



**PAKISTAN
GUM AND CHEMICALS
LIMITED**



014

INTERIM CONDENSED FINANCIAL STATEMENTS

**1st Quarter Ended
March 31, 2014**



PAKISTAN GUM & CHEMICALS LIMITED

COMPANY INFORMATION

AS ON MARCH 31, 2014

Board of Directors

Mohammad Moonis	<i>Chairman</i>
Shuaib Ahmed	<i>Vice-Chairman</i>
Ozair Ahmed Hanafi	<i>Director</i>
Tariq Mohamed Amin	<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>
Zubyr Soomro *	<i>Director</i>

Chief Executive Officer

Ozair Ahmed Hanafi

Audit Committee

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

Human Resource & Remuneration (HR&R) Committee

Zahid Zaheer	<i>Chairman</i>
Shuaib Ahmed	<i>Member</i>
Tariq Mohamed Amin	<i>Member</i>
Zubyr Soomro *	<i>Member</i>

* Elected in the Extra Ordinary General Meeting dated 27 March 2014 effective 1 April 2014

Chief Financial Officer and Company Secretary

Khadim Hussain

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
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



CHAIRMAN'S REVIEW

On behalf of the Board of Directors, I present the un-audited accounts for the first quarter ended March 31, 2014.

Sales during the quarter were Rs.355 million compared to Rs.448 million during the same period of 2013. Profit before tax decreased to Rs.23 million from Rs.26 million during the same period of 2013.

As expected, the results of the first quarter reflect a declining trend in price of guar products and our margin. 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 the last two years. Buyers seem to be waiting in hopes of further price decline, although it has already dropped substantially from the peak of 2012. Frequent outages in electricity and gas supply continue to disrupt our production and impact our commitment with the buyers.

Sudden revaluation of Pak rupee against US \$ by approx. 10% during this quarter has considerably eroded our margins. However, the management of the Company is doing its best to cope with these challenging situations.

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 abiding dedication and hard work.

Mohammad Moonis
Chairman

Karachi 24, April 2014



PAKISTAN GUM & CHEMICALS LIMITED

INTERIM CONDENSED BALANCE SHEET AS AT MARCH 31, 2014

	Note	March 31, 2014 (Un-audited) -----Rs. '000-----	December 31, 2013 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	145,057	140,924
Long-term deposits		862	862
		<u>145,919</u>	<u>141,786</u>
CURRENT ASSETS			
Stores and spare parts		9,265	8,695
Stock-in-trade	5	396,128	209,761
Trade debts		186,987	39,773
Loans and advances		1,229	838
Short-term prepayments		1,320	409
Other receivables		7,026	6,642
Short Term Investment		5,365	258,062
Taxation-net		5,627	10,506
Cash and bank balances		16,906	3,266
		<u>629,853</u>	<u>537,952</u>
TOTAL ASSETS		<u>775,772</u>	<u>679,738</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
10,000,000 ordinary shares of Rs.10/- each		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid-up capital	6	42,486	42,486
Reserves		<u>467,326</u>	<u>448,581</u>
		<u>509,812</u>	<u>491,067</u>
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		194	644
CURRENT LIABILITIES			
Trade and other payables	7	238,943	186,220
Short-term borrowings		25,000	-
Accrued Mark-up on short-term borrowings		-	-
Obligations under finance lease - current		<u>1,823</u>	<u>1,807</u>
		<u>265,766</u>	<u>188,027</u>
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		<u>775,772</u>	<u>679,738</u>

The annexed notes 1 to 16 form an integral part of these interim condensed financial statements.


