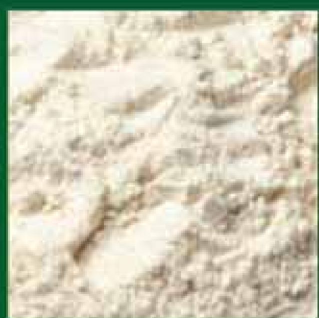
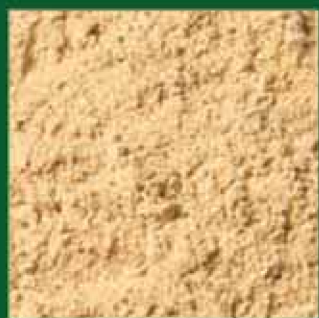
ANNUAL REPORT 2013

GUAR SEED

GUAR SPLITS



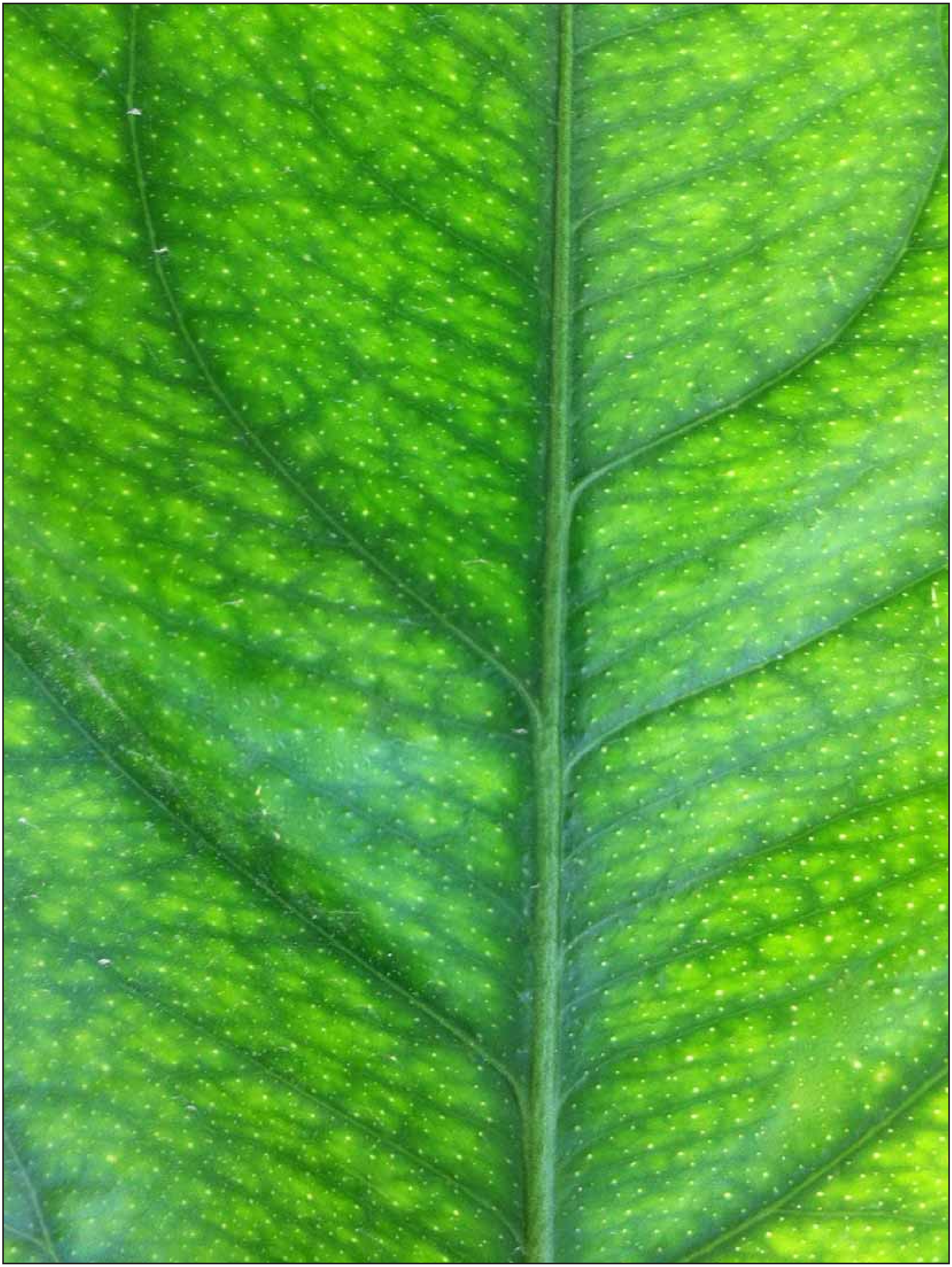
GUAR GUM



GUAR MEAL

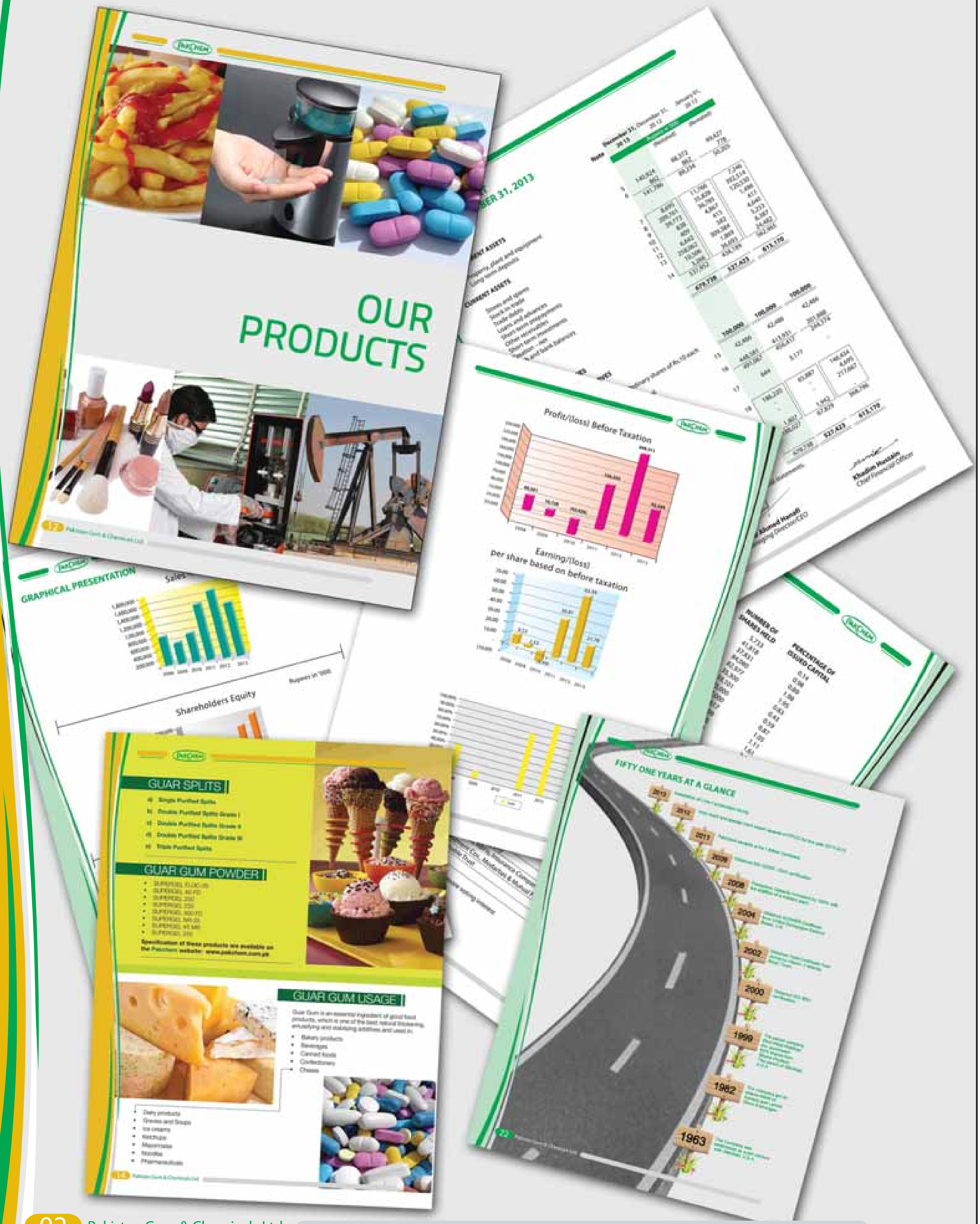
PAKCHEM

Spreading goodness of Guar



CORPORATE OBJECTIVES

- Develop a strong organization centered at Karachi, to run the existing business and exploit new opportunities.
- Develop relationships with agents and end-users for a world-wide reach for our products and thus improve profitability.
- Develop a strategy on procurement of raw material to secure long-term business and development opportunities.
- Identify, establish and exploit new markets and technologies through Research and Development and marketing skills.
- Identify suitable acquisitions for real synergies to improve our corporate position and profit potential.
- In recognition of its responsibilities as a Corporate Body the Company aims to:
  - Pursue personnel policies, which recognize the aspirations and performance of individuals and which are suited to the diverse levels of skills required and the many career paths available in the company.
  - Have full regard to the attitudes and expectations of its client base at large and contribute as appropriate, to the formulation of positive attitudes and opinions.
  - Act as a reputable, efficient and responsible organization.



