناب علی حنفی
	6	6	دیگر غیر ایگزیکٹو	جناب طارق محمد امین
	5	6	دیگر غیر ایگزیکٹو	جناب زاہد ظہیر
	5	6	دیگر غیر ایگزیکٹو	جناب زعیم احمد حنفی
	5	6	ایگزیکٹو	جناب ساجد اقبال حسین
	6	6	ایگزیکٹو	جناب اسلم حنفی

بورڈ نے میٹنگ سے غیر حاضر ہونے والے ڈائریکٹران کی اظہار وجوہ کی منظوری دے رکھی ہے۔

بورڈ کی کمیٹی آڈٹ کمیٹی

کمیٹی کی ساخت بمعہ میٹنگ اور ڈائریکٹرز کی حاضری کی تفصیلات مندرجہ ذیل ہیں

میٹنگز		تفصیل	نام
حاضری	منعقد		
4	4	چیرمین	جناب طارق محمد امین
3	4	رکن	جناب زاہد ظہیر
3	4	رکن	جناب زبیر سومرو
3	4	رکن	جناب زبیر سومرو
3	4	چیف ایگزیکٹو، بزرگ دعویت	جناب ساجد اقبال حسین

کمیٹی نے میٹنگ سے غیر حاضر ہونے والے ڈائریکٹران کی اظہار وجوہ کی منظوری دے رکھی ہے۔

ہیومن رسورس اور ریٹرنیشن کمیٹی

کمیٹی کی ساخت بمعہ میٹنگ اور ڈائریکٹرز کی حاضری کی تفصیلات مندرجہ ذیل ہیں

میٹنگز		تفصیل	نام
حاضری	منعقد		
1	1	چیرمین	جناب زاہد ظہیر
1	1	رکن	جناب شعیب احمد
1	1	رکن	جناب طارق محمد امین
1	1	رکن	جناب زبیر سومرو
1	1	چیف ایگزیکٹو، بزرگ دعویت	جناب ساجد اقبال حسین

ڈائریکٹرز کی ادائیگیاں

بورڈ نے ڈائریکٹرز کو ادائیگیوں کے لئے ایک پالیسی مرتب کی ہے، جس کے خصوصیات مندرجہ ذیل ہیں:

کمپنی کسی بھی غیر ایکویٹی بورڈ میٹنگ میں حاضری کی فیس کی ادائیگی کے سوا کسی قسم کی ادائیگی نہیں کرے گی۔

ڈائریکٹرز کو بورڈ یا کمیٹیوں کی میٹنگ میں حاضری کے لئے ادا کی جانے والی فیس کا جائزہ بورڈ وقتاً فوقتاً کرے گا اور اس کی منظوری دے گا۔

ایسے ڈائریکٹرز جو بیرونی شہر/ملک سے بورڈ، کمیٹی یا سالانہ اجلاس عام میں شرکت کے تشریف لائیں کو ان کو آنے جانے، رہائش اور کھانے کے اخراجات کی ادائیگی بل پبلیش کرنے کے بعد کی جائے گی۔

بنیادی خدشات

بہت ہی محتاط	خدشہ
کمپنی ان کا جائزہ بہت محتاط طریقہ سے کرتی ہے اور مال کی خرید میں کمی کر دیتی ہے تاکہ کسی بڑے نقصان سے بچا جاسکے۔	چونکہ خام مال کی قیمت مجموعی قومی پیداوار کا بنیادی عنصر ہے اسلئے مال فراہم کرنے والے ہندوستانی مارکٹ کو دیکھ کر قیمت بڑھا سکتے ہیں۔
کمپنی کی ہر ممکن کوشش ہوتی ہے کہ برآمدات کو بڑھا کر اس خدشے سے بچا جاسکے	غیر ملکی کرنسی میں اتار چڑھاؤ کی شرح
کمپنی کے پاس رقم کی دستیابی کا ایک نہایت ہی فعال نظام موجود ہے، اور ادائیگیوں کے لئے رقم کی ضرورت پڑنے پر بینک سے مناسب کریڈٹ کی سہولت دستیاب ہیں۔	ادائیگیوں کے لئے نا کافی رقم کا دستیاب ہونا

کمپنی کے کاروبار سے پڑنے والے ماحولیاتی اثرات

کمپنی ماحولیاتی اثرات سے بچاؤ کے لئے پرعزم ہے۔

کارپوریٹ اور سماجی ذمہ داری

کسی بھی کاروبار کے لئے ضروری ہے کہ اس کے کاروبار کا تفصیل سے حساب کتاب کا جائزہ لیا جائے۔ اسی لئے کمپنی نے اپنے حساب کتاب کو شفاف رکھنے کے لئے آڈٹ کا ایک نظام وضع کیا ہے تاکہ ہم یقین بنا سکیں کہ کمپنی اپنی سماجی اور کارپوریٹ ذمہ داریوں کو احسن طریقہ سے ادا کر سکے اور ہم ہمیشہ ایسے معاملات میں کثیر جہتی کرتے ہیں۔

سیکیورٹیز ایکٹ

دوران سال ایسی کوئی تبدیلی وقوع پر نہیں ہوئی جو کمپنی کے مالی تفصیلات سے متعلقہ نتائج کو متاثر کر سکے۔

کارپوریٹ اور نیشنل رپورٹنگ کا بیان اور بنیاد

- مالیاتی گوشوارے جو کہ کمپنی کی انتظامیہ نے بنائے ہیں وہ کمپنی کے کاروباری امور، اس کے آپریشنز، نقد بہاؤ اور ایکویٹی میں تبدیلی کے نتائج کو شفاف انداز میں پیش کرتے ہیں۔
- کمپنی کے حسابات کارپوریٹ رکھنے کے لئے باقاعدہ دستاویزات برطابق کمپنی ایکٹ بنائی گئی ہیں۔
- درست اکاؤنٹنگ پالیسیاں، جیسا کہ مالیاتی گوشواروں کے نوٹس میں درج ہیں، مستقل طور پر مالیاتی گوشواروں کی تیاری میں لاگو کی جاتی ہیں اور اکاؤنٹنگ کے تخمینہ جات درست اور محتاط فیصلے پر مبنی ہیں۔
- مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈ پر عملدرآمد کیا جاتا ہے اور اس سے کسی بھی انحراف کے بارے میں مناسب جواز پیش کیا جاتا ہے۔
- بورڈ آف ڈائریکٹرز نے اندرونی کنٹرول کا نظام مستحکم طور پر تیار کیا ہے اور موثر انداز میں نافذ عمل ہے اور اس کی نگرانی کی جاتی ہے۔
- کمپنی کے چلتے رہنے کی صلاحیت پر قطعی کوئی شبہ نہیں ہے۔
- اہم اموری اور مالی اعداد و شمار برائے ۶ سال کا خلاصہ پیش کر دیا گیا ہے۔
- کمپنی کے کاروبار میں گزشتہ سال کی نسبت کسی قسم کی کوئی تبدیلی نہیں ہوئی۔
- کمپنی میں اہل ملازمین کے لئے فنڈ ڈیگریٹیو پیمنٹس اور پروویڈنٹ فنڈ کی سہولت موجود ہے جس کی مناسب مالیت ۳۱ دسمبر ۲۰۱۸ کو ۵۹ ملین روپے رہی۔

ڈیوڈنڈ

بورڈ آف ڈائریکٹرز نے ختم پزیر سال ۲۰۱۸ کے لئے 1.00 روپے فی حصص منافی کی سفارش کی ہے۔

امکانات مستقبل اور بنیادی رجحان

منجھنت موجودہ مشکل صورتحال سے بخوبی واقف ہے اور کسی بھی مشکل صورتحال سے بچنے کے لئے وقتاً فوقتاً اقدامات کرتی رہتی ہے۔ گوارا کی مصنوعات کی مانگ میں اضافہ کے سلسلہ میں ہونے والی تمام تر پیشگوئیوں کے باوجود کسی قسم کا کوئی اشارہ نہیں پایا گیا کہ اس کی قیمتوں میں بھی اضافہ ہوگا۔ اس کے علاوہ اس کی فراہمی پہلے ہی مارکٹ میں زیادہ ہو چکی ہے۔ لوگوں میں اور گھینک نوڈ کی جانب بڑھتے ہوئے رجحان کے پیش نظر گوارا گم پاؤڈر کی مانگ میں اضافہ کے امکان ہیں۔ تاہم خوردنی صنعت کی مانگ میں بڑھنے والا رجحان ہائیڈروک فریکچرنگ کی صنعت کی جانب سے مانگ میں کمی کے رجحان کو پورا نہیں کر سکتا۔ مزید یہ کہ گوارا کے بیج کی پیداوار پر موسمی اثرات، زخیرہ اندوزی اور بلیک مارکنگ کی وجہ بنتی ہے۔

حصص داری کی تفصیلات

کمپنی کی بیٹرن آف شیئر ہولڈنگ کی تفصیلات صفحہ نمبر 69 پر منسلک کر دی گئی ہیں۔

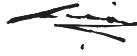
آڈیٹرز

موجودہ آڈیٹرز، کے پی ایم جی تاثیر ہادی چارٹرڈ اکاؤنٹنٹس جو کہ اپنی معیار مکمل کر چکے ہیں، نے بحیثیت بیرونی آڈیٹرز برائے سال ۲۰۱۹ اپنی تقرری کے لئے نامزدگی دائیر کردی ہے۔ بورڈ آف ڈائریکٹرز نے مینجمنٹ کو ہدایت کی ہے کہ وہ ان کی سال ۲۰۱۹ کی تعیناتی کے لئے مشاہرے پر دوبارہ نظر ثانی کریں۔ کے پی ایم جی تاثیر ہادی چارٹرڈ اکاؤنٹنٹس نے اس بات کی تصدیق کی ہے کہ:

