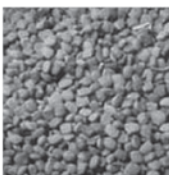




Spreading goodness of Guar

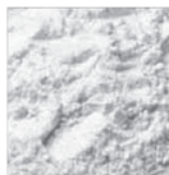
**Condensed Interim Financial
Information (Un-audited) for the
Nine Months Period and Quarter Ended September 30, 2019**



GUAR SEED



GUAR SPLITS



GUAR GUM



GUAR MEAL

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COMPANY INFORMATION

AS ON SEPTEMBER 30, 2019

Board of Directors

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

Chief Executive

Sajid Iqbal Hussain

Audit Committee

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

Human Resource & Remuneration (HR&R) Committee

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

Chief Financial Officer

Jahanzeb Ashfaq

Company Secretary

Zafar Iqbal

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Advisor

Azizuddin & Co.

Bankers

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

Registrar and Share Transfer Office

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

Phone: (92-21) 35662023-24

Registered Office

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

Phone: (92-21) 32561124-26

Fax: (92-21) 32561320

E-mail: info@pakchem.com.pk

URL: www.pakchem.com.pk

DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the unaudited condensed interim financial information of the company for the nine months period ended September 30, 2019.

Business Review

- Net sales during the period are Rs.658.655 million as compared to Rs. 581.162 million last year corresponding period showing a growth of 13.3%.
- Gross profit is Rs. 69.726 million as compared to Rs. 52.555 million last year corresponding period showing an increase of 32.7% mainly due to substantial improvement in Q3 2019.
- Pre-tax profit during the period is Rs. 11.438 million as compared to Rs. 6.131 million in the corresponding period 2018.
- After tax profit is Rs. 4.940 million as compared with Rs. 0.107 million in the corresponding period of 2018

Future Outlook

The improved rainfall has been experienced in most of the Pakistan guar growing belt, resultantly better crop harvest is expected. Prices in the International Guar products are showing downward trend due to ample availability of raw material. Presently uncertainty exists in the market and expected to continue for the time being till the raw material prices are stabilized.

Acknowledgement

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

By order of the Board



Sajid Iqbal Hussain
Chief Executive



Muhammad Moonis
Chairman

Karachi: 21 October, 2019

ڈائریکٹرز کا جائزہ

ہم بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2019 کو ختم ہونے والے تیسرے سہ ماہی کے غیر آڈیٹڈ مالیاتی گوشوارے پیش کر رہے ہیں۔

کاروباری جائزہ

- گزشتہ 9 ماہ کی حتمی فروخت 658.7 ملین روپے رہی جو گزشتہ سال اس دوران 581.2 ملین روپے تھی جو کہ 30 ستمبر 2018 کی بنسبت 13% اضافی رہی۔
- خام منافع 69.7 ملین روپے رہا جو پچھلے سال اس دوران 52.6 ملین تھا جو کہ 32.7% کے اضافی کی عکاسی کرتا ہے جس کی بنیادی وجہ تیسری سہ ماہی میں بہتری رہی۔
- منافع قبل ٹیکس 11.4 ملین روپے رہا جبکہ گزشتہ سال اس دوران 6.1 ملین روپے تھا۔
- ٹیکس کے بعد منافع 4.9 ملین روپے رہا جبکہ گزشتہ سال اس دوران 0.1 ملین روپے تھا۔

امکانات مستقبل


پاکستان کے بیشتر علاقوں میں جہاں گوارا کاشت کی جاتی ہے اضافی بارشیں ہوئی ہیں جن کی وجہ سے اچھی فصل ہونے کی امید کی جا رہی ہے۔ بین الاقوامی مارکت میں خام مال کی وافر فراہمی کی پیشگوئی کی وجہ سے گوارا کی مصنوعات کی قیمتوں میں کمی کا رجحان پایا جا رہا ہے۔ فی الحال خام مال کی قیمتوں میں اتار چڑھاؤ کے باعث گوارا کی مصنوعات کی قیمتیں بھی غیر مستحکم ہیں جو کہ خام مال کی قیمتوں میں استحکام تک پائی جائیں گی۔

