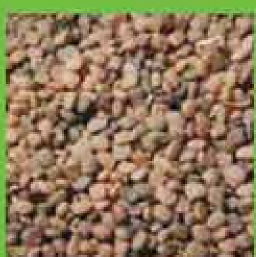
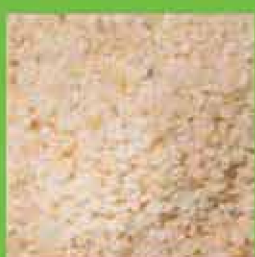
PAKCHEM

Spreading goodness of Guar

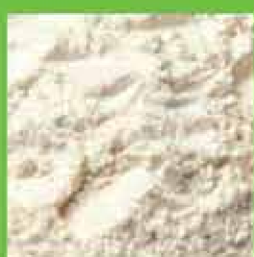
ANNUAL REPORT 2017



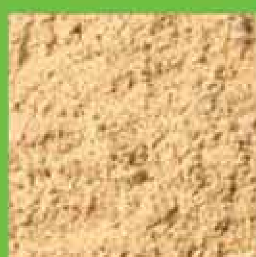
GUAR SEED



GUAR SPLITS



GUAR GUM



GUAR MEAL

CONTENTS:

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, 2017

Board of Directors

Muhammad Moonis	Chairman
Shuaib Ahmed	Director / Vice Chairman
Sajid Iqbal Hussain	Director / Chief Executive
Mohammed 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

Audit Committee

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

Human Resource & Remuneration (HR&R) Committee

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

Chief Financial Officer & Company Secretary
Manzoor Ahmed

Auditors
KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor
Azizuddin & Co.

Bankers
Habib Bank Limited
MCB 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

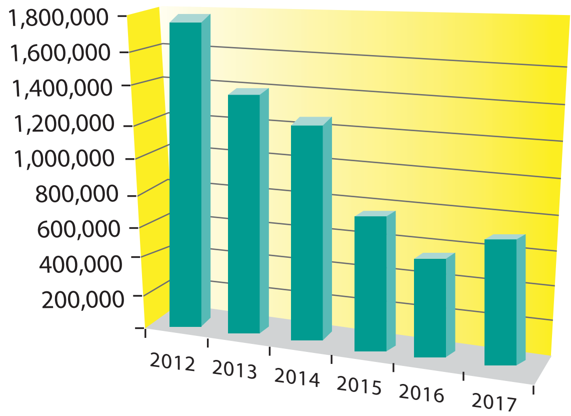
(Rupees in Thousands)

	2017	2016	2015	2014	2013	2012
Operating assets	**99,357**	105,950	122,331	134,801	59,524	57,557
Capital work-in-progress	**5,058**	6,025	6,025	6,637	81,400	30,815
Long term security deposits	**878**	878	878	878	862	862
Net current and other assets	**215,631**	238,004	316,402	405,411	349,925	370,360
Total assets employed	**320,924**	350,857	445,636	547,727	491,711	459,594
Ordinary capital	**42,486**	42,486	42,486	42,486	42,486	42,486
Reserves	**276,646**	306,248	400,302	501,635	448,581	413,931
Non-current liabilities	**1,792**	2,123	2,848	3,606	644	3,177
Total funds employed	**320,924**	350,857	445,636	547,727	491,711	459,594
Net turnover	**620,394**	486,457	684,144	1,187,576	1,317,205	1,726,433
(Loss) / profit before taxation	**(22,594)**	(90,786)	(71,149)	91,359	92,549	269,311
% of net sales	**(3.64)**	(18.66)	(10.40)	7.69	7.03	15.60
% of average assets employed	**(6.73)**	(22.80)	(14.32)	17.58	19.46	76.00
(Loss) / Profit after taxation	**(28,816)**	(94,951)	(75,471)	77,521	76,441	246,177
Cash dividend - amount	**-**	-	-	21,243	21,243	42,486
Bonus Shares - %	**-**	-	-	-	-	-
Right Shares - %	**-**	-	-	-	-	-
Cash dividend - %	**-**	-	-	50	50	100
(Loss) / Earnings per share (Rs.)	**(6.78)**	(22.35)	(17.76)	18.25	17.99	57.94
Break-up value (Rs.)	**75.54**	82.58	104.89	128.92	115.73	108.18
No. of shares	**4,249**	4,249	4,249	4,249	4,249	4,249

GRAPHICAL PRESENTATION

Sales -Net

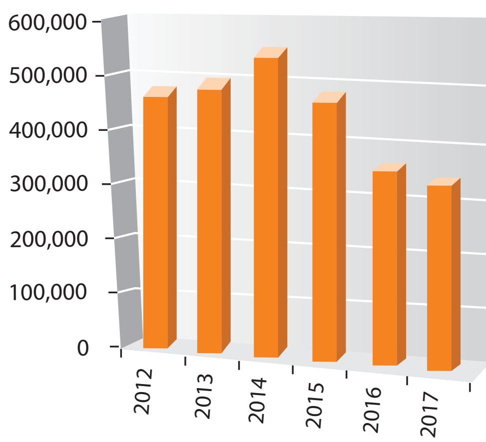
Rupees in '000



	2012	2013	2014	2015	2016	2017
Sales - Net	1,726,433	1,317,205	1,187,576	684,144	486,457	620,394

Shareholders Equity

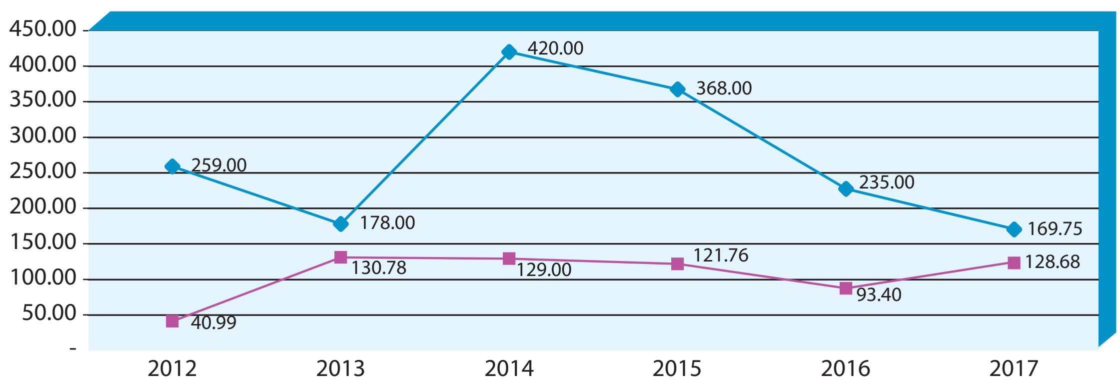
Rupees in '000



	2012	2013	2014	2015	2016	2017
Shareholders Equity	456,417	491,067	544,121	442,788	348,734	319,132

Share Price Movement

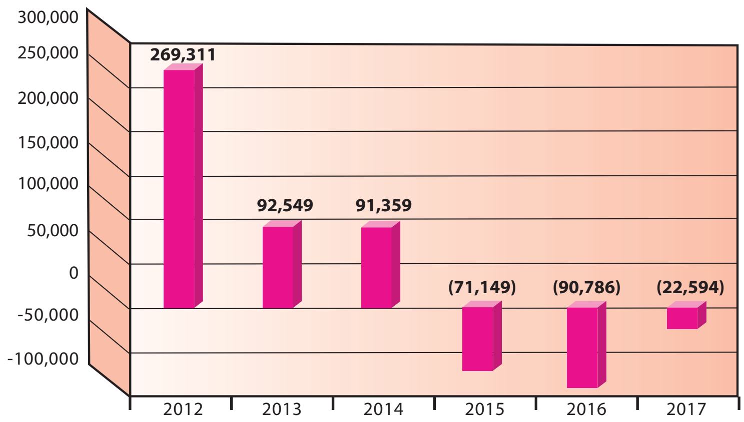
Rupees



	2012	2013	2014	2015	2016	2017
High	259.00	178.00	420.00	368.00	235.00	169.75
Low	40.99	130.78	129.00	121.76	93.40	128.68

Profit/(loss) Before Taxation

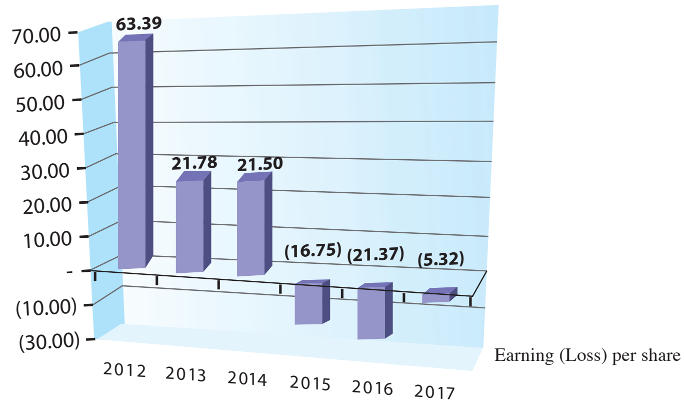
Rupees in '000



	2012	2013	2014	2015	2016	2017
Profit/(Loss) before taxation	269,311	92,549	91,359	(71,149)	(90,786)	(22,594)

