



**PAKISTAN
GUM AND CHEMICALS
LIMITED**



014

**CONDENSED INTERIM FINANCIAL
STATEMENTS FOR THE
3rd QUARTER ENDED
SEPTEMBER 30, 2014**



PAKISTAN GUM & CHEMICALS LIMITED

COMPANY INFORMATION

AS ON SEPTEMBER 30, 2014

Board of Directors

Mohammad Moonis	<i>Chairman</i>
Shuaib Ahmed	<i>Vice-Chairman</i>
Ozair Ahmed Hanafi	<i>Managing Director / CEO</i>
Mohammed Aslam Hanafi	<i>Deputy Managing Director</i>
Tariq Mohamed Amin	<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>

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
MCB Bank Limited
Habib Metropolitan Bank Limited
Summit Bank Limited
Al-Baraka Bank (Pakistan) Limited
JS 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, I present the unaudited accounts for the period ended September 30, 2014.

Net sales for the nine months period ended September 30, 2014 were Rs.1,012 million as compared to Rs.1,201 million in the corresponding period of 2013 and the net profit decreased to Rs.68 million from Rs.77 million. It may be worthwhile to mention that while sales volume increased by 104%, sales value declined by 16% due to lower price of guar products in the international market. The decrease in selling price was more than offset by lower seed price resulting in improvement in gross profit margin from 12.7% to 15.8%.

The Management is endeavoring to increase its market share and further modernize the plant to reduce production cost. However, we do not expect any positive financial impact of these efforts before next year.

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.

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

Mohammad Moonis
Chairman

Karachi: October 23, 2014



PAKISTAN GUM & CHEMICALS LIMITED

CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2014

	Note	Sep. 30, 2014	Dec. 31, 2013
		-----Rs. '000-----	
ASSETS		(Un-audited)	(Audited)
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	4	140,345	140,924
Long-term deposits		877	862
		<u>141,222</u>	<u>141,786</u>
CURRENT ASSETS			
Stores and spares		10,373	8,695
Stock-in-trade	5	286,472	209,761
Trade debts	6	117,505	39,773
Loans and advances		1,818	838
Short-term prepayments		481	409
Other receivables	7	12,588	6,642
Short-term investment		5,464	258,062
Taxation - net		5,296	10,506
Cash and bank balances	8	21,343	3,266
		<u>461,340</u>	<u>537,952</u>
TOTAL ASSETS		<u><u>602,562</u></u>	<u><u>679,738</u></u>
EQUITY AND LIABILITIES			
Authorised			
10,000,000 Ordinary shares of Rs.10 each		100,000	100,000
Issued, subscribed and paid-up capital		42,486	42,486
Reserves		495,767	448,581
		<u>538,253</u>	<u>491,067</u>
LONG TERM LIABILITIES			
Obligation under finance lease	12	644	644
CURRENT LIABILITIES			
Trade and other payables	9	63,208	186,220
Accrued markup on short term borrowings		-	-
Obligation under finance lease - current		1,089	1,807
Short-term borrowings		-	-
		<u>64,297</u>	<u>188,027</u>
CONTINGENCIES AND COMMITMENTS	10		
TOTAL EQUITY AND LIABILITIES		<u><u>602,562</u></u>	<u><u>679,738</u></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