اعتراف

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

بحکم بورڈ


محمد مومن
چیرمین


ساجد اقبال حسین
چیف ایگزیکٹو

کراچی: مورخہ 21 اکتوبر، 2019

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

	Note	Unaudited 30 September, 2019	Audited 31 December, 2018
Rupees in '000			
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	90,020	94,083
CURRENT ASSETS			
Stores and spares		3,100	5,181
Stock-in-trade	7	341,728	284,924
Trade debts	8	112,441	50,129
Loans and advances		1,692	1,286
Deposits and prepayments		1,300	2,045
Other receivables	9	8,626	12,284
Short-term investments	10	6,874	104,891
Taxation - net		28,358	25,443
Cash and bank balances	11	89,272	13,416
		593,391	499,599
TOTAL ASSETS		683,411	593,682
EQUITY & LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorised capital			
10,000,000 ordinary shares of Rs. 10 each		100,000	100,000
Issued, subscribed and paid-up capital		42,486	42,486
Capital reserves		17,553	17,553
Revenue reserves		281,034	280,343
		341,073	340,382
NON-CURRENT LIABILITIES			
Deferred taxation		2,213	2,645
CURRENT LIABILITIES			
Trade and other payables		188,245	98,200
Short term borrowings - secured	12	150,000	150,000
Unclaimed dividend	13	1,399	1,321
Mark-up accrued		481	1,134
		340,125	250,655
TOTAL EQUITY AND LIABILITIES		683,411	593,682
CONTINGENCIES AND COMMITMENTS			

14


The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Sajid Iqbal Hussain
CHIEF EXECUTIVE



Muhammad Moonis
CHAIRMAN




Jahanzeb Ashfaq
CHIEF FINANCIAL OFFICER

Condensed Interim Profit or Loss and other Comprehensive Income (Unaudited) For the nine months period and quarter ended September 30, 2019

Note	Nine months period ended		Quarter Ended		
	30 September, 2019	30 September, 2018	30 September, 2019	30 September, 2018	
Rupees in '000					
Sales - net	15	658,655	581,162	257,230	185,399
Cost of sales	16	(588,929)	(528,607)	(221,170)	(140,700)
Gross profit		69,726	52,555	36,060	44,699
Shipping expenses	17	(24,648)	(19,428)	(9,835)	(7,133)
Administrative expenses		(40,801)	(39,523)	(16,734)	(12,500)
Other operating expenses		(871)	1,972	(522)	1,972
		(66,320)	(56,979)	(27,091)	(17,661)
		3,406	(4,424)	8,969	27,038
Other income	18	11,717	14,264	(207)	4,645
Operating profit before finance costs		15,123	9,840	8,762	31,683
Finance costs		(3,685)	(3,709)	(1,200)	(1,231)
Profit before taxation		11,438	6,131	7,562	30,452
Taxation		(6,498)	(6,024)	(2,715)	(1,694)
Profit for the period		4,940	107	4,847	28,758
Other comprehensive income		-	-	-	-
Total comprehensive Income for the period		4,940	107	4,847	28,758
Rupees					
Earning per share - basic and diluted	19	1.16	0.03	1.14	6.77

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Sajid Iqbal Hussain
CHIEF EXECUTIVE



Muhammad Moonis
CHAIRMAN



Jahanzeb Ashfaq
CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Changes In Equity (Unaudited) For the nine months period ended September 30, 2019

	Issued, subscribed and paid-up capital	Capital reserve Share premium	Revenue Reserves			Total
			General	Unapp- ropriated profit	Sub total	
-----Rupees'000-----						
Balance as at December 31, 2017	42,486	17,553	462,839	(203,746)	259,093	319,132
Total comprehensive income for the period						
Profit for the period	-	-	-	107	107	107
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	107	107	107
Balance as at September 30, 2018	<u>42,486</u>	<u>17,553</u>	<u>462,839</u>	<u>(203,639)</u>	<u>259,200</u>	<u>319,239</u>
Balance as at December 31, 2018	42,486	17,553	462,839	(182,496)	280,343	340,382
Final dividend @ 10% (i.e Re. 1 per share) for the year ended 31 december 2018						
	-	-	-	-	(4,249)	(4,249)
Profit for the period	-	-	-	4,940	4,940	4,940
other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	4,940	4,940	4,940
Balance as at September 30, 2019	<u>42,486</u>	<u>17,553</u>	<u>462,839</u>	<u>(177,556)</u>	<u>281,034</u>	<u>341,073</u>

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Sajid Iqbal Hussain
CHIEF EXECUTIVE