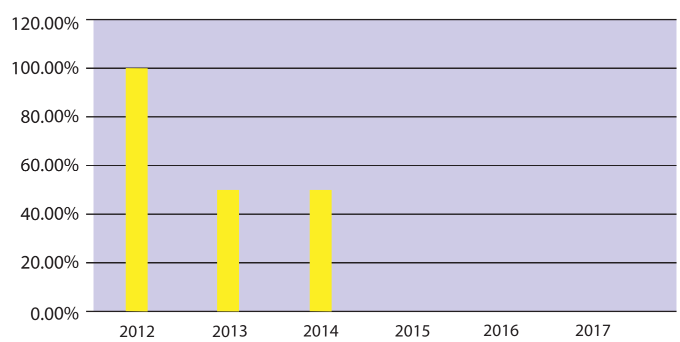
Earning/(loss) per share based on before taxation

Rupees



	2012	2013	2014	2015	2016	2017
Earning per share	63.39	21.78	21.50	(16.75)	(21.37)	(5.32)

Dividend Payout



	2012	2013	2014	2015	2016	2017
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	100.0%	50.0%	50.0%	0.0%	0.0%	0.0%

NOTICE OF MEETING

Notice is hereby given that the 55th Annual General Meeting of Pakistan Gum and Chemicals Limited, will be held on Thursday, 26 April, 2018 at 12:00 noon 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, 2017 together with Directors' and Auditors' reports thereon.

2. To appoint external auditors for the year ending December 31, 2018 and to fix their remuneration.

3. To transact any other ordinary business as may be placed before the meeting with the permission of the Chair.

By Order of the Board

Manzoor Ahmed
Company Secretary
Karachi: 09 March, 2018

Notes:

1. The Share Transfer Books of the Company will remain closed from 19 April, 2018 to 26 April, 2018 (both days inclusive). Transfers received in order by our registrar M/s JWAFFS Registrar Services (Pvt) Limited 407-408 Al-Ameera Center, Shara-e-Iraq, Saddar Karachi, at the close of business on April 18, 2018 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. Shareholders are requested to notify any change in their addresses immediately.

Transmission of Audited Financial Statements & Notices to members through email:

In terms of S.R.O. 787(I)/2014, SECP has allowed the circulation of Audited Financial Statements along with Notice of Annual General Meeting to the members through e-mail. Therefore, all members of the Company who wish to receive soft copy of Annual Report are requested to send their e-mail addresses. The consent form for electronic transmission could be downloaded from the Company's website www.pakchem.com.pk. Audited financial statements and reports are being placed on the aforesaid website.

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.

سالانہ اجلاس عام کی اطلاع

پاکستان گم اینڈ کیمیکلز لمیٹڈ کا ۵۵ واں سالانہ اجلاسِ عام بروز جمعرات مورخہ ۲۶ اپریل ۲۰۱۸ء ۱۲:۰۰ بجے کمپنی کے رجسٹرڈ آفس، B-۱۹/A ارشاد قادری روڈ، سائیٹ، کراچی، میں درجِ ذیل معاملات طے کرنے کے لئے منعقد ہوگا۔

عام کاروبار:

۱۔ ۳۱ دسمبر ۲۰۱۷ء کے ختم پزیر سال کے آڈٹ شدہ اکاؤنٹس بشمول ڈائریکٹرز اور آڈیٹرز کی رپورٹس پر غور اور منظوری۔

۲۔ اختتامی سال ۳۱ دسمبر ۲۰۱۸ء کے لئے آڈیٹرز کی تقرری اور مشاہرے کا تعین۔

۳۔ چیرمین کی اجازت سے کسی اور عام کاروبار پر عملدرآمد۔

بحکم برائے بورڈ

منظور احمد

کمپنی سیکریٹری

کراچی: ۹ مارچ ۲۰۱۸ء

نوٹ:

۱۔ کمپنی کی شئیر ٹرانسفر بکس ۱۹ اپریل ۲۰۱۸ء تا ۲۶ اپریل ۲۰۱۸ء بشمول دونوں دن بند رکھی جائیں گی۔ٹرانسفرز جو کے ترتیب میں JWAFFS Registrar Services (Pvt.) Limited ، ۴۰۷-۴۰۸، Al Ameera Centre, Saddar, Karachi تک ۱۸ مارچ ۲۰۱۸ کو پہنچ جائینگے بروقت قرار دیئے جائینگے اور میٹنگ میں حاضری کے اہل ہونگے۔

۲۔ CDC حصّہ 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 پراکسی کا تقرر کرسکتے 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۔ حصہ داروں سے گزارش ہے کہ اگر ان کے موجودہ پتہ میں کوئی تبدیلی ہوئی ہے تو اس کی اطلاع فوری طور پر کمپنی کو کریں۔

SECP نے بزریعہ نوٹیفیکیشن SRO۷۸۷(I)۲۰۱۴، آڈٹ شدہ مالیاتی حسابات کو سالانہ اجلاس عام کے نوٹس کے ہمراہ ممبران کو بزریعہ ای میل ارسال کرنے کی اجازت دی ہے لہذا تمام ممبران جو سالانہ رپورٹ کی سوفٹ کاپی وصول کرنے کے خواہشمند ہوں ان سے درخواست ہے کہ اپنے ای میل ایڈریس ارسال کر دیں۔ الیکٹرانک ٹرانسمیشن کے لئے اجازت نامہ کے فارم کمپنی کی ویب سائیٹ www.pakchem.com.pk سے ڈاؤن لوڈ کئے جا سکتے ہیں۔ آڈٹ شدہ مالیاتی حسابات اور رپورٹس مذکورہ ویب سائیٹ پر مہیا کی جا رہی ہے۔

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

پاکستان گم اینڈ کیمیکلز لمیٹڈ، B-۱۹/A، ارشاد قادری روڈ، سائٹ، کراچی۔

فون نمبرز: ۲۶-۳۲۵۶۱۱۲۴، فیکس نمبر: ۳۲۵۶۱۳۲۰ ای میل: info@pakchem.com.pk

DIRECTORS' REPORT

On behalf of the Board of Directors, it is my pleasure to welcome you to the 55th Annual General Meeting of the Company.

Business Review

Operating performance of the company has improved during the year 2017 in all major areas and is reflected in the after-tax loss of Rs. 29 million compared with after tax loss of Rs. 95 million in 2016.

Code of Corporate Governance

As required by the Code of Corporate Governance under clause (xvi), we are pleased to report the following:

- The financial statements, prepared by the management of the Company, present its state of affairs fairly, the result of its operations, cash flow 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 system of internal control 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.
- Key operating and financial data of last six years are summarized.
- The Company operates funded gratuity, pension and provident fund schemes for its eligible employees. The fair value of investments amounted to Rs.61 million as at December 31, 2017.
- The number of board and Committees' meetings held during the year and attendance of these meetings is as follows:

Name	Attendance		
	Board Meeting	Board Audit Committee	HR & Remuneration Committee
Mr. Muhammad Moonis (Chairman)	5/5		
Mr. Shuaib Ahmed (Director) / Vice Chairman	5/5		4/4
Mr. Ozair Ahmed Hanafi (Director)	5/5		
Mr. Mohammed Aslam Hanafi (Executive Director)	5/5		
Mr. Mohammad Ali Hanafi (Director)	5/5		
Mr. Tariq Mohamed Amin (Director) / Chairman BAC	5/5	4/4	4/4
Mr. Zaeem Ahmad Hanafi (Director)	3/5	3/4	
Mr. Zahid Zaheer (Director) / Chairman HR&RC	5/5	4/4	4/4
Mr. Zubyr Soomro (Director)	3/5	2/4	1/4
Mr. Sajid Iqbal Hussain (Managing Director/Chief Executive)	5/5	4/4 By invitation	3/4 By invitation

- No trades in share of the Company were carried out by its Directors, CEO, CFO, Company Secretary, Head of Internal Audit and their spouses and minor children.

Dividend

In view of the loss incurred during the year, the Board has not recommended payment of any dividend for the year.

Training Programs attended by the Directors

Five directors qualify exemption from directors' training course as specified in clause (xi) of the Code and one director was granted exemption by the SECP from the certification requirement. Three directors have attended the training programs whereas one director will attend the program within time limit as allowed under the Code.

Future Prospects

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

Appropriations

	Rupees in '000
Net (Loss) for the year before taxation	(22,594)
Provision for taxation	(6,222)
Net (Loss) for the year after taxation	(28,816)
Other comprehensive (loss)	(786)
	(29,602)
Appropriations	
Proposed Cash Dividend	-
Proposed Bonus Shares	-
Transfer to General Reserve	-
	-
(Loss) carried forward	(29,602)
Basic (Loss) per share (Rupees)	(6.78)

Pattern of shareholdings

The pattern of shareholdings of the Company as at December 31, 2017 is given on page 54 of this report.

Holding Company

East West Group Holdings Inc., a company incorporated in British Virgin Islands, U.K. is the primary shareholder of the Company.