۔ انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس پاکستان انکی کارکردگی سے مطمئن ہے
 ۔ کے پی ایم جی تاثیر ہادی، چارٹرڈ اکاؤنٹنٹس، اس کے کسی بھی شراکت دار، انکے اسپاؤزیانا یا نالغ بچوں میں سے کسی نے بھی دوران سال آڈٹ کمپنی یا اس کی منسلکہ کسی بھی کمپنی کے حصص کی خرید و فروخت نہیں کی
 ۔ فرم یا اسکے تمام شراکت دار (IFAC) International Federation of Accountants کے دئے ہوئے ہدایت نامہ کی، جو کے آئی کیپ نے بھی لازمی کیا ہے کی پاسداری کرتے ہیں
 ۔ فرم یا اس سے منسلک کوئی بھی فرد کبھی بھی کسی اور خدمت کا حجاز نہیں ہوا جیسا کہ لسٹنگ ریگولیشن اور آئی ایف اے سی میں درج کیا گیا ہے۔

اعتراف

ہم مشکور ہیں بورڈ پر موجود اپنے ساتھیوں کا جن کے تعاون، محنت اور مشوروں کی بدولت ہم اپنے فرائض کی انجام دہی کر سکے۔ ہم معترف ہیں کمپنی کی مینجمنٹ اور کارکنان کے جو کہ ان مشکل حالات کا انتھک محنت سے مقابلہ کرتے رہے۔


 محمد منیر
 چیئر مین


 ساجد اقبال حسین
 چیف ایگزیکٹو

کراچی: مورخہ ۱۹ مارچ، ۲۰۱۹

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

Name of company: PAKISTAN GUM & CHEMICALS LIMITED

Year ending: DECEMBER 31, 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are ten as per the following:
 - a. Male: Ten
 - b. Female: None

2. The composition of Board is as follows:

Category	Names
a) Independent Director	Mr. Zubyr Soomro
b) Other Non-executive Directors	Mr. Shuaib Ahmed Mr. Ozair Ahmed Hanafi Mr. Mohammad Ali Hanafi Mr. Tariq Mohamed Amin Mr. Zahid Zaheer Mr. Zaeem Ahmad Hanafi
c) Executive Directors	Mr. Muhammad Moonis Mr. Sajid Iqbal Hussain Mr. Muhammad Aslam Hanafi

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board /shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Five directors have claimed exemption from directors' training course as specified in clause 19 of the Listed Companies Code of Corporate Governance Regulations, 2017 and one of the directors was granted exemption by the Securities and Exchange Commission of Pakistan from the Certification requirement under the Listed Companies Code of Corporate Governance Regulations, 2017. Three directors have already attended the directors' training course. The remaining one director is planned to attend the directors' training course within time limit as allowed under the Listed Companies Code of Corporate Governance Regulations, 2017.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below:
 - a) Audit Committee:
 - Mr. Tariq Mohamed Amin - Chairman
 - Mr. Zaeem Ahmad Hanafi
 - Mr. Zahid Zaheer
 - Mr. Zubyr Soomro

- b) HR and Remuneration Committee:

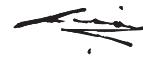
- Mr. Zahid Zaheer - Chairman
- Mr. Shuaib Ahmed
- Mr. Tariq Mohamed Amin
- Mr. Zubyr Soomro

The Board at the time of reconstitution of the board is intended to regularize appointment of Independent Director as chairman of the above committees in place of Non-executive Director in accordance with the requirement of Clause 28 (b) and 29 of the Regulations.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings of the committee were as per following:
 - a) Audit Committee (quarterly).
 - b) HR and Remuneration Committee (yearly).
15. The Board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), and registered with Audit Oversight Board of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. The Company continued to present the details of all related party transactions as disclosed in the financial statements before the Board Audit Committee and upon their recommendation to the Board for review and approval. The Company also has in place a process to identify the related parties and related transactions entered into with them. However, full compliance of the requirements as laid down in Section 208 of the Companies Act, 2017 is dependent on clarification from SECP with respect to definition of related parties.
19. We confirm that all other requirements of the Regulations have been complied with.



Sajid Iqbal Hussain
Chief Executive



Muhammad Moonis
Chairman

Karachi: 19 March, 2019



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Independent Auditors' Review Report

To the members of Pakistan Gum and Chemicals Limited

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Pakistan Gum and Chemicals Limited (the Company) for the year ended 31 December 2018 in accordance with the requirements of regulation 40 of the Regulations

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.



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Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 31 December 2018.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in the paragraph reference where it is stated in the Statement of Compliance:

Reference	Description
1- Paragraph 12	Chairman of Audit committee and HR Committee are not Independent directors.

Date: 19 March 2019

Karachi

Taseer Hadi

KPMG Taseer Hadi & Co.
Chartered Accountants



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INDEPENDENT AUDITORS' REPORT

To the members of Pakistan Gum and Chemicals Limited

Report on the Audit of Financial Statements

Opinion

We have audited the annexed financial statements of Pakistan Gum and Chemicals Limited (the Company), which comprise the statement of financial position as at 31 December 2018, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a



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whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>Stock-in-Trade</p> <p>Refer notes 6.5, 9 and 24 to the financial statements.</p> <p>During the year, the Company purchased guar seeds (raw material) for production and sale of guar gum and its allied products amounting to Rs.681.753 million and consumed raw material amounting to Rs.618.122 million which represent significant part of costs of goods sold for the year. As at 31 December 2018, the Company's stock in trade amounted to Rs. 284.924 million which represents 48 percent of the Company's assets at that date.</p> <p>We identified the stock-in-trade as a key audit matter because determining an appropriate write-down as a result of net realizable value (NRV) being lower than their costs involved significant management judgment and estimation.</p>	<p>Our audit procedures in respect of the valuation of stock-in-trade, amongst others, included the following:</p> <ul style="list-style-type: none"> • obtaining an understanding of internal controls over purchases and valuation of stock in trade and testing, on a sample basis, their design, implementation and operating effectiveness; • assessing the appropriateness of the Company's accounting policies for valuation of stock in trade and compliance of those policies with applicable accounting and reporting standards; • comparing on a sample basis specific purchase transactions with underlying supporting documents / contracts, if any; • assessing the NRV of stock-in-trade by comparing, on a sample basis, management's estimation of future selling prices for the products, future costs to complete, if any, and costs necessary to make the sales, and selling prices achieved subsequent to the end of the reporting period; and



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S. No.	Key audit matter	How the matter was addressed in our audit
		<ul style="list-style-type: none"> testing the calculations made by management in arriving at their year-end assessment of NRV and write-downs of and provisions for stock-in-trade.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Company's Annual Report for 2018, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



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The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.



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However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account;
- investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



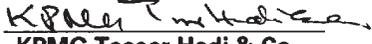
KPMG Taseer Hadi & Co.

Other Matters

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Nadeem.

Date: 19 March 2019

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
ASSETS			
Non-current assets			
Property, plant and equipment	7	94,083	104,415
Current assets			
Stores and spares	8	5,181	2,240
Stock-in-trade	9	284,924	89,782
Trade debts	10	50,129	48,841
Loans and advances	11	1,286	1,619
Deposits and Prepayments	12	2,045	1,125
Other receivables	13	12,284	7,036
Short term investments	14	104,891	211,126
Taxation - net	15	25,443	26,322
Cash and bank balances	16	13,416	33,456
		499,599	421,547
Total assets		593,682	525,962
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised capital			
10,000,000 Ordinary shares of Rs.10 each		100,000	100,000
Issued, subscribed and paid-up capital	17	42,486	42,486
Capital reserves	18	17,553	17,553
Revenue reserves		280,343	259,093
		340,382	319,132
Non-current liabilities			
Deferred taxation	19	2,645	1,792
Current liabilities			
Trade and other payables	20	98,200	52,891
Short term borrowing - secured	21	150,000	150,000
Unclaimed dividend		1,321	1,506
Mark-up accrued		1,134	641
		250,655	205,038
Total equity and liabilities		593,682	525,962
Contingencies and commitments	22		

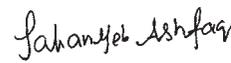
The annexed notes from 1 to 41 form an integral part of these financial statements.



Muhammad Moonis
CHAIRMAN



Sajid Iqbal Hussain
CHIEF EXECUTIVE



Jahanzeb Ashfaq
CHIEF FINANCIAL OFFICER

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
Sales - net	23	763,546	620,394
Cost of sales	24	(672,437)	(575,352)
Gross profit		91,109	45,042
Administrative expenses	25	(54,145)	(53,829)
Shipping expenses	26	(26,207)	(22,889)
Other operating expenses	27	(2,327)	(56)
		(82,679)	(76,774)
		8,430	(31,732)
Other income	28	24,755	11,186
Operating profit / (loss) before finance costs		33,185	(20,546)
Finance costs	29	(5,116)	(2,048)
Profit / (loss) before taxation		28,069	(22,594)
Taxation	30	(9,319)	(6,222)
Profit / (loss) for the year		18,750	(28,816)
Other comprehensive income / (Loss)			
<i>Items that will not be reclassified subsequently to profit and loss</i>			
Gain / (loss) on remeasurement of staff retirement benefit plans - net of tax		2,500	(786)
Total comprehensive profit / (loss) for the year		21,250	(29,602)
Rupees			
Profit / (loss) per share - basic and diluted	31	4.41	(6.78)

The annexed notes from 1 to 41 form an integral part of these financial statements.