OUR PRODUCTS
GRAPHICAL PRESENTATION
Sales
Shareholders Equity
Profit/(loss) Before Taxation
Earning/(loss) per share based on before taxation
GUAR SPLITS
GUAR GUM POWDER
GUAR GUM USAGE
FIFTY ONE YEARS AT A GLANCE

CONTENTS:

COMPANY INFORMATION

AS ON DECEMBER 31, 2013

Board of Directors

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

Managing Director/CEO

Ozair Ahmed Hanafi

Audit Committee

Tariq Mohamed Amin	Chairman
Zahid Zaheer	Member
Zaeem Ahmad Hanafi	Member

Human Resource & Remuneration (HR&R) Committee

Zahid Zaheer	Chairman
Shuaib Ahmed	Member
Tariq Mohamed Amin	Member

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

Registrar and Share Transfer Office

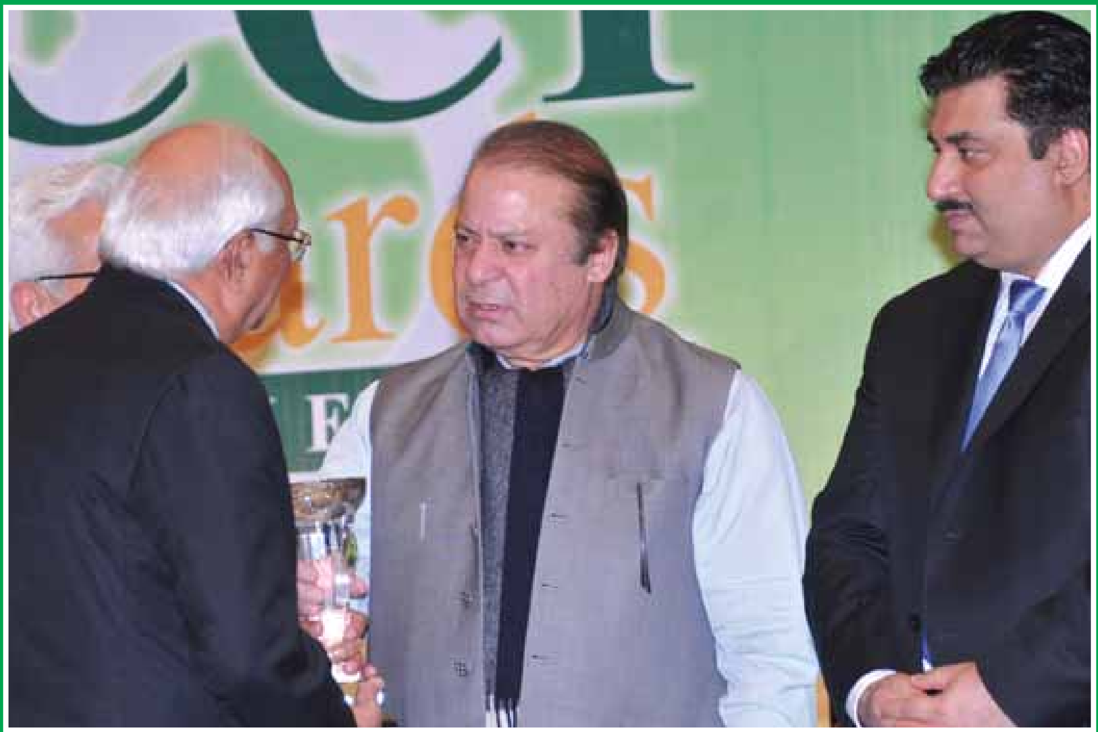
Evolution Factor (Private) Limited
407-408, Al-Ameera Centre
Shahrah-e-Iraq, Saddar
Karachi

Phone: (92-21) 5662023-24

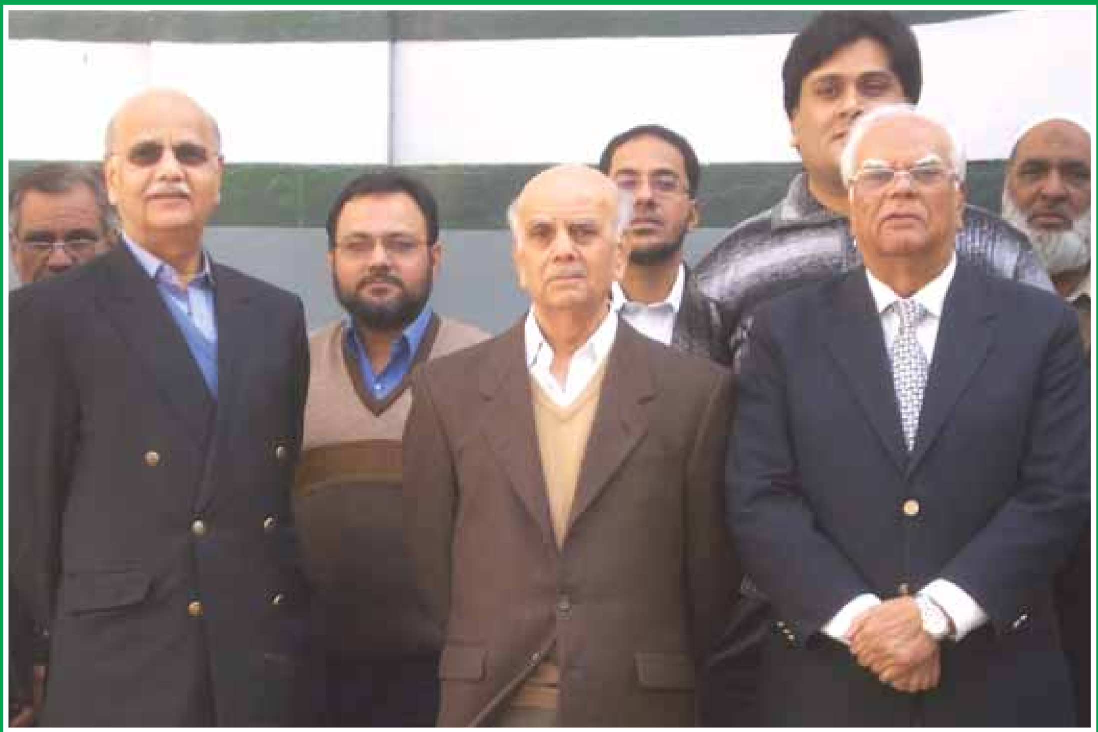
Registered Office

B-19/A, Irshad Qadri Road
S.I.T.E., Karachi-75700
P. O. Box 3639

Phone: (92-21) 32561124-26
Fax: (92-21) 32561320
E-mail: info@pakchem.com.pk
URL: www.pakchem.com.pk



Mr. Ozair Ahmed Hanafi Managing Director/CEO receiving FPCCI Merit Export Award trophy from the Prime Minister of Pakistan.



The Chairman, Vice Chairman, Managing Director/CEO and some Senior Managers on the occasion of inauguration of Line-5 production facility.

The Chairman inaugurating the Line-5 production facility installed during the year.

Some of the staff members photographed on the occasion of inauguration of Line-5 production facility.

Chairman, Vice Chairman and Managing Director/CEO visiting the new packing facility.

New packing facility

Managing Director/CEO and some Directors with the project team.

Engineering Team

WHO WE ARE

Pakistan Gum and Chemicals Limited (PakChem) is one of the largest producers of Guar Gum in Pakistan. It has the distinction of being the only Guar Gum Company that is Public Limited whose shares are listed on Karachi and Lahore stock exchanges. It is located in Karachi, a major port and business center in South Asia, which provides easy access to land, sea and air transportation routes. The company has an integrated manufacturing facility that converts Guar Seed into Finished Guar Gum.

PAKCHEM is an export based company with world-wide customers mainly in Canada, China, Dubai, Germany, Hong Kong, Italy, Holland, Japan, Korea, Malaysia, Philippines, Poland, Qatar, Singapore, Spain, Switzerland, Saudi Arabia, Taiwan, Thailand, Turkey and the USA.

The Federation of Pakistan Chamber of Commerce and Industry (FPCCI) has awarded Pakchem with merit and special merit export awards on guar gum for the year 2011-2012 and 2012-2013.

REFINED GUAR SPLIT

FINISHED GUAR GUM

GUAR MEAL

WHAT WE DO

PAKCHEM produces high quality guar gum and guar splits, which have extensive usage in food and other industries as natural thickener, emulsifier, stabilizer, hydrocolloid, natural fibre, binding, gelling and fracturing agent.

The by-product, guar meal is used as a nutritional supplement for animal, poultry and cattle feed.