Auditors

The present auditors KPMG Taseer Hadi & Co, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Board of Directors recommends the appointment of KPMG Taseer Hadi & Co. Chartered Accountants, as auditors of the company for the year ending December 31, 2018 as suggested by the Audit Committee. 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

Muhammad Moonis
Chairman

Karachi: 09 March, 2018

ڈائیریکٹرز کا جائیزہ

یہ بات میرے لئے باعث مسرت ہے کہ میں آپ سب کو بورڈ آف ڈائیرکٹرز کی جانب سے ۵۵ ویں سالانہ عام اجلاس میں شرکت پر خوش آمدید کہ رہاہوں۔

کاروباری جائیزہ

سال ۲۰۱۷ میں کمپنی کی عملی کارکردگی تمام شعبوں میں بہتر رہی جس کہ باعث کمپنی کو اس سال ٹیکس کی ادائیگی کے بعد ۲۹ ملین روپے کا خسارہ ہوا جو گزشتہ سال ۲۰۱۶ میں ۹۵ ملین روپے تھا۔

کارپوریٹ گورنینس کے ضوابط پر عملدرآمد

کارپوریٹ گورنینس کی مطلوبہ شق ۱۶ کے تحت کمپنی ضابطہ اخلاق پر درج ذیل امور کے تحت عملدرآمد کرتی ہے

- مالیاتی گوشوارے شفاف انداز میں کمپنی کے کاروباری امور، اس کے آپریشنز، نقد بہائو اور ایکوئٹی میں تبدیلی کے نتائج کو پیش کرتے ہیں۔
- کمپنی کے حسابات کی باقاعدہ کتب تشکیل دی گئی ہیں
- درست اکائونٹنگ پالیسیاں، جیسا کہ مالیاتی گوشواروں کے نوٹ میں درج ہیں، مستقل طور پر مالیاتی گوشواروں کی تیاری میں لاگو کی جاتی ہیں اور اکائونٹنگ کے تخمینہ جات درست اور محتاط فیصلے پر مبنی ہیں۔
- مالیاتی گوشواروں کی تیاری میں بین القوامی مالیاتی رپورٹنگ اسٹینڈرڈ پر عملدرآمد کیا جاتا ہے اور اس سے کسی بھی انحراف کے بارے میں مناسب جواز پیش کیا جاتا ہے ۔
- اندرونی کنٹرول کا نظام مستحکم طور پر تیار کیا گیا ہے اور موشر انداز میں نافزالعمل ہے اور اس کی نگرانی کی جاتی ہے۔
- کمپنی کے چلتے رہنے کی صلاحیت پر قطعی کوئی شبہہ نہیں ہے۔
- اہم اموری اور مالی اعدادوشمار برائے ۶ سال کا خلاصہ پیش کر دیا گیا ہے
- کمپنی میں اہل ملازمین کے لئے فنڈیڈ گریجیوٹی، پینشن اور پروویڈنٹ فنڈ کی سہولت موجود ہے جس کی مناسب مالیت ۳۱ دسمبر ۲۰۱۷ کو ۶۱ ملین روپے رہی۔
- اس سال بورڈ اور کمیٹیوں کی ہونے والی میٹنگ کی تعداد اور حاضری کی تفصیلات مندرجہ ذیل ہیں:

نام	حاضریاں		
	بورڈ میٹنگ	آڈٹ کمیٹی میٹنگ	ایچ آر اینڈ آر کمیٹی میٹنگ
جناب محمد مونس	۵/۵		
جناب شعیب احمد	۵/۵		۴/۴
جناب عذیر احمد حنفی	۵/۵		
جناب محمد اسلم حنفی	۵/۵		
جناب محمد علی حنفی	۵/۵		
جناب طارق محمد امین	۵/۵	۴/۴	۴/۴
جناب زعیم احمد حنفی	۳/۵	۳/۴	
جناب زاھد ظہیر	۵/۵	۴/۴	۴/۴
جناب زبیر سومرو	۳/۵	۲/۴	۱/۴
جناب ساجد اقبال حسین	۵/۵	۴/۴ بزریعہ دعوت نامہ	۳/۴ بزریعہ دعوت نامہ

دوران سال کمپنی کے ڈائیریکٹرز، چیف ایگزیکٹو ، چیف فائینشیل آفیسر، کمپنی سیکریٹری، ہیڈ آف انٹرنل آڈیٹر، یا انتام کی زوجہ اور نابالغ بچوں میں سے کسی نے بھی کمپنی کے حصص کی خرید و فروخت نہیں کی۔

منافع منقسمہ

اس سال کے خسارہ کو مدنظر رکھتے ہوئے بورڈ نے منافع کی ادائیگی کی سفارش نہیں کی۔

تربیتی پروگرام میں ڈائیریکٹرز کی شرکت

پانچ ڈائیریکٹرز کوڈ کی شق (۱۱) کے تحت تربیتی پروگرام سے چھوٹ کی اہلیت رکھتے ہیں تاہم ایک ڈائیریکٹر کو SECP نے مستثنٰی کر رکھاہے ۔ تین ڈاریکٹرز تربیتی پروگرام میں شرکت کر چکے ہیں، تاہم ایک ڈائیریکٹر کوڈ کی جانب سے دی گئی مدت میں تربیتی پروگرام میں شرکت کر لیں گے۔

امکانات مستقبل

کمپنی کی انتظامیہ ان نا مصاعدحالات سے بخوبی آگاہ ہے اور متواتر طور پر ضروری اقدامات کر رہی ہے۔

ایپرو پریشنس

	Rs.'000
کل خصارہ قبل ٹیکس	(۲۲،۵۹۴)
ٹیکس کاتخمینہ	(۶،۲۲۲)
حتمی خصارہ بمعہ ٹیکس	(۲۸،۸۱۶)
دیگرخصارہ	(۷۸۶)
ایپرو پریشنس	(۲۹،۶۰۲)
مجوزہ نقدمنافع	-
مجوزہ بونس حصص	-
مجوزہ رائیٹ حصص	-
	-
آگے لے جانے والا خصارہ	(۲۹،۶۰۲)
بنیادی خصارہ فی حصص (روپیہ)	(۶.۷۸)

حصص داری کی تفصیلات

کمپنی کی پیٹرن آف شیر ہولڈنگ کی تفصیلات صفحہ نمبر ۵۴ پر منسلک کر دی گئی ہیں۔

ہولڈنگ کمپنی

ایسٹ ویسٹ گروپ ہولڈنگ انکورپوریشن، ایک کمپنی ، جو کہ برٹش ورجن جزیرہ یو کے میں ہے کمپنی کی پرائیمری حصہ دار ہے۔

آڈیٹرز

موجودہ آڈیٹرز، کے پی ایم جی تاثیرہادی چارٹرڈ اکاؤنٹنٹس جو کہ اپنی معیاد مکمل کر چکے ہیں ، نے بحیثیت بیرونی آڈیٹرز برائے سال ۲۰۱۸ اپنی تقرری کے لئے نامزدگی دائیر کر دی ہے ۔ بورڈ آف ڈائیریکٹرز نے آڈٹ کمیٹی کی تجویز پر ان کو بطور آڈیٹر نامزد کرنے کی سفارش کی ہے ۔ کے پی ایم جی تاثیرہادی چارٹرڈ اکاؤنٹنٹس نے اس بات کی تصدیق کی ہے کہ:

- انسٹیوٹ آف چارٹرڈ اکاؤنٹنٹس پاکستان انکی کارکردگی سے مطمئین ہے
- کے پی ایم جی تاثیرہادی، چارٹرڈ اکاؤنٹنٹس ، اس کے کسی بھی شراکت دار، انکے اسپاؤز یا نابالغ بچوں میں سے کسی نے بھی دوران سال آڈٹ کمپنی یا اس کی منسلکہ کسی بھی کمپنی کے حصص کی خریدوفروخت نہیں کی
- فرم یا اسکے تمام شراکت دار International Federation of Accountants (IFAC) 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 مجاز 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 کام کی انجام دہی کر سکے ۔ ہم معترف ہیں کمپنی کی مینجمنٹ اور کارکنان کا جو کہ ان مشکل حالات کا انتھک محنت سے مقابلہ کرتے رہے۔

ساجد اقبال حسین
چیف ایگزیکٹو

محمد مونس
چیئرمین

کراچی: مورخہ ۹ مارچ، ۲۰۱۸

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of company: **PAKISTAN GUM & CHEMICALS LIMITED**
Year ending: **DECEMBER 31, 2017**

This statement is being presented to comply with the requirements contained in the Code of Corporate Governance ("the Code") as mentioned in the Regulation No. 5.19.24 of Rule Book of Pakistan Stock Exchange ("PSX") where Pakistan Gum and Chemicals Limited (the Company) is listed. The purpose of the Code is to stablish framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present, the Board includes:

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

   The independent director meets the criteria of independence under clause 5.19.1(b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company excluding the listed subsidiaries of listed holding companies where applicable.

3. All the resident directors of the company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking Company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.

4. No casual vacancy arose on the Board during the year ended December 31, 2017.

5. 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.

6. 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. The corporate strategy of the company is reviewed and approved by the Board along with the annual plan.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executives and non-executive directors, have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Five directors have claimed exemption from directors' training course as specified in clause (xi) of the Code of corporate governance and one of the directors was granted exemption by the SECP from the Certification requirement under the code of corporate governance. 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 Code.

