



**PAKISTAN
GUM AND CHEMICALS
LIMITED**



014

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2015**

(UN-AUDITED)



PAKISTAN GUM & CHEMICALS LIMITED

COMPANY INFORMATION

AS ON JUNE 30, 2015

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>

Managing Director / CEO

Ozair Ahmed Hanafi

Audit Committee

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

Askari Bank Limited
Habib Bank Limited
JS Bank Limited
MCB Bank Limited
Habib Metropolitan Bank Limited
Summit Bank Limited
Al-Baraka Bank (Pakistan) Limited
Bank of Punjab

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 unaudited accounts for the half year ended June 30, 2015. These accounts have been subjected to review by our auditors - M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants.

Net sales for the period under review were Rs.443 million as compared to Rs.688 million in the corresponding period of 2014 and consequently net profit decreased to Rs.0.9 million from Rs.33 million.

As expected, the results for the period under review reflected a declining trend in price and demand for guar products and similarly our margins. This is mainly because of the poor demand from overseas buyers particularly from the oil drilling sector.

Heavy monsoon rains in the guar growing areas of Sindh and India have prompted the growers to increase cultivation of guar and bumper crop is expected. In anticipation of this crop, the seed prices are consistently falling. Guar market in India has crashed. Indian producers are making distress sales at very low prices which are adversely impacting our sales. Reportedly, 80% of the Indian factories are closed. The management is fully conscious of this situation and doing its best to explore new markets. We were able to add one of the largest traders of food products in the world to our customer base. Negotiations with some other large users of guar products in the oil drilling sector are in progress and some breakthrough is expected soon. However, the next half year looks very bleak for the Company compared to our last year's performance.

I would like to thank all the employees for their hard work under very trying conditions. I also owe a debt of gratitude to the Board Members for their wise counsel and continued support.

Mohammad Moonis
Chairman

Karachi : August 25, 2015



PAKISTAN GUM & CHEMICALS LIMITED

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

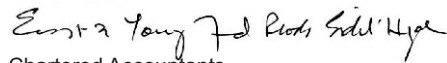
We have reviewed the accompanying condensed interim balance sheet of Pakistan Gum And Chemicals Limited (the Company) as at **30 June 2015**, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, and condensed interim statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants

Review Engagement Partner : Shariq Ali Zaidi

Karachi: August 25, 2015



PAKISTAN GUM & CHEMICALS LIMITED

CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2015

	Note	June 30, 2015 -----Rs. '000----- (Un-audited)	December 31, 2014 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	137,796	141,438
Long-term deposits		<u>877</u>	<u>878</u>
		138,673	142,316
CURRENT ASSETS			
Stores and spare parts		6,992	8,972
Stock-in-trade	5	273,737	380,721
Trade debts	6	63,507	37,061
Loans and advances		272	1,754
Short-term prepayments		898	738
Other receivables		12,718	10,795
Short-term investment	7	20,309	66,073
Taxation-net		28,673	19,314
Cash and bank balances	8	37,505	13,189
		<u>444,611</u>	<u>538,617</u>
TOTAL ASSETS		<u>583,284</u>	<u>680,933</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		<u>42,486</u>	<u>42,486</u>
Reserves		<u>481,269</u>	<u>501,635</u>
		523,755	544,121
NON-CURRENT LIABILITIES			
Deferred taxation		4 240	3,606
CURRENT LIABILITIES			
Trade and other payables	9	55,254	132,575
Liabilities against assets subject to finance lease		<u>35</u>	<u>631</u>
		55,289	133,206
TOTAL EQUITY AND LIABILITIES		<u>583,284</u>	<u>680,933</u>
CONTINGENCIES AND COMMITMENT	10		

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

Mohammad Moonis
Chairman

Ozair Ahmed Hanafi
Managing Director / CEO

Khadim Hussain
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE HALF-YEAR ENDED JUNE 30, 2015
(UN-AUDITED)**

	Note	<u>Half-year ended</u>		<u>Quarter ended</u>	
		June 30	June 30	June 30	June 30
		2015	2014	2015	2014
		----- (Rupees in '000) -----			
Turnover	11	443,405	688,457	194,883	333,379
Cost of sales	12	(403,591)	(593,274)	(175,651)	(285,082)
Gross profit		39,814	95,183	19,232	48,297
Shipping expenses		(10,177)	(14,144)	(4,559)	(7,100)
Administrative expenses		(25,012)	(27,010)	(13,152)	(14,117)
Other operating expenses		(421)	(12,281)	(121)	(7,331)
Other operating income		2,521	2,541	732	392
Finance costs	1 3	(984)	(2,740)	(536)	(1,837)
Profit before taxation		5,741	41,549	1,596	18,304
Taxation - current	14	(4,864)	(8,420)	(1 264)	(3,920)
Profit for the period		877	33,129	332	14,384
		----- (Rupees) -----			
Earnings per share - Basic and diluted		0.21	7.80	0.08	3.39

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.


