



**PAKISTAN
GUM AND CHEMICALS
LIMITED**



014

INTERIM CONDENSED FINANCIAL STATEMENTS

**1st Quarter Ended
March 31, 2015**



PAKISTAN GUM & CHEMICALS LIMITED

COMPANY INFORMATION

AS ON MARCH 31, 2015

Board of Directors

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

Audit Committee

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

Chief Financial Officer & Company Secretary

Khadim Hussain

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

Tahir Ali Tayebi & Co.

Bankers

Al Baraka Bank (Pakistan) Limited
Askari Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
JS Bank Limited
MCB Bank Limited
Summit Bank 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, 2015.

Net sales for the period under review were Rs.249 million as compared to Rs.355 million in the corresponding period of 2014 and consequently the net profit after tax decreased to Rs.0.5 million from Rs.19 million.

As expected the results for the first quarter reflected a declining trend in price of guar products and similarly our margin. This is mainly because of the poor demand from overseas buyers particularly from the oil drilling sector. The global Guar market has changed a lot during the last three years. Buyers seem to be waiting in hope of further drop in prices, although it has dropped substantially from the peak of 2012. Reportedly there are large unsold stocks in the USA due to which demand from this country remains low. Guar market in India has crashed. Indian producers are making distress sales at very low prices which is adversely impacting our sales. The management of the Company is fully conscious of this situation and is doing its best to explore new customers and new markets. However, next few months for the Company still look bleak compared to our last year's performance.

I thank my colleagues on the board for their wise counsel and support in discharge of my responsibilities and commend the management and the staff for their abiding dedication and hard work.

A handwritten signature in black ink, appearing to read "Mohammad Moonis".

Mohammad Moonis
Chairman

Karachi 23, April 2015



PAKISTAN GUM & CHEMICALS LIMITED

INTERIM CONDENSED BALANCE SHEET AS AT MARCH 31, 2015

	Note	March 31, 2015	December 31, 2014
		-----Rs. '000-----	
		(Un-audited)	(Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	138,982	141,438
Long-term deposits		877	878
		139,859	142,316
CURRENT ASSETS			
Stores and spare parts		8,681	8,972
Stock-in-trade	5	326,867	380,721
Trade debts		92,620	37,061
Loans and advances		442	1,754
Short-term prepayments		1,286	738
Other receivables		11,294	10,795
Short Term Investment		20,364	66,073
Taxation-net		13,928	19,314
Cash and bank balances		35,146	13,189
		510,628	538,617
TOTAL ASSETS		650,487	680,933
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		502,180	501,635
		544,666	544,121
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease		-	-
Deferred taxation		3,606	3,606
CURRENT LIABILITIES			
Trade and other payables	7	102,034	132,575
Current maturity of liabilities against assets subject to finance lease		181	631
		102,215	133,206
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		650,487	680,933

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, 2015
(UN-AUDITED)**

	Note	March 31, 2015	March 31, 2014
		----- (Rupees in '000) -----	
NET SALES	9	248,522	355,078
Cost of sales	10	(227,940)	(308,192)
GROSS PROFIT		20,582	46,886
Shipping expenses		(5,618)	(7,045)
Administrative expenses		(11,860)	(12,893)
Other operating expenses		(300)	(4,950)
Other operating income		1,789	2,149
		(15,989)	(22,739)
OPERATING PROFIT		4,593	24,147
Finance cost	11	(448)	(902)
PROFIT BEFORE TAXATION		4,145	23,245
Taxation		(3,600)	(4,500)
NET PROFIT FOR THE PERIOD		545	18,745
EARNINGS PER SHARE - BASIC AND DILUTED	13	Re. 0.13	Rs. 4.41

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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, 2015
(UN-AUDITED)**

	March 31, 2015	March 31, 2014
	----- (Rupees in '000) -----	
Profit for the period	545	18,745
Other comprehensive income for the period	-	-
Total comprehensive income for the period	<u>545</u>	<u>18,745</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, 2015
(UN-AUDITED)**

