



**PAKISTAN
GUM AND CHEMICALS
LIMITED**



**INTERIM CONDENSED FINANCIAL
INFORMATION FOR THE
3rd QUARTER ENDED
SEPTEMBER 30, 2010**



PAKISTAN GUM & CHEMICALS LIMITED

COMPANY INFORMATION

AS ON SEPTEMBER 30, 2010

Board of Directors

Mohammad Moonis	<i>Chairman</i>
Shuaib Ahmed	<i>Vice-Chairman</i>
Mohammad Ali Hanafi	<i>Director</i>
Mohammad Aslam Hanafi	<i>Director</i>
Ozair Ahmed Hanafi	<i>Director</i>
Tariq Mohamed Amin	<i>Director</i>
Zahid Zaheer	<i>Director</i>
Zaeem Ahmad Hanafi	<i>Director</i>

Chief Executive Officer

Mir Asad Waseem

Audit Committee

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

Compensation Committee

Zahid Zaheer	<i>Chairman</i>
Tariq Mohamed Amin	<i>Member</i>
Ozair Ahmed Hanafi	<i>Member</i>

Company Secretary

Rafat Hussain

Chief Financial Officer

Imran Shiwani

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
Mybank Limited

Registrar and Share Transfer Office

Corporate Support Services (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

Mailing Address;

P. O. Box 3639, S.I.T.E., Karachi-75700
Phone:(92-21) 32561124-26
Fax:(92-21) 32561320 & (92-21) 32565213
E-mail:pakchem@cyber.net.pk
URL:www.pakchem.com.pk



PAKISTAN GUM & CHEMICALS LIMITED

CHAIRMAN'S REVIEW

On behalf of the Board of Directors, I present the un-audited accounts for the third quarter ended September 30, 2010.

This has been a very disappointing quarter. The business suffered loss of Rs.12.4 million compared to profit of Rs.1.3 million in the corresponding period of 2009. The loss is due to almost total erosion of gross profit margin. Steep rise in price of local guar seed, increase in energy cost, frequent power outages, global economic recession coupled with tough competition from Indian companies in international market due to their lower production cost and lower seed price, has wiped out our margin. While management is striving to minimize losses and get back to profitability, we do not expect the situation to improve in the next two to three quarters.

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

Mohammad Moonis
Chairman

Karachi: October 14, 2010



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED BALANCE SHEET
AS AT SEPTEMBER 30, 2010**

	Note	Sep. 30, 2010	December 31, 2009
		-----Rs. '000-----	
		(Un-audited)	(Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	51,076	49,380
Long-term deposit		776	776
		<u>51,852</u>	<u>50,156</u>
CURRENT ASSETS			
Stores and spares parts		8,671	5,855
Stock-in-trade		172,322	300,188
Trade debts	5	42,217	52,810
Accrued mark-up on bank deposits		333	37
Loans and advances		1,504	1,625
Short-term prepayments		536	627
Other receivables		7,194	22,306
Taxation - net		14,685	10,383
Cash and Bank balances		26,498	10,406
		<u>273,960</u>	<u>404,237</u>
TOTAL ASSETS		<u>325,812</u>	<u>454,393</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized			
10,000,000 Ordinary shares of Rs.10/- each		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid-up capital	6	<u>42,486</u>	<u>42,486</u>
Reserves		<u>118,506</u>	<u>132,803</u>
		<u>160,992</u>	<u>175,289</u>
CURRENT LIABILITIES			
Trade and other payables		<u>18,425</u>	<u>44,281</u>
Accrued Mark-up on short-term borrowings		<u>1,395</u>	<u>4,361</u>
Short term borrowings	7	<u>145,000</u>	<u>230,462</u>
		<u>164,820</u>	<u>279,104</u>
CONTINGENCIES AND COMMITMENTS	8		
TOTAL EQUITY AND LIABILITIES		<u>325,812</u>	<u>454,393</u>

The annexed notes from 1 to 13 form an integral part of these interim condensed financial information.



