



**PAKISTAN
GUM AND CHEMICALS
LIMITED**



**1st Quarter Ended
March 31, 2013**



PAKISTAN GUM & CHEMICALS LIMITED

COMPANY INFORMATION

AS ON MARCH 31, 2013

Board of Directors

Mohammad Moonis	<i>Chairman</i>
Shuaib Ahmed	<i>Vice-Chairman</i>
Tariq Mohamed Amin	<i>Director</i>
Ozair Ahmed Hanafi	<i>Director</i>
Mohammed Aslam Hanafi	<i>Director</i>
Mohammad Ali Hanafi	<i>Director</i>
Zaeem Ahmad Hanafi	<i>Director</i>
Zahid Zaheer	<i>Director</i>

Chief Executive Officer

Hamid Ahmed

Audit Committee

Tariq Mohamed Amin	<i>Chairman</i>
Zahid Zaheer	<i>Member</i>
Zaeem Ahmad Hanafi	<i>Member</i>

Human Resource and Remuneration (HR&R) Committee

Zahid Zaheer	<i>Chairman</i>
Tariq Mohamed Amin	<i>Member</i>
Ozair Ahmed Hanafi	<i>Member</i>

Chief Financial Officer and Company Secretary

Muhammad Ilyas

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

Tahir Ali Tayebi & Co.

Bankers

Askari Bank Limited
Habib Bank Limited
MCB Bank Limited
Habib Metropolitan Bank Limited
Summit Bank Limited
Al Baraka Bank (Pakistan) Limited

Registrar and Share Transfer Office

Evolution Factor (Private) Limited
(Formerly Corporate Support 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: pakchem@cyber.net.pk
URL: www.pakchem.com.pk



CHAIRMAN'S REVIEW

On behalf of the Board of Directors, I present the un-audited accounts for the first quarter-ended March 31, 2013.

Sales during the quarter were Rs.448 million vis-à-vis Rs.569 million during the same period of 2012. Profit before tax decreased to Rs. 25.97 million from Rs. 101.37 million during the same period of 2012.

Compared to the corresponding period last year, the results of the first quarter are disappointing but not unexpectedly. This is mainly because of the lack-luster demand from overseas buyers particularly from oil drilling sector. Guar market has changed a lot globally during last two years. No significant trade activity is observed this year even after the end of three months. Buyers seem to be waiting in hopes of further price decline, although the price has already declined very substantially from the peak of last year. On the other hand, raw material suppliers are not releasing their stocks of guar seed in the expectation of getting better price. This situation is likely to continue unless major market players make significant move; which we do not expect in the near future. However, the management of the Company is doing its utmost to cope up with this extremely challenging situation.

I thank my colleagues on the board for their wise counsel and support in the discharge of my responsibilities and commend the management and the staff for their efforts and contribution.

Mohammad Moonis
Chairman

Karachi 18, April 2013



INTERIM CONDENSED BALANCE SHEET AS AT MARCH 31, 2013

	Note	March 31, 2013 (Un-audited)	December 31, 2012 (Audited)
ASSETS		Rupees in '000	
NON-CURRENT ASSETS			
Property, plant and equipment	4	104,659	88,372
Long-term deposits		862	862
		105,521	89,234
CURRENT ASSETS			
Stores and spare parts		21,050	11,766
Stock-in-trade	5	333,901	35,828
Trade debts		241,294	36,785
Loans and advances		1,800	4,867
Short-term prepayments		3,555	415
Other receivables		7,662	582
Short Term Investments		5,374	309,384
Taxation-net		577	1,869
Cash and bank balances		115,489	36,693
		730,702	438,189
TOTAL ASSETS		836,223	527,423
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
10,000,000 ordinary shares of Rs.10/- each		100,000	100,000
Issued, subscribed and paid-up capital	6	42,486	42,486
Reserves		436,936	416,598
		479,422	459,084
NON-CURRENT LIABILITIES			
Obligation under finance lease		2,645	3,177
CURRENT LIABILITIES			
Trade and other payables	7	151,147	63,220
Short-term borrowings		200,000	-
Accrued Mark-up on short-term borrowings		996	-
Current maturity of obligations under finance lease		2,013	1,942
		354,156	65,162
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		836,223	527,423

The annexed notes 1 to 16 form and integral part of these interim condensed financial information.