As an ISO 22000:2005 certified company, our guar products are developed and manufactured under stringent quality control standards.

GUAR SPLITS

a) **Single Purified Splits**
b) **Double Purified Splits Grade I**
c) **Double Purified Splits Grade II**
d) **Double Purified Splits Grade III**
e) **Triple Purified Splits**

GUAR GUM POWDER

- SUPERGEL FLOC-25
- SUPERGEL 40-BDX
- SUPERGEL 300-SDX
- SUPERGEL 300-SDX-FH
- SUPERGEL FLOC G-5
- SUPERGEL 20-AB
- SUPERGEL CM-80
- SUPERGEL 50 BPO
- SUPERGEL 30 CMX
- SUPERGEL 150-AB
- SUPERGEL CM-15
- SUPERGEL 30-X
- SUPERGEL BRM 25
- SUPERGEL 20-LM
- SUPERGEL 500-MZS
- SUPERGEL 215 LM
- SUPERGEL 250 MDX
- SUPERGEL 500-MXV
- SUPERGEL 210 LDX
- SUPERGEL 212 LDX
- SUPERGEL 450 EXP

Specification of these products are available on the Pakchem website: www.pakchem.com.pk

GUAR GUM USAGE

In Industrial Applications, guar gum is a versatile product with various applications such as:

- Natural thickener
- Thickening and sizing agent
- Wet-end strength additive
- Gelling agent and water barrier
- Flocculation aid
- Emulsifier
- Stabilizer
- Hydrocolloid
- Fracturing agent
- Binder

Guar Gum has important uses in many industries, for example:

- Adhesives
- Cosmetics
- Fire fighting foams
- Liquid soaps
- Lotions
- Lubricants
- Mining
- Oil and gas exploration
- Paper industry
- Shampoos
- Textiles
- Toiletries
- Toothpastes

In Oil Field Applications

- Guar gum is used in oil well fracturing, oil well stimulation, mud drilling and shale gas fracturing.
- It is used as drilling aids in oil wells and geological and water drilling.
- It is used as a viscosifier to maintain drilling mud viscosities.
- It reduces friction in the well holes and minimizes power requirements.
- Used for mud formulations, enhanced oil recovery, polymer flooding, well treatment, lost circulation and plugging.
- Provides better flow for oil and gas recovery.

In the Cosmetic Industry

- Guar gum is used as a thickener, protective colloid in Skin care products, creams and lotions.
- Used in toothpaste and shaving cream for easy extruding from the tube.

In the Paper Industry

- Guar gum gives denser surface to the paper used for printing.
- It helps improved writing properties, better bonding strength and increased hardness.
- Due to improved adhesion, it gives better breaking and folding strengths.
- Provides increased sheet formation, fold strength, tensile strength and improved finishing in the paper industry

In the Textile Industry

- Guar gum gives excellent film forming and thickening properties when used for textile sizing, finishing and printing.
- It improves efficiency in production.

In the Metallurgical and Mining Industry

- Guar gum is widely used as a flocculent to produce liquid solid separation.
- It is also used in flotation.

PROPERTIES OF GUAR GUM

Industrial Grade:

- Viscosity control
- Flocculation
- Friction reducing agent
- Water loss control
- Gelling, thickening and binding agent
- Suspending agent

GUAR SPLITS

a) **Single Purified Splits**

b) **Double Purified Splits Grade I**

c) **Double Purified Splits Grade II**

d) **Double Purified Splits Grade III**

e) **Triple Purified Splits**

GUAR GUM POWDER

- SUPERGEL FLOC-35
- SUPERGEL 40-FD
- SUPERGEL 200
- SUPERGEL 225
- SUPERGEL 300 FD
- SUPERGEL NR-25
- SUPERGEL 45 MB
- SUPERGEL 250

Specification of these products are available on the Pakchem website: www.pakchem.com.pk

GUAR GUM USAGE

Guar Gum is an essential ingredient of good food products, which is one of the best natural thickening, emulsifying and stabilizing additives and used in:

- Bakery products
- Beverages
- Canned foods
- Confectionery
- Cheese
- Dairy products
- Gravies and Soups
- Ice creams
- Ketchups
- Mayonnaise
- Noodles
- Pharmaceuticals

In Frozen Food Products:
Guar gum reduces crystal formation, acts as a binder and stabilizer to extend shelf life of Ice-cream.

In Baked Food Products:
Guar gum provides unparallel moisture preservation to the dough and retards fat penetration in baked foods.

In Dairy Products:
Guar gum improves texture, maintains uniform viscosity and colour.

In Sauces & Salad preparations:
Guar gum acts as a water binder in sauces and salad dressings and reduces water and oil separation.

In Confectionery:
Guar gum controls viscosity, gel creation, moisture retention to produce the highest grade confectionery.

In Beverages:
Guar gum provides outstanding viscosity control.

In Fish Feed and Pet Food:
Guar gum forms gels and retains moisture, acts as a thickening agent and stabilizer.

In the Pharmaceutical Industry:
Guar gum is used in the pharmaceutical industry as a gelling, viscosifying, thickening, stabilizing, emulsifying and binding agent. In tablet manufacturing, it is used as a binding agent and in micro-encapsulation of drugs.

PROPERTIES OF GUAR GUM

- High stabilizing properties
- High viscosity at low concentration
- Soluble in hot and cold water
- High pseudo plasticity
- Highly resistant to temperature variations
- Zero caloric value
- Improves texture
- Imparts creamy consistency
- Enhances mouth-feel
- Stabilizes pulp in beverages
- Prevents crystallization
- Stabilizes insoluble ingredients
- Binding and water retention ability
- Increases Volume

Guar meal is produced from the seed of guar plant, Cyamopsis Tetragonolobus of the leguminosae family. This plant is mainly grown in India and Pakistan.

Process:

The seed is cleaned before starting the production process. After cleaning, seed is subjected to heat in rotary furnace plant. Heating softens the hull making it easier to crush. The heated seed then goes through dehuskers, which crush the seed into three different products i.e. splits, broken splits and raw meal.

Toasted Meal is checked after every hour by the control lab to make sure that toasting is done properly. After complete toasting of the meal, it is packed in polypropylene bags, jute bags or jumbo bags as per buyers' requirement and stored for shipping.

Advantages:

Pakistan Gum and Chemicals Limited (Pakchem) processed guar meal 'HIVIPRO' is a high protein feed stuff for animal and poultry. It is the by-product obtained after guar gum is extracted from the guar seed. Toasting at high temperature removes the natural trypsin inhibitor. Thus enhancing nutritive value and digestibility. It is rich in proteins and carbohydrates and is a 100% natural agricultural product without the addition of any chemicals or preservatives. It can be used either in conjunction with other feed stuff or itself as it is a complete nutritional feed.

- It is free from Salmonella and Aflatoxin, which often infect cotton seed meal.
- It is free flowing and therefore can be stored in silos and does not create any problem in discharge.
- It is non-inflammable.

GUAR MEAL

Amino Acid Analysis on Processed Guar Meal (Hivipro) Amino Acid in % Typical Analysis

LYSINE	:	1.67%
METHIONINE	:	0.50%
METHIO+CYSTINE	:	0.99%
THREONINE	:	1.28%
ARGININE	:	5.12%
GLYCINE	:	2.19%
GLYCINE+SERINE	:	4.04%
HISTIDINE	:	0.98%
ISOLEUCINE	:	1.30%
LEUCINE	:	2.43%
PHENYLALANINE	:	1.57%
PHENYLALANINE + TYROSINE	:	3.26%
VALINE	:	1.57%
ASPARTICACID	:	4.10%
GLUTAMICACID	:	8.40%
PROLINE	:	1.35%
ALANINE	:	1.75%

- It contains minimum average of 45% "O&A" (Oil and Albuminoid).
- It can be used as a binding agent for palletizing other feed compounds due to the presence of residual gum.
- It may also be palletized.
- The government of Pakistan issues a standard phytosanitary certificate covering Pakchem processed guar meal.

PAKCHEM PROCESSED GUAR MEAL (HIVIPRO) CONTAINS

MOISTURE	: 03 - 05 %
CRUDE PROTEIN	: 39 - 42 %
OIL	: 04 - 06 %
FIBRE	: 11 - 14 %
ASH	: 04 - 05 %
"O & A" (OIL & ALBUMINOID)	: 45% Minimum

STRICT QUALITY CONTROL

STERILIZED PACKING

WAREHOUSING

LOADING

HOW WE DO

Strict Focus on Quality
High quality standards are maintained throughout the production process, right from seed procurement till the delivery of final products to our customers.

Crop Survey
Quality control process starts right from the purchase of guar seeds. Our team visits guar growing areas on Annual Guar Crop Survey to evaluate the quality of the new crop.

Storage:
The purchased seed, after the cleaning and removing impurities, is stored in our silos away from dirt and rodents. It is fed straight from silos into the production system.