Muhammad Moonis
CHAIRMAN




Jahanzeb Ashfaq
CHIEF FINANCIAL OFFICER

Condensed Interim Statement of Cash Flow (Unaudited) For the nine months period ended September 30, 2019

Note	Nine months period ended	
	30 September, 2019	30 September, 2018
	Rupees in '000	
Cash Flows From Operating Activities		
Profit before taxation for the period	11,438	6,131
Adjustments for non cash charges and other items:		
Depreciation	7,095	7,505
Finance costs	3,685	3,709
(Reversal)/provision against doubtful debts	(249)	252
Provision against sales tax refundable	-	1,708
Provision against slow moving stores and spares	372	339
Provision against compensated absences	1,350	1,350
Provision for gratuity	1,260	810
Provision for pension	45	675
Profit on financial assets	(4,872)	(4,794)
Loss on disposal of fixed assets	10	-
Net cash flows before working capital changes	20,134	17,685
Changes in:		
Stores and spares	1,709	(3,166)
Stock-in-trade	(56,804)	(117,166)
Trade debts	(62,063)	(3,711)
Loans and advances	(406)	72
Short-term prepayments	745	(134)
Other receivables	2,339	(747)
Trade and other payables	89,144	3,554
Mark-up accrued	-	-
Cash used in operations	(25,336)	(121,298)
Income tax paid	(9,845)	(5,150)
Payment in respect of compensated absences	(449)	(1,741)
contribution paid in respect of gratuity	(1,260)	(471)
contribution paid in respect of pension	(30)	(1,495)
Finance costs paid	(4,338)	(3,943)
	(15,922)	(12,800)
Net cash used in operating activities	(21,124)	(116,413)
Cash flows from investing activities		
Capital expenditure	(3,172)	(1,308)
Investments	-	-
Proceeds from disposal of operating fixed assets	130	438
Interest income received	6,176	3,715
Net cash generated from investing activities	3,134	2,845
Cash flows from financing activities		
Net cash used in financing activities - dividend paid	13.2	(4,171)
Net decrease in cash and cash equivalents	(22,161)	(113,753)
Cash and cash equivalents at beginning of the period	111,433	237,708
Cash and cash equivalents at end of the period	20	89,272
		123,955

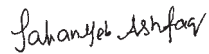
The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Sajid Iqbal Hussain
CHIEF EXECUTIVE



Muhammad Moonis
CHAIRMAN



Jahanzeb Ashfaq
CHIEF FINANCIAL OFFICER

Notes to the Condensed Interim Financial Information (Un-audited) For the nine months period ended September 30, 2019

1. THE COMPANY AND ITS OPERATIONS

Pakistan Gum and Chemicals Limited (the Company) was incorporated as a private Limited company in 1963 under the repealed Companies Act, 1913 (now the Companies Act, 2017) and was converted as a public limited Company by quoting its shares on the Pakistan Stock Exchange in 1982. The registered office of the Company is located at B-19/A Irshad Qadri Road, SITE, Karachi.

The Company is principally engaged in the production and sale of guar gum and its allied products. The Board of the Directors of the Company in its meeting held on 19 June 2019 has resolved to delist the Company from Pakistan Stock Exchange (PSX) under rule 5.13 of Voluntary Delisting Rules of the Rule Book. The Company submitted a formal application to the PSX under which the Sponsors were authorized to buy back ordinary shares held by the minority shareholders of the Company. The application was approved by the PSX during the period ended 30 September 2019. Subsequent to the balance sheet date, the Company will get the approval of shareholders by holding the Extra Ordinary Meeting on 21 October 2019.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

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

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

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

- 2.2 This condensed interim financial information of the Company does not include all of the information required for annual financial statements and should be read in conjunction with the annual financial statements of the Company as at and for the year ended 31 December 2018. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual audited financial statements.
- 2.3 This condensed interim financial information is presented in Pakistan Rupees which is also the Company's functional currency and all financial information presented has been rounded off to the nearest thousand, except otherwise stated.
- 2.4 This condensed interim financial information is being submitted to the shareholders as required by listing regulations of Pakistan Stock Exchange vide section 237 of the Companies Act, 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Changes in significant accounting policies

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

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

3.1.1 IFRS 15 'Revenue from Contracts with Customers'

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

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

3.1.2 IFRS 9 Financial Instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied from 1 January 2019 retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

i Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit and loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents recovery of part of the cost of the investments. Other gains and losses are recognised in OCI and are never reclassified to profit and loss.
ii Impacts of change in classification and measurement of financial assets and financial liabilities due to adoption of IFRS 9	