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, as recommended by the HR & Remuneration Committee.

11. The Directors' report for the year ended December 31, 2017 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company, other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the Code with respect to the Company. The Company has continued to present the details of all related party transactions before the Audit Committee and upon their recommendation to the Board for review and approval. The definition of related party used is in accordance with repealed Companies Ordinance, 1984 and applicable financial reporting frame work as the regulations under Section 208 of the Companies Act, 2017 have not yet been announced.
15. The Board has formed an Audit Committee. It comprises four members including an independent director, all of whom are non-executive directors.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of four members including an independent director, all of whom are non-executive directors.
18. The Board has set up an effective internal audit function. The Head of Internal Audit is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
19. 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), 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 Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and Pakistan Stock Exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through Pakistan Stock Exchange.
23. The Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the Code have been complied with.

Sajid Iqbal Hussain
Chief Executive

Muhammad Moonis
Chairman

Karachi: 09 March, 2018

KPMG

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

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Review Report to the Members on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") as mentioned in the Regulation No. 5.19.24 of the Rule Book of Pakistan Stock Exchange ("PSX") as prepared by the Board of Directors of **Pakistan Gum and Chemicals Limited** ("the Company") for the year ended 31 December 2017 to comply with the requirements of Listing Regulations of PSX where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 Code.

As 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 Code requires 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 distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. 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 any procedures to determine whether the related party transactions were under taken at arm's length price or not.

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 best practices contained in the Code as applicable to the Company for the year ended 31 December 2017.

KPMG Taseer Hadi & Co.

Date: 09 March 2018

KPMG Taseer Hadi & Co.
Chartered Accountants

Karachi

KPMG

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Auditors' Report to the Members

We have audited the annexed balance sheet of **Pakistan Gum & Chemicals Limited** ("the Company") as at 31 December 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended 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 purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the repealed Companies Ordinance, 1984, 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 2017 and of the loss, its cash flows and changes in equity for the year then ended; and

d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Company for the year ended 31 December 2016 were audited by another firm of Chartered Accountants who through their report dated 16 March 2017, expressed an unqualified opinion thereof.

KPMG Taseer Hadi & Co.

Date: 09 March 2018

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Nadeem

BALANCE SHEET
AS AT DECEMBER 31, 2017

	Note	December 31, 2017	December 31, 2016
		Rupees in '000	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	**104,415**	111,975
Long term deposits	7	**878**	878
		105,293	112,853
CURRENT ASSETS			
Stores and spares	8	**2,240**	5,007
Stock-in-trade	9	**89,782**	111,899
Trade debts	10	**48,841**	33,763
Loans and advances	11	**1,619**	1,753
Short-term prepayments	12	**247**	665
Other receivables	13	**7,036**	5,154
Short-term investment	14	**211,126**	90,118
Taxation – net		**26,322**	33,664
Cash and bank balances	15	**33,456**	43,861
		420,669	325,884
TOTAL ASSETS		**525,962**	438,737
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	16	**42,486**	42,486
Capital reserves		**17,553**	17,553
Revenue reserves		**259,093**	288,695
		319,132	348,734
NON-CURRENT LIABILITIES			
Deferred taxation	17	**1,792**	2,123
CURRENT LIABILITIES			
Trade and other payables	18	**54,397**	87,880
Short term borrowing - secured	19	**150,000**	-
Mark-up accrued		**641**	-
		205,038	87,880
TOTAL EQUITY AND LIABILITIES		**525,962**	438,737
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes from 1 to 38 form an integral part of this financial statements.

Sajid Iqbal Hussain
CHIEF EXECUTIVE

Muhammad Moonis
CHAIRMAN

Manzoor Ahmed
CHIEF FINANCIAL OFFICER

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	December 31, 2017	December 31, 2016
		Rupees in '000	
Sales - net	21	**620,394**	486,457
Cost of sales	22	**(575,352)**	(519,780)
Gross profit / (loss)		**45,042**	(33,323)
Administrative expenses	23	**(53,829)**	(48,539)
Shipping expenses	24	**(22,889)**	(16,222)
Other operating expenses	25	**(56)**	(376)
		(76,774)	(65,137)
		(31,732)	(98,460)
Other income	26	**11,186**	8,219
Operating (loss) before finance costs		**(20,546)**	(90,241)
Finance costs	27	**(2,048)**	(545)
Loss before taxation		**(22,594)**	(90,786)
Taxation	28	**(6,222)**	(4,165)
Loss for the year		**(28,816)**	(94,951)
		Rupees	
Loss per share - basic and diluted	29	**(6.78)**	(22.35)

The annexed notes from 1 to 38 form an integral part of this financial statements.

Sajid Iqbal Hussain	Muhammad Moonis	Manzoor Ahmed
CHIEF EXECUTIVE	*CHAIRMAN*	*CHIEF FINANCIAL OFFICER*

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	December 31, 2017	December 31, 2016
	Rupees in '000	
Loss for the year	**(28,816)**	(94,951)
Other comprehensive (loss) / income		
Items that will not be reclassified subsequently to profit and loss		
(Loss) / gain on remeasurement of staff retirement benefit plans	**(786)**	897
Total comprehensive (loss) for the year	**(29,602)**	(94,054)

The annexed notes from 1 to 38 form an integral part of this financial statements.

Sajid Iqbal Hussain
CHIEF EXECUTIVE

Muhammad Moonis
CHAIRMAN

Manzoor Ahmed
CHIEF FINANCIAL OFFICER

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	December 31, 2017	December 31, 2016
		Rupees in '000	
Cash flows from operating activities			
Loss before taxation for the year		**(22,594)**	(90,786)
Adjustments for:			
Depreciation		**11,088**	13,442
Finance costs		**2,048**	545
Provision against doubtful debt		**1,128**	162
Provision for slow moving stores and spares		**378**	931
Profit on financial assets		**(7,388)**	(8,040)
Loss on disposal of fixed assets		**56**	72
		(15,284)	(83,674)
Changes in:			
Stores and spares		**2,389**	1,234
Stock-in-trade		**22,117**	30,449
Trade debts		**(16,206)**	12,448
Loans and advances		**134**	(639)
Short-term prepayments		**418**	197
Other receivables		**(1,145)**	1,667
Trade and other payables		**(16,372)**	33,432
Provisions and employee benefits		**(8,108)**	489
		(16,773)	79,277
Cash (used in) operations		**(32,057)**	(4,397)
Income tax paid		**(9,337)**	(4,274)
Finance costs paid		**(1,407)**	(545)
		(10,744)	(4,819)
Net cash (used in) operating activities		**(42,801)**	(9,216)
Cash flows from investing activities			
Capital expenditure		**(4,209)**	-
Investments in term deposit receipts		**(1,756)**	-
Proceeds from disposal of operating fixed assets		**624**	2,223
Interest income received		**6,989**	8,032
Net cash generated from investing activities		**1,648**	10,255
Cash flows from financing activities			
Net cash generated from financing activities - Export refinance loan	19.2	**150,000**	-
Net increase in cash and cash equivalents		**108,847**	1,039
Cash and cash equivalents at beginning of the year		**128,861**	127,822
Cash and cash equivalents at end of the year	30	**237,708**	128,861

The annexed notes from 1 to 38 form an integral part of this financial statements.

Sajid Iqbal Hussain	**Muhammad Moonis**	**Manzoor Ahmed**
CHIEF EXECUTIVE	*CHAIRMAN*	*CHIEF FINANCIAL OFFICER*

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Issued, subscribed and paid-up capital	Capital reserve Share premium	Revenue Reserves			Total
			General	Unapp-ropriated profit	Sub total	
	----------------Rupees'000----------------					
Balance as at 31 December 2015	42,486	17,553	462,839	(80,090)	382,749	442,788
Loss for the year	-	-	-	(94,951)	(94,951)	(94,951)
Other comprehensive income	-	-	-	897	897	897
Total comprehensive loss for the year	-	-	-	(94,054)	(94,054)	(94,054)
Balance as at 31 December 2016	42,486	17,553	462,839	(174,144)	288,695	348,734
Loss for the year	-	-	-	(28,816)	(28,816)	(28,816)
Other comprehensive 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

The annexed notes from 1 to 38 form an integral part of this financial statements.

Sajid Iqbal Hussain
CHIEF EXECUTIVE

Muhammad Moonis
CHAIRMAN

Manzoor Ahmed
CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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. East West Group Holdings Inc., British Virgin Island - the Holding Company, held 2,549,131 (2016: 2,549,131) (sixty percent) Ordinary shares of Rs. 10 each as at the reporting date.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions of and directives of the repealed Companies Ordinance, 1984 shall prevail (refer note 4.2.10).

2.2 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.

2.3 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.

3. USE OF ESTIMATES AND JUDGEMENTS

In preparing these financial statements, management has made judgement, 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 recognised prospectively.