Muhammad Moonis
CHAIRMAN



Sajid Iqbal Hussain
CHIEF EXECUTIVE



Jahanzeb Ashfaq
CHIEF FINANCIAL OFFICER

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
Cash flows from operating activities			
Profit / (loss) before taxation for the year		28,069	(22,594)
Adjustments for:			
Depreciation	24 & 25	9,957	11,088
Finance costs	29	5,116	2,048
Provision against doubtful debt	10.2	327	1,128
Provision against sales tax refundable	25	1,708	-
Provision against slow moving stores and spares	8.1	346	378
Provision against compensated absences		1,733	1,616
Provision for gratuity	33.1.3	1,342	1,311
Provision for Pension	33.1.3	848	902
Profit on financial assets	28	(7,030)	(7,388)
Loss on disposal of fixed assets		-	56
		42,416	(11,455)
Changes in:			
Stores and spares		(3,287)	2,389
Stock-in-trade		(195,142)	22,117
Trade debts		(1,615)	(16,206)
Loans and advances		333	134
Deposits and Prepayments		(920)	418
Other receivables		(1,366)	(1,145)
Trade and other payables		44,576	(16,372)
		(157,420)	(8,665)
Net cash used in investing operations		(115,004)	(20,120)
Income tax paid		(7,856)	(9,337)
Payment in respect of compensated absences		(2,479)	(1,015)
Contribution paid in respect of Gratuity		(743)	(7,644)
Contribution paid in respect of Pension		(1,720)	(3,278)
Finance costs paid		(4,623)	(1,407)
		(17,421)	(22,681)
Net cash used in operating activities		(132,425)	(42,801)
Cash flows from investing activities			
Capital expenditure		(65)	(4,209)
Investments in term deposit receipts		-	(1,756)
Proceeds from disposal of operating fixed assets		440	624
Interest income received		5,960	6,989
Net cash generated from investing activities		6,335	1,648
Cash flows from financing activities			
Export refinance loan	21.2	-	150,000
Dividend paid		(185)	-
Net cash (used) in / generated from financing activities		(185)	150,000
Net (decrease) / increase in cash and cash equivalents		(126,275)	108,847
Cash and cash equivalents at beginning of the year	32	237,708	128,861
Cash and cash equivalents at end of the year	32	111,433	237,708

The annexed notes from 1 to 41 form an integral part of these financial statements.

Muhammad Moonis
CHAIRMAN

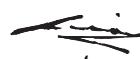
Sajid Iqbal Hussain
CHIEF EXECUTIVE

Jahanzeb Ashfaq
CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2018

	Issued, subscribed and paid-up capital	Capital Reserve	Revenue Reserves		Total	
		Share premium	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 loss for the year ended 31 December 2017						
Loss for the year	-	-	-	(28,816)	(28,816)	(28,816)
Other comprehensive income / (Loss)	-	-	-	(786)	(786)	(786)
Total comprehensive loss for the Year	-	-	-	(29,602)	(29,602)	(29,602)
Balance as at 31 December 2017	42,486	17,553	462,839	(203,746)	259,093	319,132
Total comprehensive income for the year ended 31 December 2018						
Profit for the year	-	-	-	18,750	18,750	18,750
Other comprehensive income / (Loss)	-	-	-	2,500	2,500	2,500
Total comprehensive income for the Year	-	-	-	21,250	21,250	21,250
Balance as at 31 December 2018	42,486	17,553	462,839	(182,496)	280,343	340,382

The annexed notes from 1 to 41 form an integral part of these financial statements.



Muhammad Moonis
CHAIRMAN



Sajid Iqbal Hussain
CHIEF EXECUTIVE



Jahanzeb Ashfaq
CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 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, S.I.T.E. Karachi.

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

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE YEAR

- 2.1 During the year, the Company's former Parent Company, East West Group Holdings Inc., a Company which was incorporated in British Virgin Islands, U.K. was dissolved, following which the previously held 2,549,131 (sixty percent) ordinary shares of Rs. 10 each devolved on Mr. Shuaib Ahmed, resulting in an increase in his shareholding to 3,002,065 (2017: 452,934) (seventy one percent) ordinary shares of Rs. 10 each.

For a detailed discussion about the Company's performance please refer to the Directors' report accompanied in the annual report of the Company for the year ended 31 December 2018.

3. BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for obligations in respect of gratuity and pension schemes which are measured at present value of defined benefit obligation less fair value of plan assets.

3.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is also the Company's functional currency and has been rounded to the nearest thousand.

4. USE OF ESTIMATES AND JUDGEMENTS

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year are set forth below:

- Property, plant and equipment (refer note 6.1)
- Stores and spares and stock-in-trade (refer note 6.4 and 6.5)
- Employee benefits (refer note 6.8)
- Taxation (refer note 6.10)
- Provisions (refer note 6.14)
- Impairment (refer note 6.15)

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

5.1 Accounting Standards, Interpretations and Amendments to Accounting and Reporting Standards

There are new and amended standards and interpretations as notified under the Companies Act, 2017 that are mandatory for accounting periods beginning 1 January 2018 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 statements.

5.2 Standards, interpretations and amendments to Accounting and Reporting Standards

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 January 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 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 statements.
- 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 is in the process of assessment of the potential impacts of this standard on the company.
- IFRS 9 and amendment – Prepayment Features with Negative Compensation (effective for reporting period / year ending on or after 30 June 2019 and for annual periods beginning on or after 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 management has completed an initial assessment of changes required in classification and measurement of financial instruments on adoption of the standard and has also carried out an initial exercise to calculate impairment required under expected credit loss model. Based on initial assessment the management considered that there is no significant change in the recognition criteria or carrying value of the financial assets or liabilities except for classification of financial assets from loan a receivables as per IAS 39 to amortized Cost as per IFRS 9 and no additional significant impairment is expected.
- 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 is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.
- 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 01 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 statements.

- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 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 statements.
- 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.
- 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 statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below, which have been consistently applied to all the years presented except for the following:

- the first time application of financial reporting requirements, including disclosure and presentation requirements of the Companies Act 2018 effective from 31 December 2018, some of the amounts reported for the previous period have been reclassified (refer note 40.1). 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. 5.1.

6.1 Property, plant and equipments and depreciation

Owned assets

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets include the cost of materials and direct labour, any other cost directly attributable to bring the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs, if any.

Subsequent cost

The cost of replacing part of an item of property, plant and equipments is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be measured reliably. The carrying amount of the part so replaced is derecognized. The costs relating to day-to-day servicing of property, plant and equipment are recognized in the statement of profit or loss as incurred.

Depreciation

Leasehold land is depreciated over the period of the lease. Depreciation on all other assets is charged to income on a straight line basis at the rates specified in note 7.1 to these financial statements. Depreciation on additions to property, plant and equipment is charged from the month in which an item is acquired or capitalized while no depreciation is charged for the month in which the item is disposed off or retained.

The assets' residual values and useful lives are reviewed at each financial year end and adjusted prospectively, if appropriate.

Disposal

The gain or loss on disposal or retirement of an asset represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income or expense in the statement of profit or loss.

Capital work in progress

Capital work in progress is stated at cost less impairment, if any, and consists of expenditure incurred and advances made in respect of tangible and intangible assets during the course of their construction and installation. Transfers are made to relevant assets category as and when assets are available for intended use.

Impairment

The carrying amount of property, plant and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets recoverable amount is estimated. The recoverable amount is the greater of its value in use and fair value less cost to sell. An impairment is recognized if the carrying amount exceeds its estimated recoverable amount.

6.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any however, intangible assets having indefinite life are stated at cost less impairment losses, if any.

Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific assets to which it relates. All other expenditure is expensed as incurred.

Amortization

Amortization is charged to the statement of profit or loss on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Amortization on additions to intangible assets is

charged from the month in which an item is acquired or capitalized while no amortization is charged for the month in which the item is disposed off.

Impairment

All intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date. Where the carrying amount of an asset exceeds its estimated recoverable amount it is written down immediately to its recoverable amount. The carrying amount of other intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exist than the assets recoverable amount is estimated. The recoverable amount is the greater of its value and fair value less cost to sell.

6.3 Investments

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has positive intention and ability to hold to maturity. Investments classified as held to maturity are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortized cost using the effective interest method, less any impairment loss, if any.

Loans and receivables

Loans and receivables are recognized initially at fair value, plus attributable transaction costs. Subsequent to initial recognition, loans and receivables measured at amortized cost using the effective interest method, less any impairment losses, if any.

Impairment

The carrying amount of all investments is reviewed at each reporting date to determine whether there is any indication of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. In case of investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

An impairment loss in respect of financial assets measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in the statement of profit or loss account. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement profit or loss.

6.4 Stores, spares and loose tools

Stores, spares and loose tools are valued at lower of weighted (moving) average cost and net realizable value, less impairment, if any. Items in transit are valued at cost comprising invoice value plus other charges incurred thereon less impairment, if any. Impairment for obsolete and slow moving stores, spares and loose tools is determined based on management's estimate regarding their future usability.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to be incurred to make the sale.

Spare parts of capital nature which can be used only in connection with an item of property, plant and equipment are classified as fixed assets under the 'plant and machinery' category and are depreciated over a time period not exceeding the useful life of the related assets.

6.5 Stock-in-trade

These are valued at the lower of cost and net realisable value, less impairment, if any. Cost is determined as follows:

- Raw material First in First out basis
- Packing material Weighted Average basis
- Finished goods Cost of direct materials and labour plus attributable overheads on First in First out basis

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make sale.

Impairment is made for obsolete inventory based on management's judgment.

6.6 Trade debts and other receivables

These are initially stated at fair value and subsequently measured at amortized cost less provisions for any uncollectible amounts. An estimate is made for doubtful receivables when collection of the amount is no longer probable. Debts considered irrecoverable are written off.

6.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances, call deposits and investments with maturities of less than three months or less from acquisition date that are subject to insignificant risk of changes in fair value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of cash flow statement.

6.8 Employee benefits

6.8.1 Compensated absences

The Company accounts for all accumulated compensated absences when employees render services that increase their entitlement to future compensated absences.

6.8.2 Post retirement benefits

6.8.2.1 Defined contribution plan - Provident fund

The Company operates a provident fund scheme for its permanent employees. Equal monthly contributions are made by the Company and its employees at the rate of 8.33% per annum of the basic salary. Obligation for contributions to the fund are recognized as an expense in the statement of profit or loss when they are due.