Mohammad Moonis
Chairman



M.A. Waseem
Chief Executive Officer



Imran Shiwani
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2010
(UN-AUDITED)**

Note	Period ended Jan - Sep 30,		Quarter ended July Sep 30	
	2010	2009	2010	2009
	----- (Rupees in '000) -----			
Turnover net	566,586	396,245	150,044	130,835
Cost of sales	<u>(522,758)</u>	<u>(347,132)</u>	<u>(149,762)</u>	<u>(113,070)</u>
Gross profit	43,828	49,113	282	17,765
Operating expenses				
Administrative expenses	<u>(17,142)</u>	<u>(22,274)</u>	<u>(5,273)</u>	<u>(7,132)</u>
Other operating expenses	-	(355)	399	(89)
Shipping expenses	<u>(17,099)</u>	<u>(10,646)</u>	<u>(3,088)</u>	<u>(3,130)</u>
	<u>(34,241)</u>	<u>(33,275)</u>	<u>(7,962)</u>	<u>(10,351)</u>
Operating profit / (loss)	9,587	15,838	(7,680)	7,414
Other operating income	1,479	610	578	(641)
	11,066	16,448	(7,102)	6,773
Finance cost	<u>(13,460)</u>	<u>(6,933)</u>	<u>(3,880)</u>	<u>(3,938)</u>
Other charges	<u>(1,989)</u>	<u>(1,624)</u>	-	-
	<u>(15,449)</u>	<u>(8,557)</u>	<u>(3,880)</u>	<u>(3,938)</u>
(Loss) / Profit before taxation	<u>(4,383)</u>	7,891	<u>(10,982)</u>	2,835
Provision for taxation current	<u>(5,665)</u>	<u>(3,292)</u>	<u>(1,450)</u>	<u>(1,560)</u>
(LOSS) / PROFIT AFTER TAXATION	<u>(10,048)</u>	4,599	<u>(12,432)</u>	1,275
(LOSS) / EARNINGS PER SHARE 10	<u>Rs. (2.37)</u>	Rs. 1.08	<u>Rs. (2.93)</u>	Rs. 0.30

The annexed notes from 1 to 13 form an integral part of these interim condensed financial information.


Mohammad Moonis
Chairman


M.A. Waseem
Chief Executive Officer


Imran Shiwani
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2010
(UN-AUDITED)**

	<u>3rd Quarter ended</u>		<u>Quarter ended</u>	
	<u>Sep 30,</u>	<u>Sep 30,</u>	<u>Sep 30,</u>	<u>Sep 30,</u>
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	----- (Rupees in '000) -----			
(Loss) / Profit for the period	(10,048)	4,599	(12,432)	1,275
Other Comprehensive income for the period	-	-	-	-
Total comprehensive (loss) / income for the period	<u><u>(10,048)</u></u>	<u><u>4,599</u></u>	<u><u>(12,432)</u></u>	<u><u>1,275</u></u>

The annexed notes from 1 to 13 form an integral part of these financial statements.


Mohammad Moonis
Chairman


M.A. Waseem
Chief Executive Officer


Imran Shiwani
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED CASH FLOW STATEMENT
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2010
(UN-AUDITED)**

	3rd Quarter ended	
	Sep 30, 2010	Sep 30, 2009
	-----Rs. '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(4,383)	7,891
Adjustments for:		
Depreciation	5,146	4,326
Finance cost	13,460	6,933
(Reversal) / Provision for compensated absences	(370)	362
Profit on bank deposits	(717)	(578)
Gain on sale of fixed assets	(762)	(32)
	16,757	11,011
	12,374	18,902
Movement in working capital		
Decrease / (Increase) in current assets	150,671	(35,499)
(Decrease) in current liabilities	(25,486)	(6,028)
	125,185	(41,527)
Cash (utilized in) / generated from operations	137,559	(22,625)
Income tax paid	(9,967)	(7,590)
Long term deposits	-	(6)
Finance charges paid	(16,426)	(8,109)
	(26,393)	(15,705)
Net cash flows from operating activities	111,166	(38,330)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(7,289)	(10,598)
Proceeds from sale of fixed assets	1,209	80
Profit received on bank deposits	717	578
Net cash flows from investing activities	(5,363)	(9,940)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Payment of) / Proceeds from short term borrowings	(85,462)	42,974
Dividend paid	(4,249)	(16,994)
Net cash flows from financing activities	(89,711)	25,980
Net Increase / (Decrease) in cash and cash equivalents	16,092	(22,290)
Cash and cash equivalents at the beginning of the period	10,406	28,592
Cash and cash equivalents at the end of the period	26,498	6,302

