



**PAKISTAN
GUM AND CHEMICALS
LIMITED**

**CONDENSED INTERIM FINANCIAL
STATEMENTS FOR THE
3rd QUARTER ENDED
SEPTEMBER 30, 2015**



PAKISTAN GUM & CHEMICALS LIMITED

COMPANY INFORMATION

AS ON SEPTEMBER 30, 2015

Board of Directors

Mohammad Moonis	<i>Chairman</i>
Shuaib Ahmed	<i>Vice-Chairman</i>
Ozair Ahmed Hanafi	<i>Director</i>
Mohammed Aslam Hanafi	<i>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>

Acting Managing Director

Mohammad Aslam 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
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 un-audited accounts for the third quarter ended September 30, 2015.

For the quarter ended July to September, 2015, net sales were Rs.131 million compared to Rs.324 million in the corresponding period of 2014 and operating loss was Rs.28 million compared to operating profit of Rs.43 million in third quarter of 2014. Loss after taxation for the third quarter of 2015 was Rs.30 million compared to profit of Rs.35 million in the same period of 2014.

For the nine months ended September 30, 2015, operating loss was Rs.22 million and loss after taxation was Rs.29 million compared to operating profit of Rs.88 million and profit after taxation of Rs.68 million for the same period of 2014. These results are disappointing but not unexpected. As reported previously, global market for guar products has plummeted. Prices for guar products have dropped to unprecedented level. Guar market in India has crashed. Indian producers are making distress sales at very low price which is adversely impacting our sales. Good monsoon rains augur well for the new crop. Overseas customers are holding back their orders in anticipation of further reduction in seed prices. The management is watching the current seed price situation cautiously and anticipates decline in prices with the arrival of the new crop in December/January. Should this materialize, we may expect revival of demand from our traditional international customers.

I would like to thank our customers, Employees, Business partners and Board Members for their wise counsel and continued support in this stressful time for the Company.

Mohammad Moonis
Chairman

Karachi: October 22, 2015



PAKISTAN GUM & CHEMICALS LIMITED

CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2015

	Note	Sep. 30, 2015	Dec. 31, 2014
		-----Rs. '000-----	
ASSETS		(Un-audited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	4	133,708	141,438
Long-term deposits		878	878
		<u>134,586</u>	<u>142,316</u>
CURRENT ASSETS			
Stores and spares		7,667	8,972
Stock-in-trade	5	198,911	380,721
Trade debts	6	47,528	37,061
Loans and advances		1,306	1,754
Short-term prepayments		1,039	738
Other receivables	7	9,150	10,795
Short-term investment		95,403	66,073
Taxation - net		30,020	19,314
Cash and bank balances	8	20,350	13,189
		<u>411,374</u>	<u>538,617</u>
TOTAL ASSETS		<u><u>545,960</u></u>	<u><u>680,933</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		451,098	501,635
		<u>493,584</u>	<u>544,121</u>
NON-CURRENT LIABILITIES			
Deferred taxation		4,240	3,606
CURRENT LIABILITIES			
Trade and other payables	9	48,136	132,575
Obligation under finance lease - current		-	631
		<u>48,136</u>	<u>133,206</u>
TOTAL EQUITY AND LIABILITIES		<u><u>545,960</u></u>	<u><u>680,933</u></u>
CONTINGENCIES AND COMMITMENTS	10		

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

Mohammad Moonis
Chairman

Mohammad Aslam Hanafi
Acting Managing Director

Khadim Hussain
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2015
(UN-AUDITED)**

	Note	<u>Period ended</u>		<u>Quarter ended</u>	
		Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
----- (Rupees in '000) -----					
NET SALES	11	574,768	1,012,237	131,363	323,780
Cost of sales	12	(550,636)	(852,357)	(147,045)	(259,083)
GROSS PROFIT/(LOSS)		24,132	159,880	(15,682)	64,697
Shipping expenses		(12,283)	(20,922)	(2,106)	(6,778)
Administrative expenses		(36,813)	(41,026)	(11,801)	(14,016)
Other operating expenses		-	(13,156)	421	(875)
Other operating income		3,404	2,989	883	448
		(45,692)	(72,115)	(12,603)	(21,221)
OPERATING PROFIT/(LOSS)		(21,560)	87,765	(28,285)	43,476
Finance cost	13	(1,469)	(4,416)	(485)	(1,676)
PROFIT / (LOSS) BEFORE TAX		(23,029)	83,349	(28,770)	41,800
Taxation	14	(6,265)	(14,920)	(1,401)	(6,500)
NET PROFIT / (LOSS) FOR THE PERIOD		(29,294)	68,429	(30,171)	35,300
----- (Rupees) -----					
(Loss) Earning per share - Basic and diluted		(6.89)	16.11	(7.10)	8.31

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


Mohammad Moonis
Chairman


Mohammad Aslam Hanafi
Acting Managing Director


Khadim Hussain
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**CONDENSED INTERIM STATEMENT OF
COMPREHENSIVE INCOME
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2015
(UN-AUDITED)**