6.8.2.2 Defined benefit plans

Pension fund

The Company operates approved funded pension scheme for its Executives. The scheme provides pension based on the employees' last drawn salary. Provision is made, annually, to cover obligations under the scheme calculated in accordance with the actuarial valuation. The actuarial valuation is carried using Projected Unit Credit Method by an independent professional firm of actuaries. The amount recognized in the balance sheet represents the present value of defined benefit obligation as reduced by fair value of plan assets. Actuarial gain or losses are immediately recognized as 'other comprehensive income' in the period in which they occur. Current service costs and any past service costs together with net interest cost are charged to profit or loss.

Gratuity fund

The Company operates approved funded Gratuity scheme for all eligible employees of the Company. Provision is made, annually, to cover obligations under the scheme calculated in accordance with the actuarial valuation. The actuarial valuation is carried using Projected Unit Credit Method by an independent professional firm of actuaries. The amount recognized in the balance sheet represents the present value of defined benefit obligation as reduced by fair value of plan assets. Actuarial gain or losses are immediately recognized as 'other comprehensive income' in the period in which they occur. Current service costs and any past service costs together with net interest cost are charged to profit or loss.

6.9 Trade and other payables

Trade and other payable are recognized initially at fair value and subsequently carried at amortized cost.

6.10 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, in accordance with the provisions of Income Tax Ordinance 2001. The charge for current tax also includes adjustments for prior years or otherwise considered necessary for such years. However, for income covered under final tax regime, taxation is based on applicable tax rates under such regime.

Deferred

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible differences, carry forward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profits or taxable temporary difference will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

6.11 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, rebates, and sales tax or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or an agent. The Company has concluded that it is acting as a principal in all its revenue arrangements. The following are the specific recognition criteria that must be met before revenue is recognised:

- Sales are recognised on transfer of risks and rewards to the customers which generally coincides with dispatch of goods to the customers.
- Return on bank deposits and term deposit receipts are recognised using effective interest rate method.

6.12 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently.

6.13 Borrowing costs

Borrowing costs incurred on long term finances directly attributable for the construction / acquisition of qualifying assets are capitalized up to the date the respective assets are available for intended use. All other mark-up, interest and other related charges are taken to the profit and loss account currently.

6.14 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

6.15 Impairment

The carrying amount of the Company's assets is reviewed at each reporting date to determine whether there is any objective evidence that an asset or group of assets may be impaired. If any such evidence exists, the asset's or group of assets' recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of value in use and fair value less cost to sell. Impairment losses are recognized in the profit or loss.

6.16 Foreign currency translation

Foreign currency transactions are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the reporting date. Exchange differences are taken to profit and loss account. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

6.17 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are set off and only the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amount and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

6.18 Earnings per share

The Company presents earnings per share (EPS) for its ordinary shares. EPS is calculated by dividing the profit and loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

6.19 Dividend and other appropriation

Dividend distributions to the Company's shareholders are recognized as a liability in the period in which dividend is approved. Transfer between reserves made subsequent to the reporting date is considered as a non-adjusting event and is recognized in the period in which such transfers are made.

7. PROPERTY, PLANT AND EQUIPMENT

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
Operating fixed assets	7.1	91,429	99,357
Capital work-in-progress	7.2	2,654	5,058
		94,083	104,415

7.1 Operating fixed assets

	COST					ACCUMULATED DEPRECIATION				NET BOOK VALUE
	As at January 01, 2018	As at December 31, 2018	Rate	As at January 01, 2018	Charge for the year	As at December 31, 2018	As at December 31, 2018			
	As at January 01, 2018	Additions (Disposals)	As at December 31, 2018	Rate	As at January 01, 2018	Charge for the year	(Disposals)	As at December 31, 2018	As at December 31, 2018	
	Rupees in '000			%	Rupees in '000					
DECEMBER 31, 2018										
Leasehold land	225	-	-	225	1.01	118	2	-	120	105
Building on leasehold land	62,774	-	-	62,774	3 to 10	35,360	4,589	-	39,949	22,825
Plant and machinery	157,160	-	-	157,160	7 & 10	87,809	3,638	-	91,447	65,713
Furniture and fixtures	4,462	-	-	4,462	10 & 15	3,419	499	-	3,918	544
Vehicles	7,427	2,271	(1,100)	8,598	20	6,889	556	(660)	6,785	1,813
Office equipment	12,928	198	-	13,126	10 to 30	12,024	673	-	12,697	429
Electrical installations	756	-	-	756	7 & 10	756	-	-	756	-
	<u>245,732</u>	<u>2,469</u>	<u>(1,100)</u>	<u>247,101</u>		<u>146,375</u>	<u>9,957</u>	<u>(660)</u>	<u>155,672</u>	<u>91,429</u>

	COST					ACCUMULATED DEPRECIATION				NET BOOK VALUE
	As at January 01, 2017	As at December 31, 2017	Rate	As at January 01, 2017	Charge for the year	As at December 31, 2017	As at December 31, 2017			
	As at January 01, 2017	Additions/ transfers (Disposals)	As at December 31, 2017	Rate	As at January 01, 2017	Charge for the year	(disposals) / transfers	As at December 31, 2017	As at December 31, 2017	
	Rupees in '000			%	Rupees in '000					
DECEMBER 31, 2017										
Leasehold land	225	-	-	225	1.01	118	-	-	118	107
Building on leasehold land	62,774	-	-	62,774	3 to 10	30,769	4,591	-	35,360	27,414
Plant and machinery	152,156	5,004	-	157,160	7 & 10	83,625	4,184	-	87,809	69,351
Furniture and fixtures	4,462	-	-	4,462	10 & 15	2,914	505	-	3,419	1,043
Vehicles	8,988	-	(1,561)	7,427	20	6,759	1,066	(936)	6,889	538
Office equipment	12,812	172	(56)	12,928	10 to 23	11,282	742	-	12,024	904
Electrical installations	756	-	-	756	7 & 10	756	-	-	756	-
	<u>242,173</u>	<u>5,176</u>	<u>(1,617)</u>	<u>245,732</u>		<u>136,223</u>	<u>11,088</u>	<u>(936)</u>	<u>146,375</u>	<u>99,357</u>

7.1.1 The cost of fully depreciated assets on December 31, 2018 is Rs. 124.12 million (2017: Rs. 107.01 million).

7.1.2 Allocation of depreciation

The depreciation charge for the year has been allocated as follows:

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
Cost of sales – manufacturing overheads	24	8,354	8,964
Administrative expenses	25	1,603	2,124
		9,957	11,088

7.1.3 Particulars of Company's immovable operating fixed assets are as follows:

Particulars	Location	Area	
Building			
Factory	B-19/A, Irshad Qadri Road, S.I.T.E Karachi.	72,983	Sq.feet
Land			
Factory	B-19/A, Irshad Qadri Road, S.I.T.E Karachi.	14,520	Sq.yard

7.1.4 The details of operating fixed assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of buyers
Rupees in '000						
Vehicles	48	29	19	19	Company Policy	Mr. Arif Ahmed
	1,052	631	421	421	Company Policy	Mr. Tariq Masood
2018	1,100	660	440	440		
2017	1,617	936	681	624		

7.2 Capital work-in-progress

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
Opening Balance as at 1 January		5,058	6,025
Additions during the year		2,666	2,570
Impairment		(2,799)	(388)
Transferred to operating fixed assets	7.1	(2,271)	(3,149)
Closing Balance as at 31 December		2,654	5,058

8. STORES AND SPARES

Stores and spares		11,964	8,677
Provision against slow moving stores and spares	8.1	(6,783)	(6,437)
		5,181	2,240

8.1 Movement in provision against slow moving stores and spares

Opening Balance as at 1 January		6,437	6,059
Provision made during the year	24	346	378
Closing Balance as at 31 December		6,783	6,437

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
9. STOCK-IN-TRADE			
Raw material		79,911	16,280
Packing material		1,982	2,232
Finished goods	9.1	203,031	71,270
		284,924	89,782
9.1	This includes finished goods with cost of Rs. 23.319 million (2017: Rs 22.489 million) which are being carried at their net realizable value of Rs. 22.98 million (2017: Rs 16.251 million).		
10. TRADE DEBTS			
Related parties - unsecured			
Orkila Pakistan (Private) Limited	10.1	677	720
Secured			
Secured - against letters of credit		48,699	45,957
Unsecured			
Considered good		753	2,164
Considered doubtful	10.2	1,627	1,300
Provision for doubtful trade debts	10.2	(1,627)	(1,300)
		753	2,164
		50,129	48,841
10.1 The aging of amount due from related parties:			
Not past due		-	-
Past due 1 - 90 days		-	-
Past due 90 - 180 days		298	720
Past due 180 - 365 days		19	-
Past due 365 days		360	-
		677	720
	Maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balance of Orkila Pakistan (Private) Limited is Rs. 1.162 million (2017: Rs. 1.231 million).		
10.2 Movement in provision against doubtful trade debts			
Opening Balance as at 1 January		1,300	172
Provision made during the year	25	327	1,128
Closing Balance as at 31 December		1,627	1,300
11. LOANS AND ADVANCES			
Loans - secured, considered good			
- loans to employees	11.1	521	1,006
Advances - unsecured, considered good			
- suppliers		758	402
- employees		7	211
		765	613
		1,286	1,619

- 11.1** These loans are recoverable in monthly installments over a period not exceeding one year and carrying an interest charge of 8% per annum (2017: 8% per annum). These loans are secured against the outstanding balances of staff retirement benefits of the respective employee.