The annexed notes from 1 to 13 form an integral part of these interim condensed financial information.


Mohammad Moonis
Chairman


M.A. Waseem
Chief Executive Officer


Imran Shiwani
Chief Financial Officer




PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED STATEMENT OF
CHANGES IN EQUITY
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2010
(UN-AUDITED)**

	Issued subscribed and paid-up capital	Share Premium	Revenue reserves - general	Accumulated profit	Total
Balance as at January 01, 2009	42,486	17,553	82,474	44,397	186,910
Cash dividend @ Rs.2 per Ordinary share of Rs. 10 each declared on March 27, 2009	-	-	-	(16,994)	(16,994)
Profit after taxation for the 3 rd Quarter ended September 30, 2009	-	-	-	4,599	4,599
Balance as September 30, 2009	<u>42,486</u>	<u>17,553</u>	<u>82,474</u>	<u>32,002</u>	<u>174,515</u>
Balance as at January 01, 2010	42,486	17,553	82,474	32,776	175,289
Cash dividend @ Rs.4 per Ordinary share of Rs. 10 each declared on April 18, 2010	-	-	-	(4,249)	(4,249)
Loss after taxation for the 3 rd Quarter ended September 30, 2010	-	-	-	(10,048)	(10,048)
Balance as September 30, 2010	<u>42,486</u>	<u>17,553</u>	<u>82,474</u>	<u>18,479</u>	<u>160,992</u>

The annexed notes from 1 to 13 form an integral part of these interim condensed financial information.


Mohammad Moonis
Chairman


M.A. Waseem
Chief Executive Officer


Imran Shiwani
Chief Financial Officer

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2010****1. LEGAL STATUS AND 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. 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, 2009.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of these interim condensed financial information are same as those applied in the preparation of the annual financial statements for the year ended December 31, 2009.

	Note	September 30, 2010	December 31, 2009
		-----Rs. '000----- (Un-audited)	(Audited)
4. PROPERTY, PLANT AND EQUIPMENT			
Operating assets	4.1	51,036	44,955
Capital work-in-progress	4.2	40	4,425
		<u>51,076</u>	<u>49,380</u>
4.1 Operating assets			
Opening book value		44,955	27,800
Additions during the period / year	4.1.1	11,675	23,935
		56,630	51,735
Disposal during the period / year	4.1.2	448	842
Depreciation charged during the period / year		5,146	5,938
		5,594	6,780
		<u>51,036</u>	<u>44,955</u>



