



**PAKISTAN  
GUM AND CHEMICALS  
LIMITED**



**INTERIM CONDENSED FINANCIAL  
INFORMATION FOR THE  
3rd QUARTER ENDED  
SEPTEMBER 30, 2011**



PAKISTAN GUM & CHEMICALS LIMITED

**COMPANY INFORMATION**  
AS ON SEPTEMBER 30, 2011

**Board of Directors**

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

**Chief Executive Officer**

Hamid Ahmed

**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**

Muhammad Ilyas

**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

**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



### **CHAIRMAN'S REVIEW**

On behalf of the Board of Directors, I am happy to present the un-audited accounts for the third quarter ended September 30, 2011.

For the third quarter from July 2011 to September 2011 net sales were Rs.405 million compared to Rs.150 million in the corresponding period of 2010 and operating profit was Rs.45.6 million compared to Rs.7.1 million loss in third quarter of 2010. Profit after taxation in third quarter of 2011 was Rs.30.4 million compared to Rs.12.4 million loss after taxation in the same period of 2010.

For the period ended September 30, 2011, operating profit was Rs.76.02 million and profit after taxation was Rs.58.64 million compared to operating loss of Rs.4.38 million and loss after taxation of Rs.10.05 million in the same period of 2010.

Earning per share for the aforesaid quarter was Rs.7.16 as compared to loss per share of Rs.2.93 in third quarter of 2010. The accumulated earning per share for the period ended September 30, 2011 was Rs.13.8 compared to loss per share of Rs. 2.37 in the corresponding period of 2010.

This year looks encouraging so far and it is hoped that it will remain so for the rest of the year. High international demands have helped the guar gum prices to climb to record heights. However, the seed prices have also registered very large increase.

I take this opportunity to thank my colleagues on the board for their wise counsel and total support in discharge of my responsibilities. I also commend the management and the staff for their continuing good work.

**Mohammad Moonis**  
*Chairman*

Karachi: October 28, 2011



PAKISTAN GUM &amp; CHEMICALS LIMITED

**INTERIM CONDENSED BALANCE SHEET  
AS AT SEPTEMBER 30, 2011**

	Note	Sep. 30, 2011	December 31, 2010
		-----Rs. '000-----	
		(Un-audited)	(Audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	4	49,671	49,895
Long-term deposits		778	776
		<u>50,449</u>	<u>50,671</u>
<b>CURRENT ASSETS</b>			
Stores and spare parts		10,151	6,998
Stock-in-trade	5	316,810	142,891
Trade debts		118,844	76,606
Accrued Mark-up on bank deposits		391	37
Loans and advances		1,985	1,430
Short-term prepayments		446	179
Other receivables		3,093	5,838
Taxation - net		9,339	15,586
Cash and bank balances		20,768	17,944
		<u>481,827</u>	<u>267,509</u>
<b>TOTAL ASSETS</b>		<u>532,276</u>	<u>318,180</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital			
Authorised			
10,000,000 ordinary shares of Rs.10/- each		<u>100,000</u>	<u>100,000</u>
<b>Issued, subscribed and paid-up capital</b>	6	<u>42,486</u>	<u>42,486</u>
<b>Reserves</b>		<u>137,356</u>	<u>78,719</u>
		<u>179,842</u>	<u>121,205</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		148,244	27,511
Accrued Mark-up on short-term borrowings		3,865	4,464
Short-term borrowings	7	200,325	165,000
		<u>352,434</u>	<u>196,975</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>	8	<u>532,276</u>	<u>318,180</u>

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



**Mohammad Moonis**  
Chairman



**Hamid Ahmed**  
Chief Executive Officer



**Muhammad Ilyas**  
Chief Financial Officer



**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT  
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2011  
( UN-AUDITED )**