Mohammad Moonis
Chairman


Ozair Ahmed Hanafi
Managing Director/CEO


Khadim Hussain
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT
FOR THE 1st QUARTER ENDED MARCH 31, 2014
(UN-AUDITED)**

	Note	March 31, 2014	March 31, 2013
		----- (Rupees in '000) -----	
NET SALES	9	355,078	447,773
Cost of sales	10	<u>(308,192)</u>	<u>(401,363)</u>
GROSS PROFIT		46,886	46,410
Distribution and shipping costs		<u>(7,045)</u>	<u>(4,762)</u>
Administrative expenses		<u>(12,893)</u>	<u>(14,751)</u>
Other operating expenses		<u>(4,950)</u>	<u>(1,930)</u>
Other operating income		<u>2,149</u>	<u>2,834</u>
		<u>(22,739)</u>	<u>(18,609)</u>
OPERATING PROFIT		24,147	27,801
Finance cost	11	<u>(902)</u>	<u>(1,833)</u>
PROFIT BEFORE TAXATION		23,245	25,968
Taxation		<u>(4,500)</u>	<u>(5,630)</u>
NET PROFIT FOR THE PERIOD		18,745	20,338
		Rupees	
EARNINGS PER SHARE	13	<u>4.41</u>	<u>4.79</u>

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Mohammad Moonis
Chairman


Ozair Ahmed Hanafi
Managing Director/CEO


Khadim Hussain
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE 1st QUARTER ENDED MARCH 31, 2014
(UN-AUDITED)**

	March 31, 2014	March 31, 2013
	----- (Rupees in '000) -----	
Profit for the period	18,745	20,338
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>18,745</u>	<u>20,338</u>

The annexed notes 1 to 16 form an integral part of these interim condensed financial statements.

Mohammad Moonis
Chairman

Ozair Ahmed Hanafi
Managing Director/CEO

Khadim Hussain
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED CASH FLOW STATEMENT
FOR THE 1st QUARTER ENDED MARCH 31, 2014
(UN-AUDITED)**

	March 31, 2014	March 31, 2013
	-----Rs. '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	23,245	25,968
Adjustments for:		
Depreciation	2,916	2,729
Finance cost	360	1,182
Profit on bank deposits	(1,061)	(2,834)
Gain on sale of fixed assets	75	-
	<u>2,290</u>	<u>1,077</u>
	25,535	27,045
 Movement in working capital		
(Increase) in current assets	(329,947)	(519,019)
Increase in current liabilities	52,739	88,578
	<u>(277,208)</u>	<u>(430,441)</u>
Cash used in operations	(251,673)	(403,396)
Income tax paid / (refunds received) Net	-	(4,338)
Finance charges paid	(810)	(837)
	<u>(810)</u>	<u>(5,175)</u>
Net cash used in operating activities	(252,483)	(408,571)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(8,566)	(19,016)
Proceeds from sale of fixed assets	941	-
Profit received on bank deposits	1,061	6,844
Short term investment redeemed	-	300,000
Net cash flows from investing activities	(6,564)	287,828
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from / (re-payment of) short term borrowings	25,000	199,539
Net Increase / (decrease) in cash and cash equivalents	(234,047)	78,796
Cash and cash equivalents at the beginning of the period	256,071	36,693
 Cash and cash equivalents at the end of the period	<u>22,024</u>	<u>115,489</u>

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Mohammad Moonis
Chairman


Ozair Ahmed Hanafi
Managing Director/CEO


Khadim Hussain
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED STATEMENT OF
CHANGES IN EQUITY
FOR THE 1st QUARTER ENDED MARCH 31, 2014
(UN-AUDITED)**

			<u>Revenue Reserves</u>		
	<u>Share capital</u>	<u>Capital reserve</u>	<u>General reserve</u>	<u>Unappropriated profit</u>	<u>Total</u>
	----- (Rupees in '000) -----				
Balance as at January 01, 2013 - as previously reported	42,486	17,553	155,107	243,938	459,084
Effect of change in accounting policy as stated in Note 3	-	-	-	(2,667)	(2,667)
Balance as at January 01, 2013 - Restated	42,486	17,553	155,107	241,271	456,417
Net Profit for the First Quarter ended March 31, 2013	-	-	-	20,338	20,338
Balance as March 31, 2013 - Restated	<u>42,486</u>	<u>17,553</u>	<u>155,107</u>	<u>261,609</u>	<u>476,755</u>
Balance as at January 01, 2014	42,486	17,553	356,559	74,469	491,067
Profit after taxation for the 1 st Quarter ended March 31, 2014	-	-	-	18,745	18,745
Balance as at March 31, 2014	<u>42,486</u>	<u>17,553</u>	<u>356,559</u>	<u>93,214</u>	<u>509,812</u>

The annexed notes 1 to 16 form an integral part of these interim condensed financial statements.