	March 31, 2015	March 31, 2014
	-----Rs. '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	4,145	23,245
Adjustments for:		
Depreciation	4,172	2,916
Bonus paid	(14,742)	-
Finance cost	13	360
Profit on bank deposits	(1,499)	(1,061)
Gain on sale of fixed assets	-	75
Provision against compensated absence	79	-
	<u>(11,977)</u>	<u>2,290</u>
	(7,832)	25,535
Movement in working capital		
(Increase) in current assets	(48,316)	(329,947)
Increase in current liabilities	(30,541)	52,739
	<u>(78,857)</u>	<u>(277,208)</u>
Cash used in operations	<u>(86,689)</u>	<u>(251,673)</u>
Income tax paid / (refunds received) Net	-	-
Finance charges paid	(13)	(810)
Payment in respect of compensated absence	(1,770)	-
	<u>(1,783)</u>	<u>(810)</u>
Net cash used in operating activities	<u>(88,472)</u>	<u>(252,483)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(1,716)	(8,566)
Proceeds from sale of fixed assets	-	941
Long term deposit realized	1	-
Profit received on bank deposits	823	1,061
Short term investment redeemed	45,703	-
Net cash flows from investing activities	<u>44,811</u>	<u>(6,564)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of lease obligations	(450)	-
Dividend paid	(5)	-
Proceeds from / (re-payment of) short term borrowings	-	25,000
	<u>(455)</u>	<u>25,000</u>
Net Increase / (decrease) in cash and cash equivalents	<u>(44,116)</u>	<u>(234,047)</u>
Cash and cash equivalents at the beginning of the period	<u>79,262</u>	<u>256,071</u>
Cash and cash equivalents at the end of the period	<u><u>35,146</u></u>	<u><u>22,024</u></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 STATEMENT OF
CHANGES IN EQUITY
FOR THE 1st QUARTER ENDED MARCH 31, 2015
(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, 2014	42,486	17,553	356,559	74,469	491,067
Net Profit for the First 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>
Balance as at January 01, 2015	42,486	17,553	409,785	74,297	544,121
Profit after taxation for the 1 st Quarter ended March 31, 2015	-	-	-	545	545
Balance as at March 31, 2015	<u>42,486</u>	<u>17,553</u>	<u>409,785</u>	<u>74,842</u>	<u>544,666</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, 2015
(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, 2014.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year as describe below:

Improvements to Accounting Standards Issued by the IASB

- IAS 1 - Presentation of Financial Statements Clarification of the Requirements for Comparative Information
- IAS 16 - Property, Plant and Equipment Clarification of Servicing Equipment
- IAS 32 - Financial Instruments: Presentation 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 amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements.

3.1 Standards, amendments and interpretations that are not yet effective

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:



Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 32 - Offsetting Financial Assets and Financial liabilities (Amendment)	January 01, 2014
IAS 36 - Recoverable Amount for Non-Financial Assets (Amendment)	January 01, 2014
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)	January 01, 2014
IFRIC 21- Levies	January 01, 2014
IFAS 3 - Profit and Loss Sharing on Deposits	January 12, 2013

The Company expects that the adoption of the above amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

	IASB effective date (annual periods beginning on or after)
IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 10 - Consolidated Financial Statements	January 01, 2013
IFRS 11 - Joint Arrangements	January 01, 2013
IFRS 12 - Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 - Fair Value Measurement	January 01, 2013

The adoption of the above amendments did not have any effect on the financial statements.

	Note	March 31, 2015 (Un-audited)	December 31, 2014 (Audited)
		-----Rs. '000-----	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	132,958	134,801
Capital work-in-progress	4.2	6,024	6,637
		138,982	141,438
4.1 Operating fixed assets			
Opening book value		134,801	59,524
Additions during the period / year	4.1.1	2,329	90,857
		137,130	150,381
Disposal during the period / year	4.1.2	-	(1,464)
Depreciation charged during the period / year		(4,172)	(14,116)
		(4,172)	(15,580)
		132,958	134,801