Processing:
In the first processing step, splits are produced and purified further as required.
The splits are subsequently converted into Finished Gum for food and other industrial usage.
The husk of seed is processed to produce guar meal.

Packing:
The finished Gum is packed in 25 kgs kraft paper bags with a poly liner inside. This packing protects the Gum from moisture and other damages.
The guar meal is packed as per buyer requirment.

Loading:
The finished products in bags are loaded on trucks for delivery to customers.

Packing operation in process

WHAT MAKES US FEEL PROUD

Process, Quality and Religious Certifications

We have been certified for our production and quality control processes as well as for our conformance to religious laws.

ISO 22000:2005 Certification

Kosher Certification

Halal Certification

High Quality Standard

PakChem is known for quality. High hygiene and quality standards are maintained throughout the production process, right from seed procurement till the delivery of final products to our customers.

We have substantional share of guar gum supplies from Pakistan to quality conscious countires including Japan. Majority of the renowned food products manufacturers, including MNCs, in Pakistan are our customers.

Control Lab

Quality is checked at each stage of the production process by our quality control staff.

Microbiological Lab

A dedicated Microbiological Laboratory at PakChem ensures that PakChem products are produced under the rigorously controlled hygienic standards of Food and Drug Administration (FDA) and Joint FAO/WHO Expert Committee on Food Additives (JECFA).

Research & Development

Under our on-going Research & Development programs, we endeavor to improve our existing products and develop new ones. We have a dedicated team of research staff who are engaged in this activity.

FIFTY ONE YEARS AT A GLANCE

2013 Installation of Line-5 production facility

2012 Won merit and special merit export awards of FPCCI for the year 2011-2012

2011 PakChem became a Rs.1 Billion Company.

2009 Obtained ISO 22000 : 2005 certification.

2008 Production Capacity increased by 100% with the addition of a modern plant.

2004 Obtained KOSHER Certificate from United Synagogue Kashrut Board, U.K.

2002 Obtained Halal Certificate from Jamia-tul-Uloom- il-Islamia, Binori Town.

2000 Obtained ISO 9001 certification.

1999 The parent company *East-West Holdings Inc.* purchased 60% shares from *Rhone-Poulenc*, The parent of *Steinhall, U.S.A.*

1982 The Company got its shares listed on Karachi and Lahore Stock Exchanges.

1963 The Company was established as a join venture with *Steinhall, U.S.A.*

SIX YEARS FINANCIAL HIGLIGHTS

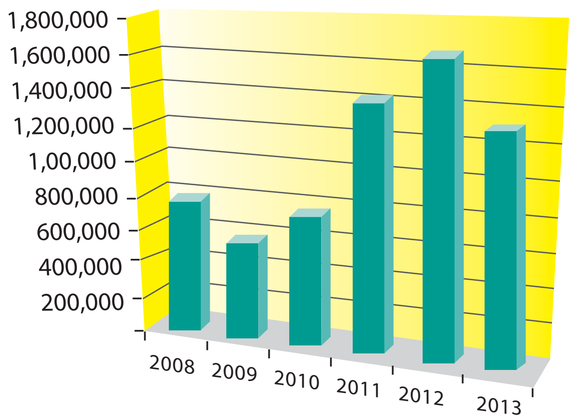
(Rupees in Thousands)

	2013	2012 (Restated)	2011	2010	2009	2008
Operating assets	59,524	57,557	49,110	49,185	44,955	27,800
Capital work-in-progress	81,400	30,815	317	710	4,425	16,087
Long-term Loans, Deposits & Retirement Benefits	862	862	778	776	776	770
Net current and other assets	349,925	370,360	198,929	70,534	1 25,133	1 42,253
Total assets employed	4 91,711	4 59,594	2 49,134	1 21,205	1 75,289	1 86,910
Ordinary capital	42,486	42,486	42,486	42,486	42,486	42,486
Reserves	448,581	413,931	206,648	78,719	1 32,803	1 44,424
Long term and deferred liabilities	644	3,177	-	-	-	-
Total funds employed	4 91,711	4 59,594	2 49,134	1 21,205	1 75,289	1 86,910
Net turnover	1 ,317,205	1 ,726,433	1 ,450,778	734,117	5 66,982	7 82,752
Profit/(Loss) before taxation	92,549	269,311	156,393	(42,426)	10,728	40,501
% of net sales	5.36	15.60	10.78	(5.78)	1.89	5.17
% of average assets employed	24.98	92.74	84.46	(28.62)	5.92	25.02
Profit / (Loss) after taxation	76,441	246,177	127,929	(49,835)	5,373	32,530
Cash dividend - amount	21,243	42,486	33,989	-	4,249	16,994
Bonus Shares - %	-	-	-	-	-	-
Right Shares - %	-	-	-	-	-	-
Cash dividend - %	50	100	80	-	10	40
Earnings/(Loss) per share Rs.	17.99	57.94	30.11	(11.73)	1.26	8.04
Break-up value	115.73	108.18	58.64	28.53	41.26	43.99
No. of shares	4,249	4,249	4,249	4,249	4,249	4,249