Mohammad Moonis
Chairman

Ozair Ahmed Hanafi
Managing Director/CEO

Khadim Hussain
Chief Financial Officer



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE 1st QUARTER ENDED MARCH 31, 2014
(UN-AUDITED)**

1. LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan as a public company limited by shares in 1982 under the Companies Act, 1913 (now the Companies Ordinance, 1984). The shares of the Company are quoted on the Karachi and Lahore Stock exchanges. Its main business activity is 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, 2013.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are consistent with those of the previous financial year except as follows:

New, amended and revised standards and interpretations of IFRSs

The company has adopted the following revised standard, amendments, improvements and interpretation of IFRSs which became effective for the current period :

- IAS 1 - Presentation of financial Statements – Presentation of items of Other Comprehensive Income (Amendment)
- IAS 19 - Employee Benefits (Revised)
- IFRS 7 - Financial Instruments: Disclosures (Amendment)
Amendments enhancing disclosures about offsetting of financial assets and financial liabilities
- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

Improvement to various standards issued by IASB (2009-2011 cycle)

- IAS 1 - Presentation of Financial Statements - Clarification of the requirements for comparative information
- IAS 16 - Property, Plant and Equipments - Classification of servicing equipment
- IAS 32 - Financial Instruments: Presentations - Tax Effects of Distribution to Holders of Equity Instruments
- IAS 34 - Interim Financial Reporting-Interim Financial Reporting and segment information for total Assets and Liabilities

The adoption of the above revision, amendments , improvements and interpretation of the standards did not have any effects on the financial statements, other than the amendments of IAS 19' Employee Benefits 'as described in 3.1



Further certain new standards have been issued by IASB which are effective for accounting periods beginning on or after January 01, 2013 but are yet to be notified by the SECP for the purpose of applicability in Pakistan.

3.1 Change in accounting policy

Amendments to IAS 19 range from fundamentals changes to simple clarification and rewording. The significant Changes to IAS 19 includes the following:

- For Defined benefits plans, the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts Recorded in the Profit and loss account are limited to current and past services costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognised directly in other comprehensive income with no subsequent recycling through the profit and loss account.
- The distinction between short-term and long-term employee benefits will be based on the expected timings of settlement rather than the employee's entitlement to the benefits.
- The revised standards have new or revised disclosure requirements. The disclosure now includes quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standards -8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative Financial Statement have been re-stated. The impact on condensed interim statement of financial Position condensed interim Profit and loss accounts and condensed interim statement of Comprehensive income is based on actuarial valuation as of December 31, 2013.

	Note	March 31, 2014 (Un-audited)	December 31, 2013 (Audited)
		-----Rs. '000-----	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	56,973	59,524
Capital work-in-progress	4.2	88,084	81,400
		145,057	140,924
4.1 Operating assets			
Opening book value		59,524	57,557
Additions during the period / year	4.1.1	941	19,074
		60,465	76,631
Disposal during the period / year	4.1.2	(576)	(5,501)
Depreciation charged during the period / year		(2,916)	(11,606)
		(3,492)	(17,107)
		56,973	59,524



PAKISTAN GUM & CHEMICALS LIMITED

	March 31, 2014 (Un-audited)	December 31, 2013 (Audited)
	-----Rs. '000-----	
4.1.1 Additions during the period / year		
Building on leasehold land	-	6,112
Plant and machinery	-	2,842
Furniture & fixtures	-	3,216
Vehicles	941	6,502
Office equipments	-	402
	<u>941</u>	<u>19,074</u>
4.1.2 Disposal during the period / year		
Vehicles	(576)	(5,501)
Plant & machinery	-	-
	<u>(576)</u>	<u>(5,501)</u>
4.2 Capital work-in-progress		
Balance at the beginning of the year / period	81,400	30,815
Additions during the period / year	7,625	66,359
Transferred to operating assets	(941)	(15,774)
	<u>88,084</u>	<u>81,400</u>
5. STOCK-IN-TRADE		
Raw material	333,721	139,340
Packaging material	3,309	2,632
Finished goods	59,098	67,789
	<u>396,128</u>	<u>209,761</u>
6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary shares of Rs. 10/- each		
Number of shares		
2014	2013	
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>42,486</u>
		<u>42,486</u>
7. TRADE AND OTHER PAYABLES		
Trade		
Creditors	190,327	132,591
Other payables		
Accrued liabilities	17,001	10,099
Compensated Absences	2,490	2,109
Bonus to Employees	3,463	14,000
Employees' Gratuity Fund	7,029	6,429
Employees' Pension Fund	301	-
Advances from customers	-	93
Workers' Profit Participation Fund	1,250	4,970
Workers' Welfare Fund	11,051	10,576
Tax deducted at source	1,037	246
Unclaimed dividend	813	813
Employees' car and motorcycle loan schemes	4,181	4,294
	<u>48,616</u>	<u>53,629</u>
	<u>238,943</u>	<u>186,220</u>