PAKISTAN GUM & CHEMICALS LIMITED

	March 31, 2015 (Un-audited)	December 31, 2014 (Audited)
	-----Rs. '000-----	
4.1.1 Additions during the period / year		
Building on leasehold land	-	33,645
Plant and machinery	2,329	54,456
Vehicles	-	1,653
Office equipments	-	1,103
	<u>2,329</u>	<u>90,857</u>
4.1.2 Disposal during the period / year		
Vehicles	-	(1,464)
Plant & machinery	-	-
	<u>-</u>	<u>(1,464)</u>
4.2 Capital work-in-progress		
Balance at the beginning of the year / period	6,637	81,400
Additions during the period / year	1,591	16,094
Transferred to operating assets	(2,204)	(90,857)
	<u>6,024</u>	<u>6,637</u>
5. STOCK-IN-TRADE		
Raw material	51,839	129,291
Packaging material	2,512	4,382
Finished goods	272,516	247,048
	<u>326,867</u>	<u>380,721</u>
6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL		
Ordinary shares of Rs. 10/- each		
Number of shares		
2015	2014	
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		
Creditors	53,960	68,708
Accrued liabilities	13,035	11,893
Compensated Absences	2,376	3,146
Bonus to Employees	3,758	16,800
Employees' Gratuity Fund	10,263	9,763
Employees' Pension Fund	239	25
Advances from customers	-	68
Workers' Profit Participation Fund	229	4,912
Workers' Welfare Fund	12,624	12,542
Tax deducted at source	1,109	315
Unclaimed dividend	1,215	1,220
Employees' car and motorcycle loan schemes	3,226	3,183
	<u>102,034</u>	<u>132,575</u>



8. CONTINGENCIES AND COMMITMENTS

8.1 Commitment for capital expenditures Rs. 0.635 million
(December 31, 2014: Rs. 0.635 million)

8.2 The status of other contingencies and commitments as at March 31, 2015 is same as reported in the annual financial statements for the year ended December 31, 2014.

	March 31, 2015	March 31, 2014
----- (Rupees in '000) -----		
9. NET SALES		
Gross sales		
Local	72,207	87,882
Export	177,704	268,921
	249,911	356,803
Sales commission	(1,389)	(1,725)
	<u>248,522</u>	<u>355,078</u>
10. COST OF SALES		
Raw material consumed		
Opening stock	129,291	139,340
Purchases	127,799	439,606
	257,090	578,946
Closing stock	(51,839)	(333,721)
	<u>205,251</u>	<u>245,225</u>
Packing material consumed		
Opening stock	4,382	2,632
Purchases	2,150	3,958
	6,532	6,590
Closing stock	(2,512)	(3,309)
	<u>4,020</u>	<u>3,281</u>
	209,271	248,506
Manufacturing overheads		
Stores and spares consumed	2,597	1,551
Salaries, wages and benefits	11,505	12,322
Provision against slow moving stores and spares	284	288
Utilities	22,005	27,616
Depreciation	3,327	2,075
Repairs and maintenance	579	996
Handling charges	1,559	3,644
Rent, rates and taxes	938	1,131
Insurance	243	257
Travelling and conveyance	523	567
Laboratory Expenses	52	18
Research and development	440	422
Communication	43	37
Entertainment	8	8
Others	34	63
	<u>44,137</u>	<u>50,995</u>
Cost of goods manufactured	<u>253,408</u>	<u>299,501</u>
Opening stock of finished goods	247,048	67,789
	500,456	367,290
Closing stock	(272,516)	(59,098)
	<u>227,940</u>	<u>308,192</u>
11. FINANCE COSTS		
Interest/mark-up on:		
Export refinance	-	97
Other	-	185
Obligations under finance leases	13	78
	13	360
Bank charges	435	542
	<u>448</u>	<u>902</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, 2015	March 31, 2014
	-- (Rupees in '000) --	
13. Profit / EARNINGS PER SHARE - Basic and diluted		
Net profit for the period	<u>545</u>	<u>18,745</u>
Number of ordinary shares in issue during the period	<u>4,248,552</u>	<u>4,248,552</u>
Basic earnings per share	<u>Re.0.13</u>	<u>Rs.4.41</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, 2015	March 31, 2014
		-- (Rupees in '000) --	
Relationship	Nature of transaction		
Associated Company	Commission paid to associated companies	1,364	1,502
	Sale of goods to associated companies	632	359
	Freight Forwarding & Transportation	305	321
Staff Retirement Benefit Plan	Contribution to staff retirement funds	357	316

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

15. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on April 23, 2015 by the Board of Directors of the Company.

16. GENERAL

16.1 Figures for the 1st quarter ended March 31, 2015 and 1st quarter ended March 31, 2014 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