	Note	September 30, 2010	December 31, 2009
		-----Rs. '000----- (Un-audited)	----- (Audited)
4.1.1 Additions during the period / year			
Plant and machinery		8,471	19,474
Building		1,241	921
Vehicles		1,841	3,019
Office equipments		<u>122</u>	<u>521</u>
		<u><u>11,675</u></u>	<u><u>23,935</u></u>
4.1.2 Disposal during the period / year			
Vehicles		<u>448</u>	842
		<u><u>448</u></u>	<u><u>842</u></u>
4.2 Capital work-in-progress			
Balance at the beginning of the year / period		4,425	16,087
Additions during the period / year		4,895	7,621
Transferred to operating assets		<u>(9,280)</u>	<u>(19,283)</u>
		<u><u>40</u></u>	<u><u>4,425</u></u>
5. STOCK-IN-TRADE			
Raw material		3,627	79,719
Packaging material		2,804	3,318
Finished goods		<u>165,891</u>	<u>217,151</u>
		<u><u>172,322</u></u>	<u><u>300,188</u></u>
6. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Ordinary shares of Rs. 10/- each			
Number of shares			
2010	2009		
		Ordinary shares of Rs. 10 each	
3,634,092	3,634,092	Fully paid in cash	36,341
		Ordinary shares of Rs. 10 each	
<u>614,460</u>	614,460	Issued as fully paid bonus shares	6,145
<u><u>4,248,552</u></u>	<u>4,248,552</u>		<u>6,145</u>
			<u><u>42,486</u></u>
7. SHORT-TERM RUNNING FINANCE Secured			
Export Refinance	7.1	145,000	190,000
Running Finance under mark-up arrangement	7.2	-	40,462
		<u>145,000</u>	<u>230,462</u>



- 7.1 This represents utilized portion of export refinance facilities aggregating Rs. 190,000,000/- (2009: Rs. 190,000,000/-) obtained from commercial banks carrying mark-up rate of 1% over SBP minimum export refinance rate (2009: 1% over SBP minimum export refinance rate) per annum. These facilities are secured by way of pari passu charge on Company's stock-in-trade and book debts aggregating to Rs. 220 million and first pari passu charge, aggregating to Rs. 270 million by way of land and building, hypothecation of plant and machinery and floating charge on all present and future assets of the Company.
- 7.2 This represents facilities obtained from the commercial bank amounting to Rs. 55,000,000/- (2009:Rs. 55,000,000/-) These facilities are secured by way of pari passu charge on stock-in-trade and book debts. Mark-up on the availed facilities is charged at 3 months KIBOR plus 1.5% per annum on outstanding balance.

8. CONTINGENCIES AND COMMITMENTS

- 8.1 Commitment for capital expenditures Rs. 12,869,000/- (2009: Rs. 387,350/-)
- 8.2 The status of other contingencies and commitments as at September 30, 2010 is same as reported in the annual financial statements for the year ended December 31, 2009.

9. TAXATION

- 9.1 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.
- 9.2 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.



	3rd Quarter ended		Quarter ended	
	Sep 30, 2010	Sep 30, 2009	Sep 30, 2010	Sep 30, 2009
----- Rupees in '000 -----				
10. (LOSS) / EARNINGS PER SHARE				
Net (loss) / profit for the period after tax	<u>(10,048)</u>	<u>4,599</u>	<u>(12,432)</u>	<u>1,275</u>
Number of ordinary shares in issue during the period	<u>4,248,552</u>	<u>4,248,552</u>	<u>4,248,552</u>	<u>4,248,552</u>
Basic (loss) / earnings per share	<u>Rs. (2.37)</u>	<u>Rs. 1.08</u>	<u>Rs. (2.93)</u>	<u>Rs. 0.30</u>

11. 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:

Relationship	Nature of transaction	3rd Quarter ended	
		Sep 30, 2010	Sep 30, 2009
----- Rupees in '000 -----			
Associated Company	Commission paid to associated companies	2,925	2,323
	Sale of goods to associated companies	3,320	5,969
	Freight Forwarding	40	131
	Transportation	1,274	551
Staff Retirement Benefit Plan	Contribution to staff retirement funds	621	669
Chief Executive	Remuneration	2,394	2,234
Director	Remuneration	2,097	1,405

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

12. DATE OF AUTHORISATION

These financial statements were authorized for issue on October 14, 2010 by the Board of Directors of the Company.

13. GENERAL

13.1 Figures for the 3rd quarter ended September 30, 2010 and 3rd quarter ended September 30, 2009 have not been subject to limited scope review by the statutory auditors.

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


Mohammad Moonis
 Chairman


M.A. Waseem
 Chief Executive Officer


Imran Shiwani
 Chief Financial Officer