Mohammad Moonis
Chairman

Hamid Ahmed
Chief Executive Officer

Muhammad Ilyas
Chief Financial Officer



**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT
FOR THE 1st QUARTER ENDED MARCH 31, 2013
(UN-AUDITED)**

	Note	March 31, 2013	March 31, 2012
		Rupees in '000	
Turnover-net	9	447,773	569,216
Cost of sales	10	(401,363)	(430,140)
Gross profit		46,410	139,076
Operating expenses			
Administrative expenses		(14,751)	(15,315)
Other operating expenses		(1,930)	(7,200)
Shipping expenses		(4,762)	(8,191)
		(21,443)	(30,706)
Operating profit		24,967	108,370
Other operating income		2,834	443
		27,801	108,813
Finance cost	11	(1,833)	(7,448)
Profit before taxation		25,968	101,365
Provision for taxation-current	12	(5,630)	(20,000)
PROFIT AFTER TAXATION		20,338	81,365
EARNINGS PER SHARE	13	Rs. 4.79	Rs. 19.15

The annexed notes 1 to 16 form and integral part of these interim condensed financial information.


Mohammad Moonis
Chairman


Hamid Ahmed
Chief Executive Officer


Muhammad Ilyas
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE 1st QUARTER ENDED MARCH 31, 2013
(UN-AUDITED)**

	March 31, 2013	March 31, 2012
	Rupees in '000	
Profit for the period	20,338	81,365
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>20,338</u>	<u>81,365</u>

The annexed notes 1 to 16 form and integral part of these interim condensed financial information.


Mohammad Moonis
Chairman


Hamid Ahmed
Chief Executive Officer


Muhammad Ilyas
Chief Financial Officer



**INTERIM CONDENSED CASH FLOW STATEMENT
FOR THE 1st QUARTER ENDED MARCH 31, 2013
(UN-AUDITED)**

	March 31, 2013	March 31, 2012
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	25,968	101,365
Adjustments for:		
Depreciation	2,729	2,328
Finance cost	1,182	6,197
Profit on bank deposits	(2,834)	(357)
Gain on sale of fixed assets	-	(71)
	1,077	8,097
	27,045	109,462
Movement in working capital		
(Increase) in current assets	(519,019)	(116,711)
Increase in current liabilities	88,578	37,479
	(430,441)	(79,232)
Cash used in operations	(403,396)	30,230
Income tax paid / (refunds received) - Net	(4,338)	3,744
Finance charges paid	(837)	(8,635)
	(5,175)	(4,891)
Net cash used in operating activities	(408,571)	25,339
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(19,016)	(5,093)
Proceeds from sale of fixed assets	-	896
Profit received on bank deposits	6,844	218
Short term investment redeemed	300,000	-
Net cash flows from investing activities	287,828	(3,979)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from / (re-payment of) short term borrowings	199,539	(25,537)
Net Increase / (decrease) in cash and cash equivalents	78,796	(4,177)
Cash and cash equivalents at the beginning of the period	36,693	24,482
Cash and cash equivalents at the end of the period	115,489	20,305

The annexed notes 1 to 16 form and integral part of these interim condensed financial information.