Mohammad Moonis
Chairman


Ozair Ahmed Hanafi
Managing Director / CEO


Khadim Hussain
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED JUNE 30, 2015
(UN-AUDITED)**

	<u>Half-year ended</u>		<u>Quarter ended</u>	
	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>	<u>June 30</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	----- (Rupees in '000) -----			
Profit for the period	877	33,129	332	14,384
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	877	33,129	332	14,384

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.



Mohammad Moonis
Chairman



Ozair Ahmed Hanafi
Managing Director / CEO



Khadim Hussain
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

CONDENSED INTERIM CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED JUNE 30, 2015 (UN-AUDITED)

Note	June 30, 2015	June 30, 2014
	-----Rs. '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,741	41,549
Adjustments for:		
Depreciation	8,412	5,755
Finance costs	984	2,740
Provision for compensated absences	1,877	1,500
Profit on bank deposits	(1,347)	(1,426)
Gain on sale of operating fixed assets	(419)	(1,115)
	9,507	7,454
Profit before working capital changes	15,248	49,003
Working capital changes		
(Increase) / decrease in current assets		
Stores and spare parts	1,980	(338)
Stock-in-trade	106,984	(135,097)
Trade debts	(26,429)	(94,474)
Loans and advances	1,482	(802)
Short-term prepayments	(160)	(436)
Other receivables	(12,382)	(6,215)
	71,475	(237,362)
Decrease in current liabilities		
Trade and other payables	(77,171)	(45,267)
Cash generated from / (used in) operations	9,552	(233,626)
Long term deposits	(1)	(14)
Income tax paid	(3,130)	(5,722)
Payment in respect of compensated absences	(2,027)	(1,306)
Finance costs paid	(983)	(1,855)
	(6,141)	(8,896)
Net cash generated from / (used in) operating activities	3,411	(242,522)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of operating fixed assets	(4,770)	(11,712)
Proceeds from disposal of operating fixed assets	419	2,533
Lease obligations paid	(596)	(884)
Profit received on bank deposits	1,331	1,426
Net cash used in investing activities	(3,616)	(8,637)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short term borrowings	-	45,000
Dividend paid	(21,243)	(21,243)
Net cash (used in) / generated from financing activities	(21,243)	23,757
Net decrease in cash and cash equivalents	(21,448)	(227,402)
Cash and cash equivalents at the beginning of the period	79,262	261,328
Cash and cash equivalents at the end of the period	57,814	33,926

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.


Mohammad Moonis
Chairman


Ozair Ahmed Hanafi
Managing Director / CEO


Khadim Hussain
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**CONDENSED INTERIM STATEMENT OF
CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED JUNE 30, 2015
(UN-AUDITED)**

	Issued, subscribed and paid-up capital	CAPITAL RESERVE Share premium	REVENUE RESERVES General	Unappro- priated profit	Total
	----- (Rupees in '000) -----				
Balance as at January 01, 2014	42,486	17,553	356,559	74,469	491,067
Final dividend for the year ended December 31, 2013 @ Rs. 5 per Ordinary Share	-	-	-	(21,243)	(21,243)
Transferred to general reserve	-	-	55,198	(55,198)	-
Net Profit for the half year ended	-	-	-	33,129	33,129
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	33,129	33,129
Balance as at June 30, 2014	<u>42,486</u>	<u>17,553</u>	<u>411,757</u>	<u>31,157</u>	<u>502,953</u>
Balance as at January 01, 2015	42,486	17,553	409,785	74,297	544,121
Final dividend for the year ended December 31, 2014 @ Rs.5 per Ordinary Share	-	-	-	(21,243)	(21,243)
Net Profit for the half year ended	-	-	-	877	877
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	-	-	877	877
Balance as at June 30, 2015	<u>42,486</u>	<u>17,553</u>	<u>409,785</u>	<u>53,931</u>	<u>523,755</u>

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

Mohammad Moonis
Chairman

Ozair Ahmed Hanafi
Managing Director / CEO

Khadim Hussain
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**NOTES TO THE CONDENSED INTERIM
FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED JUNE 30, 2015
(UN-AUDITED)**

1. THE COMPANY AND ITS OPERATIONS

Pakistan Gum and Chemicals Limited (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. STATEMENT OF COMPLIANCE

The condensed interim financial information has been presented in condensed form in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting and is being submitted to shareholders in accordance with the requirements of section 245 of the Companies Ordinance, 1984. This condensed interim financial information does not include all of the information required for full annual financial statements and should be read in conjunction with the annual financial statements as at and for the year ended December 31, 2014.