	<u>Period ended</u>		<u>Quarter ended</u>	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
	----- (Rupees in '000) -----			
Net profit for the period	(29,294)	68,429	(30,171)	35,300
Other comprehensive income for the period	-	-	-	-
Total comprehensive income/(loss) for the period	<u>(29,294)</u>	<u>68,429</u>	<u>(30,171)</u>	<u>35,300</u>

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


Mohammad Moonis
Chairman


Mohammad Aslam Hanafi
Acting Managing Director


Khadim Hussain
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**CONDENSED INTERIM CASH FLOW STATEMENT
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2015
(UN-AUDITED)**

	3rd Quarter ended	
	Sep	Sep
Note	30, 2015	30, 2014
	-----Rs. '000-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	(23,029)	83,349
Adjustments for:		
Depreciation	12,468	10,846
Finance costs	1,469	4,416
Provision for compensated absences	2,277	3,250
Profit on bank deposits	(2,170)	(560)
Gain on sale of operating fixed Assets	(419)	(1,115)
	13,625	16,837
Profit /(Loss) before working capital changes	(9,404)	100,186
Working capital changes		
(Increase) / decrease in current assets	174,440	(163,119)
Decrease in current liabilities	(84,207)	(123,012)
	90,233	(286,131)
Cash (used in) / generated from operations	80,829	(185,945)
Income tax paid	(17,002)	(12,278)
Payment in respect of compensated absences	(2,509)	(2,409)
Finance costs paid	(1,469)	(4,416)
	(20,980)	(19,103)
Net cash generated from / (used in) operating activities	59,849	(205,048)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of operating fixed assets	(4,770)	(11,729)
Proceeds from disposal of operating fixed assets	451	3,070
Lease obligations paid	(634)	(1,350)
Profit received on bank deposits	2,838	1,572
	(2,115)	(8,437)
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividend paid	(21,243)	(21,243)
Net cash (used in) / generated from financing activities	(21,243)	(21,243)
Net decrease / (increase) in cash and cash equivalents	36,491	(234,728)
Cash and cash equivalents at the beginning of the period	79,262	256,071
Cash and cash equivalents at the end of the period	115,753	21,343

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


Mohammad Moonis
Chairman


Mohammad Aslam Hanafi
Acting Managing Director


Khadim Hussain
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**CONDENSED INTERIM STATEMENT OF
CHANGES IN EQUITY
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2015
(UN-AUDITED)**

		CAPITAL RESERVE		REVENUE RESERVES	
	Issued, subscribed and paid-up capital	Share premium	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 period ended September 30, 2014	-	-	-	68,429	68,429
Other Comprehensive loss	-	-	-	-	-
Total comprehensive income	-	-	-	68,429	68,429
Balance as at September 30, 2014	42,486	17,553	411,757	66,457	538,253
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)
Transferred to General Reserve	-	-	-	-	-
Profit/(Loss) after taxation for the period ended September 30, 2015	-	-	-	(29,294)	(29,294)
Other Comprehensive loss	-	-	-	-	-
Balance as at September 30, 2015	42,486	17,553	409,785	23,760	493,584

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


Mohammad Moonis
Chairman


Mohammad Aslam Hanafi
Acting Managing Director


Khadim Hussain
Chief Financial Officer



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE 3rd QUARTER ENDED SEPTEMBER 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	September 30, 2015	December 31, 2014
		Rs. '000	
		(Un-audited)	(Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	127,684	134,801
Capital work-in-progress	4.2	6,024	6,637
		<u>133,708</u>	<u>141,438</u>
4.1 Operating fixed assets			
Opening net book value		134,801	59,524
Additions during the year including transfers	4.1.1	5,383	90,857
		140,184	150,381
Disposal during the period / year	4.1.2	(32)	(1,464)
Depreciation charged during the period / year		(12,468)	(14,116)
		(12,500)	(15,580)
		<u>127,684</u>	<u>134,801</u>
4.1.1 Additions during the period / year			
Building on leasehold land		-	33,645
Plant & 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		(32)	(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>



PAKISTAN GUM & CHEMICALS LIMITED

	Note	September 30, 2015	December 31, 2014
		-----Rs. '000-----	
		(Un-audited)	(Audited)
5. STOCK IN TRADE			
Raw material		-	129,291
Packing material		2,827	4,382
Finished goods		196,084	247,048
		<u>198,911</u>	<u>380,721</u>
6. TRADE DEBTS			
Considered good			
Secured - against letters of credit		39,951	32,515
Unsecured		7,577	4,546
		<u>47,528</u>	<u>37,061</u>
7. OTHER RECEIVABLES			
Employees' Gratuity fund		2,931	697
Sales tax-net		6,219	10,098
		<u>9,150</u>	<u>10,795</u>
8. CASH AND BANK BALANCES			
Cash in Hand			
Local currency		285	181
Foreign currency		-	-
		285	181
Cash at bank in			
Current accounts			
Local currency		4,776	4,368
Foreign currency		38	129
		4,814	4,497
PLS saving account			
Local currency		15,251	8,511
		<u>20,350</u>	<u>13,189</u>