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 31 December 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original Carrying Amount	New Carrying Amount
			(Rupees in '000)	
Stores and spares	Held to maturity	Amortized cost	50,129	50,129
Stock-in-trade	Held to maturity	Amortized cost	528	528
Loans and advances	Held to maturity	Amortized cost	1,727	1,727
Deposits and prepayments	Held to maturity	Amortized cost	104,891	104,891
Cash and bank balances	Held to maturity	Amortized cost	13,416	13,416

iii Impairment of financial assets

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

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company's experience of collection history and no historical loss rates / bad debts and normal receivable ageing, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and / or financial performance of the Company.

Short term investments and bank balances are also measured at expected credit losses. Since these assets are short term in nature, no credit loss is expected on these balances.

3.1.3 IFRS 16 'Leases'

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

The Company did not have any lease arrangement as at 30 June 2019 therefore, management has concluded that the adoption of IFRS 16 did not have an impact on the condensed interim financial information of the company.

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

- 4.1 There are new and amended standards and interpretations that are mandatory for accounting periods beginning 01 January 2019 other than those disclosed in note 3.1, are considered not to be relevant or do not have any significant effect on the Company's financial position and are therefore not stated in these financial statements.
- 4.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2019:

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

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

		Unaudited 30 September, 2019	Audited 31 December, 2018
		Rupees in '000	
6. PROPERTY, PLANT & EQUIPMENT			
Operating fixed assets	6.1	88,721	91,429
Capital work in progress	6.2	1,299	2,654
		<u>90,020</u>	<u>94,083</u>

		Unaudited 30 September, 2019	Audited 31 December, 2018
		Rupees in '000	
6.1	Operating fixed assets		
	Opening net book value	91,429	99,357
	Additions during the period / year	4,527	2,469
		95,956	101,826
	Disposals during the period / year	(140)	(440)
	Depreciation charged during the period / year	(7,095)	(9,957)
		(7,235)	(10,397)
		88,721	91,429
6.1.1	Additions during the period / year		
	Vehicles	4,471	2,271
	Equipment	56	198
		4,527	2,469
6.1.2	Disposals during the period / year		
	Vehicles	(140)	(440)
		(140)	(440)
6.1.3	The Company holds leasehold land for Rs. 0.105 million, measuring 3 acre and situated at B-19/A, Irshad Qadri Road, SITE, Karachi.		
6.1.4	The building on leasehold land held for Rs. 19.384 million and situated at B-19/A, Irshad Qadri Road, SITE, Karachi.		
6.2	Capital work-in-progress		
	Balance at beginning of the period / year	2,654	5,058
	Additions during the period / year	3,041	2,666
	Impairment	-	(2,799)
	Transferred to operating fixed assets	(4,396)	(2,271)
		1,299	2,654
7.	STOCK IN TRADE		
	Raw Material	226,660	79,911
	Packing Material	3,543	1,982
	Finished goods	111,525	203,031
		341,728	284,924
7.1	Stock in trade of Rs. 42.210 million (2018: Rs. 23.819 million) are carried at their net realisable value (NRV) of Rs. 39.712 million (2018: Rs. 22.980 million).		

		Unaudited 30 September, 2019	Audited 31 December, 2018
		Rupees in '000	
8. TRADE DEBTS	Note		
Related parties - unsecured			
- Orkila Pakistan (Private) Limited	22	287	677
Secured			
- Secured - against letters of credit		107,899	48,699
Unsecured			
- Considered good		4,255	753
- Considered doubtful		1,378	1,627
- Provision for doubtful trade debts		(1,378)	(1,627)
		4,255	753
		<u>112,441</u>	<u>50,129</u>
9. OTHER RECEIVABLES			
Interest receivable		423	1,727
Sales tax - net		3,355	5,698
Receivable from staff pension fund		4,844	4,859
Receivable against courier charges		4	-
Gross other receivables		<u>8,626</u>	<u>12,284</u>
10. SHORT-TERM INVESTMENTS - held to maturity			
Treasury bills	10.1	-	98,017
Term deposit receipts	10.2	6,874	6,874
		<u>6,874</u>	<u>104,891</u>
10.1	This represent treasury bills which carry yield of 10.30% (2018: 8.79%) and matured during the period on 27 March 2019. Accrued mark-up thereon is Rs. NIL (2018: Rs. 1.605 million)		
10.2	The term deposit receipts amounting to Rs. 6.874 million (2018: Rs. 6.874 million) under lien against letter of guarantee issued by Askari Bank to Sui Southern Gas Company (refer note 14.2). Accrued mark-up thereon is Rs. 0.423 million (2018: Rs. 0.122 million)		
11. CASH AND BANK BALANCES			
		Unaudited 30 September, 2019	Audited 31 December, 2018
		Rupees in '000	
Cash in hand		455	334
With banks:			
- Current accounts			
Local currency		87,723	11,095
Foreign currency		648	282
		88,371	11,377
- Saving accounts			
local currency	11.1	446	1,705
		<u>89,272</u>	<u>13,416</u>
11.1	Interest rates on saving accounts, ranging between 6% to 8% (2018: 4% and 6%) per annum.		