GRAPHICAL PRESENTATION

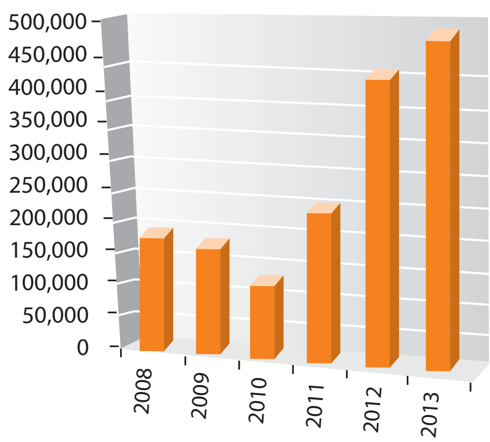
Sales -Net

Rupees in '000



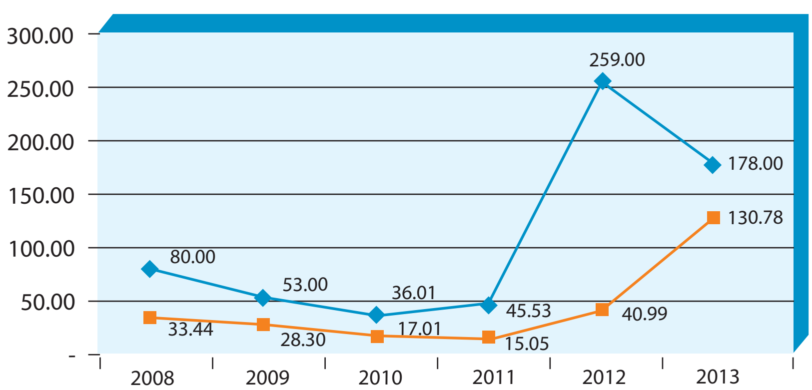
Shareholders Equity

Rupees in '000



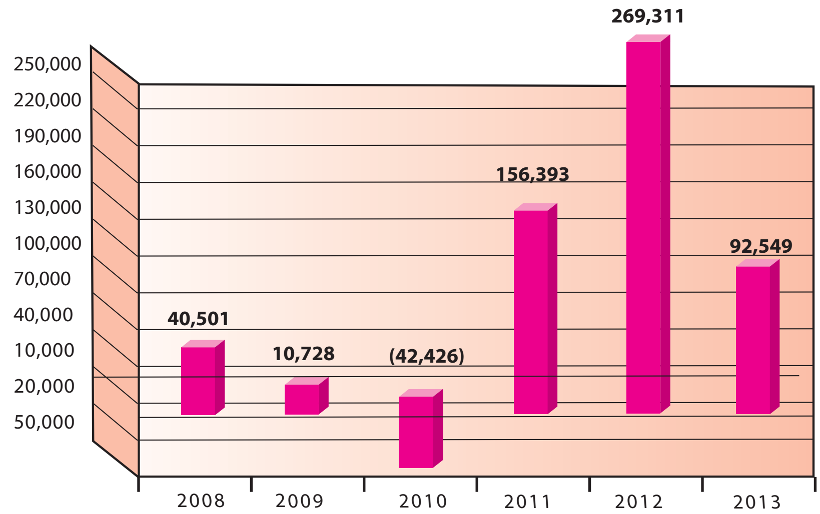
Share Price Movement

Rupees



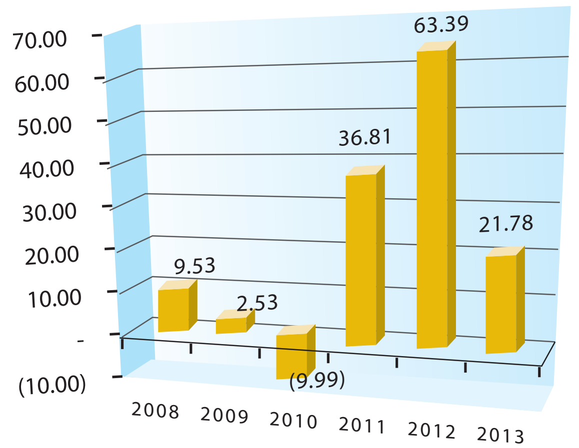
Profit/(loss) Before Taxation

Rupees in '000

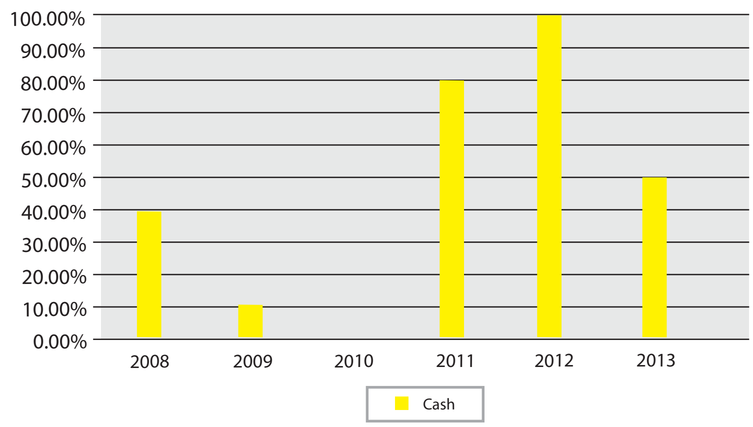


Earning/(loss) per share based on before taxation

Rupees



Dividend Payout



NOTICE OF MEETING

NOTICE IS HEREBY given that the 51st Annual General Meeting of Pakistan Gum & Chemicals Limited, will be held on Tuesday, April 22, 2014 at the Council Hall of the Overseas Investors Chamber of Commerce & Industry, Talpur Road, Karachi at 11:00 a.m. to transact the following:

Ordinary Business

1. To receive, consider and adopt the Annual Audited Accounts for the year ended December 31, 2013 together with the Directors' and Auditors' reports thereon.

2. To consider and approve payment of dividend at Rs. 5/- per share (50%) to the shareholders for the year ended December 31, 2013 as recommended by the Board of Directors.

3. To appoint auditors and fix their remuneration.

By Order of the Board
Khadim Hussain
Company Secretary
Karachi: March 6, 2014

Notes:

1. The Share Transfer Books of the Company will remain closed from April 16, 2014 to April 22, 2014 (both days inclusive). Transfers received in order at the office of the Registrar of the Company M/s. Evolution Factor (Pvt.) Limited, 407-408, Al-Ameera Centre, Shahrah-e-Iraq, Saddar, Karachi by the close of business on April 15, 2014 will be treated in time for the purpose of payment of dividend to the transferees, and to attend the meeting.

2. CDC shareholders are requested to bring their original CNIC, Account, Sub- Account number and participant's number in Central Depository System for identification purpose for attending the meeting. In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

3. A member entitled to attend and vote at the meeting may appoint another person on his/her behalf as his/her proxy to attend, speak and vote and a proxy so appointed shall have such right with respect to attending, speaking and voting at the meeting as are available to a Member. Proxies in order to be effective must be received by the Company not less than 48 hours before the meeting. A proxy need not be a member of the Company.

4. Shareholders are requested to notify any change in their addresses immediately. Moreover, the shareholders claiming exemption from Zakat are required to file their Declaration with our Share Registrar.

Submission of copies of CNIC:

SECP has directed vide SRO No.831(1)2012 dated July 5, 2012 to issue dividend warrant only crossed as "A/c Payee only" and should bear the computerized National Identity Card (CNIC) number of the registered member.

All those shareholders who have not submitted their valid CNICs are requested to send a photocopy of their valid CNIC/NTN along with the Folio number(s) to the Company's Share Registrar. No dividend will be payable unless the CNIC number is printed on the dividend warrant, so please let us have your CNIC, failing which we will not be responsible, if we are unable to pay the dividend to the shareholders who have not submitted their valid CNIC.

Payment of Cash Dividend Electronically (Optional):

The Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders wishing to exercise this option may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant)/CDC.

CDC Account Holders will further have to follow the guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities & Exchange Commission of Pakistan.

DIRECTORS' REPORT

On behalf of the Board of Directors, it gives us great pleasure to welcome you to the 51st Annual General Meeting of the Company.

Operating Results

As anticipated, overall operating results could not match the phenomenal performance of the previous year. Net sales during the year were Rs.1,317 million as compared to Rs.1,726 million for the previous year. Gross profit margin for the year decreased to 12% from 21% for the previous year caused by lower prices for export sales due to intense competition. Operating profit for the year decreased to Rs.102 from Rs.283 million for the previous year. Profit after tax decreased to Rs.76 from Rs.246 million for the previous year primarily due to lower sales and lower Gross Profit margin for reasons enumerated above.

Manufacturing

Commercial production of Line-5 project commenced in February, 2014 which would increase our production capacity and decrease the production cost to a large extent.

Code of Corporate Governance

As required by the Code of Corporate Governance, we are pleased to report the following:

- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flow and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and changes in accounting policies, if any, have been adequately disclosed. Accounting estimates are based on reasonable and prudent judgement.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure, if any, has been adequately disclosed and explained.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulation.
- There have been significant deviation from last year in operating results of the Company and deviations have been highlighted and explained in the director's review of operating results and accounts.
- Key operating and financial data of last six years is annexed.
- The Company operates funded gratuity, pension and provident fund schemes. The fair value of assets based on last audited accounts of the respective funds amounted to Rs.46.09 million
- The number of board and Committees' meetings held during the year and attendance of these meetings is as follows:

	Committee Members		Attendance		
Name	Board Audit Committee	HR & Remuneration Committee	Board Meeting	Board Audit Committee	HR & Remuneration Committee
Mr. Mohammad Moonis			6/6		
Mr. Shuaib Ahmed *			5/6		1/4
Mr. Ozair Ahmed Hanafi **			6/6		4/4
Mr. Mohammed Aslam Hanafi			4/6		
Mr. Tariq Mohamed Amin			6/6	4/4	4/4
Mr. Zaeem Ahmad Hanafi			5/6	3/4	
Mr. Zahid Zaheer			6/6	4/4	4/4
Mr. Mohammad Ali Hanafi			6/6		

* Appointed as member of the HR & Remuneration Committee on 19 December, 2013
** Ceased to be member of HR & Remuneration Committee on 19 December, 2013

- The Directors, Managing Director/CEO, CFO, Company Secretary and their spouses and minor children have not traded in the shares of the Company.

Dividend

The Board of Directors is pleased to recommend a final cash dividend of Rs.5/- per share.

Future Outlook

The demand for guar products which had dampened since the second half of 2012 seems to be picking up somewhat in the wake of lower seed prices. The Management has built up sufficient inventory of raw materials and plans for optimum utilization of Line-5 capacity to maximize production at comparatively lower cost. However, frequent outages in the electricity and gas supply pose serious challenges to the operations, which the Management is trying to meet as best as it can. In view of this constraint and other related factors, it is difficult to forecast the earnings for 2014 with any certainty.

Appropriations

	Rupees in '000
Net Profit for the year before taxation	92,549
Provision for taxation	16,108
Net Profit for the year after taxation	76,441
Accumulated Profit/(loss) brought forward	-
	76,441
Appropriations	
Proposed Cash Dividend	(21,243)
Proposed Bonus Shares	-
Transfer to General Reserve	(55,198)
	(76,441)
Unappropriated profit carried forward	-
Basic earning per share (Rupees)	17.99

Pattern of shareholdings

The pattern of shareholdings of the Company as at December 31, 2013 is given on page 65 of this report.

Holding Company

East West Group Holdings Inc., a company incorporated in British Virgin Islands, U.K. is the primary shareholder of the Company.

Auditors

The present auditors Messrs. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, Karachi, retire and being eligible, offer themselves for re-appointment. The Board of Directors recommends the appointment of Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants, as auditors of the Company for the next year as suggested by the Audit Committee.

Acknowledgement

We shall be failing in our duty if we do not commend the management and the staff for their dedicated hard work in the year 2013. We extend our most sincere thanks to them and best wishes for 2014.

By order of the Board

Ozair Ahmed Hanafi
Managing Director/CEO

Mohammad Moonis
Chairman

Karachi: March 6, 2014

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of company: **PAKISTAN GUM & CHEMICALS LIMITED**
Year ending: **DECEMBER 31, 2013**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. Tariq Mohamed Amin
	Mr. Zahid Zaheer
Executive Directors	Mr. Ozair Ahmed Hanafi
	Mr. Mohammad Asalm Hanafi
Non-Executive Directors	Mr. Mohammad Moonis
	Mr. Shuaib Ahmed
	Mr. Mohammd Ali Hanafi
	Mr. Zaeem Ahmad Hanafi

   The independent directors meet the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. The casual vacancies occurring on the board were filled up on the same day by the directors.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Five directors have claimed exemption from directors' training course as specified in clause (xi) of the Code, while one of the directors had already attended the directors' training course conducted by the Pakistan Institute of Corporate Governance in the previous year. Further, in future, arrangements will also be made for remaining directors for acquiring certification under the directors' training program.