PAKISTAN GUM & CHEMICALS LIMITED

September 30, 2015 December 31, 2014

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

9. TRADE AND OTHER PAYABLES

Trade

Creditors 939 68,708

Other payables

Accrued liabilities	7,817	11,893
Compensated Absences	2,914	3,146
Bonus to Employees	6,158	16,800
Employees' Gratuity Fund	11,063	9,763
Employees' Pension Fund	169	25
Advances from customers	-	68
Workers' Profit Participation Fund	-	4,912
Workers' Welfare Fund	12,541	12,542
Tax deducted at source	203	315
Unclaimed dividends	2,912	1,220
Employees' car and motorcycle loan scheme	3,420	3,183
	47,197	63,867

48,136 132,575

10. CONTINGENCIES AND COMMITMENTS

Contingencies

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

Commitment

10.2 Commitment for capital expenditure is Rs. 634,662
(December 31, 2014: Rs. 2,251,000)

Period ended		Quarter ended	
Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
----- Rupees in '000 -----			

11. NET SALES

Gross sales

Local	157,997	268,090	33,890	93,242
Export	423,603	752,001	100,675	233,381
	581,600	1,020,091	134,565	326,623
Sales commission	(3,035)	(5,446)	(656)	(1,971)
Sales tax	(3,797)	(2,408)	(2,546)	(872)
	574,768	1,012,237	131,363	323,780



PAKISTAN GUM & CHEMICALS LIMITED

Period ended		Quarter ended	
Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
----- Rupees in '000 -----			

12. COST OF SALES

Raw material consumed

Opening stock	129,291	139,340	36,798	216,466
Purchases	242,604	755,896	37,577	144,317
	371,895	895,236	74,375	360,783
Closing stock	-	(139,445)	-	(139,445)
	371,895	755,791	74,375	221,338

Packing material consumed

Opening stock	4,382	2,632	3,620	3,187
Purchases	8,041	15,334	2,038	5,402
	12,423	17,966	5,658	8,589
Closing stock	(2,827)	(4,079)	(2,827)	(4,079)
	9,596	13,887	2,831	4,510

	381,491	769,678	77,206	225,848
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Manufacturing overheads

Stores and spares consumed	6,722	8,286	2,541	2,204
Salaries, wages and benefits	32,674	37,152	9,185	12,795
Utilities	57,154	82,392	14,969	24,861
Depreciation	9,879	8,299	3,166	4,233
Repairs and maintenance	1,679	2,915	501	1,174
Handling Charges	3,749	8,221	843	1,935
Rent, Rates and Taxes	2,283	4,138	27	1,569
Insurance	750	772	254	257
Travelling & Conveyance	1,580	1,732	489	570
Laboratory Expenses	199	587	45	412
Research and Development Cost	815	1,922	95	496
Communication	141	121	52	41
Entertainment	160	203	129	181
Provision against slow moving stores and spares	331	951	295	222
Others	65	147	13	29
	118,181	157,838	32,604	50,979

Cost of goods manufactured	499,672	927,516	109,810	276,827
Opening stock of finished goods	247,048	67,789	233,319	125,204
	746,720	995,305	343,129	402,031
Closing stock	(196,084)	(142,948)	(196,084)	(142,948)

Cost of Good Sold	550,636	852,357	147,045	259,083
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PAKISTAN GUM & CHEMICALS LIMITED

	Period ended		Quarter ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
----- Rupees in '000 -----				
13. FINANCE COSTS				
Mark-up on:				
Export refinance	-	1,738	-	757
Short-term running finance	-	-	-	-
Obligations under finance leases	16	192	-	49
	16	1,930	-	806
Bank charges	1,453	2,486	485	870
	1,469	4,416	485	1,676

14. TAXATION

Current	5,631	14,920	1,401	6,500
Deferred	634	-	-	-
	6,265	14,920	1,401	6,500

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 transaction at normal market price with various related parties. Transactions and balance of related parties are given below:

below.

		3rd Quarter ended	
		Sep 30, 2015	Sep 30, 2014
----- Rupees in '000 -----			
Relationship	Nature of transaction		
Holding Company	Dividend paid to holding company	12,746	12,746
Associated Undertaking	Commission on Sale	2,943	4,676
	Sale of goods	2,188	3,911
	Freight Forwarding	12	21
	Transportation	728	1,207
Staff Retirement	Contribution to staff retirement funds	1,065	1,024
Benefit Plan, Key management personnel	Remuneration	19,645	17,312

16. DATE OF AUTHORIZATION

These Condensed interim financial statements were authorized for issue on 22 October 2015 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

Mohammad Aslam Hanafi
Acting Managing Director

Khadim Hussain
Chief Financial Officer