Note	Period ended Jan - Sep 30		Quarter ended July - Sep 30	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
Turnover - net	993,652	566,586	404,673	150,044
Cost of sales	<u>(852,652)</u>	<u>(522,758)</u>	<u>(340,192)</u>	<u>(149,762)</u>
<b>Gross profit</b>	<b>141,000</b>	<b>43,828</b>	<b>64,481</b>	<b>282</b>
Operating expenses				
Administrative expenses	<u>(26,404)</u>	<u>(17,142)</u>	<u>(11,034)</u>	<u>(5,273)</u>
Other operating expenses	<u>(5,432)</u>	<u>-</u>	<u>(3,313)</u>	<u>399</u>
Shipping expenses	<u>(13,805)</u>	<u>(17,099)</u>	<u>(4,688)</u>	<u>(3,088)</u>
	<u>(45,641)</u>	<u>(34,241)</u>	<u>(19,035)</u>	<u>(7,962)</u>
Operating profit / (loss)	<b>95,359</b>	<b>9,587</b>	<b>45,446</b>	<b>(7,680)</b>
Other operating income	<b>554</b>	<b>1,479</b>	<b>191</b>	<b>578</b>
	<b>95,913</b>	<b>11,066</b>	<b>45,637</b>	<b>(7,102)</b>
Finance cost	<u>(17,614)</u>	<u>(13,460)</u>	<u>(6,580)</u>	<u>(3,880)</u>
Other charges	<u>(2,279)</u>	<u>(1,989)</u>	<u>(1,145)</u>	<u>-</u>
	<u>(19,893)</u>	<u>(15,449)</u>	<u>(7,725)</u>	<u>(3,880)</u>
<b>Profit / (Loss) before taxation</b>	<b>76,020</b>	<b>(4,383)</b>	<b>37,912</b>	<b>(10,982)</b>
Provision for taxation - current	<u>(17,383)</u>	<u>(5,665)</u>	<u>(7,498)</u>	<u>(1,450)</u>
<b>PROFIT / (LOSS) AFTER TAXATION</b>	<b>58,637</b>	<b>(10,048)</b>	<b>30,414</b>	<b>(12,432)</b>
<b>EARNINGS / (LOSS) PER SHARE</b> 10	<b><u>Rs. 13.80</u></b>	<b><u>Rs. (2.37)</u></b>	<b><u>Rs. 7.16</u></b>	<b><u>Rs. (2.93)</u></b>

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

  
**Mohammad Moonis**  
Chairman

  
**Hamid Ahmed**  
Chief Executive Officer

  
**Muhammad Ilyas**  
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED STATEMENT OF  
COMPREHENSIVE INCOME  
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2011  
( 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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	----- (Rupees in '000) -----			
<b>Profit / (Loss) for the period</b>	<b>58,637</b>	<b>(10,048)</b>	<b>30,414</b>	<b>(12,432)</b>
Other Comprehensive income for the period	-	-	-	-
<b>Total comprehensive income / (loss) for the period</b>	<u><u>58,637</u></u>	<u><u>(10,048)</u></u>	<u><u>30,414</u></u>	<u><u>(12,432)</u></u>

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

  
**Mohammad Moonis**  
Chairman

  
**Hamid Ahmed**  
Chief Executive Officer

  
**Muhammad Ilyas**  
Chief Financial Officer



PAKISTAN GUM &amp; CHEMICALS LIMITED

**INTERIM CONDENSED CASH FLOW STATEMENT  
FOR THE 3<sup>rd</sup> QUARTER ENDED SEPTEMBER 30, 2011  
( UN-AUDITED )**

	<u>3<sup>rd</sup> Quarter ended</u>	
	<u>Sep</u>	<u>Sep</u>
	<u>30, 2011</u>	<u>30, 2010</u>
	-----Rs. '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	76,020	(4,383)
<b>Adjustments for:</b>		
Depreciation	5,670	5,146
Finance cost	17,614	13,460
(Reversal) / Provision for compensated absences	196	(370)
Profit on bank deposits	(549)	(717)
Gain on sale of fixed assets	(5)	(762)
	<u>22,926</u>	<u>16,757</u>
	98,946	12,374
<b>Movement in working capital</b>		
(Increase) / Decrease in current assets	(217,739)	150,671
Increase / (Decrease) in current liabilities	120,733	(25,486)
	<u>(97,006)</u>	<u>125,185</u>
<b>Cash (utilized in) / generated from operations</b>	1,940	137,559
Income tax paid	(11,136)	(9,967)
Long term deposits	(2)	-
Finance charges paid	(18,213)	(16,426)
	<u>(29,351)</u>	<u>(26,393)</u>
<b>Net cash flows from operating activities</b>	(27,411)	111,166
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(6,490)	(7,289)
Proceeds from sale of fixed assets	851	1,209
Profit received on bank deposits	549	717
<b>Net cash flows from investing activities</b>	(5,090)	(5,363)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Payment of) / Proceeds from short term borrowings	35,325	(85,462)
Dividend paid	-	(4,249)
<b>Net cash flows from financing activities</b>	35,325	(89,711)
<b>Net Increase / (Decrease) in cash and cash equivalents</b>	2,824	16,092
<b>Cash and cash equivalents at the beginning of the period</b>	17,944	10,406
<b>Cash and cash equivalents at the end of the period</b>	<u>20,768</u>	<u>26,498</u>