**8. CONTINGENCIES AND COMMITMENTS**

8.1 Commitment for capital expenditures Rs. 1.242 million
(December 31, 2013: Rs. 2.251 million)

8.2 The status of other contingencies and commitments as at March 31, 2014 is same as reported in the annual financial statements for the year ended December 31, 2013.

	March 31, 2014	March 31, 2013
----- (Rupees in '000) -----		
9. NET SALES		
Gross sales		
Local	87,882	75,169
Export	268,921	374,920
	356,803	450,089
Sales commission	(1,725)	(2,316)
	<u>355,078</u>	<u>447,773</u>
10. COST OF SALES		
Raw material consumed		
Opening stock	139,340	-
Purchases	439,606	664,801
	578,946	664,801
Closing stock	(333,721)	(187,925)
	<u>245,225</u>	<u>476,876</u>
Packing material consumed		
Opening stock	2,632	2,764
Purchases	3,958	1,665
	6,590	4,429
Closing stock	(3,309)	(2,881)
	<u>3,281</u>	<u>1,548</u>
	<u>248,506</u>	<u>478,424</u>
Manufacturing overheads		
Stores and spares consumed	1,551	1,539
Salaries, wages and benefits	12,322	11,904
Utilities	27,616	13,784
Depreciation	2,075	1,889
Repairs and maintenance	996	629
Handling Charges	3,644	576
Rent, Rates and Taxes	1,131	396
Insurance	257	263
Travelling & Conveyance	567	448
Laboratory Expenses	18	-
Research and Development Cost	422	1,110
Communication	37	25
Entertainment	8	6
Provision against slow moving stores and spares	288	378
Others	63	22
	<u>50,995</u>	<u>32,969</u>
Cost of goods manufactured	<u>299,501</u>	<u>511,393</u>
Opening stock of finished goods	67,789	33,065
	367,290	544,458
Closing stock	(59,098)	(143,095)
	<u>308,192</u>	<u>401,363</u>
11. FINANCE COSTS		
Mark-up on:		
Export refinance	97	996
Other	185	-
Obligations under finance leases	78	186
	360	1,182
Bank charges	542	651
	<u>902</u>	<u>1,833</u>

**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.

	March 31, 2014	March 31, 2013
	-- (Rupees in '000) --	
13. Profit / EARNINGS PER SHARE - Basic and diluted		
Net profit for the period	<u>18,745</u>	<u>20,338</u>
Ordinary shares in issue during the period	<u>4,248,552</u>	<u>4,248,552</u>
Earnings per share-basic and diluted	<u>Rs. 4.41</u>	<u>Rs. 4.79</u>

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, 2014	March 31, 2013
	-- (Rupees in '000) --	
Relationship	Nature of transaction	
Associated Company	Commission paid to associated companies	1,502 1,526
	Sale of goods to associated companies	359 1,580
	Freight Forwarding & Transportation	321 402
Staff Retirement Benefit Plan	Contribution to staff retirement funds	316 272

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

15. DATE OF AUTHORIZATION

These financial statements were authorized for issue on April 24, 2014 by the Board of Directors of the Company.

16. GENERAL

16.1 Figures for the 1st quarter ended March 31, 2014 and 1st quarter ended March 31, 2013 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

Ozair Ahmed Hanafi
Managing Director/CEO

Khadim Hussain
Chief Financial Officer