



PAKISTAN
GUM AND CHEMICALS
LIMITED



INTERIM CONDENSED FINANCIAL INFORMATION
FOR THE HALF YEAR ENDED JUNE 30, 2009



COMPANY INFORMATION

AS ON JUNE 30, 2009

Board of Directors

Mohammad Moonis	Chairman
Shuaib Ahmed	Vice Chairman
Mohammad Ali Hanafi	Director
Mohammad Aslam Hanafi	Director
Ozair Ahmed Hanafi	Director
Tariq Mohamed Amin	Director
Zahid Zaheer	Director
Zaeem Ahmad Hanafi	Director

Chief Executive Officer

Mir Asad Waseem

Audit Committee

Tariq Mohamed Amin	Chairman
Zahid Zaheer	Member
Zaeem Ahmad Hanafi	Member

Company Secretary

Rafat Hussain

Chief Financial Officer

Imran Shiwani

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Advisor

Tahir Ali Tayebi & Company

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) 5662023-24

Registered Office

B-19/A, Irshad Qadri Road
S.I.T.E., Karachi-75700
Phone: (92-21) 2561124-26
Fax: (92-21) 2561320, 2565213
E-mail: pakchem@cyber.net.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, 2009. These accounts have been reviewed by our auditors Messrs Ford Rhodes Sidat Hyder & Company.

For the second quarter ended June'09, net sales were Rs.140 million compared to Rs.220 million in the corresponding period of 2008 and operating profit was Rs.4.8 million compared to Rs.15.5 million in second quarter of 2008. Profit after taxation in the second quarter of 2009 was Rs.1.7 million compared to Rs.8.4 million in the same period of 2008.

For the half-year ended June 30, 2009, operating profit was Rs. 9.7 million and profit after taxation was Rs.3.3 million compared to operating profit of Rs.25.3 million and profit after taxation to Rs. 12.9 million in the same period of 2008. Earning per share amounted to Rs.0.78 for the half year ended 2009 as compared to Rs.3.64 for the corresponding period of 2008.

Management is doing all it can to meet tough challenges, such as rising higher local guar seed prices, increasing manufacturing cost, depressed international prices of our product and lack of demand due to global economic crisis. However, even maintaining current profitability level for the next six months may not be possible for the above reasons and international competition particularly from India.

Mohammad Moonis

Chairman

Karachi: August 19, 2009



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

Introduction

We have reviewed the accompanying interim condensed balance sheet of **PAKISTAN GUM AND CHEMICALS LIMITED** as at **30 June 2009**, and the related interim condensed profit and loss account, interim condensed cash flow statement and interim condensed statement of changes in equity for the six-month period then ended (here-in-after referred to as the "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 the 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 applicable in Pakistan for interim financial reporting.

Ford Rhodes Sidat Hyder & Co.

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Karachi: August 19, 2009



**INTERIM CONDENSED BALANCE SHEET
AS AT JUNE 30, 2009**

	Note	June 30, 2009	Dec 31, 2008
		----- (Rupees in '000) -----	
		(UN-AUDITED)	(AUDITED)
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets			
Property, plant and equipment	4	45,974	43,887
Long-term deposits		776	770
		<u>46,750</u>	<u>44,657</u>
CURRENT ASSETS			
Stores and Spare Parts		5,991	5,683
Stock-in-trade	5	187,336	164,273
Trade debts		50,201	75,064
Accrued mark-up on bank deposits		288	47
Loans and advances		1,852	1,528
Short-term prepayments		719	404
Other receivables		15,368	13,247
Taxation-net		8,071	4,429
Cash and bank balances		16,106	28,592
		<u>285,932</u>	<u>293,267</u>
TOTAL ASSETS		<u><u>332,682</u></u>	<u><u>337,924</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share Capital			
Authorised			
5,000,000 Ordinary shares of Rs.10/- each		<u>50,000</u>	<u>50,000</u>
Issued, subscribed and paid-up capital		<u>42,486</u>	<u>42,486</u>
Reserves		<u>130,754</u>	<u>144,424</u>
		<u>173,240</u>	<u>186,910</u>
CURRENT LIABILITIES			
Trade and other payables		<u>21,993</u>	<u>28,262</u>
Accrued mark-up on Short-term borrowings		1,949	2,752
Short-term borrowings		<u>135,500</u>	<u>120,000</u>
		<u>159,442</u>	<u>151,014</u>
CONTINGENCIES AND COMMITMENTS	6		
TOTAL EQUITY AND LIABILITIES		<u><u>332,682</u></u>	<u><u>337,924</u></u>

The annexed notes from 1 to 12 form an integral part of these interim condensed financial statements