Information about judgements made in applying accounting policies that have the most significant effects on the amount recognised in the financial statements and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent years are set forth below:

- Property, plant and equipment and depreciation (refer note 5.1)
- Stores, spares and loose tools and stock-in-trade (refer note 5.4 and 5.5)
- Employee benefits (refer note 5.8)
- Taxation (refer note 5.10)
- Provisions (refer note 5.14)
- Impairment (refer note 5.15)

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

4.1 Amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the approved accounting standards that are mandatory for the Company's annual accounting period beginning on 1 January 2017. However, these do not have any significant impact on the Company's operations and, therefore, have not been detailed in these financial statements.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 1 January 2018:

4.2.1. Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial statements.

4.2.2. Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements.

4.2.3. Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.

4.2.4. IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Company's financial statements.

4.2.5. IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.

4.2.6. 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 Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard. However, the management considered that the application of this Standard is not likey to have a material impact on the Company's financial statements.

4.2.7 IFRS 9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard. However, the management considered that the application of interpretation is not likely to have an impact on the Company's financial statements.

4.2.8 Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.

4.2.9 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 Company's financial statements.

4.2.10 The Companies Act, 2017 was enacted on 30 May 2017 and SECP vide its circular 23 of 2017 has clarified that the companies whose financial year closes on or before 31 December 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Hence, the provision of the Companies Act, 2017 will be applicable for the preparation of financial statements for the reporting periods ending after 31 December 2017. The Companies Act, 2017 requires certain additional disclosures and Section 235 of the repealed Companies Ordinance, 1984 relating to treatment of surplus arising out of revaluation of assets has not been carried forward in the Companies Act, 2017. The amendments are not likely to have an impact on the Company's financial statements except extended disclosures.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of these financial statements are set forth below and have been applied consistently to all years presented.

5.1 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 profit and loss account 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 15.1 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 profit and loss account.

Leased assets

Upon initial recognition, an asset acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of minimum lease payments, each determined at the inception of the lease. Subsequent to initial recognition, the asset is stated at the amount determined at initial recognition less accumulated depreciation and impairment losses, if any.

Depreciation is charged on the same basis as used for owned assets.

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.

5.2 Intangible assets

Intangible assets are stated at cost less accumulated amortization and 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 profit and loss account 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.

5.3 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 profit and 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 profit and loss account.

5.4 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.

5.5 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.

5.6 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.

5.7 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.

5.8 Employee benefits

5.8.1 Compensated absences

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

5.8.2 Post retirement benefits

5.8.2.1 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 profit and loss account when they are due.

5.8.2.2 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 and loss account.

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 and loss account.

5.9 Trade and other payables

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

5.10 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.

5.11 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.

5.12 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.

5.13 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.

5.14 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.

5.15 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 and loss account.

5.16 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.

5.17 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.

5.18 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.

5.19 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.

6. PROPERTY, PLANT AND EQUIPMENT

	Note	**December 31, 2017**	December 31, 2016
		Rupees in '000	
Operating fixed assets	6.1	**99,357**	105,950
Capital work-in-progress	6.2	**5,058**	6,025
		104,415	111,975

6.1 Operating fixed assets

	COST					ACCUMULATED DEPRECIATION				NET BOOK VALUE
	As at January 01, 2017	Additions	(Disposals)	As at December 31, 2017	Rate	As at January 01, 2017	Charge for the year	(Disposals)	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 30**	**11,282**	**742**	**-**	**12,024**	**904**
Electrical installations	**756**	**-**	**-**	**756**	**7 & 10**	**756**	**-**	**-**	**756**	**-**
	242,173	**5,176**	**(1,617)**	**245,732**		**136,223**	**11,088**	**(936)**	**146,375**	**99,357**

	COST					ACCUMULATED DEPRECIATION				NET BOOK VALUE
	As at January 01, 2016	Additions/ transfers	(Disposals)	As at December 31, 2016	Rate	As at January 01, 2016	Charge for the year	(disposals) / transfers	As at December 31, 2016	As at December 31, 2016
	Rupees in '000				%	Rupees in '000				
DECEMBER 31, 2016										
Leasehold land	225	-	-	225	1.01	116	2	-	118	107
Building on leasehold land	62,774	-	-	62,774	3 to 10	26,178	4,591	-	30,769	32,005
Plant and machinery	154,360	-	(2,204)	152,156	7 & 10	78,100	5,726	(201)	83,625	68,531
Furniture and fixtures	4,462	-	-	4,462	10 &15	2,409	505	-	2,914	1,548
Vehicles	11,086	-	(2,098)	8,988	20	6,252	1,783	(1,276)	6,759	2,229
Office equipment	13,246	-	(434)	12,812	10 to 23	10,767	835	(320)	11,282	1,530
Electrical installations	756	-	-	756	7 & 10	756	-	-	756	-
	246,909	-	(4,736)	242,173		124,578	13,442	(1,797)	136,223	105,950

6.1.1 The cost of fully depreciated assets on December 31, 2017 is Rs. 107.01 million (2016: Rs. 61.706) million.

6.1.2 Allocation of depreciation

	Note	December 31, 2017	December 31, 2016
		Rupees in '000	
Cost of sales – manufacturing overheads	22	**8,964**	10,585
Administrative expenses	23	**2,124**	2,857
		11,088	13,442

6.1.3 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
Vehicles	46,000	27,600	18,400	18,400	Company Policy	Mr. Mehmood Ali Khan
	46,000	27,600	18,400	18,400	Company Policy	Mr. Nazar Muhammad
	46,000	27,600	18,400	18,400	Company Policy	Mr. Rais ul Haq
	710,500	426,300	284,200	284,200	Company Policy	Ms. Syeda Uzma Ahsan Zaidi
	712,300	427,380	284,920	284,920	Company Policy	Mr. Muhammad Ahsum Saleem
Equipment	56,340	-	56,340	-	Snatched / Theft	Insurance claim
	1,617,140	936,480	680,660	624,320		

	Note	December 31, 2017	December 31, 2016
		Rupees in '000	
6.2 Capital work-in-progress			
Opening balance		**6,025**	6,025
Additions during the year		**2,570**	-
Charged to repairs and maintenance		**(388)**	-
Transferred to operating fixed assets	6.1	**(3,149)**	-
Closing balance		**5,058**	6,025
7. LONG-TERM DEPOSITS			
Utilities		**757**	757
Others		**121**	121
		878	878
8. STORES AND SPARES			
Stores and spares		**8,677**	11,066
Provision against slow moving stores and spares	8.1	**(6,437)**	(6,059)
		2,240	5,007
8.1 Provision against slow moving stores and spares			
Opening balance		**6,059**	5,128
Charge during the year	22	**378**	931
Closing balance		**6,437**	6,059

	Note	December 31, 2017	December 31, 2016
		Rupees in '000	
9. STOCK-IN-TRADE			
Raw material		**16,280**	52,020
Packing material		**2,232**	2,368
Finished goods		**71,270**	57,511
		89,782	111,899

9.1 Stock in trade of Rs. 22.489 million (2016: Rs. 32.025 million) are carried at their net realisable value (NRV) of Rs. 16.251 million (2016: Rs. 32.025 million).

	Note	December 31, 2017	December 31, 2016
10. TRADE DEBTS			
Considered good			
Secured – against letter of credit		**45,957**	33,085
Unsecured		**2,884**	678
		48,841	33,763
Considered doubtful			
Unsecured		**1,300**	172
Provision against doubtful debts	10.1	**(1,300)**	(172)
		-	-
		48,841	33,763

10.1 Reconciliation of provision for impairment of trade debt is as follows

	Note	December 31, 2017	December 31, 2016
Opening balance		**172**	10
Charge during the year	23	**1,128**	162
Closing balance		**1,300**	172

	Note	December 31, 2017	December 31, 2016
11. LOANS AND ADVANCES			
Loans - secured, considered good			
loans to employees	11.1	**1,006**	1,656
Advances - unsecured, considered good			
suppliers		**402**	-
employees		**211**	97
		613	97
		1,619	1,753

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 (2016: 8% per annum). These loans are secured against the outstanding balances of staff retirement benefits of the respective employee.

	December 31, 2017	December 31, 2016
	Rupees in '000	
12. SHORT-TERM PREPAYMENTS		
Fees and subscription	**247**	660
Others	**-**	5
	247	665

	Note	December 31, 2017	December 31, 2016
		Rupees in '000	

13. OTHER RECEIVABLES

	Note	December 31, 2017	December 31, 2016
Interest receivable		**657**	258
Sales tax - net		**6,036**	4,256
Receivable from staff gratuity fund		**338**	-
Receivable against employees provident fund		**5**	640
		7,036	5,154

14. SHORT-TERM INVESTMENTS - held to maturity

	Note	December 31, 2017	December 31, 2016
Treasury bills	14.1	**54,252**	-
Term Deposit Receipts	14.2	**156,874**	90,118
		211,126	90,118

14.1 This represent treasury bills which carry yield of 5.99% , maturing latest by 1 February 2018. Accrued mark-up thereon is Rs. 0.472 million (refer note 13).

14.2 These represent term deposit receipts of a commercial bank which carry return rate of 4.75% (31 December 2016: 4.75% to 6.5%) per annum, maturing latest by 27 November 2018 (2016: 27 May 2017). The term deposit receipts amounting to Rs. 6.874 million (2016: Rs. 5.118 million) under lien against letter of guarantee issued by a commercial bank to Sui Southern Gas Company (refer note 20.2). Accrued mark-up thereon is Rs. 0.096 million (2016: Rs. 0.258 million) (refer note 13).