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2014
(UN-AUDITED)**

	Note	<u>Period ended</u>		<u>Quarter ended</u>	
		Sep 30, 2014	Sep 30, 2013	Sep 30, 2014	Sep 30, 2013
		----- (Rupees in '000) -----			
NET SALES	11	1,012,237	1,201,450	323,780	266,399
Cost of sales	12	<u>(852,357)</u>	<u>(1,049,435)</u>	<u>(259,083)</u>	<u>(238,364)</u>
GROSS PROFIT		159,880	152,015	64,697	28,035
Distribution and Shipping costs		<u>(20,922)</u>	<u>(14,664)</u>	<u>(6,778)</u>	<u>(3,510)</u>
Administrative expenses		<u>(41,026)</u>	<u>(35,284)</u>	<u>(14,016)</u>	<u>(9,297)</u>
Other operating expenses		<u>(13,156)</u>	<u>(6,706)</u>	<u>(875)</u>	<u>(899)</u>
Other operating income		<u>2,989</u>	<u>3,815</u>	<u>448</u>	<u>(380)</u>
		<u>(72,115)</u>	<u>(52,839)</u>	<u>(21,221)</u>	<u>(14,086)</u>
OPERATING PROFIT		87,765	99,176	43,476	13,949
Finance costs	13	<u>(4,416)</u>	<u>(8,696)</u>	<u>(1,676)</u>	<u>(1,408)</u>
PROFIT BEFORE TAXATION		83,349	90,480	41,800	12,541
Taxation - current		<u>(14,920)</u>	<u>(13,817)</u>	<u>(6,500)</u>	<u>(3,352)</u>
NET PROFIT FOR THE PERIOD		<u>68,429</u>	<u>76,663</u>	<u>35,300</u>	<u>9,189</u>
		----- (Rupees) -----			
EPS - Basic and diluted		<u>16.11</u>	<u>18.04</u>	<u>8.31</u>	<u>2.16</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

**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2014
(UN-AUDITED)**

	<u>Period ended</u>		<u>Quarter ended</u>	
	<u>Sep 30,</u>	<u>Sep 30,</u>	<u>Sep 30,</u>	<u>Sep 30,</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	----- (Rupees in '000) -----			
Net profit for the period	68,429	76,663	35,300	9,189
Other comprehensive income				
Actuarial gains/ (losses) on defined benefit plans	-	(5,801)	-	-
Total comprehensive income for the period	<u>68,429</u>	<u>70,862</u>	<u>35,300</u>	<u>9,189</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

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2014
(UN-AUDITED)**

	3rd Quarter ended	
	Sep	Sep
Note	30, 2014	30, 2013
	-----Rs. '000-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	83,349	90,480
Adjustments for non-cash items		
Depreciation	10,846	8,040
Finance costs	4,416	8,696
Provision against compensated absences	3,250	1,800
Profit on bank accounts	(560)	(3,927)
Gain on sale of fixed assets	(1,115)	(63)
	16,837	14,546
Profit before working capital changes	100,186	105,026
Movement in working capital		
(Increase) / decrease in current assets	(163,119)	(62,532)
(Decrease)/Increase in current liabilities	(123,012)	(1,974)
	(286,131)	(64,506)
Cash used in/generated from operations	(185,945)	40,520
Income tax paid	(12,278)	(21,597)
Payment in respect of compensated absences	(2,409)	(2,669)
Finance charges paid	(4,416)	(8,693)
	(19,103)	(32,959)
Net cash used in/generated from operating activities	(205,048)	7,561
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(11,729)	(50,813)
Proceeds from sale of fixed assets	3,070	5,629
Profit received on bank deposits	1,572	3,593
Realization of Short term investment	-	53,926
Net cash used in / generated from investing activities	(7,087)	12,335
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease obligation	(1,350)	(2,050)
(Payment of) / Proceeds from short term borrowings	-	-
Dividend paid	(21,243)	(42,511)
Net cash flows from / (used in) financing activities	(22,593)	(44,561)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(234,728)	(24,665)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	256,071	36,693
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	8 21,343	12,028

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 3rd QUARTER ENDED SEPTEMBER 30, 2014
(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, 2013	42,486	17,553	155,107	241,271	456,417
Final dividend for the year ended December 31, 2012 @ Rs. 10 per ordinary share	-	-	-	(42,486)	(42,486)
Transferred to General Reserve	-	-	201,452	(201,452)	-
Net profit for the Third quarter ended September 30, 2013 (as previously reported)	-	-	-	76,663	76,663
Effect of change in accounting policy as stated in note 3	-	-	-	-	-
Other Comprehensive loss	-	-	-	(5,801)	(5,801)
Total comprehensive income	-	-	-	70,862	70,862
Balance as at September 30, 2013	42,486	17,553	356,559	68,195	484,793
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)	-
Profit after taxation for the Quarter ended September 30, 2014	-	-	-	68,429	68,429
Other Comprehensive loss	-	-	-	-	-
Balance as at September 30, 2014	42,486	17,553	411,757	66,457	538,253

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2014****1. THE COMPANY AND ITS 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. STATEMENT OF COMPLIANCE

2.1 These condensed interim financial statements of the Company for the quarter ended September 30, 2014 have been prepared in accordance with the requirements of the International Accounting Standard 34 'Interim Financial Reporting' and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended December 31, 2013.