	Note	Unaudited	Audited
		30 September, 2019	31 December, 2018
Rupees in '000			
12. TRADE AND OTHER PAYABLES			
Trade creditors - Related parties	22	3,649	3,073
- Others		146,103	63,821
		149,752	66,894
Accrued liabilities		17,042	13,822
Compensated absences		4,956	4,054
Payables to gratuity fund		2,298	2,298
Provision for bonus		5,000	7,000
Advance from customers		5,397	1,578
Workers welfare fund		1,053	807
Workers Profit Participation Fund		615	1,520
Tax deducted at source		423	227
Employees' car and motorcycle loan scheme		1,709	-
		188,245	98,200
13. SHORT TERM BORROWINGS - secured			
Export Refinance Scheme of SBP	13.1	150,000	150,000

13.1 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).

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

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

14. CONTINGENCIES AND COMMITMENTS

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

14.2 Commitment includes letter of guarantee Rs.6.874 million (31 December 2018: Rs.6.874 million)

15. SALES - NET

	Unaudited Nine Months Period Ended		Unaudited Quarter Ended	
	30 September, 2019	30 September, 2018	30 September, 2019	30 September, 2018
Rupees in '000				
Gross sale				
Local	137,005	130,862	57,304	26,598
Export	540,049	470,888	207,701	164,442
	677,054	601,750	265,005	191,040
Sales commission	(2,914)	(2,667)	(1,133)	(664)
Sales tax	(14,605)	(14,340)	(5,950)	(2,879)
Discount	(880)	(3,581)	(692)	(2,098)
	658,655	581,162	257,230	185,399

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

15.2 Disaggregation of revenue with respect to primary geographical markets

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

Geographical Location	Unaudited Nine Months Period Ended		Unaudited Quarter Ended	
	30 September, 2019	30 September, 2018	30 September, 2019	30 September, 2018
Rupees in '000				
Africa	333	215	-	-
Asia	576,218	528,146	228,839	168,860
Australia	873	262	-	262
Europe	99,630	68,018	36,166	21,918
North America	-	5,109	-	-
	677,054	601,750	265,005	191,040

16. COST OF SALES
Raw material consumed

	30 September, 2019	30 September, 2018	30 September, 2019	30 September, 2018
Opening stock	79,911	16,280	50,274	30,740
Purchases	511,545	505,668	301,204	136,345
	591,456	521,948	351,478	167,085
Closing stock	(226,660)	(40,575)	(226,660)	(40,575)
	364,796	481,373	124,818	126,510

Packing material consumed

Opening stock	1,982	2,232	3,360	3,160
Purchases	13,933	15,959	4,725	4,044
	15,915	18,191	8,085	7,204
Closing stock	(3,543)	(2,629)	(3,543)	(2,629)
	12,372	15,562	4,542	4,575

Manufacturing overheads

Stores and spares consumed	6,262	5,165	1,467	1,965
Salaries, wages and benefits	38,284	37,975	13,680	13,456
Utilities	56,417	61,061	23,252	19,395
Depreciation	6,062	6,271	1,886	2,074
Repairs and maintenance	4,920	3,431	1,386	1,066
Handling charges	4,768	7,131	1,971	1,883
Rent, rates and taxes	108	149	104	149
Insurance	711	686	237	229
Travelling and conveyance	69	76	34	41
Laboratory expenses	1,659	1,528	494	327
Communication	104	109	37	33
Entertainment	266	110	3	7
Provision against slow moving stores and spares	372	339	67	71
Others	252	115	84	-
	120,254	124,146	44,702	40,696