Mohammad Moonis
Chairman



Hamid Ahmed
Chief Executive Officer



Muhammad Ilyas
Chief Financial Officer



**INTERIM CONDENSED STATEMENT OF
CHANGES IN EQUITY
FOR THE 1st QUARTER ENDED MARCH 31, 2013
(UN-AUDITED)**

	Issued subscribed and paid-up capital	Share Premium	Revenue reserves – general	Accumu- lated profit	Total
	Rupees in '000				
Balance as at January 01, 2012	42,486	17,553	82,474	106,621	249,134
Cash dividend @ Rs. 8 per ordinary share of Rs. 10 each declared on March 31, 2012	-	-	-	(33,988)	(33,988)
Profit after taxation for the 1 st Quarter ended March 31, 2012	-	-	-	81,365	81,365
Balance as March 31, 2012	42,486	17,553	82,474	153,998	296,511
Balance as at January 01, 2013	42,486	17,553	155,107	243,938	459,084
Profit after taxation for the 1 st Quarter ended March 31, 2013	-	-	-	20,338	20,338
Balance as at March 31, 2013	42,486	17,553	155,107	264,276	479,422

The annexed notes 1 to 16 form and integral part of these interim condensed financial information.


Mohammad Moonis
Chairman


Hamid Ahmed
Chief Executive Officer


Muhammad Ilyas
Chief Financial Officer



**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE 1st QUARTER ENDED MARCH 31, 2013
(UN-AUDITED)**

1. LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan as a public limited company under the Companies' Ordinance 1984 (the Ordinance). The shares of the Company are quoted on the Karachi and Lahore Stock exchanges. The Company is principally engaged in the production and sale of guar gum, and its allied products. The registered office of the Company is situated at B-19/A, Irshad Qadri Road, S.I.T.E Karachi.

2. BASIS OF PREPARATION

These interim condensed financial information are un-audited and are being submitted to the shareholders as required under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34, "Interim Financial Reporting", as applicable in Pakistan. These interim condensed financial information should be read in conjunction with the published financial statements of the Company for the year ended December 31, 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of these interim condensed financial information are same as those applied in the preparation of the annual financial statements for the year ended December 31, 2012.

	Note	March 31, 2013	December 31, 2012
Ruppes in '000			
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	65,182	57,557
Capital work-in-progress	4.2	39,477	30,815
		<u>104,659</u>	<u>88,372</u>
4.1 Operating assets			
Opening book value		57,557	49,110
Additions during the period / year	4.1.1	11,090	18,512
		<u>68,647</u>	<u>67,622</u>
Disposal during the period / year	4.1.2	(736)	(1,336)
Depreciation charged during the period / year		(2,729)	(8,729)
		<u>(3,465)</u>	<u>(10,065)</u>
		<u>65,182</u>	<u>57,557</u>



	March 31, 2013	December 31, 2012
	Rupees in '000	
4.1.1 Additions during the period / year		
Building on leasehold land	2,419	1,927
Plant and machinery	700	6,883
Furniture & fixtures	1,475	109
Vehicles	6,456	9,151
Office equipments	40	442
	<u>11,090</u>	<u>18,512</u>
4.1.2 Disposal during the period / year		
Vehicles	736	1,286
Plant & machinery	-	50
	<u>736</u>	<u>1,336</u>
4.2 Capital work-in-progress		
Balance at the beginning of the year / period	30,815	317
Additions during the period / year	12,594	39,153
Transferred to operating assets	(3,932)	(8,655)
	<u>39,477</u>	<u>30,815</u>
5. STOCK-IN-TRADE		
Raw material	187,925	-
Packaging material	2,881	2,764
Finished goods	143,095	33,064
	<u>333,901</u>	<u>35,828</u>
6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary shares of Rs. 10/- each		
Number of shares	March 31, 2013	December 31, 2012
2013	2012	
3,634,092	3,634,092	Ordinary shares of Rs. 10 each
		Fully paid in cash
614,460	614,460	Ordinary shares of Rs. 10 each
		Issued as fully paid bonus shares
<u>4,248,552</u>	<u>4,248,552</u>	
	<u>36,341</u>	<u>36,341</u>
	<u>6,145</u>	<u>6,145</u>
	<u>42,486</u>	<u>42,486</u>
7. TRADE AND OTHER PAYABLES		
Trade		
Creditors	107,428	1,527
Other payables		
Accrued liabilities	27,510	35,735
Advances from customers	423	423
Workers' Profit Participation Fund	1,400	14,345
Workers' Welfare Fund	9,217	7,526
Tax deducted at source	204	138
Unclaimed dividend	803	806
Employees' car and motorcycle loan schemes	4,162	2,720
	<u>151,147</u>	<u>63,220</u>



8. CONTINGENCIES AND COMMITMENTS

8.1 Commitment for capital expenditures Rs. 10.003 million
(December 31, 2012: Rs. 21.618 million)

8.2 The status of other contingencies and commitments as at March 31, 2013 is same as reported in the annual financial statements for the year ended December 31, 2012.