Mohammad Moonis
Chairman

M.A. Waseem
Chief Executive Officer

Imran Shiwani
Chief Financial Officer



**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT
FOR THE HALF-YEAR ENDED JUNE 30, 2009
(UN-AUDITED)**

Note	Half-year ended		Quarter ended	
	June 30, 2009	June 30, 2008	June 30, 2009	June 30, 2008
 (Rupees in `000)			
NET SALES	265,410	368,328	140,029	219,765
Cost of sales	(234,062)	(315,695)	(123,229)	(186,481)
GROSS PROFIT	31,348	52,633	16,800	33,284
Distribution and shipping costs	7 (7,516)	(13,590)	(4,985)	(9,554)
Administrative expenses	(15,142)	(14,410)	(7,974)	(8,940)
Other operating expenses	8 (266)	(1,192)	(90)	(746)
Other operating income	1,251	1,810	1,060	1,505
	(21,673)	(27,382)	(11,989)	(17,735)
OPERATING PROFIT	9,675	25,251	4,811	15,549
Finance costs	(4,619)	(7,269)	(2,470)	(4,414)
PROFIT BEFORE TAXATION	5,056	17,982	2,341	11,135
Taxation-current	9 (1,732)	(5,100)	(611)	(2,778)
NET PROFIT FOR THE PERIOD	3,324	12,882	1,730	8,357
EARNINGS PER SHARE - Basic and diluted	Rs.0.78	Rs. 3.64	Rs.0.41	Rs. 2.36

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Mohammad Moonis
Chairman

M.A. Waseem
Chief Executive Officer

Imran Shiwani
Chief Financial Officer



**INTERIM CONDENSED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED JUNE 30, 2009
(UN-AUDITED)**

	<u>Half-year ended</u>	
	June 30, 2009	June 30, 2008
 (Rupees in `000) ...	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,056	17,982
Adjustments for non cash items:		
Depreciation	2,759	1,907
Finance costs	4,619	7,269
Provision for compensated absences	362	1,274
Exchange gain	(856)	(1,107)
Profit on bank deposits	(363)	(432)
Accrued mark-up on loan to Staff Provident Fund	-	(271)
Gain on sale of property, plant and equipment	(32)	(190)
	6,489	8,450
Profit before working capital changes	11,545	26,432
Working capital changes		
Decrease / (increase) in current assets		
Stores, spare parts and loose tools	(308)	55
Stock-in-trade	(23,063)	(104,781)
Trade debts	25,719	(23,507)
Accrued markup	(241)	1,326
Loans and advances	(324)	25
Short-term prepayments	(315)	(173)
Other receivables	(2,121)	5,925
Trade and other payables	(6,631)	(3,310)
	(7,284)	(124,440)
Cash used in operations	4,261	(98,008)
Income tax paid	(5,374)	(4,859)
Long term deposits	(6)	-
Finance costs paid	(5,422)	(6,493)
	(10,802)	(11,352)
Net cash used in operating activities	(6,541)	(109,360)
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(4,894)	(3,374)
Proceeds from sale of fixed assets	80	202
Profit received on bank deposits	363	432
Net cash flows from investing activities	(4,451)	(2,740)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short term borrowings	15,500	111,697
Proceeds from issue of right shares	-	24,492
Dividend paid	(16,994)	(7,081)
Net cash flows from financing activities	(1,494)	129,108
Net (decrease)/increase in cash and cash equivalents	(12,486)	17,008
Cash and cash equivalents at the beginning of the period	28,592	15,452
Cash and cash equivalents at the end of the period	16,106	32,460

The annexed notes from 1 to 12 form an integral part of these interim condensed financial statements

Mohammad Moonis
Chairman

M.A. Waseem
Chief Executive Officer

Imran Shiwani
Chief Financial Officer



**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED JUNE 30, 2009
(UN-AUDITED)**

	CAPITAL RESERVE		REVENUE RESERVES		Total
	Issued, subscribed and paid-up capital	Share Premium	General	Unappropriated profit	
----- (Rupees in '000) -----					
Balance as at January 01, 2008	35,405	-	82,474	18,948	136,827
Cash dividend @ Rs.2 per Ordinary share of Rs.10 each, declared on March 27, 2008	-	-	-	(7,081)	(7,081)
Profit after taxation for the half year ended June 30, 2008	-	-	-	12,882	12,882
Balance as at June 30, 2008	<u>35,405</u>	<u>-</u>	<u>82,474</u>	<u>24,749</u>	<u>142,628</u>
Balance as at January 01, 2009	42,486	17,553	82,474	44,397	186,910
Cash dividend @ Rs. 4 per Ordinary share of Rs.10 each, declared on April 18, 2009	-	-	-	(16,994)	(16,994)
Profit after taxation for the half year ended June 30, 2009	-	-	-	3,324	3,324
Balance as at June 30, 2009	<u>42,486</u>	<u>17,553</u>	<u>82,474</u>	<u>30,727</u>	<u>173,240</u>

The annexed notes from 1 to 12 form an integral part of these interim condensed financial statements


Mohammad Moonis
Chairman


M.A. Waseem
Chief Executive Officer


Imran Shiwani
Chief Financial Officer



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED JUNE 30, 2009
(UN-AUDITED)**

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. BASIS OF PREPARATION

These interim condensed financial statements are unaudited but subject to limited scope review by the auditors. These are required to be presented to the shareholders 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 statements do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2008.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2008.