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
12. DEPOSITS AND PREPAYMENTS			
Deposits		878	878
Fees and subscription		431	247
Prepaid Insurance		736	-
		2,045	1,125
13. OTHER RECEIVABLES			
Interest receivable		1,727	657
Sales tax - net		5,698	6,036
Receivable from staff gratuity fund	13.1 & 13.2	-	338
Receivable from staff Pension fund	13.1 & 13.2	4,859	-
Receivable against employees provident fund	13.1 & 13.2	-	5
		12,284	7,036
13.1 Maximum aggregate amount outstanding at any time during the year calculated by reference to month-end balance is as follows:			
Receivable from staff gratuity fund		-	338
Receivable from staff Pension fund		4,859	-
Receivable against employees provident fund		-	5
13.2 The aging of amount due from related parties:			
Not yet due		4,859	343
Past due 1 - 30 days		-	-
Past due 30 - 180 days		-	-
Past due 180 days		-	-
		4,859	343
14. SHORT-TERM INVESTMENTS - held to maturity			
Treasury bills	14.1	98,017	54,252
Term Deposit Receipts	14.2	6,874	156,874
		104,891	211,126

- 14.1** This represent treasury bills which carry yield of 8.79% (2017: 5.99%), maturing latest by 17 January 2019 (2017: 1 February 2018). Accrued mark-up thereon is Rs. 1.605 million (2017: Rs. 0.472 million (refer note 14).

- 14.2** These represent term deposit receipts of a commercial bank which carry return rate of 5% to 8.5% (31 December 2017: 4.75%) per annum, maturing latest by 27 November 2019 (2017: 27 November 2018). The term deposit receipts amounting to Rs. 6.874 million (2017: Rs. 6.874 million) under lien against letter of guarantee issued by a commercial bank to Sui Southern Gas Company (refer note 23.2). Accrued mark-up thereon is Rs. 0.122 million (2017: Rs. 0.096 million) (refer note 14).

15. TAXATION-NET

The Board of Directors of the Company has recommended to distribute sufficient cash dividend in its meeting in order to meet the requirements of Section 5A of the Income Tax Ordinance, 2001. Accordingly, no provision for tax on undistributed profits has been recognized in these financial statements (Refer note 40).

16. CASH AND BANK BALANCES

Cash in hand

With banks:

- Current accounts

Local currency
Foreign currency

- Saving accounts

local currency

Note	December 31, 2018	December 31, 2017
Rupees in '000		
	334	109
	11,095	28,448
	282	194
	11,377	28,642
16.1	1,705	4,705
	13,416	33,456

16.1 Interest rates on saving accounts, ranging between 4% and 6% (2017: 3.5% and 4%) per annum.

17. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of Shares			December 31, 2018	December 31, 2017
2018	2017		Rupees in '000	
3,634,092	3,634,092	Ordinary shares of Rs .10 each, fully paid in cash	36,341	36,341
614,460	614,460	Ordinary shares of Rs .10 each, issued as fully paid bonus shares	6,145	6,145
4,248,552	4,248,552		42,486	42,486

17.1 Ordinary shares of the Company held by related parties as at year end are as follows:

	2018		2017	
	Percentage	Number	Percentage	Number
Directors and their close relatives	3,664,674	86.26%	1,115,543	26.26%
East West Group Holdings Inc	-	0%	2,549,131	60.00%
Shipwell (Private) Limited	131,367	3.09%	131,367	3.09%
	3,796,041	89%	3,796,041	89%

17.2 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

18. CAPITAL RESERVE

It consists up of share premium reserve as per section 81 of the Companies Act 2017 this can be used for following purpose:

- to write off preliminary expenses of the Company;
- to write off expenses of, or the commission paid or discount allowed on, any issue of shares of the Company; and
- in providing for the premium payable on the redemption of any redeemable preference shares of the Company.

The Company may also use the share premium account to issue bonus shares to its members.

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
19. DEFERRED TAXATION			
Deferred tax credits / (debits) arising in respect of:			
Taxable temporary differences			
-Accelerated tax depreciation allowance		2,376	2,632
Deductible temporary differences			
-Provisions' and accumulated losses	19.1	-	(840)
- Employee benefits - Defined benefit plan		269	-
		2,645	1,792
19.1	Deferred tax asset of Rs 2.456 million (2017: Rs 0.930 million) has not been recognized in these financial statements due to uncertainty in availability of sufficient future taxable profit.		
20. TRADE AND OTHER PAYABLES			
Trade creditors - related parties	20.1	3,073	2,062
- others		63,821	20,573
		66,894	22,635
Accrued liabilities	20.2	13,822	16,666
Compensated absences		4,054	4,800
Payable to pension fund	33	-	819
Payable to Gratuity Fund		2,298	-
Provision for bonus		7,000	4,800
Advances from customers		1,578	325
Workers welfare fund		807	1,972
Workers Profit Participation Fund		1,520	-
Tax deducted at source		227	496
Employees' car and motorcycle loan scheme		-	378
		98,200	52,891
20.1 Trade creditors - Related parties			
Orkila Pakistan (Private) Limited		733	1,013
Shipwell (Private) Limited		228	127
IAL Logistics Pakistan (Private) Limited		2,112	922
		3,073	2,062
20.2 Accrued liabilities			
Salaries, wages and benefits		3,201	2,679
Utilities charges		4,658	4,389
Gratuity payable to contract employees		104	3,961
Legal and professional charges		954	1,019
Store purchase		392	1,750
Others		4,513	2,868
		13,822	16,666
21. SHORT TERM BORROWING - secured			
Export Refinance Scheme of SBP	21.1 & 21.2	150,000	150,000

21.1 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 (2017: Rs 150 million) with sub limit of Export Refinance Scheme II of Rs. 65 million (2017: Rs 65 million). The rate of mark-up on this facility is SBP rate plus 1% (2017: 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. 270 million over fixed assets (All piece and parcel of land, all present and future plant and machinery, equipment).

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

	December 31, 2018	December 31, 2017
	Rupees in '000	
Opening Balance	150,000	-
Changes from financing cash flows		
Proceeds from loans and short term borrowings	300,000	225,000
Repayments of short-term borrowings	(300,000)	(75,000)
	-	150,000
Closing Balance	<u>150,000</u>	<u>150,000</u>

22. CONTINGENCIES AND COMMITMENTS

22.1 The former employee of the Company had filed law suit against the Company, claiming a sum of Rs. 0.562 million on account of pension. The management is confident, based on the advice of its legal counsel that the same is not likely to result in any financial loss to the Company. Therefore, no provision has been made in these financial statements in this regard.

	Note	December 31, 2018	December 31, 2017
		Rupees in '000	
22.2 Commitments			
Commitment for capital expenditure		3,027	-
Letters of guarantee	14.2	6,874	6,874

23. SALES-NET

Gross sales

Local	167,816	160,597
Export	621,480	481,448
	<u>789,296</u>	<u>642,045</u>
Sales commission	(3,429)	(3,518)
Sales tax	(18,602)	(17,622)
Discounts	(3,719)	(511)
	<u>(25,750)</u>	<u>(21,651)</u>
	<u>763,546</u>	<u>620,394</u>

	December 31, 2018	December 31, 2017
	Rupees in '000	
24. COST OF SALES		
Raw material consumed		
Opening stock	16,280	52,020
Purchases	681,753	390,506
	698,033	442,526
Closing stock	(79,911)	(16,280)
	618,122	426,246
Packing material consumed		
Opening stock	2,232	2,368
Purchases	19,275	14,147
Closing stock	(1,982)	(2,232)
	19,525	14,283
	637,647	440,529
Manufacturing overheads		
Stores and spares consumed	7,262	7,473
Salaries, wages and benefits	52,117	42,072
Utilities	78,646	73,324
Depreciation	8,354	8,964
Repairs and maintenance	7,144	3,470
Handling charges	9,084	7,841
Rent, rates and taxes	104	465
Insurance	914	1,002
Travelling and conveyance	94	1,604
Laboratory expenses	1,957	1,355
Communication	146	159
Entertainment	137	149
Provision against slow moving stores and spares	346	378
Others	246	326
	166,551	148,582
Cost of goods manufactured	804,198	589,111
Opening stock of finished goods	71,270	57,511
Closing stock of finished goods	(203,031)	(71,270)
	(131,761)	(13,759)
Cost of good sold	672,437	575,352

24.1 Included herein is a sum of Rs. 0.831 million, Rs. 0.394 million and Rs. 1.448 million (2017: Rs. 0.844 million, Rs. 0.337 million and Rs. 0.950 million) in respect of Employees' Gratuity Fund, Employees' Pension Fund and Employees' Provident Fund respectively.

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
25. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	25.1	34,604	34,134
Utilities		4,176	3,805
Depreciation		1,603	2,124
Sales promotion expenses		896	568
Security service charges		1,123	960
Repairs and maintenance		1,053	977
Rent, rates and taxes		203	229
Insurance		236	254
Travelling and conveyance		1,322	4,524
Communication		670	634
Entertainment		832	757
Provision / (reversal) against debts considered doubtful	10.2	327	1,128
Provision against sales tax refunds		1,708	-
Printing and stationery		678	548
Auditor's remuneration	25.2	724	656
Subscription		2,121	1,049
Legal and professional charges		1,766	1,324
Advertisement		103	128
Charity and donation		-	30
		54,145	53,829
25.1	Included herein is a sum of Rs. 0.511 million, Rs. 0.454 million and Rs. 0.586 million (2017: Rs. 0.468 million, Rs. 0.569 million and Rs. 0.516 million) in respect of Employees' Gratuity Fund, Employees' Pension Fund and Employees' Provident Fund respectively.		
25.2 Auditors' remuneration			
Statutory audit		396	380
Half year review		66	60
Code of Corporate Governance and other certificates		149	56
Out of pocket expenses		74	111
Sales tax		39	49
		724	656
26. SHIPPING EXPENSES			
Freight expenses		15,408	12,889
Port expenses		7,002	6,968
Bank documentation charges		1,942	1,468
Marine insurance		692	533
Courier charges		1,163	1,031
		26,207	22,889
27. OTHER CHARGES			
Workers' Welfare Fund		807	-
Workers' Profit Participation Fund		1,520	-
Loss on sale of fixed assets		-	56
		2,327	56

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
28. OTHER INCOME			
Income from financial assets			
Interest / return on:			
Term deposits receipts		991	6,340
Treasury bill		5,741	472
Bank deposits		291	344
Loan to employees		7	232
		7,030	7,388
Income from non-financial assets			
Scrap sales		2,030	1,130
Exchange gain		13,717	2,668
Others		1,978	-
		17,725	3,798
		24,755	11,186
29. FINANCE COSTS			
Mark-up on export refinance		4,500	1,558
Bank charges and other		616	490
		5,116	2,048
30. TAXATION			
Current	30.1	8,735	6,553
Deferred		584	(331)
		9,319	6,222

30.1 Current taxation expense consists of Alternative Corporate Tax (ATC) charged under section 113C of the Income Tax Ordinance, 2001 and tax under final tax regime. ATC has been recognized in view of unavailability of sufficient future taxable profit.