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

  
**Mohammad Moonis**  
Chairman

  
**Hamid Ahmed**  
Chief Executive Officer

  
**Muhammad Ilyas**  
Chief Financial Officer



PAKISTAN GUM &amp; CHEMICALS LIMITED

**INTERIM CONDENSED STATEMENT OF  
CHANGES IN EQUITY  
FOR THE 3<sup>rd</sup> QUARTER ENDED SEPTEMBER 30, 2011  
( UN-AUDITED )**

	Issued subscribed and paid-up capital	Share Premium	Revenue reserves - general	Accumulated profit	Total
<b>Balance as at January 01, 2010</b>	42,486	17,553	82,474	32,776	175,289
Cash dividend @ Rs.1 per Ordinary share of Rs. 10 each declared on April 18, 2010	-	-	-	(4,249)	(4,249)
Loss after taxation for the 3 <sup>rd</sup> Quarter ended September 30, 2010	-	-	-	(10,048)	(10,048)
<b>Balance as September 30, 2010</b>	<u>42,486</u>	<u>17,553</u>	<u>82,474</u>	<u>18,479</u>	<u>160,992</u>
<b>Balance as at January 01, 2011</b>	42,486	17,553	82,474	(21,308)	121,205
Profit after taxation for the 3 <sup>rd</sup> Quarter ended September 30, 2011	-	-	-	58,637	58,637
<b>Balance as at September 30, 2011</b>	<u>42,486</u>	<u>17,553</u>	<u>82,474</u>	<u>37,329</u>	<u>179,842</u>

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

  
**Mohammad Moonis**  
Chairman

  
**Hamid Ahmed**  
Chief Executive Officer

  
**Muhammad Ilyas**  
Chief Financial Officer

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION  
FOR THE 3rd QUARTER ENDED SEPTEMBER 30, 2011****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, 2010.

**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, 2010.

	Note	September 30, 2011	December 31, 2010
		-----Rs. '000----- (Un-audited)	(Audited)
<b>4. PROPERTY, PLANT AND EQUIPMENT</b>			
Operating assets	4.1	<b>47,907</b>	49,185
Capital work-in-progress	4.2	<b>1,764</b>	710
		<b><u>49,671</u></b>	<u>49,895</u>
<b>4.1 Operating assets</b>			
Opening book value		<b>49,185</b>	44,955
Additions during the period / year	4.1.1	<b>5,238</b>	11,714
		<b>54,423</b>	56,669
Disposal during the period / year	4.1.2	<b>(846)</b>	(510)
Depreciation charged during the period / year		<b>(5,670)</b>	(6,974)
		<b><u>(6,516)</u></b>	<u>(7,484)</u>
		<b><u>47,907</u></b>	<u>49,185</u>





- 7.1 This represents utilized portion of export refinance facilities aggregating Rs. 180,000,000/- (2010: Rs. 190,000,000/-) obtained from commercial banks carrying mark-up rate of 1% over SBP minimum export refinance rate (2010: 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 utilized portion of running finance facilities obtained from the commercial bank amounting to Rs.55,000,000/- (2010: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. 503,000/- (2010: Rs.21,000/-)
- 8.2 The status of other contingencies and commitments as at September 30, 2011 is same as reported in the annual financial statements for the year ended December 31, 2010.

#### **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, 2011	Sep 30, 2010	Sep 30, 2011	Sep 30, 2010
----- Rupees in '000 -----				
<b>10. PROFIT / EARNINGS PER SHARE Basic and diluted</b>				
Net (loss) / profit for the period after tax	<u>58,637</u>	<u>(10,048)</u>	<u>30,414</u>	<u>(12,432)</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. 13.80</u>	<u>Rs. (2.37)</u>	<u>Rs. 7.16</u>	<u>Rs. (2.93)</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, 2011	Sep 30, 2010
----- Rupees in '000 -----			
Associated Company	Commission paid to associated companies	<b>6,176</b>	2,925
	Sale of goods to associated companies	<b>6,193</b>	3,320
	Freight Forwarding	<b>20</b>	40
	Transportation	<b>1,038</b>	1,274
Staff Retirement Benefit Plan	Contribution to staff retirement funds	<b>464</b>	621
Chief Executive	Remuneration	<b>2,389</b>	2,394
Director	Remuneration	<b>3,617</b>	2,097

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 28, 2011 by the Board of Directors of the Company.

**13. GENERAL**

13.1 Figures for the 3<sup>rd</sup> quarter ended September 30, 2011 and 3<sup>rd</sup> quarter ended September 30, 2010 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

  
**Hamid Ahmed**  
 Chief Executive Officer

  
**Muhammad Ilyas**  
 Chief Financial Officer