15. CASH AND BANK BALANCES

	Note	December 31, 2017	December 31, 2016
		Rupees in '000	
Cash in hand		**109**	195
With banks:			
- Current accounts			
Local currency		**28,448**	18,781
Foreign currency		**194**	143
		28,642	18,924
- Saving accounts			
local currency	15.1	**4,705**	24,742
		33,456	43,861

15.1 Interest rates on saving account, ranging between 3.5% and 4% (2016: 3.5% and 4.25%) per annum.

16. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of Shares 2017	Number of Shares 2016		Note	December 31, 2017	December 31, 2016
				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

16.1 East West Group Holdings Inc., British Virgin Island - the Parent Company, held 2,549,131 (2016: 2,549,131) (sixty percent) Ordinary shares of Rs. 10 each as at balance sheet date.

17. DEFERRED TAXATION

	Note	December 31, 2017	December 31, 2016
		Rupees in '000	
Deferred tax liability on taxable temporary difference			
- Accelerated tax depreciation allowance		**11,716**	12,142
Deferred tax liability on deductible temporary difference			
- Provision for stores and spares		**(1,931)**	(1,878)
- Provision for compensated absences		**(1,440)**	(1,302)
- Provision for doubtful debts and receivables		**(390)**	(54)
		(3,761)	(3,234)
		7,955	8,908
Temporary differences not recognised in view of applicability of final tax regime		**(6,163)**	(6,785)
		1,792	2,123

18. TRADE AND OTHER PAYABLES

	Note	December 31, 2017	December 31, 2016
Trade creditors - related parties	35	**2,062**	1,425
- others		**20,573**	37,632
		22,635	39,057
Accrued liabilities	18.1	**16,666**	15,989
Compensated absences		**4,800**	4,200
Payable to pension fund	31	**819**	8,404
Provision for bonus		**4,800**	4,800
Advances from customers		**325**	532
Workers welfare fund	18.2	**1,972**	12,098
Tax deducted at source		**496**	383
Unclaimed dividends		**1,506**	1,506
Employees' car and motorcycle loan scheme		**378**	911
		54,397	87,880

18.1 Accrued liabilities

Salaries, wages and benefits		**2,679**	3,035
Utilities charges		**4,389**	5,590
Gratuity payable to contract employees		**3,961**	4,000
Legal and professional charges		**1,019**	619
Store purchase		**1,750**	867
Others		**2,868**	1,878
		16,666	15,989

18.2 This has been adjusted by the advance tax paid amounting to Rs. 10.126 million.

19. SHORT TERM BORROWING - secured

Export Refinance Scheme of SBP	19.1	**150,000**	-

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

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

	Liabilities Loans and borrowings
	Rupees in '000
Balance as at 1 January 2017	-
Changes from financing cash flows	
Proceeds from loans and short-term borrowings	**225,000**
Repayments of short-term borrowings	**(75,000)**
Total changes from financing cash flows	**150,000**
Short term borrowing - secured	**150,000**
Balance at 31 December 2017	**150,000**

20. CONTINGENCIES AND COMMITMENTS

20.1 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, 2017	December 31, 2016
		Rupees in '000	
20.2 Commitments			
Commitment for capital expenditure		**-**	635
Letters of guarantee		**6,874**	5,118

21. SALES - NET

		December 31, 2017	December 31, 2016
Gross sale			
Local		**160,597**	128,377
Export		**481,448**	372,734
		642,045	501,111
Sales commission		**(3,518)**	(2,485)
Sales tax		**(17,622)**	(11,831)
Discount		**(511)**	(338)
		(21,651)	(14,654)
		620,394	486,457

22. COST OF SALES

	Note	December 31, 2017	December 31, 2016
		Rupees in '000	
Raw material consumed			
Opening stock		**52,020**	-
Purchases		**390,506**	340,255
		442,526	340,255
Closing stock		**(16,280)**	(52,020)
		426,246	288,235
Packing material consumed			
Opening stock		**2,368**	2,320
Purchases		**14,147**	12,266
		16,515	14,586
Closing stock		**(2,232)**	(2,368)
		14,283	12,218
		440,529	300,453
Manufacturing overheads			
Stores and spares consumed		**7,473**	4,818
Salaries, wages and benefits	22.1	**42,072**	41,396
Utilities		**73,324**	67,238
Depreciation		**8,964**	10,585
Repairs and maintenance		**3,470**	1,862
Handling charges		**7,841**	5,668
Rent, rates and taxes		**465**	548
Insurance		**1,002**	912
Travelling and conveyance		**1,604**	1,799
Laboratory expenses		**1,355**	691
Communication		**159**	176
Entertainment		**149**	-
Provision against slow moving stores and spares		**378**	931
Others		**326**	186
		148,582	136,810
Cost of goods manufactured		**589,111**	437,263
Opening stock of finished goods		**57,511**	140,028
		646,622	577,291
Closing stock		**(71,270)**	(57,511)
Cost of good sold		**575,352**	519,780

22.1 Included herein is a sum of Rs. 0.844 million, Rs. 0.337 million and Rs. 0.950 million (2016: Rs. (1.637) million, Rs. 0.365 million and Rs. 0.963 million) in respect of Employees' Gratuity Fund, Employees' Pension Fund and Employees' Provident Fund respectively.

	Note	December 31, 2017	December 31, 2016
		Rupees in '000	
23. ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits	23.1	**34,134**	31,358
Utilities		**3,805**	-
Depreciation		**2,124**	2,857
Sales promotion expenses		**568**	703
Security service charges		**960**	981
Repairs and maintenance		**977**	346
Rent, rates and taxes		**229**	701
Insurance		**254**	231
Travelling and conveyance		**4,524**	4,438
Communication		**634**	671
Entertainment		**757**	690
Provision / (reversal) against debts considered doubtful	10.1	**1,128**	162
Printing and stationery		**548**	504
Auditor's remuneration	23.2	**656**	607
Subscription		**1,049**	1,224
Legal and professional charges		**1,324**	2,992
Advertisement		**128**	74
Charity and donation		**30**	-
		53,829	48,539

23.1 Included herein is a sum of Rs. 0.468 million, Rs. 0.569 million and Rs. 0.516 million (2016: Rs. (0.844) million, Rs. 0.616 million and Rs. 0.504 million) in respect of Employees' Gratuity Fund, Employees' Pension Fund and Employees' Provident Fund respectively.

	December 31, 2017	December 31, 2016
	Rupees in '000	
23.2 Auditor's remuneration		
Fee for statutory audit	**410**	389
Fee for half year review	**65**	65
Fee for Code of Corporate Governance and other certificates	**61**	42
Out of pocket expenses	**120**	111
	656	607
24. SHIPPING EXPENSES		
Freight expenses	**12,889**	7,754
Port expenses	**6,968**	5,317
Bank documentation charges	**1,468**	1,142
Marine insurance	**533**	419
Courier charges	**1,031**	1,590
	22,889	16,222
25. OTHER CHARGES		
Workers' Welfare Fund	**-**	304
Loss on sale of fixed assets	**56**	72
	56	376

	Note	December 31, 2017	December 31, 2016
		Rupees in '000	
26. OTHER INCOME			
Income from financial assets			
Interest / return on			
Term deposits receipts		**6,340**	7,580
Treasury bill		**472**	-
Bank deposits		**344**	447
Loan to employees		**232**	13
		7,388	8,040
Income from non-financial assets			
Scrap sales		**1,130**	-
Exchange gain		**2,668**	179
		3,798	179
		11,186	8,219
27. FINANCE COSTS			
Mark-up on export refinance		**1,558**	-
Bank charges and other		**490**	545
		2,048	545
28. TAXATION			
Current	28.1	**6,553**	4,890
Deferred		**(331)**	(725)
		6,222	4,165

28.1 Current taxation expense consists of minimum tax charged under section 113 of the Income Tax Ordinance, 2001 and tax under final tax regime. The return of tax has been filed upto 31 December 2016.

28.2 Relationship between tax expense and accounting profit

	December 31, 2017	December 31, 2016
	Rupees in '000	
Accounting loss before taxation	**(22,594)**	(90,786)
	(In Percentage)	
Tax rate	**30%**	31%
	Rupees in '000	
Tax accounting loss	**-**	-
Tax effect of:		
Tax on income under final tax regime	**4,807**	3,725
Minimum tax under Section 113	**1,746**	1,165
Others	**(331)**	(725)
	6,222	4,165

29. LOSS PER SHARE - BASIC AND DILUTED

	December 31, 2017	December 31, 2016
	Rupees in '000	
Loss for the year	(28,816)	(94,951)
	Number of shares	
Weighted average number of ordinary shares in issue during the year	4,248,552	4,248,552
	Rupees	
Loss per share - basic and diluted	(6.78)	(22.35)

30. CASH AND CASH EQUIVALENTS

	December 31, 2017	December 31, 2016
	Rupees in '000	
Cash and bank balances	33,456	43,861
Treasury bills	54,252	-
Short term investment	150,000	85,000
	237,708	128,861

31. STAFF RETIREMENT BENEFITS

31.1 Defined benefit plans

31.1.1 The actuarial valuation of both pension and gratuity fund has been conducted in accordance with IAS 19, 'Employee benefits' as at 31 December 2017.