30.2 The income tax assessments of the Company have been finalized up to and including tax year 2013. Income tax returns for tax year 2014 to 2017 have been filed which are deemed to be assessed under section 120 of Income Tax Ordinance, 2001 unless selected for amendment / audit by the taxation authorities. Sufficient provision for tax has been made in these financial statements taking into account the profit or loss for the year and various admissible and inadmissible allowances and deduction under the Income Tax Ordinance, 2001. Position of provision and assessment including returns filed and deemed assessed for last three years are as follows:

	2017	2016	2015
Rupees in '000			
Tax provision including effects of prior years	6,553	4,890	5,080
Tax assessed / returns filed	6,590	4,522	4,557

	Note	December 31, 2018	December 31, 2017
Rupees in '000			
30.3 Relationship between tax expense and accounting profit			
Accounting profit / (loss) before taxation		28,069	(22,594)
Tax at the applicable rate of 29% (2017: 30%)		8,140	(6,778)
Tax on income under final tax regime		2,724	11,392
Accumulated losses effect		(4,168)	-
Alternate to Corporate tax under section 113C		2,561	-
Minimum Tax under section 113		-	1,746
Change in tax rate		62	69
Others		-	(206)
		9,319	6,222
31. EARNINGS / LOSS PER SHARE - BASIC AND DILUTED			
Profit / (loss) for the year		18,750	(28,816)
Number of shares			
Weighted average number of ordinary shares in issue during the year		4,248,552	4,248,552
Rupees			
Earning / (Loss) per share - basic and diluted		4.41	(6.78)
32. CASH AND CASH EQUIVALENTS			
Rupees in '000			
Cash and bank balances	16	13,416	33,456
Treasury bills	14	98,017	54,252
Short term investment	14	-	150,000
		111,433	237,708

33. STAFF RETIREMENT BENEFITS

33.1 Defined benefit plans

33.1.1 The actuarial valuation of both pension and gratuity fund has been conducted in accordance with IAS 19, 'Employee benefits' as at 31 December 2018. The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2018		2017	
	Pension	Gratuity	Pension	Gratuity
Financial assumptions				
- Discount rate used for interest cost charged in profit or loss	13.75%	13.75%	9.50%	9.50%
- Discount rate used for year end obligation	13.75%	13.75%	9.50%	9.50%
- Expected rate of increase in salaries	13.75%	13.75%	9.50%	9.50%
Demographic assumptions				
- Retirement Assumption	Age 60		Age 60	
- Expected mortality for active members	"SLIC (2001-05)"		"SLIC (2001-05)"	

33.1.2 The amounts recognized in the statement of financial position are as follows:

Note	2018			2017			
	Pension	Gratuity	Total	Pension	Gratuity	Total	
Rupees in '000							
Present value of defined benefit obligations	33.1.4	19,394	17,166	36,560	23,051	14,938	37,989
Fair value of plan assets	33.1.5	(24,253)	(14,868)	(39,121)	(22,232)	(15,276)	(37,508)
Liability / (asset) recognized in balance sheet		(4,859)	2,298	(2,561)	819	(338)	481

33.1.3 Movement in the net defined benefit liability / (asset)

Opening balance		819	(338)	481	2,319	6,085	8,404
Net benefit cost / (income) charged to profit and loss	33.1.7	848	1,342	2,190	902	1,311	2,213
Remeasurements recognized in other comprehensive income		(4,806)	2,037	(2,769)	876	(90)	786
Contributions by the Company	33.1.5	(1,720)	(743)	(2,463)	(3,278)	(7,644)	(10,922)
Closing balance		(4,859)	2,298	(2,561)	819	(338)	481

33.1.4 Movement in the present value of defined benefit obligations

Present value of defined benefit obligations - 1 January		23,051	14,938	37,989	22,585	14,645	37,230
Current service cost		852	1,426	2,278	772	1,107	1,879
Past service cost		-	-	-	-	-	-
Interest cost		2,107	1,341	3,448	1,954	1,241	3,195
Benefits paid during the year		(1,734)	(1,634)	(3,368)	(1,743)	(1,704)	(3,447)
Remeasurement:							
Acturial (gains) / losses from change in financial assumption		(4,882)	1,095	(3,787)	(517)	(351)	(868)
Present value of defined benefit obligations - 31 December		19,394	17,166	36,560	23,051	14,938	37,989

33.1.5 Movement in the fair value of plan assets are as follows

Fair value of plan assets - 1 January		22,232	15,276	37,508	20,266	8,560	28,826
Contributions by the Company		1,720	743	2,463	3,278	7,644	10,922
Interest income on plan assets		2,111	1,425	3,536	1,824	1,038	2,862
Benefits paid during the year		(1,734)	(1,634)	(3,368)	(1,743)	(1,704)	(3,447)
Return on plan assets, excluding interest income		(76)	(942)	(1,018)	(1,393)	(262)	(1,655)
Fair value of plan assets - 31 December		24,253	14,868	39,121	22,232	15,276	37,508

33.1.6 Actual return on plan assets

		(4,806)	2,037	(2,769)	876	(89)	787
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33.1.7 Following amounts have been charged in the profit and loss account in respect of these benefits

	2018			2017		
	Pension	Gratuity	Total	Pension	Gratuity	Total
	Rupees in '000					
Current service cost	852	1,426	2,278	772	1,107	1,879
Past service cost	-	-	-	-	-	-
Interest cost	2,107	1,341	3,448	1,954	1,242	3,196
Interest income on plan assets	(2,111)	(1,425)	(3,536)	(1,824)	(1,038)	(2,862)
Actuarial losses recognized	-	-	-	-	-	-
Past service cost recognized	-	-	-	-	-	-
Charge recognized in profit and loss account	848	1,342	2,190	902	1,311	2,213

33.1.8 Following amounts of remeasurements have been charged in the other comprehensive income in respect of these benefits

Remeasurement:						
Actuarial (gains) / losses from change in financial assumption	(4,882)	1,095	(3,787)	(517)	(351)	(868)
Return on plan assets, excluding interest income	76	942	1,018	1,393	262	1,655
Remeasurement loss / (gain) charged in the other comprehensive income	(4,806)	2,037	(2,769)	876	(89)	787

33.1.9 Total defined benefit cost recognized in profit and loss account and other comprehensive income

	(3,958)	3,379	(579)	1,778	1,222	3,000
Expected contributions to funds in the following year	62	1,671	1,733	901	1,080	1,981
Weighted average duration of the defined benefit obligation (years)	11.61	11.61		14.39	10.98	

33.1.10 Plan assets comprise of:

Funded pension plan

Special savings certificates
Equity securities
Cash and net current assets

	2018		2017	
	Rupees '000	%	Rupees '000	%
	Unaudited		Unaudited	
Special savings certificates	9,000	37.37	20,114	90.48
Equity securities	1,243	5.16	414	1.86
Cash and net current assets	13,840	57.47	1,702	7.66
	24,083	100	22,230	100
Funded gratuity plan				
Special savings certificates	14,000	92.08	-	-
Cash and net current assets	1,205	7.92	15,276	100
	15,205	100	15,276	100

	2018	2017	2016	2015	2014
Rupees in '000					
Comparison for last five years:					
Funded pension plan					
Present value of defined benefit obligation	19,394	23,051	22,585	21,554	17,835
Fair value of plan assets	(24,253)	(22,232)	(20,266)	(18,636)	(17,810)
Deficit / (surplus)	(4,859)	819	2,319	2,918	25
Experience adjustments:					
Remeasurement loss / (gain) on defined benefit obligation	(4,882)	(517)	(173)	2,527	1,829
Remeasurement (loss) / gain on plan assets	(76)	(1,393)	(233)	(1,178)	298
Funded gratuity plan					
Present value of defined benefit obligation	17,166	14,938	14,645	18,476	17,233
Fair value of plan assets	(14,868)	(15,276)	(8,560)	(7,853)	(7,470)
Deficit / (surplus)	2,298	(338)	6,085	10,623	9,763
Experience adjustments:					
Remeasurement loss / (gain) on defined benefit obligation	1,095	(351)	(1,035)	(240)	1,375
Remeasurement loss on plan assets	942	(262)	(78)	(1,154)	(317)

The plans expose the Company to the actuarial risks such as:

Salary risks

The risks that the final salary at the time of cessation of service is higher than that was assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

Mortality / withdrawal risks

The risk of actual mortality / withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Longevity risks

The risk arises when the actual life time of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Investment risks

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

Sensitivity Analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to changes in the principal assumptions is:

	Pension Fund		Gratuity Fund	
	Rs. in '000	%Change	Rs. in '000	%Change
Current liability	19,394		17,166	
Discount rate (1% increase)	17,250	-11.05%	15,428	-10.12%
Discount rate (1% decrease)	22,005	13.46%	19,200	11.85%
Future salary increase rate (1% increase)	20,771	7.10%	19,205	11.88%
Future salary increase rate (1% decrease)	18,193	-6.19%	15,395	-10.32%
Withdrawal rate (10% increase)	19,392	-0.01%	17,166	0.00%
Withdrawal rate (10% decrease)	19,395	0.01%	17,166	0.00%
1 Year mortality age set back	19,727	1.72%	17,166	0.00%
1 Year mortality age set forward	19,073	-1.66%	17,166	0.00%

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the liability for pension and gratuity recognized within the balance sheet.