During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

Standard or Interpretation

- IAS 1 - Presentation of Financial Statements (Revised)
- IAS 23 - Borrowings Costs (Revised)
- IAS 32 - Financial Instruments-Presentation-Amendments regarding Puttable Financial Instruments
- IAS 39 - Financial Instruments: Recognition and measurement-Amendments regarding Eligible Hedge items
- IFRS 2 - Share-Based Payments-Vesting Conditions and Cancellations
- IFRS 7 - Financial Instruments: Disclosures
- IFRS 8 - Operating segments
- IFRIC 13 - Customer Loyalty Programs
- IFRIC 15 - Agreements for the Construction of Real Estate
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
- IFAS 2 - Ijara

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Company as disclosed in the annual financial statement for the year ended 31 December 2008 other than as stated below:

IAS 1 "Presentation of Financial Statements"

The standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owners changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income, which presents all items of recognised income and expense, either in one single statement, or in two linked statements. However, as the Company has no comprehensive income, a separate statement of comprehensive income has not been presented in these financial statements.



IFRS 7 "Financial Instruments: Disclosures"

This standard prescribes presentation and disclosure requirements in respect of financial instruments including qualitative and quantitative information about exposure to risks arising from financial instruments such as credit risk, liquidity risk and market risk. The Company will include such requirements in the financial statements for the year ending December 31, 2009.

	Note	June 30, 2009	Dec. 31, 2008
	(Rupees in '000).....	
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	43,758	27,800
Capital work-in-progress	4.2	2,216	16,087
		<u>45,974</u>	<u>43,887</u>
4.1 Operating fixed assets			
Opening net book value		27,800	23,773
Additions during the period / year	4.1.1	18,765	8,022
		46,565	31,795
Disposal during the period / year	4.1.2	122	12
Depreciation charged during the period / year		2,685	3,983
		2,807	3,995
		<u>43,758</u>	<u>27,800</u>
4.1.1 Additions during the period / year			
Building on leasehold land		-	3,784
Plant and machinery		18,574	47
Vehicles		-	427
Office equipments		191	3,764
		<u>18,765</u>	<u>8,022</u>
4.1.2 Disposals during the period / year			
Vehicles		<u>122</u>	<u>12</u>
4.2 Capital work-in-progress			
Balance at the beginning of the period / year		16,087	2,549
Additions during the period / year		4,396	17,405
Transferred to operating fixed assets		(18,267)	(3,867)
		<u>2,216</u>	<u>16,087</u>
5. STOCK-IN-TRADE			
Raw material		24,775	24,157
Packing material		3,826	4,078
Finished goods		158,735	136,038
		<u>187,336</u>	<u>164,273</u>
6. CONTINGENCIES AND COMMITMENT			
Contingencies			
6.1 The status of contingencies as at June 30, 2009 is the same as reported in the annual financial statements for the year ended December 31, 2008.			
Commitment			
6.2 Commitment for capital expenditure amounted to Rs.2.229 million.			



<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>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>

----- (Rupees in '000) -----

7. DISTRIBUTION AND SHIPPING COSTS

Sales promotion expenses	617	216	258	54
Freight	3,884	9,042	2,779	6,614
Port expenses	2,177	3,502	1,402	2,363
Cartage outwards	768	681	501	418
Marine insurance	70	149	45	105
	<u>7,516</u>	<u>13,590</u>	<u>4,985</u>	<u>9,554</u>

8. OTHER OPERATING EXPENSES

Workers' Profit Participation Fund	266	952	123	596
Workers' Welfare Fund	-	240	(33)	150
	<u>266</u>	<u>1,192</u>	<u>90</u>	<u>746</u>

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. 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.

10. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise of 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:

Relationship	Nature of transaction	Half Year Ended	
		June 30,	June 30,
		2009	2008

.....(Rupees in '000).....

Holding company	Dividend paid to the holding company	10,197	4,249
Associated companies	Commission on sales	1,462	2,166
	Sale of goods	5,611	6,141
Staff retirement benefit plan	Contribution to staff retirement benefit funds	438	379
Key management personnel	Remuneration	3,988	2,206

Related party transactions are carried out on commercial term, as approved by the board of directors.



11. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on 19th August, 2009 by the Board of Directors of the Company.

12. GENERAL

- 12.1 The figures of the profit and loss account for the quarters ended June 30, 2009 and June 30, 2008 have not been subject to limited scope review by the external auditors.
- 12.2 Figures presented in these interim condensed financial statements have been rounded off to the nearest thousand rupees.

Mohammad Moonis
Chairman

M.A. Waseem
Chief Executive Officer

Imran Shiwani
Chief Financial Officer