3. SIGNIFICANT 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 / Revised Standards, Interpretations and Amendments

The Company has adopted the following amendment to IFRSs which became effective for the current period:

- IFRS 10 – Consolidated Financial Statements
- IFRS 10 – Consolidated Financial Statements, IFRS-12 Disclosure of Interests in Other Entities and IAS-27 Separate Financial Statements - Investment Entities (Amendment)
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 19 – Employee Benefits-(Amendment) - Defined Benefit Plans: Employee Contributions

The adoption of the above amendment to accounting standards did not have any effect on the condensed interim financial statements.

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The Company expects that such improvements to the standards do not have any impact on the Company's financial statements for the period.



PAKISTAN GUM & CHEMICALS LIMITED

	Note	June 30, 2015 -----Rs. '000----- (Un-audited)	December 31, 2014 -----Rs. '000----- (Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	131,772	134,801
Capital work-in-progress	4.2	6,024	6,637
		<u>137,796</u>	<u>141,438</u>
4.1 Operating fixed assets			
Opening net book value		134,801	59,524
Additions during the period / year	4.1.1	5,383	90,857
		<u>140,184</u>	<u>150,381</u>
Disposals during the period / year	4.1.2	-	(1,464)
Depreciation charged during the period / year		(8,412)	(14,116)
		<u>(8,412)</u>	<u>(15,580)</u>
		<u>131,772</u>	<u>134,801</u>
4.1.1 Additions during the period / year			
Building on leasehold land		-	33,645
Plant and machinery		4,331	54,456
Vehicles		1,052	1,653
Office equipment		-	1,103
		<u>5,383</u>	<u>90,857</u>
4.1.2 Disposals during the period / year			
Vehicles		-	1,464
4.2 Capital work-in-progress			
Balance at the beginning of the period / year		6,637	81,400
Additions during the period / year		1,591	16,094
Transferred to operating fixed assets		(2,204)	(90,857)
		<u>6,024</u>	<u>6,637</u>
5. STOCK-IN-TRADE			
Raw material		36,798	129,291
Packing material		3,620	4,382
Finished goods		233,319	247,048
		<u>273,737</u>	<u>380,721</u>
5.1 It includes stock-in-trade carried at net realisable value amounting to Rs. 65.798 million (December 31, 2014: Rs.54.281 million).			
	Note	June 30, 2015 -----Rs. '000----- (Un-audited)	December 31, 2014 -----Rs. '000----- (Audited)
6. TRADE DEBTS			
Considered good			
Secured-against letters of credit		59,299	32,515
Unsecured		4,208	4,546
		<u>63,507</u>	<u>37,061</u>



PAKISTAN GUM & CHEMICALS LIMITED

June 30, December 31,
2015 2014
(Un-audited) (Audited)
-----Rs. '000-----

7. SHORT-TERM INVESTMENTS – held to maturity

Term Deposit Receipts	20,309	66,073
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7.1. These carry return at rates ranging between 6.5% to 8.25 (December 31, 2014: 9.0% to 9.5%) per annum, maturing latest by November 27, 2015. Accrued return of Rs.0.19 million (December 2014: Rs. 0.95 million) is included herein.

June 30, December 31,
2015 2014
(Un-audited) (Audited)
-----Rs. '000-----

8. CASH AND BANK BALANCES**Cash in hand :**

Local currency	247	181
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Cash at bank in :**Current accounts**

Local currency	10,725	4,368
Foreign currency	38	129
	10,763	4,497

PLS saving account

Local currency	26,495	8,511
	37,505	13,189

9. TRADE AND OTHER PAYABLES**Trade**

Creditors	5,952	68,708
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Other payables

Accrued liabilities	9,473	11,893
Provision for compensated absences	2,996	3,146
Bonus to employees	6,158	16,800
Due to Employees' Gratuity Fund	10,663	9,763
Due to Employees' Pension Fund	170	25
Advances from customers	438	68
Workers' Profit Participation Fund	317	4,912
Workers' Welfare Fund	12,657	12,542
Tax deducted at source	246	315
Unclaimed dividend	2,914	1,220
Employees' car and motorcycle loan schemes	3,270	3,183
	49,302	63,867
	55,254	132,575

10. CONTINGENCIES AND COMMITMENT**10.1 Contingencies**

The status of contingencies as at June 30, 2015 is the same as reported in the annual financial statements for the year ended December 31, 2014.