33.2 Defined contribution plan

The Company has set up provident fund for its permanent employees and the contributions were made by the Company to the Trust in accordance with the requirement of Section 218 of the Companies Act, 2017. The total charge against provident fund for the year ended 31 December 2018 was Rs. 3.464 million (2017: Rs. 3.464 million). Year end of Provident Fund Financial Statements is 30 June.

The following information is based on the latest financial statements of the fund:

	December 31, 2018	December 31, 2017
	Rupees in '000	
	Un-audited	
Cost of investments made	19,603	23,239
Size of the Fund	22,718	23,239
Fair value of investments	19,924	23,239
Percentage of investments made	87.70%	100.00%
Amount wise breakup of Fair value of investments is as follows:		
Bank balance in saving account	2,794	-
	12.30%	100.00%

Investments out of the provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

34. FINANCIAL RISK MANAGEMENT

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 table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

31 December 2018

	Carrying amount			Fair value				
	Held to maturity investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments	Rupees in '000							
Financial assets not measured at fair value								
Short term investments	104,891	-	-	104,891	-	-	-	-
Deposits	-	878	-	878	-	-	-	-
Trade debts	-	50,129	-	50,129	-	-	-	-
Loans and advances to employees	-	528	-	528	-	-	-	-
Other receivables	-	1,727	-	1,727	-	-	-	-
Bank balances	-	13,082	-	13,082	-	-	-	-
	104,891	66,344	-	171,235	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	94,068	94,068	-	-	-	-
Short term borrowing - secured	-	-	150,000	150,000	-	-	-	-
Unclaimed dividend	-	-	1,321	1,321	-	-	-	-
Markup accrued	-	-	1,134	1,134	-	-	-	-
	-	-	246,523	246,523	-	-	-	-

31 December 2017

	Carrying amount			Fair value				
	Held to maturity investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments	Rupees in '000							
Financial assets not measured at fair value								
Short term investments	211,126	-	-	211,126	-	-	-	-
Deposits	-	878	-	878	-	-	-	-
Trade debts	-	48,841	-	48,841	-	-	-	-
Loans and advances to employees	-	1,217	-	1,217	-	-	-	-
Other receivables	-	657	-	657	-	-	-	-
Bank balances	-	33,347	-	33,347	-	-	-	-
	211,126	84,940	-	296,066	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	50,098	50,098	-	-	-	-
Short term borrowing - secured	-	-	150,000	150,000	-	-	-	-
Unclaimed dividend	-	-	1,506	1,506	-	-	-	-
Markup accrued	-	-	641	641	-	-	-	-
	-	-	202,245	202,245	-	-	-	-

The Company has not disclosed the fair values for all other 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.

35. FINANCIAL INSTRUMENTS

The Company has exposure to the following risks from its use of financial instruments

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Company's risk management framework. The Board of Directors is also responsible for developing and monitoring the Company's risk management policies.

35.1 Credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if counterparties fail completely to perform as contracted / fail to discharge an obligation / commitment that it has entered into with the Company. It arises principally from trade receivables, bank balances, security deposits, mark-up accrued and investment in debt securities.

The carrying amount of financial assets represents the maximum credit exposure before any credit enhancements. The maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Rupees in '000		
Deposit	878	878
Trade debts	50,129	48,841
Short term investments	6,874	156,874
Markup accrued	1,727	657
Bank balances	13,082	33,347
	72,690	240,597

Trade and receivables

To manage exposure to credit risk in respect of trade and other receivables, management performs credit reviews taking into account the customer's financial position, past experience and other factors. Where considered necessary, advance payments are obtained from certain parties. Export sales to customers are secured through letters of credit. The management has set a maximum credit period of 90 days in respect of local sales to reduce the credit risk.

The maximum exposure to credit risk before any credit enhancements for trade debts at the reporting date by type of customer was as follows:

	December 31, 2018	December 31, 2017
Rupees in '000		
Local debtors	1,430	2,884
Export debtors	48,699	45,957
	50,129	48,841

The aging of trade debts at the balance sheet date is

	December 31, 2018	December 31, 2017
	Rupees in '000	
Not past due	48,698	47,221
Past due 1 - 30 days	864	676
Past due 30 - 90 days	162	157
Past due 90 - 180 days	511	726
Past due 180-365 days	43	61
Over 365 days	1,478	1,300
	51,756	50,141
Less: Impaired	(1,627)	(1,300)
	50,129	48,841

The movement in the allowance for impairment in respect of trade debts is given in note 11.2.

Based on past experience the management believes that no impairment allowance is necessary, except mentioned above, in respect of trade debts past due as there are reasonable grounds to believe that the amounts will be recovered in short course of time.

Settlement risk

All investing transactions are settled / paid for upon delivery. The Company's policy is to enter into financial instrument contract by following internal guidelines such as approving counterparties and approving credits.

Bank balances

The Company kept its surplus funds with banks having good credit rating. Currently, the surplus funds are kept with banks having rating from AAA to A-.

Deposits

The Company has provided security deposits and retention money as per the contractual terms with counter parties as security and does not expect material loss against those deposits and retention money.

Concentration of credit risk

Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or have similar economic features that would cause their abilities to meet contractual obligation to be similarly effected by the changes in economic, political or other conditions. The Company believes that it is not exposed to major concentration of credit risk.

35.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its obligation arising from financial liabilities that are settled by delivering cash or another financial asset or that such obligation will have to be settled in a manner disadvantageous to the Company. The Company is not materially exposed to liquidity risk as substantially all obligation / commitments of the Company are short term in nature and are restricted to the extent of available liquidity.

The following are the contractual maturities of the financial liabilities, including estimated interest payments:

	2018					
	Carrying amount	Contractual cash flows	On demand	Up to three months or less	Three to twelve months	One to five years
	Rupees in '000					
Financial liabilities						
Trade and other payables	94,068	94,068	94,068	94,068	-	-
Short term borrowing						
- secured	150,000	150,000	-	150,000	-	-
Unclaimed dividend	1,321	1,321	-	1,321	-	-
Mark-up accrued	1,134	1,134	-	1,134	-	-
	246,523	246,523	94,068	246,523	-	-

	2017					
	Carrying amount	Contractual cash flows	On demand	Up to three months or less	Three to twelve months	One to five years
	Rupees in '000					
Financial liabilities						
Trade and other payables	51,604	51,604	51,604	51,604	-	-
Short term borrowing						
- secured	150,000	150,000	-	150,000	-	-
Unclaimed dividend	1,506	1,506	-	1,506	-	-
Mark-up accrued	641	641	-	641	-	-
	203,751	203,751	51,604	203,751	-	-

35.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The Management monitors the portfolio of its investments and adjust the portfolio in light of changing circumstances.

35.3.1 Currency risk

The Company is exposed to currency risk on export of goods denominated in US Dollars (USD). The Company's exposure to foreign currency risk for these currencies is as follows :

	December 31, 2018	December 31, 2017
	Rupees in '000	
Foreign debtors - USD	48,699	45,957

The following significant exchange rate has been applied :

	Average rate		Reporting date rate	
	2018	2017	2018	2017
USD to PKR	121.65	105.32	138.62	110.30

Sensitivity analysis

At the reporting date, if the PKR had strengthened by 10% against the USD with all other variables held constant, post-tax profit for the year would have been lower by the amount shown below, mainly as a result of net foreign exchange loss on translation of foreign debtors.

Effect on profit or loss

	December 31, 2018	December 31, 2017
	Rupees in '000	
USD	49	46

The weakening of the PKR against USD would have had an equal but opposite impact on the post tax profits.

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

35.3.2 Interest rate risk

At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was as follows:

	2018 Effective interest rate Percentage	2017 Effective interest rate Percentage	2018 Carrying amount Rupees in '000	2017 Carrying amount Rupees in '000
Financial liabilities				
Variable rate instruments:	3	3	150,000	150,000

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

35.3.3 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to share holders or issue new shares.

The Company is currently financing majority of its operations through equity and working capital. The capital structure of the Company is equity based with no financing through long-term borrowings.

36. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	Chief Executive		Directors		Executives		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Rupees in '000								
Fees	-	-	1,610	1,080	-	-	1,610	1,080
Managerial remuneration	4,519	4,628	6,809	7,031	3,713	4,283	15,041	15,942
Housing	-	-	-	-	1,470	1,723	1,470	1,723
Retirement benefits	-	-	-	-	121	110	121	110
Bonus	-	210	1,930	687	-	182	1,930	1,079
Medical expenses	219	71	576	395	87	264	882	730
Utilities	360	360	240	240	327	383	927	983
Director's Driver salary	-	-	430	-	-	-	430	-
	5,098	5,269	11,595	9,433	5,718	6,945	22,411	21,647
Number of persons	1	1	9	9	3	3	13	13

36.1 The Chief Executive and a Director are also provided with the Company maintained cars in accordance with their terms of employment.

36.2 Six Non-Executive Directors (2017: Seven) were paid fees to attend the meetings, aggregating Rs. 1.62 million (2017: Rs. 1.08 million).

37. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise the associated undertakings, 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 financial statements are as follows:

Name	Nature of relationship	Basis of relationship	Nature of transaction	December 31, 2018	December 31, 2017
Rupees in '000					
Transaction					
Orkila Pakistan (Private Limited)	Associated Undertaking	Common directorship	Commission on Sale	1,984	1,861
			Sale of goods	1,363	2,012
			Payable in respect of commission	733	1,013
			Receivable in respect of sales	677	720
Shipwell (Private) Limited	Associated Undertaking	Common directorship	Commission on Sale	1,096	1,382
			Payable in respect of commission	228	127
IAL Logistics Pakistan (Pvt.) Ltd.	Associated Undertaking	Common directorship	Freight forwarding and transportation	21,193	17,125
			Payable in respect of shipping expenses	2,112	922
Pakistan Gum and Chemicals Ltd. - Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made	743	7,644
Pakistan Gum and Chemicals Ltd. - Pension Fund	Retirement benefit fund	Employees benefit fund	Contribution made	1,720	3,278

Name	Nature of relationship	Basis of relationship	Nature of transaction	December 31, 2018	December 31, 2017
				Rupees in '000	
Pakistan Gum and Chemicals Ltd. - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	3,465	2,932
Key management personnel	Related parties	Executives	Remuneration and benefits	10,815	12,214
Directors and their spouse	Related parties	Directors	Remuneration and benefits	10,734	9,433

38. ANNUAL PRODUCTION CAPACITY

	Metric Tonnes			
	2018		2017	
	Available Capacity	Actual Production	Available Capacity	Actual Production
Guar Splits	6,500	3,196	6,500	3,045
Guar Powder	7,800	2,495	7,800	2,580
Guar Meal	14,625	7,389	14,625	7,066

39. GENERAL

39.1 Corresponding Figures

The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Following major reclassifications have been made during the year other than disclosed elsewhere in these financial statements.