10. The Board has approved appointment of Chief Financial Officer (CFO)/Company Secretary, including his remuneration and terms and conditions of the appointment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board had formed an HR and Remuneration Committee since before the CCG requirement, called Personnel & Compensation Committee. It comprises of three members, all of whom are non-executive directors and the chairman of the committee is an independent director.

18. The board has set up effective internal audit function comprising of an auditor who is suitably experienced for the purpose and is conversant with the policies and procedures of the company. With regard to his qualification, SECP had granted relaxation from the educational qualification requirements as required by the Code which has expired. SECP has been requested to extend the relaxation, response to which is awaited.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchanges.

22. During the year there was no material/price sensitive information which should have been disseminated among the market participants through stock exchanges.

23. We confirm that all other material principles enshrined in the CCG have been complied with except for the matter stated in clause 9 above toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

Ozair Ahmed Hanafi
Managing Director/CEO

Mohammad Moonis
Chairman

Karachi: March 6, 2014

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended 31 December 2013 prepared by the Board of Directors of Pakistan Gum And Chemicals Limited (the Company) to comply with the Listing Regulations of the respective stock exchanges, where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Listing Regulations require the Company to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, effective for the year ended 31 December 2013.

We draw your attention to clause 9 read with clause 23 of the Statement of Compliance related to director's training program. Our conclusion is not qualified in this respect.

Ernst & Young Ford Rhodes Sidat Hyder

KARACHI: March 6, 2014

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Pakistan Gum and Chemicals Limited (the Company) as at 31 December 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:
   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in notes 4.2 and 4.3 to the financial statements, with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of the profit, its comprehensive income, cash flows and changes in equity for the year then ended; and

d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

Audit Engagement Partner's Name: Omar Mustafa Ansari

Date: March 06, 2014

Place: Karachi

FINANCIAL STATEMENTS

BALANCE SHEET
AS AT DECEMBER 31, 2013

	Note	December 31, 2013	December 31, 2012	January 01, 2012
		Rupees in '000		
			(Restated)	(Restated)
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	5	140,924	88,372	49,427
Long-term deposits	6	862	862	778
		141,786	89,234	50,205
CURRENT ASSETS				
Stores and spares	7	8,695	11,766	7,246
Stock-in-trade	8	209,761	35,828	392,514
Trade debts	9	39,773	36,785	120,530
Loans and advances	10	838	4,867	1,496
Short-term prepayments	11	409	415	417
Other receivables	12	6,642	582	4,640
Short-term investments	13	258,062	309,384	5,253
Taxation – net		10,506	1,869	6,387
Cash and bank balances	14	3,266	36,693	24,482
		537,952	438,189	562,965
TOTAL ASSETS		**679,738**	**527,423**	**613,170**
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital				
Authorised				
10,000,000 (2012: 10,000,000) Ordinary shares of Rs.10 each		**100,000**	**100,000**	**100,000**
Issued, subscribed and paid-up capital	15	42,486	42,486	42,486
Reserves	16	448,581	413,931	201,888
		491,067	456,417	244,374
NON-CURRENT LIABILITIES				
Liabilities against assets subject to finance lease	17	644	3,177	-
CURRENT LIABILITIES				
Trade and other payables	18	186,220	65,887	146,434
Accrued markup		-	-	4,695
Short-term borrowings		-	-	217,667
Current maturity of liabilities against assets subject to finance lease	17	1,807	1,942	-
		188,027	67,829	368,796
CONTINGENCIES AND COMMITMENTS	19			
TOTAL EQUITY AND LIABILITIES		679,738	**527,423**	**613,170**

The annexed notes 1 to 36 form an integral part of these financial statements.

Mohammad Moonis
Chairman

Ozair Ahmed Hanafi
Managing Director/CEO

Khadim Hussain
Chief Financial Officer

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	December 31, 2013	December 31, 2012
		Rupees in '000	
			(Restated)
NET SALES	20	1,317,205	1,726,433
Cost of sales	21	(1,158,199)	(1,368,775)
GROSS PROFIT		159,006	357,658
Distribution and shipping costs	22	(18,007)	(18,471)
Administrative expenses	23	(47,861)	(49,967)
Other operating expenses	24	(6,859)	(19,792)
Other operating income	25	15,403	13,740
		(57,324)	(74,490)
OPERATING PROFIT		101,682	283,168
Finance costs	26	(9,133)	(13,857)
PROFIT BEFORE TAXATION		92,549	269,311
Taxation	27	(16,108)	(23,134)
NET PROFIT FOR THE YEAR		76,441	246,177
		Rupees	
EARNINGS PER SHARE – BASIC AND DILUTED	28	17.99	57.94

The annexed notes 1 to 36 form an integral part of these financial statements.

Mohammad Moonis	**Ozair Ahmed Hanafi**	**Khadim Hussain**
Chairman	*Managing Director/CEO*	*Chief Financial Officer*

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2013

	December 31, 2013	December 31, 2012
	Rupees in '000	
		(Restated)
Net profit for the year	**76,441**	**246,177**
Item not to be reclassified to profit or loss in subsequent periods:		
Actuarial gain / (loss) on defined benefit obligation	695	(146)
Total comprehensive income for the year	**77,136**	**246,031**

The annexed notes 1 to 36 form an integral part of these financial statements.

Mohammad Moonis
Chairman

Ozair Ahmed Hanafi
Managing Director/CEO

Khadim Hussain
Chief Financial Officer

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2013

	Note	December 31, 20 13	December 31, 20 12
		Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	29	76,021	663,143
Income tax paid		(24,745)	(18,616)
Bonus paid		(24,815)	(21,520)
Compensated absence paid		(3,988)	(1,429)
Long-term deposits		-	(84)
Net cash generated from / (used in) operating activities		**22,473**	**621,494**
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		(69,659)	(42,818)
Sale proceeds from disposal of operating fixed assets		5,696	1,788
Interest income received		11,035	6,951
Net cash used in investing activities		**(52,928)**	**(34,079)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings (repaid) / obtained - net		-	(217,667)
Repayment of lease obligations		(2,668)	(1,073)
Finance costs paid		(9,133)	(18,552)
Dividend paid		(42,486)	(33,792)
Net cash used in financing activities		**(54,287)**	**(271,084)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		(84,742)	316,331
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		340,813	24,482
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**30**	**256,071**	**340,813**

The annexed notes 1 to 36 form an integral part of these financial statements.

Mohammad Moonis
Chairman

Ozair Ahmed Hanafi
Managing Director/CEO

Khadim Hussain
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

	Share capital	Capital reserve	Revenue Reserves		Total
			General reserve	Unappro-priated profit	
	-----------------Rupees'000-----------------				
Balance as at January 01, 2012 - as previously reported	42,486	17,553	82,474	106,621	249,134
Effect of change in accounting policy as stated in note 4.4	-	-	-	(4,760)	(4,760)
Balance as at January 01, 2012 - restated	42,486	17,553	82,474	101,861	244,374
Cash dividend @ Rs.8 per share	-	-	-	(33,988)	(33,988)
Transferred to general reserve	-	-	72,633	(72,633)	-
Net profit for the year - restated	-	-	-	246,177	246,177
Other comprehensive loss - restated	-	-	-	(146)	(146)
Total comprehensive income for the year	-	-	-	246,031	246,031
Balance as at December 31, 2012 - Restated	**42,486**	**17,553**	**155,107**	**241,271**	**456,417**
Cash dividend @ Rs.10 per share	-	-	-	(42,486)	(42,486)
Transferred to general reserve	-	-	201,452	(201,452)	-
Net profit for the year	-	-	-	76,441	76,441
Other comprehensive income	-	-	-	695	695
Total comprehensive income for the year	-	-	-	77,136	77,136
Balance as at December 31, 2013	**42,486**	**17,553**	**356,559**	**74,469**	**491,067**

The annexed notes 1 to 36 form an integral part of these financial statements.

Mohammad Moonis
Chairman

Ozair Ahmed Hanafi
Managing Director/CEO

Khadim Hussain
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan as a public company limited by shares in 1982 under the Companies Act, 1913 (now the Companies Ordinance, 1984). The shares of the Company are quoted on the Karachi and Lahore Stock Exchanges. Its main business activity is 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

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

3. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention except for obligation under staff retirement benefits measured at present value as stated in note 18.2 to these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Significant accounting judgments estimates and assumptions

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The matters involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

(i) Staff Retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 18.2 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might affect gain and losses in those years.

(ii) Property, plant and equipment

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

(iii) Stock-in-trade

The Company reviews the net realisable values of stock-in-trade to assess any diminution in the respective carrying values. Net realisable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale. Further, the stock in SILOS is estimated based on the measurements of the inventory level therein.

(iv) Taxation

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities. Since the income of the Company is subject to tax under final tax regime, no deferred tax liability has been accounted for in these financial statements as the Company's tax liability will be assessed under the said regime and, hence, no temporary differences are likely to arise in respect of sales whereas, temporary differences in respect of other income are expected to be negligible.