Cost of goods manufactured

Opening stock of finished goods	497,422	621,081	174,062	171,781
	203,032	71,270	158,633	132,663
	700,454	692,351	332,695	304,444
Closing stock	(111,525)	(163,744)	(111,525)	(163,744)

Cost of good sold

	588,929	528,607	221,170	140,700
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17. SHIPPING EXPENSES

Freight expenses	16,305	11,446	6,963	4,308
Port expenses	5,677	5,280	1,951	1,836
Bank documentation charges	1,408	1,431	454	532
Marine insurance	619	521	240	209
Courier charges	639	750	227	248
	24,648	19,428	9,835	7,133

18. OTHER INCOME	Unaudited Nine Months Period Ended		Unaudited Quarter Ended	
	30 September, 2019	30 September, 2018	30 September, 2019	30 September, 2018
	Rupees in '000			
Income from financial assets				
Interest / return on				
Term deposits receipts	3,165	897	1,692	86
Treasury bill	1,334	3,615	-	1,879
Bank deposits	368	276	158	154
Loan to employees	5	6	3	3
	4,872	4,794	1,853	2,122
Income from non - financial assets				
Scrap sales	1,802	1,358	652	194
Exchange gain	5,043	8,112	(2,712)	2,329
	6,845	9,470	(2,060)	2,523
	11,717	14,264	(207)	4,645

19. EARNING PER SHARE - BASIC AND DILUTED

Profit for the period	4,940	107	4,847	28,758
	(Number of shares)			
Weighted average number of ordinary shares in issue during the period	4,248,552	4,248,552	4,248,552	4,248,552
	(Rupees)			
Earning per share - basic and diluted	1.16	0.03	1.14	6.77

20. CASH AND CASH EQUIVALENTS

	Note	Unaudited 30 September, 2019	Audited 31 December, 2018
		Rupees in '000	
Cash and bank balances	11	89,272	13,416
Treasury bills	10.1	-	98,017
		89,272	111,433

21. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

22. TRANSACTIONS WITH RELATED PARTIES

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


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

Name	Nature of relationship	Basis of relationship	Nature of transaction	2019	2018
				Rupees in '000	
Transactions					
Orkila Pakistan (Private) Limited	Associated Undertaking	Common directorship	Commission on Sale	<u>1,948</u>	<u>1,689</u>
			Sale of goods	<u>1,732</u>	<u>1,363</u>
			Payable in respect of commission	<u>458</u>	<u>733</u>
			Receivable in respect of sales	<u>287</u>	<u>677</u>
Shipwell (Private) Limited	Associated Undertaking	Common directorship	Commission on Sale	<u>551</u>	<u>722</u>
			Payable in respect of commission	<u>28</u>	<u>228</u>
IAL Logistics Pakistan (Private) Limited	Associated Undertaking	Common directorship	Freight forwarding and transportation	<u>19,988</u>	<u>15,084</u>
			Payable in respect of shipping expenses	<u>3,163</u>	<u>2,111</u>
Pakistan Gum and Chemicals Limited - Gratuity Fund	Retirement benefit fund	Employees benefit fund	Contribution made	<u>1,260</u>	<u>473</u>
Pakistan Gum and Chemicals Limited - Pension Fund	Retirement benefit fund	Employees benefit fund	Contribution made	<u>30</u>	<u>1,495</u>
Pakistan Gum and Chemicals Limited - Staff Provident Fund	Retirement benefit fund	Employees benefit fund	Contribution made	<u>2,873</u>	<u>2,516</u>

Name	Nature of relationship	Basis of relationship	Nature of transaction	2019	2018
				Rupees in '000	
Transactions					
Key management personnel	Related parties	Executives	Remuneration and benefits	<u>10,888</u>	<u>8,126</u>
Directors and their spouse	Related parties	Directors	Remuneration and benefits	<u>6,822</u>	<u>8,366</u>

23. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue in the Board of Directors meeting held on October 21, 2019.



Sajid Iqbal Hussain
CHIEF EXECUTIVE



Muhammad Moonis
CHAIRMAN



Jahanzeb Ashfaq
CHIEF FINANCIAL OFFICER



1963-2019

PAKISTAN GUM & CHEMICALS LIMITED

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