Description	Reclassified from	Reclassified to	2017
			Rupees in '000
Unclaimed dividend	Trade and other payables	Unclaimed dividend (presented on face of statement of financial position)	1,506
Deposits	Long term Deposits	Deposits and Prepayments	878

39.2 Number of employees

The number of employees including contractual employees of the Company as at 31 December 2018 were 111 (2017: 115) and weighted average number of employees were 113 (2017: 119).

40. Subsequent events

The Board of Directors of the Company in their meeting held on 19 March 2019 have recommended final cash dividend for the year ended 31 December 2018 of Rs. 1 per share (2017: Nil per share) amounting to Rs. 4.249 million (2017: Nil). The above recommended final cash dividend is subject to the approval of the members at the Annual General Meeting to be held on 25 April 2019. These financial statements do not include the effect of above recommended final cash dividend, which will be accounted for in the period in which it is approved by the members.

41. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors meeting held on 19 March 2019.



Muhammad Moonis
CHAIRMAN



Sajid Iqbal Hussain
CHIEF EXECUTIVE



Jahanzeb Ashfaq
CHIEF FINANCIAL OFFICER

PATTERN OF SHAREHOLDINGS

AS AT DECEMBER 31, 2018

SIZE OF HOLDING Rs.10/- EACH	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF ISSUED CAPITAL
1 - 100	155	4,804	0.11
101 - 500	152	37,231	0.88
501 - 1,000	31	25,093	0.59
1,001 - 5,000	41	88,512	2.08
5,001 - 10,000	13	93,377	2.20
10,001 - 15,000	4	52,300	1.23
15,001 - 20,000	1	18,101	0.43
20,001 - 25,000	1	20,122	0.47
35,001 - 40,000	1	37,000	0.87
40,001 - 45,000	2	82,926	1.95
90,001 - 95,000	1	90,750	2.14
95,001 - 100,000	1	97,057	2.28
200,001 - 205,000	1	200,904	4.73
395,001 - 400,000	1	398,310	9.38
2,500,001 - 3,000,000	1	3,002,065	70.66
	<u>406</u>	<u>4,248,552</u>	<u>100.00</u>

ADDITIONAL INFORMATION

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARES HELD	PERCENTAGE %
1	Individual	681,202	16.03
2	Joint Stock Companies	6,750	0.16
3	Directors, Chief Executive Officer, their Spouse and Minor Children		
	i. Mr. Muhammad Moonis	200,904	4.73
	ii. Mr. Shuaib Ahmed	3,002,065	70.66
	iii. Mr. Ozair Ahmed Hanafi	2,559	0.06
	iv. Mr. Tariq Mohamed Amin	500	0.01
	v. Mr. Mohammad Ali Hanafi	1,600	0.04
	vi. Mr. M. Aslam Hanafi	49,976	1.18
	vii. Mr. Zaeem A. Hanafi	500	0.01
	viii. Mr. Zahid Zaheer	1,000	0.02
	ix. Mr. Zubyr Soomro	500	0.01
	x. Mrs. Kehkashan Hanafi	7,260	0.17
4	Associated Company & Related parties	131,367	3.09
5	Banks, DFIs, NBFIs, Insurance Companies, Investment Cos., Modarbas & Mutual Fund	155,109	3.65
6	Charitable Trust	7,260	0.17
	Total	4,248,552	100.00

Shareholders holding 5% or more voting interest

Mr. Shuaib Ahmed	- Director	3,002,065	70.66
Mrs. Zakia Hanafi		398,310	9.38

Associated Company & Related parties

Shipwell (Pvt.) Limited		131,367	3.09
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PROXY FORM

56th ANNUAL GENERAL MEETING OF THE COMPANY

I / We, _____ (Name)

of _____ (Address)

being a member of PAKISTAN GUM & CHEMICALS LIMITED and holder of _____
Ordinary Shares as per Register Folio No./CDC Participant's ID and Account No. _____

hereby appoint _____ (Name)

Of _____ (Address)

as my / our proxy to vote for me / us and on my / our behalf at the 56th **ANNUAL GENERAL MEETING** of the Company to be held on Thursday, the 25th of April, 2019 and/or any adjournment thereof.

Signed by me / us this _____ Day of _____ 2019

Signature of Proxy

Witness: _____
(Signature)

Name: _____

Address: _____

Signature on
Revenue Stamp

Signature of Shareholder must be in
accordance with the Specimen
signature registered with the company

Note:

1. The proxy in order to be valid must be signed across five rupees revenue stamp and should be deposited with the Company not later than 48 hours before the time of holding the meeting.
2. CDC Shareholders and their proxies must attach either an attested photocopy of their CNIC or Passport with this Proxy Form.

مختار نامہ (پراکسی فارم)

کمپنی کا ۵۶ واں عام اجلاس

میں / ہم _____
(نام)

برائے _____
(پتہ)

بحیثیت شراکت دار پاکستان گم اینڈ اکیملز لمیٹڈ موجودہ حصص
آرڈری حصص بطور شیئر رجسٹر فوئیو نمبر / سی ڈی سی اکاؤنٹ نمبر

تقرری کرتا ہوں / کرتے ہیں _____
(نام)

برائے _____
(پتہ)

میری / ہماری پراکسی کے طور پر میری / ہماری جانب سے کمپنی کے ۵۶ ویں سالانہ اجلاس میں شرکت کرنے، بولنے اور ووٹ دینے کی، جو بروز جمعرات،
مورخہ ۲۵ اپریل ۲۰۱۹ بمطابق ۱۰ بجے ہو یا اس میں کوئی تبدیلی لائی جائے

میرے / ہمارے دستخط _____ مورخہ _____ ۲۰۱۹



(ریونیونٹک چسپاں کر کے اس پر دستخط کریں)

پراکسی کے دستخط

گواہ کے دستخط _____

نام _____

پتہ _____

اہم نکات:

۱۔ پراکسی فارم ہر لحاظ سے مکمل و درست صورت میں بمہ ۵ روپے کے ریونیونٹک کے کمپنی کے رجسٹرڈ پتہ پر اجلاس سے ۴۸ گھنٹے قبل جمع کرانا لازمی ہے

۲۔ سی ڈی سی اکاؤنٹ ہولڈرز سے گزارش ہے کہ وہ اپنے قومی شناختی کارڈ / پاسپورٹ کی مصدقہ کاپی پراکسی فارم کے ساتھ ضرور منسلک کریں



Spreading goodness of Guar

Dear Shareholders,

ELECTRONIC CREDIT MANDATE (Mandatory)

We wish to inform you that in accordance with the provisions of section 242 of the Companies Act, 2017, it is mandatory for a listed company, any dividend payable in cash, shall only be paid, through electronic mode directly into the bank account designated by the entitled shareholders.

In order to receive dividends directly into your Bank account, please submit your complete particulars on the format provided at the end of this letter and return the same duly signed along with a copy of your valid CNIC to the Share Registrar of the Company, M/s. JWAFS Registrar Services (Pvt.) Limited, 407-408, Al Ameera Centre, Shakra-e-Iraq, Saddar, Karachi.

CDC Shareholders are requested to submit their Dividend Mandate and CNIC directly to their broker (participant) / Central Depository Company of Pakistan Limited.

Submission of Copy of CNIC (Mandatory)

Pursuant to the directive of the Securities and Exchange Commission of Pakistan (SECP), your CNIC number is mandatory required to be mentioned on dividend warrants, members' register and other statutory returns. Those shareholders who have not submitted a copy of their CNIC to the Company are once again requested to submit a copy of their valid CNIC; otherwise the Company will be constrained under Section 243(2)(a) of the Companies Act, 2017 to withhold dividends to such shareholders.

Yours faithfully,

For PAKISTAN GUM & CHEMICALS LIMITED

Company Secretary

SHAREHOLDER'S SECTION:

I hereby communicate to receive my dividends in my Bank Account as detailed below:

i)	Shareholder's details	
	Name of the Shareholder	
	Folio No./CDC Participant ID & sub Account No./CDC IAS	
	CNIC/NICOP (copy attached)	
	NTN (in case of corporate entity)	
	Contact Number (Landline & Cell No.)	
	E-mail Address	
ii)	Shareholder's Bank Account Details	
	Title of Bank Account	
	IBAN (see Note 1 below)	
	Name of Bank	
	Branch Name	
	Branch mailing address	

It is stated that the above particulars given by me are correct to the best of my knowledge and belief; I shall keep the Company informed in case of any changes in the said particulars in future.

Shareholder's Signature _____ Date _____

Note 1: Please provide complete IBAN, after checking with your concerned branch to enable electronic credit directly into your bank account.

Note 2: The payment of cash dividend will be processed on the basis of the IBAN alone. Since the Company will rely on the IBAN as per your instructions. The Company shall not be responsible of any loss, damage, liability or claim arising, directly or indirectly, from any error, delay, and failure in performance of any of its obligations hereunder which is caused by incorrect payment instructions and/or due to any event beyond the control of the Company.



1963 - 2019



Pakistan Gum & Chemicals Limited

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