3. 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 the financial statements for the year ended December 31, 2013 other than as follows:

The Company has adopted the following revised standard, amendments, and interpretation of IFRSs which became effective during the current period:

**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

The adoption of the above revision, amendments and interpretation of the standards did not have any effect on these condensed interim financial statements.



	Note	September 30, 2014	December 31, 2013
		Rs. '000	
		(Un-audited)	(Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	137,158	59,524
Capital work-in-progress	4.2	3,187	81,400
		<u>140,345</u>	<u>140,924</u>
4.1 Operating fixed assets			
Opening net book value		59,524	57,557
Additions during the year including transfers	4.1.1	89,942	19,074
		149,466	76,631
Disposal during the period / year	4.1.2	(1,462)	(5,501)
Depreciation charged during the period / year		(10,846)	(11,606)
		(12,308)	(17,107)
		<u>137,158</u>	<u>59,524</u>
4.1.1 Additions during the period / year			
Building on leasehold land		33,644	6,112
Plant & Machinery		53,543	2,842
Furniture & Fixture		-	3,216
Vehicles		1,653	6,502
Office equipment		1,102	402
		<u>89,942</u>	<u>19,074</u>
4.1.2 Disposals during the period / year			
Vehicles		(1,462)	(5,501)
Plant & Machinery		-	-
		<u>(1,462)</u>	<u>(5,501)</u>
4.2 CAPITAL WORK IN PROGRESS			
Balance at the beginning of the period / year		81,400	30,815
Additions during the period / year		11,729	66,359
Transferred to operating fixed assets		(89,942)	(15,774)
		<u>3,187</u>	<u>81,400</u>



PAKISTAN GUM & CHEMICALS LIMITED

	Note	September 30, 2014	December 31, 2013
		-----Rs. '000-----	
		(Un-audited)	(Audited)
5. STOCK IN TRADE			
Raw material		139,445	139,340
Packing material		4,079	2,632
Finished goods		142,948	67,789
		<u>286,472</u>	<u>209,761</u>
6. TRADE DEBTS			
Considered good			
Secured - against letters of credit		103,677	33,233
Unsecured		13,828	6,540
		<u>117,505</u>	<u>39,773</u>
7. OTHER RECEIVABLES			
Sales tax-net		10,316	4,670
Employees' Pension fund		767	767
Employees' Gratuity fund		1,461	697
Others		44	508
		<u>12,588</u>	<u>6,642</u>
8. CASH AND BANK BALANCES			
Cash in Hand			
Local currency		208	93
Foreign currency		-	-
		208	93
Cash at bank in			
Current accounts			
Local currency		7,172	1,032
Foreign currency		541	784
		7,713	1,816
PLS saving account			
Local currency		13,422	1,357
		<u>21,343</u>	<u>3,266</u>



PAKISTAN GUM & CHEMICALS LIMITED

September 30, 2014 December 31, 2013

-----Rs. '000-----
(Un-audited) (Audited)

9. TRADE AND OTHER PAYABLES**Trade**

Creditors	4,099	132,591
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Other payables

Accrued liabilities	12,780	10,099
Compensated Absences	2,950	2,109
Bonus to Employees	12,863	14,000
Employees' Gratuity Fund	8,229	6,429
Employees' Pension Fund	915	-
Advances from customers	-	93
Workers' Profit Participation Fund	4,476	4,970
Workers' Welfare Fund	12,277	10,576
Tax deducted at source	286	246
Unclaimed dividends	1,251	813
Employees' car and motorcycle loan scheme	3,082	4,294
	59,109	53,629

63,208	186,220
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10. CONTINGENCIES AND COMMITMENTS**Contingencies**

10.1 The status of contingencies as at September 30, 2014 is the same as reported in the annual financial statements for the year ended December 31, 2013.