The projected unit credit method, using the following significant assumptions, has been used for the actuarial valuation:

	2017		2016	
	Pension	Gratuity	Pension	Gratuity
Financial assumptions				
- Discount rate used for interest cost in P&L charge	9.50%	9.50%	9.00%	9.00%
- Discount rate used for year end obligation	9.50%	9.50%	9.00%	9.00%
- Expected rate of increase in salaries	9.50%	9.50%	9.00%	9.00%
Demographic assumptions				
- Retirement Assumption	Age 60		Age 60	
- Expected mortality for active members	"SLIC (2001-05)"		"SLIC (2001-05)"	

31.1.2 The amounts recognized in balance sheet are as follows:

		2017			2016		
	Note	**Pension**	**Gratuity**	**Total**	Pension	Gratuity	Total
		Rupees in '000					
Present value of defined benefit obligations	31.1.4	**23,051**	**14,938**	**37,989**	22,585	14,645	37,230
Fair value of plan assets	31.1.5	**(22,232)**	**(15,276)**	**(37,508)**	(20,266)	(8,560)	(28,826)
Liability / (asset) recognized in balance sheet		**819**	**(338)**	**481**	2,319	6,085	8,404

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

Opening balance		**2,319**	**6,085**	**8,404**	2,918	10,623	13,541
Net benefit cost / (income) charged to profit and loss	31.1.7	**902**	**1,311**	**2,213**	981	(2,481)	(1,500)
Remeasurements recognized in other				**-**			
comprehensive income		**876**	**(90)**	**786**	60	(957)	(897)
Contributions by the Company	31.1.5	**(3,278)**	**(7,644)**	**(10,922)**	(1,640)	(1,100)	(2,740)
Closing balance		**819**	**(338)**	**481**	2,319	6,085	8,404

31.1.4 Movement in the present value of defined benefit obligations

Present value of defined benefit obligations - 1 January	**22,585**	**14,645**	**37,230**	21,554	18,476	40,030
Current service cost	**772**	**1,107**	**1,879**	771	1,150	1,921
Past service cost	**-**	**-**	**-**	-	(4,635)	(4,635)
Interest cost	**1,954**	**1,241**	**3,195**	2,073	1,789	3,862
Benefits paid during the year	**(1,743)**	**(1,704)**	**(3,447)**	(1,640)	(1,100)	(2,740)
Remeasurement:						
Acturial (gains) / losses from change in financial assumption	**(517)**	**(351)**	**(868)**	(173)	(1,035)	(1,208)
Present value of defined benefit obligations - 31 December	**23,051**	**14,938**	**37,989**	22,585	14,645	37,230

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

Fair value of plan assets - 1 January	**20,266**	**8,560**	**28,826**	18,635	7,853	26,488
Contributions by the Company	**3,278**	**7,644**	**10,922**	1,640	1,100	2,740
Interest income on plan assets	**1,824**	**1,038**	**2,862**	1,864	785	2,649
Benefits paid during the year	**(1,743)**	**(1,704)**	**(3,447)**	(1,640)	(1,100)	(2,740)
Return on plan assets, excluding interest income	**(1,393)**	**(262)**	**(1,655)**	(233)	(78)	(311)
Fair value of plan assets - 31 December	**22,232**	**15,276**	**37,508**	20,266	8,560	28,826

31.1.6 Actual return on plan assets	**431**	**776**	**1,207**	1,631	707	2,338

31.1.7 Following amounts have been charged in the profit and loss account in respect of these benefits

Current service cost	**772**	**1,107**	**1,879**	771	1,150	1,921
Past service cost	**-**	**-**	**-**	-	(4,635)	(4,635)
Interest cost	**1,954**	**1,241**	**3,195**	2,073	1,789	3,862
Interest income on plan assets	**(1,824)**	**(1,038)**	**(2,862)**	(1,864)	(785)	(2,649)
Charge recognized in profit and loss account	**902**	**1,310**	**2,212**	980	(2,481)	(1,501)

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

	2017 Pension	2017 Gratuity	2017 Total	2016 Pension	2016 Gratuity	2016 Total
	Rupees in '000					
Remeasurement:						
Acturial (gains) / losses from change in financial assumption	**(517)**	**(351)**	**(868)**	(173)	(1,035)	(1,208)
Return on plan assets, excluding interest income	**1,393**	**262**	**1,655**	233	78	311
Remeasurement loss / (gain) charged in the other comprehensive income	**876**	**(89)**	**787**	60	(957)	(897)
31.1.9 Total defined benefit cost recognized in profit and loss account and other comprehensive income	**1,778**	**1,221**	**2,999**	1,040	(3,438)	(2,398)
Expected contributions to funds in the following year	**901**	**1,080**	**1,981**	959	1,578	21,098
Weighted average duration of the defined benefit obligation (years)	**14.39**	**10.98**		9.62	10.06	

31.1.10 **Plan assets comprise of:**	2017 Rupees '000 Unaudited	2017 %	2016 Rupees '000 Unaudited	2016 %
Funded pension plan				
Special savings certificates	**20,114**	**90.48**	18,950	93.51
Equity securities	**414**	**1.86**	1,243	6.13
Cash and net current assets	**1,702**	**7.66**	73	0.36
	22,230	**100.00**	20,266	100.00
Funded gratuity plan				
Special savings certificates	**-**	**-**	7,361	85.99
Cash and net current assets	**15,276**	**100.00**	1,199	14.01
	15,276	**100.00**	8,560	100.00

	2017	2016	2015	2014	2013
	Rupees in '000				
Comparison for last five years:					
Funded pension plan					
Present value of defined benefit obligation	**23,051**	22,585	21,554	17,835	14,731
Fair value of plan assets	**(22,232)**	(20,266)	(18,636)	(17,810)	(15,498)
Deficit / (surplus)	**819**	2,319	2,918	25	(767)
Experience adjustments:					
Remeasurement loss / (gain) on defined benefit obligation	**(517)**	(173)	2,527	1,829	(2,176)
Remeasurement (loss) / gain on plan assets	**(1,393)**	(233)	(1,178)	298	(867)
Funded gratuity plan					
Present value of defined benefit obligation	**14,938**	14,645	18,476	17,233	14,179
Fair value of plan assets	**(15,276)**	(8,560)	(7,853)	(7,470)	(7,750)
Deficit / (surplus)	**(338)**	6,085	10,623	9,763	6,429
Experience adjustments:					
Remeasurement loss / (gain) on defined benefit obligation	**(351)**	(1,035)	(240)	1,375	(314)
Remeasurement loss on plan assets	**(262)**	(78)	(1,154)	(317)	(301)

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 lifetime 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.

The latest actuarial valuation of the Funds was carried out as of December 31, 2017 on the basis of the "Projected Unit Credit Method".

Sensitivity Analysis for actuarial assumptions

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

	Pension Fund		Gratuity Fund	
	(Rupees in '000)	% Change	(Rupees in '000)	% Change
Current liability	23,051		14,938	
Discount rate (1% increase)	20,241	-12.19%	13,437	-10.05%
Discount rate (1% decrease)	26,561	15.23%	16,718	11.92%
Future salary increase rate (1% increase)	24,705	7.18%	16,738	12.05%
Future salary increase rate (1% decrease)	21,629	-6.17%	13,393	-10.34%
Withdrawal rate (10% increase)	23,049	-0.01%	14,938	0.00%
Withdrawal rate (10% decrease)	23,053	0.01%	14,938	0.00%
1 Year mortality age set back	23,556	2.19%	14,938	0.00%
1 Year mortality age set forward	23,573	-2.07%	14,938	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.

31.2 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 227 of the repealed Companies Ordinance, 1984. The total charge against provident fund for the year ended 31 December 2017 was Rs. 1.466 million (2016: Rs. 1.466 million). Year end of Provident Fund Financial Statements is 30 June 2017.

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

	December 31, 2017 (Unaudited)	December 31, 2016 (Unaudited)
	Rupees in '000	
Cost of investments made	**23,239**	20,000
Size of the Fund	**23,239**	26,802
Fair value of investments	**23,239**	26,388
Percentage of investments made	**100.00%**	98.46%
Amount wise breakup of Fair value of investments is as follows:		
Bank balance in saving account	**23,239**	20,000
	100.00%	97.97%

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.