9. NET SALES

Gross sales

Local
Export

Sales commission

10. COST OF SALES

Raw material consumed

Opening stock
Purchases

Closing stock

Packing material consumed

Opening stock
Purchases

Closing stock

Manufacturing overheads

Stores and spares consumed
Salaries, wages and benefits
Utilities
Depreciation
Repairs and maintenance
Handling Charges
Rent, Rates and Taxes
Insurance
Travelling & Conveyance
Laboratory Expenses
Research and Development Cost
Communication
Entertainment
Provision against slow moving stores and spares
Others

Cost of goods manufactured

Opening stock of finished goods

Closing stock

11. FINANCE COSTS

Mark-up on:

Export refinance
Short-term running finance
Obligations under finance leases

Bank charges

March 31, 2013	March 31, 2012
Rupees in '000	
75,169	117,268
374,920	456,272
450,089	573,540
(2,316)	(4,324)
447,773	569,216
-	372,333
664,801	492,091
664,801	864,424
(187,925)	(484,769)
476,876	379,655
2,764	2,864
1,665	4,827
4,429	7,691
(2,881)	(2,994)
1,548	4,697
478,424	384,352
1,539	3,397
11,904	13,805
13,784	25,871
1,889	1,987
629	897
576	1,314
396	491
263	257
448	270
-	182
1,110	-
25	26
6	10
378	(113)
22	8
32,969	48,402
511,393	432,754
33,065	17,317
544,458	450,071
(143,095)	(19,931)
401,363	430,140
996	4,921
-	1,179
186	23
1,182	6,123
651	1,329
1,833	7,452



12. TAXATION

12.1 The charge for current taxation is based on taxable income at the current rates of taxation and on the final tax regime under Section 169 of the Income Tax Ordinance, 2001. However, the amount of tax liability is provisional and final liability will be determined on the basis of annual results.

12.2 A major portion of the Company's income is subject to taxation on the 'Final Tax' under Section 169 of the Income Tax Ordinance, 2001. Accordingly, the major part of the Company's tax liability is determined on the basis of withholding tax deductions made, irrespective of profit and further there is no material temporary difference between the tax and accounting bases of carrying value of assets and liabilities. Therefore, the tax effects of temporary differences, which might determine deferred taxation, are not considered to be significant.

13. Profit / EARNINGS PER SHARE Basic and diluted

	March 31, 2013	March 31, 2012
	Rupees in '000	
Net profit after tax for the period	20,338	81,365
Number of ordinary shares in issue during the period	4,248,552	4,248,552
Earnings per share	Rs. 4.79	Rs. 19.15

14. TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties. Transactions with related parties are given below:

		March 31, 2013	March 31, 2012
Relationship	Nature of transaction	Rupees in '000	
Associated Company	Commission paid to associated companies	1,526	3,550
	Sale of goods to associated companies	1,580	2,993
	Freight Forwarding & Transportation	402	283
Staff Retirement Benefit Plan	Contribution to staff retirement funds	272	338

All the above transactions are at arm's length using admissible valuation method.

15. DATE OF AUTHORISATION

These financial statements were authorized for issue on April 18, 2013 by the Board of Directors of the Company.

16. GENERAL

16.1 Figures for the 1st quarter ended March 31, 2013 and 1st quarter ended March 31, 2012 have not been subject to limited scope review by the statutory auditors.

16.2 Figures presented in these interim condensed financial information have been rounded off to the nearest thousand rupees.

Mohammad Moonis
Chairman

Hamid Ahmed
Chief Executive Officer

Muhammad Ilyas
Chief Financial Officer