Commitment

10.2 Commitment for capital expenditure is Rs.322,872
(December 31, 2013: Rs. 2,251,365)

Period ended		Quarter ended	
Sep 30, 2014	Sep 30, 2013	Sep 30, 2014	Sep 30, 2013
----- Rupees in '000 -----			

11. NET SALES**Gross sales**

Local	265,682	187,435	92,370	37,101
Export	752,001	1,019,426	233,381	230,393
	1,017,683	1,206,861	325,751	267,494
Sales commission	(5,446)	(5,411)	(1,971)	(1,095)
	1,012,237	1,201,450	323,780	266,399



PAKISTAN GUM & CHEMICALS LIMITED

Period ended		Quarter ended	
Sep 30, 2014	Sep 30, 2013	Sep 30, 2014	Sep 30, 2013
----- Rupees in '000 -----			

12. COST OF SALES

Raw material consumed

Opening stock	139,340	-	216,466	52,490
Purchases	755,896	976,691	144,317	49,310
	895,236	976,691	360,783	101,800
Closing stock	(139,445)	(10,990)	(139,445)	(10,990)
	755,791	965,701	221,338	90,810

Packing material consumed

Opening stock	2,632	2,764	3,187	3,325
Purchases	15,334	5,663	5,402	1,145
	17,966	8,427	8,589	4,470
Closing stock	(4,079)	(3,173)	(4,079)	(3,173)
	13,887	5,254	4,510	1,297

769,678	970,955	225,848	92,107
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Manufacturing overheads

Stores and spares consumed	8,286	4,469	2,204	1,423
Salaries, wages and benefits	37,152	27,240	12,795	8,384
Utilities	82,392	40,818	24,861	13,130
Depreciation	8,299	5,816	4,233	1,984
Repairs and maintenance	2,915	3,366	1,174	1,641
Handling Charges	8,221	2,128	1,935	509
Rent, Rates and Taxes	4,138	1,193	1,569	490
Insurance	772	774	257	255
Travelling & Conveyance	1,732	1,390	570	489
Laboratory Expenses	587	5	412	-
Research and Development Cost	1,922	1,360	496	60
Communication	121	79	41	27
Entertainment	203	129	181	117
Provision against slow moving stores and spares	951	954	222	240
Others	147	107	29	40
	157,838	89,828	50,979	28,789

Cost of goods manufactured	927,516	1,060,783	276,827	120,896
Opening stock of finished goods	67,789	33,065	125,204	161,881
	995,305	1,093,848	402,031	282,777
Closing stock	(142,948)	(44,413)	(142,948)	(44,413)

852,357	1,049,435	259,083	238,364
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PAKISTAN GUM & CHEMICALS LIMITED

	Period ended		Quarter ended	
	Sep 30, 2014	Sep 30, 2013	Sep 30, 2014	Sep 30, 2013
	----- Rupees in '000 -----			
13. FINANCE COSTS				
Mark-up on:				
Export refinance	1,738	5,724	757	406
Short-term running finance	-	16	-	(1)
Obligations under finance leases	192	493	49	114
	1,930	6,233	806	519
Bank charges	2,486	2,463	870	889
	4,416	8,696	1,676	1,408

14. TAXATION

14.1 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.

14.2 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. 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.

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:

		3rd Quarter ended	
		Sep 30, 2014	Sep 30, 2013
		----- Rupees in '000 -----	
Relationship	Nature of transaction		
Holding Company	Dividend paid to holding company	12,746	25,491
Associated Undertaking	Commission on Sale	4,676	3,723
	Sale of goods	3,911	3,143
	Freight Forwarding	21	10
	Transportation	1,207	804
Staff Retirement	Contribution to staff retirement funds	1,024	858
Benefit Plan, Key management personnel	Remuneration	17,312	24,302

16. DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on October 23, 2014 by the Board of Directors of the Company.

17. GENERAL

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

Mohammad Moonis
Chairman

Ozair Ahmed Hanafi
Managing Director/CEO

Khadim Hussain
Chief Financial Officer