32. FAIR VALUES

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:

	December 31, 2017							
	Carrying amount				Fair value			
	Investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Rupees in '000							
On-balance sheet financial instruments								
Financial assets not measured at fair value								
Short-term investments	211,126	-	-	211,126	-	-	-	-
Deposit	-	1,125	-	1,125	-	-	-	-
Trade debts	-	48,841	-	48,841	-	-	-	-
Markup accrued	-	657	-	657	-	-	-	-
Bank balances	-	33,456	-	33,456	-	-	-	-
	211,126	84,079	-	295,205	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	51,604	51,604	-	-	-	-
Markup accrued	-	-	641	641	-	-	-	-
Short term borrowings	-	-	150,000	150,000	-	-	-	-
	-	-	202,245	202,245	-	-	-	-

	December 31, 2016							
	Carrying amount				Fair value			
	Investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Rupees in '000							
On-balance sheet financial instruments								
Financial assets not measured at fair value								
Short-term investments	90,118	-	-	90,118	-	-	-	-
Deposit	-	1,543	-	1,543	-	-	-	-
Trade debts	-	33,763	-	33,763	-	-	-	-
Markup accrued	-	258	-	258	-	-	-	-
Bank balances	-	43,861	-	43,861	-	-	-	-
	90,118	79,425	-	169,543	-	-	-	-
Financial liabilities not measured at fair value								
Trade and other payables	-	-	74,867	74,867	-	-	-	-

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 reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

33. 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.

33.1 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:

	2017	2016
	Rupees in '000	
Deposit	**1,125**	1,543
Trade debts	**48,841**	33,763
Short-term investments	**156,874**	90,118
Markup accrued	**657**	258
Bank balances	**33,347**	43,861
	240,844	169,543

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:

	2017	2016
	Rupees in '000	
Local debtors	**2,884**	678
Export debtors	**45,957**	33,085
	48,841	33,763

The aging of trade debts at the balance sheet date is

	2017	2016
Not past due	**47,221**	29,947
Past due 1 - 30 days	**677**	3,816
Past due 30 - 90 days	**157**	-
Past due 90 - 180 days	**726**	-
Past due 180-365 days	**61**	-
Over 365 days	**1,300**	172
	50,142	33,935
Less: Impaired	**(1,300)**	(172)
	48,841	33,763

The movement in the allowance for impairment in respect of trade debts is given in note 10.1.

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.

33.2 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:

	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**	**-**	**-**
Mark-up accrued	**641**	**641**	**-**	**641**	**-**	**-**
Short term borrowings	**150,000**	**150,000**	**-**	**150,000**	**-**	**-**
	202,245	**202,245**	**51,604**	**202,245**	**-**	**-**

	2016					
	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	74,867	74,867	74,867	-	-	-

33.3 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.

33.3.1 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 :

	2017	2016
	USD	
Foreign debtors	416,655	316,300

The following significant exchange rate has been applied :

	Average rate		Reporting date rate	
	2017	2016	2017	2016
USD to PKR	105.32	104.69	110.30	104.60

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

	2017	2016
USD	417	316

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.

33.3.2 Interest rate risk

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

	2017	2016	2017	2016
	Effective interest rate		Carrying amount	
	(Percentage)		(Rupees in '000)	
Financial liabilities				
Variable rate instruments:				
Short term borrowings	3	-	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 and loss. Therefore a change in interest rates at the reporting date would not affect profit and loss account.

33.3.3 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 shareholders 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.

34. REMUNERATION TO THE CHIEF EXECUTIVE, DIRECTOR AND EXECUTIVES

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES		TOTAL	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
	Rupees in '000							
Fees	**-**	-	**1,080**	940	**-**	-	**1,080**	940
Managerial remuneration	**4,628**	4,327	**7,031**	7,473	**4,283**	6,840	**15,942**	18,640
Housing	**-**	-	**-**	-	**1,723**	2,281	**1,723**	2,281
Retirement benefits	**-**	-	**-**	-	**110**	272	**110**	272
Bonus	**210**	-	**687**	500	**182**	-	**1,079**	500
Medical expenses	**71**	28	**395**	290	**264**	249	**730**	567
Utilities	**360**	360	**240**	240	**383**	507	**983**	1,107
	5,269	4,715	**9,433**	9,443	**6,945**	10,149	**21,647**	24,307
Number of persons	**1**	1	**9**	9	**3**	7	**13**	17

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

34.2 Seven Non-Executive Directors (2016: Seven) were paid fees to attend the meetings, aggregating Rs. 1.08 million (2016: Rs.0.94 million).

35. TRANSACTIONS WITH RELATED PARTIES

	December 31, 2017	December 31, 2016
	Rupees in '000	
Orkila Pakistan (Pvt.) Limited - Associated Undertaking		
- Commision on Sale	**1,861**	1,313
- Sale of goods	**2,012**	1,427
Shipwell (Pvt.) Limited - Associated Undertaking		
- Commision on Sale	**1,382**	1,105
IAL Logistics Pakistan (Pvt.) Limited - Associated Undertaking		
- Freight forwarding and transportation	**17,125**	10,868
Staff Retirement		
- Contribution and payment to staff retirement funds	**12,388**	4,208
Chief Executive Officer, Directors and key Management Personnel		
- Remuneration, honorarium and meetings fee	**21,647**	24,307
Amounts outstanding as at period / year end:		
Orkila Pakistan (Pvt.) Limited - Associated Undertaking		
- Payable in respect of commission	**1,013**	111
- Receivable in respect of sales	**720**	-
Shipwell (Pvt.) Limited - Associated Undertaking		
- Payable in respect of commission	**127**	26
IAL Logistics Pakistan (Pvt.) Limited - Associated Undertaking		
- Payable in respect of shipping expenses	**922**	1,288

36. ANNUAL PRODUCTION CAPACITY

	2017		2016	
	Available Capacity	**Actual Production**	Available Capacity	Actual Production
	(Metric Tonnes)			
Guar Splits	**6,500**	**3,045**	6,500	2,278
Guar Powder	**7,800**	**2,580**	7,800	2,367
Guar Meal	**14,625**	**7,066**	14,625	5,141

37. GENERAL

37.1 Number of employees

The number of employees including contractual employees of the Company as at 31 December 2017 were 115 (2016: 123) and weighted average number of employees were 119 (2016: 132).

38. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue in the Board of Directors meeting held on 9 March, 2018.

Sajid Iqbal Hussain	**Muhammad Moonis**	**Manzoor Ahmed**
CHIEF EXECUTIVE	*CHAIRMAN*	*CHIEF FINANCIAL OFFICER*

PATTERN OF SHAREHOLDINGS

AS AT DECEMBER 31, 2017

SIZE OF HOLDING Rs.10/- EACH			NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF ISSUED CAPITAL
1	-	100	164	5,229	0.13
101	-	500	148	34,885	0.82
501	-	1,000	41	33,340	0.78
1,001	-	5,000	40	84,108	1.98
5,001	-	10,000	15	109,777	2.58
10,001	-	15,000	4	54,100	1.27
15,001	-	20,000	1	18,101	0.43
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
450,001	-	455,000	1	452,934	10.66
2,500,001	-	3,000,000	1	2,549,131	60.00
			422	4,248,552	100.00

ADDITIONAL INFORMATION

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARES HELD	PERCENTAGE %
1	Individual	674,855	15.88
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	452,934	10.66
	iii. Mr. Ozair Ahmed Hanafi	2,559	0.06
	iv. Mr. Mohammad Ali Hanafi	1,600	0.04
	v. Mr. M. Aslam Hanafi	49,976	1.18
	vi Mr. Zaeem A. Hanafi	500	0.01
	vii. Mr. Zahid Zaheer	1,000	0.02
	viii. Mr. Zubyr Soomro	500	0.01
	ix. Mrs. Kehkashan Hanafi	7,260	0.17
4	Associated Company & Related parties	2,680,498	63.09
5	Banks, DFIs, NBFIs, Insurance Companies, Investment Cos., Modarbas & Mutual Fund	161,956	3.81
6	Charitable Trust	7,260	0.17
	Total	4,248,552	100.00

Shareholders holding 5% or more voting interest

East West Group Holdings Inc.	- Associated Company	2,549,131	60.00
Shipwell (Pvt.) Limited	- Related party	131,367	3.09
Mr. Shuaib Ahmed		452,934	10.66
Mrs. Zakia Hanafi		398,310	9.38

PROXY FORM

55th 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 55th **ANNUAL GENERAL MEETING** of the Company to be held on Thursday, the 26th of April, 2018 at 12:00 noon and any adjournment thereof.

Signed by me / us this ____________________ Day of ____________________2018

Signature on Revenue Stamp

____

Signature of Proxy

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

Witness: ____________________

(Signature)

Name: ____________________

Address: ____________________

____

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 ۵۵ واں سالانہ عام اجلاس

میں / ہم ____________________

(نام)

برائے ____________________

(پتہ)

بحیثیت شراکت دار پاکستان گم اینڈ کیمیکلز لمیٹڈ موجودہ حصص ____________________

آرڈنری حصص بطور شیئر رجسٹر فولیو 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 ۵۵ ویں سالانہ اجلاس میں شرکت کرنے، بولنے اور ووٹ دینے کی، جو بروز جمعرات، مورخہ ۲۶ اپریل ۲۰۱۸ بمطابق ۱۲ بجے ہو یا اس میں کوئی تبدیلی لائی جائے

میرے / ہمارے دستخط ____________________ مورخہ ____________________ ۲۰۱۸

پراکسی کے دستخط ____________________

(ریونیو ٹکٹ چسپاں کرکے اس پر دستخط کریں)

گواہ کے دستخط ____________________

نام ____________________

پتہ ____________________

____

اہم نکات:

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

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


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PAKISTAN GUM & CHEMICALS LIMITED **1963 - 2017**

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