10.2 Commitment

Commitment for capital expenditure amounted to Rs.0.635 (December 31, 2014: Rs.2.251) million.



PAKISTAN GUM & CHEMICALS LIMITED

	Half-year ended		Quarter ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
	(Rupees in '000)			
	(Un-Audited)			
11. TURNOVER				
Gross sales				
Local	124,107	174,847	51,239	86,443
Export	322,928	518,620	145,224	249,699
	447,035	693,467	196,463	336,142
Sales commission	(2,379)	(3,475)	(990)	(1,750)
sales tax	(1,251)	(1,535)	(590)	(1,013)
	443,405	688,457	194,883	333,379
12. COST OF SALES				
Raw material consumed				
Opening stock	129,291	139,340	51,839	333,721
Purchases	205,027	611,579	77,228	171,973
	334,318	750,919	129,067	505,694
Closing stock	(36,798)	(216,466)	(36,798)	(216,466)
	297,520	534,453	92,269	289,228
Packing material consumed				
Opening stock	4,382	2,632	2,512	3,309
Purchases	6,003	9,932	3,853	5,974
	10,385	12,564	6,365	9,283
Closing stock	(3,620)	(3,187)	(3,620)	(3,187)
	6,765	9,377	2,745	6,096
	304,285	543,830	95,014	295,324
Manufacturing overheads				
Stores and spares consumed	4,181	6,082	1,584	4,531
Salaries, wages and benefits	23,489	24,357	11,984	12,035
Utilities	42,185	57,531	20,180	29,915
Depreciation	6,713	4,066	3,386	1,991
Repairs and maintenance	1,178	1,741	599	745
Handling charges	2,906	6,286	1,347	2,642
Rent, rates and taxes	2,256	2,569	1,318	1,438
Insurance	496	515	253	258
Travelling and conveyance	1,091	1,162	568	595
Laboratory expenses	154	175	102	157
Research and development cost	720	1,426	280	1,004
Communication	89	80	46	43
Entertainment	31	22	23	14
Provision against slow moving stores and spares	36	729	(248)	441
Others	52	118	18	55
	85,577	106,859	41,440	55,864
Cost of goods manufactured	389,862	650,689	136,454	351,188
Opening stock of finished goods	247,048	67,789	272,516	59,098
	636,910	718,478	408,970	410,286
Closing stock	(233,319)	(125,204)	(233,319)	(125,204)
	403,591	593,274	175,651	285,082



PAKISTAN GUM & CHEMICALS LIMITED

Half-year ended		Quarter ended	
June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
(Rupees in '000)			
(Un-Audited)			

13. FINANCE COSTS

Mark-up on:

Export refinance

Obligations under finance leases

Bank charges

-	981	-	884
16	143	3	65
16	1,124	3	949
968	1,616	533	888
984	2,740	536	1,837

14. TAXATION

Current

Deferred

4,230	8,420	630	3,920
634	-	634	-
4,864	8,420	1,264	3,920

15. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise the holding company (East West Group Holdings Inc, British Virgin Islands), local associated companies, staff retirement funds, directors, executives and key management personnel. The Company in the normal course of business carries out transactions at normal market price with various related parties. Transactions with related parties are given below:

		Half-year ended	
		June 30, 2015	June 30, 2014
		----- (Rupees in '000) -----	
Relationship	Nature of transaction		
Holding company	Dividend paid to holding company	<u>12,746</u>	<u>12,746</u>
Associated Undertakings	Commission on sales	2,309	3,037
	Sale of goods	1,568	991
	Freight Forwarding	10	13
	Transportation	<u>598</u>	<u>750</u>
Staff Retirement Benefit plan, key management personnel	Contribution to staff retirement funds	<u>3,858</u>	<u>2,239</u>
	Remuneration	<u>15,581</u>	<u>13,425</u>

16. DATE OF AUTHORIZATION

These condensed interim financial statements were authorised for issue on 25 August, 2015 by the Board of Directors of the Company.

17. GENERAL

17.1 These condensed interim financial statements are unaudited but subject to limited scope review by the auditors except for the figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended June 30, 2015 and June 30, 2014.

17.2 Figures have been rounded off to the nearest thousand rupees, except as stated therein.

Mohammad Moonis
Chairman

Ozair Ahmed Hanafi
Managing Director / CEO

Khadim Hussain
Chief Financial Officer