Estimates, judgments and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future event that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

4.2 Standards, amendments and interpretations adopted during the year

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

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

IAS 1 – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (Amendment)

IAS 19 – Employee Benefits (Revised)

Improvements to Accounting Standards Issued by the IASB

IAS 1 – Presentation of Financial Statements – Clarification of the requirements for comparative information

IAS 16 – Property, Plant and Equipment – Clarification of Servicing Equipment

IAS 32 – Financial Instruments: Presentation – Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 – Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities.

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any effect on the financial statements, except for IAS 19 as discussed in note 4.4 to these financial statements.

4.3 Changes in accounting policy

Adoption of amendments in IAS 19, (Revised) 'Employee Benefits'

Amendments to IAS 19 range from fundamental changes to simple clarification and rewording. The significant changes to IAS 19 include the following:

- For defined benefit plans, the option to defer recognition of actuarial gains and losses (i.e., the corridor approach) has been removed. As revised, actuarial gains and losses are recognised in other comprehensive income when they occur. Amounts recorded in the profit and loss account are limited to current and past service costs, gains or losses on settlements, and net interest income (expense). All other changes in the net defined benefit obligation are recognised directly in other comprehensive income with no subsequent recycling through the profit and loss account.

- The distinction between short-term and long-term employee benefits will be based on the expected timing of settlement rather than the employee's entitlement to the benefits.

- The revised standard has new or revised disclosure requirements. The disclosures now include quantitative information regarding the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption.

This change in accounting policy has been accounted for retrospectively as required under International Accounting Standard – 8 'Accounting Policies, Changes in Accounting Estimates and Errors', and the comparative financial statements have been re-stated.

The impact on statement of financial position, profit and loss account and statement of comprehensive income is based on actuarial valuation as of December 31, 2013.

	December 31, 2012	December 31, 2011
Impact of adoption of IAS 19 (revised)	Rupees in '000 Restated	
Impact on statement of financial position		
Increase in trade and other payables	2,667	4,760
Decrease in reserves	(2,667)	(4,760)

		December 31, 2013
		Rupees in '000
Impact on profit and loss account		
Decrease in net profit for the period		695
Impact on statement of comprehensive income		
Increase in actuarial gain for the year		695
Impact on earnings per share	Rupees	0.16

4.4 **Standards, amendments and interpretations that are not yet effective**

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	**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
IFAS 3 – Profit and Loss Sharing on Deposits	June 12, 2013

The Company expects that the adoption of the above amendments and interpretation of the standards will not affect the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	**IASB Effective date (annual periods beginning on or after)**
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10 – Consolidated Financial Statements	January 01, 2013
IFRS 11 – Joint Arrangements	January 01, 2013
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2013
IFRS 13 – Fair Value Measurement	January 01, 2013

The adoption of the above amendments did not have any effect on the financial statements except for the adoption of amendments in IAS - 1 and IAS – 19.

4.5 Property, plant and equipment

4.5.1 Operating fixed assets

Owned

These are stated at cost less accumulated depreciation and accumulated impairment, if any.

Leasehold land is depreciated over the period of the lease. Depreciation on all other assets is charged to profit and loss account applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. The rates used are stated in note 5.1 to the financial statements.

In respect of additions and deletions of assets during the year, depreciation is charged from the month of acquisition and up to the month preceding the deletion respectively.

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to profit and loss account.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss account in the year the asset is derecognised.

The assets' residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year end.

Maintenance and normal repairs are charged to income as and when incurred, whereas major renewals are capitalized to the respective item of fixed assets.

Gains and losses on disposal of fixed assets, if any, are taken to profit and loss account.

Leased

Assets subject to finance lease are stated at lower of the present value of minimum lease payments under the lease agreement and fair value of the asset. The related obligations of the lease are accounted for as liabilities. Assets acquired under finance lease are depreciated over the useful life of the assets on the same basis as of owned assets.

4.5.2 Capital work-in-progress

Capital work-in progress is stated at cost less impairment in value, if any. It consists of expenditure incurred and advances made in respect of fixed assets in the course of their erection, acquisition and installation.

4.6 Employee benefits

(a) Defined contribution plan

The Company operates an approved contributory provident fund for all permanent employees.

(b) Defined benefit plans

The Company operates the following approved funded schemes:

(i) pension scheme for its Executives and Executive Director. Provision is made, annually, to cover obligations under the scheme, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation; and

(ii) gratuity scheme for all permanent employees of the Company. Provision is made, annually, to cover obligations under the scheme, by way of a charge to profit and loss account, calculated in accordance with the actuarial valuation.

Actuarial gains and losses are recognized in the period in which they occur in other comprehensive income.

(c) Compensated absences

The Company provides for compensated absences of its employees on unavailed leave balances in the period in which the leave is earned on the basis of accumulated leaves and the last drawn pay.

4.7 Stores and spares

These are valued at weighted (moving) average cost less provision for slow moving and obsolete items wherever necessary.

4.8 Stock-in-trade

These are valued at the lower of cost and net realisable value, except for the by-products, which are valued at net realisable value. Cost is determined as follows:

Raw material	-	First in First Out basis
Packing material	-	Weighted average basis
Finished goods	-	Cost of direct materials and labour plus attributable overheads on First-In-First-Out basis

Provision is made for obsolete inventory based on management's judgment.

4.9 Cash and cash equivalents

These are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, bank balances and highly liquid short-term investments having a maturity of three months or less from the date of acquisition.

4.10 Trade debts and other receivables

These are recognised and carried at original invoice value less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

4.11 Loans and advances

These are recognised at cost, which is the fair value of the consideration given. However, an assessment is made at each balance sheet date to determine whether there is an indication that a financial asset or group of assets may be impaired. If such indication exists, the estimated recoverable amount of that asset is determined and any impairment loss is recognised for the difference between the recoverable amount and the carrying value.

4.12 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

4.13 Financial instruments

Financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised at the time when the Company loses control of the contractual rights that comprise the financial assets. All financial liabilities are derecognised at the time when they are extinguished that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gains or losses on derecognition of the financial assets and financial liabilities are taken to profit and loss account currently.

4.14 Investments – Held-to-maturity

Held-to-maturity investment are non-derivative financial assets. Investment having fixed maturity are classified as held-to-maturity where the Company has positive intension and ability to hold the investment till maturity.

These investments are initially measured at fair value plus transactions costs. Subsequently, these are carried at amortised cost less impairment losses, if any. The amount of any discount or premium relating to these investments is amortised over a period of investment.

4.15 Taxation

The Company falls under the final tax regime under Section 169 of the Income Tax Ordinance, 2001. Provision for tax on other income is based on taxable income at the rates applicable for the current tax year, after considering the rebates and tax credits available, if any.

4.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

4.17 Foreign currency transactions

The financial statements are presented in Pak Rupee, which is the Company's functional and presentation currency. Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.18 Revenue recognition

Sales are recognised on transfer of title to the customers which generally coincides with dispatch of goods to the customers.

Return on bank deposits and term deposit receipts are recognised on accrual basis.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	December 31, 2013	December 31, 2012
		Rupees in '000	
Operating fixed assets	5.1	59,524	57,557
Capital work-in-progress	5.2	81,400	30,815
		140,924	88,372

5.1 Operating fixed assets

	COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at January 01, 2013	Additions/ Transfers from CWIP*	(Disposals)	As at December 31, 2013	Rate	As at January 01, 2013	Charge for the year	(On disposals)	As at December 31, 2013	As at December 31, 2013
	Rupees in '000				%	Rupees in '000				
December 31, 2013										
Owned										
Leasehold land	225	-	-	225	1.01	110	2	-	112	113
Building on leasehold land	23,017	-	-	29,129	3 to 10	17,053	1,298	-	18,351	10,778
		6,112 *								
Plant and machinery	93,411	2,842	-	96,253	7 & 10	58,434	5,912	-	64,346	31,907
Furniture and fixtures	1,247	96	(1)	4,462	10 & 15	1,111	291	(1)	1,401	3,061
		3,120 *								
Vehicles	8,230	-	(5,440)	9,292	20	2,333	1,997	(1,303)	3,027	6,265
		6,502 *								
Office equipment	11,803	362	-	12,205	10 to 33	8,539	642	-	9,181	3,024
		40 *								
Electrical installations	756	-	-	756	7 & 10	694	49	-	743	13
	138,689	3,300	(5,441)	152,322		88,274	10,191	(1,304)	97,161	55,161
Leased		15,774 *								
Vehicles	7,891	-	(1,629)	6,262	20	749	1,415	(265)	1,899	4,363
	146,580	3,300	(7,070)	158,584		89,023	11,606	(1,569)	99,060	59,524
		15,774 *								

	COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at January 01, 2012	Additions	(Disposals)	As at December 31, 2012	Rate	As at January 01, 2012	Charge for the year	(On Disposals)	As at December 31, 2012	As at December 31, 2012
	Rupees in '000				%	Rupees in '000				
December 31, 2012										
Owned										
Leasehold land	225	-	-	225	1.01	108	2	-	110	115
Building on leasehold land	21,090	1,927	-	23,017	3 to 10	16,120	933	-	17,053	5,964
Plant and machinery	86,978	6,883	(450)	93,411	7 & 10	53,604	5,230	(400)	58,434	34,977
Furniture and fixtures	1,138	109	-	1,247	10 & 15	1,087	24	-	1,111	136
Vehicles	9,883	1,260	(2,913)	8,230	15 & 20	2,854	1,106	(1,627)	2,333	5,897
Office equipment	11,361	442	-	11,803	10 to 33	7,904	635	-	8,539	3,264
Electrical installations	756	-	-	756	7 & 10	644	50	-	694	62
	131,431	10,621	(3,363)	138,689		82,321	7,980	(2,027)	88,274	50,415
Leased										
Vehicles	-	7,891	-	7,891	15	-	749	-	749	7,142
	131,431	18,512	(3,363)	146,580		82,321	8,729	(2,027)	89,023	57,557

5.1.1 The cost of fully depreciated assets on December 31, 2013 is Rs. 48.604 (2012: Rs. 47.091) million.

5.1.2 Depreciation for the year has been allocated as follows:

	Note	December 31, 2013	December 31, 2012
		Rupees in '000	
Cost of sales - manufacturing overheads	21	8,589	6,968
Administrative expenses	23	3,017	1,761
		11,606	8,729

5.1.3 The details of operating fixed assets disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Net Book Value	Sale Proceeds	Mode of Disposal	Particulars of buyers
	Rupees in '000					
Furniture and fixtures						
Iron Safe	1	1	-	12	Negotiation	Mr. Ali Ahmed, Karachi
Vehicles						
Suzuki Cultus	934	218	716	815	Insurance claims	Insurance claim – Jubilee General Insurance
Unique Motorcycle	46	3	43	40	-do-	Insurance claim – Jubilee General Insurance
Honda Civic	1,841	805	1,036	1,400	Negotiation	Mr. Sajid Qadri, Karachi
Super Power Bike	43	25	18	20	-do-	Mr. Sher Mohammad – Employee, Karachi
Metro Motorcycle	41	41	-	12	-do-	Mr. Mohammad Azam – Employee, Karachi
Toyota Corolla	1,629	265	1,364	1,336	-do-	Mr. Sajid Qadri, Karachi
Honda Civic	2,535	211	2,324	2,061	-do-	Mr. Javed Janbaz, Karachi
December 31, 2013	7,070	1,569	5,501	5,696		
December 31, 2012	3,363	2,027	1,336	1,788		

5.2 Capital work-in-progress

	December 31, 2013	Additions / (transfers to fixed assets)*	December 31, 2012
	Rupees in '000		
Building on leasehold land	29,974	26,404 (6,112)*	9,682
Plant and machinery	51,426	32,120	19,306
Furniture and fixture	-	3,120 (3,120)*	-
Vehicles	-	4,675 (6,502)*	1,827
Office equipment	-	40 (40)*	-
	81,400	66,359 (15,774)*	30,815

	Note	December 31, 2013	December 31, 2012
		Rupees in '000	

6. LONG-TERM DEPOSITS

	Note	2013	2012
Utilities		757	757
Others		105	105
		862	862

7. STORES AND SPARES

	Note	2013	2012
Stores and spares		12,416	14,384
Provision against slow moving stores and spares	7.1	(3,721)	(2,618)
		8,695	11,766

7.1 Provision against slow moving stores and spares

	Note	2013	2012
Balance at the beginning of the year		2,618	2,394
Provision made during the year	21	1,103	224
		3,721	2,618

8. STOCK-IN-TRADE

	Note	2013	2012
Raw material		139,340	-
Packing material		2,632	2,764
Finished goods	8.1	67,789	33,064
		209,761	35,828

8.1 Includes stock-in-trade carried at net realizable value amounting to Rs. 23.449 (2012: Rs. 8.138) million, costing Rs. 27.145 (2012: Rs. 9.636) million.

9. TRADE DEBTS

	Note	2013	2012
Considered good			
Secured – against letter of credit		33,233	35,938
Unsecured		6,540	847
		39,773	36,785
Considered doubtful			
Unsecured		287	287
Provision against doubtful debts	23	(287)	(287)
		-	-
	9.1 & 9.2	39,773	36,785

9.1 As at December 31, 2013, the ageing analysis of unimpaired trade debts is as follows:

	Total	Neither Past due nor impaired	Past due but not impaired 1-60 days	61-120 days	Above 120 days
	Rupees in '000				
		(Note 9.2)			
2013	39,773	37,588	2,172	-	13
2012	36,785	36,750	-	14	21

9.2 Included herein an amount of Rs. 0.351 (2012: Nil) million due to a related party, which is neither past due nor impaired.

10. LOANS AND ADVANCES

	Note	December 31, 2013	December 31, 2012
		Rupees in '000	
Loans - secured			
Employees	10.1	481	3,573
Advances - unsecured, considered good			
Employees		52	402
Suppliers		305	892
		838	4,867

10.1 These loans are granted in accordance with the terms of their employment and are secured against their retirement benefit balances and personal guarantees of employees. These loans are recoverable in monthly installments over a period not exceeding one year and carrying an interest charge ranging up to 16% per annum.

11. SHORT-TERM PREPAYMENTS

Fees and subscription		403	268
Others		6	147
		409	415

12. OTHER RECEIVABLES

Sales tax		6,022	1,934
Receivable from gratuity fund		697	-
Employees' pension fund	18.2	767	-
Others		508	-
		7,994	1,934
Provision against doubtful receivables		(1,352)	(1,352)
		6,642	582

13. SHORT-TERM INVESTMENTS – held to maturity

Term Deposit Receipts	13.1	258,062	309,384

13.1 These carry return at rates ranging between 8.5% and 9.5% (2012: 8.5% and 10.5%) per annum, maturing latest by November 27, 2014. Accrued return of Rs. 2.944 (2012: Rs. 4.266) million is included herein.

14. CASH AND BANK BALANCES

	Note	**December 31, 2013**	December 31, 2012
		Rupees in '000	
In hand			
Local currency		93	106
Foreign currency		-	239
		93	345
At banks in			
Current accounts			
Local currency		1,032	7,442
Foreign currency		784	910
		1,816	8,352
Savings accounts – local currency	14.1	1,357	27,996
		3,266	36,693

14.1 These carry interest rates, ranging between 5% and 7% (2012: 4.5% and 5.5%) per annum.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of Shares				
2013	2012			
3,634,092	3,634,092	Ordinary shares of Rs.10 each, fully paid in cash	36,341	36,341
614,460	614,460	Ordinary shares of Rs.10 each, issued as fully paid bonus shares	6,145	6,145
4,248,552	4,248,552		42,486	42,486

15.1 East West Group Holding Inc., British Virgin Island - the Parent Company, held 2,549,131 (60%) [2012: 2,549,131 (60%)] Ordinary shares of Rs. 10 each as at December 31, 2013.

16. RESERVES

	December 31, 2013	December 31, 2012
	Rupees in '000	
		(Restated)
Capital reserve		
Share Premium on issue of Ordinary shares	17,553	17,553
Revenue reserves		
General	356,559	155,107
Unappropriated profit	74,469	241,271
	448,581	413,931

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The Company has entered into a finance lease agreement with a bank in respect of vehicles. The rate of returns used as the discounting factor is one year's KIBOR plus 2% per annum. The amount of future lease payments together with the present value of the minimum lease payments and the periods during which they fall due are as follows:

	2013		2012	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	Rupees in '000			
Within one year	2,044	1,807	2,551	1,942
After one year but not more than five years	666	644	3,527	3,177
Total minimum lease payments	2,710	2,451	6,078	5,119
Finance charges allocated to future periods	(259)	-	(959)	-
Present value of minimum lease payments	2,451	2,451	5,119	5,119
Current maturity shown under current liabilities	(1,807)	(1,807)	(1,942)	(1,942)
	644	644	3,177	3,177

18. TRADE AND OTHER PAYABLES

	Note	**December 31, 2013**	December 31, 2012
		Rupees in '000	
			(Restated)
Trade			
Creditors		132,591	1,527
Other payables			
Accrued liabilities	18.1	10,099	4,325
Employees' Pension Fund	18.2	-	1,123
Employees' Gratuity Fund	18.2	6,429	4,678
Compensated absences		2,109	3,276
Bonus to employees		14,000	25,000
Advances from customers		93	423
Workers' Profits Participation Fund	18.4	4,970	14,345
Workers' Welfare Fund		10,576	7,526
Tax deducted at source		246	138
Unclaimed dividends		813	806
Employees' Car and Motorcycle Loan Schemes		4,294	2,720
		186,220	65,887

18.1 Included herein an aggregate sum of Rs. 1.012 (2012: Rs. 0.050) million due to related parties.

18.2 The status of the funds as of December 31, 2013 were as follows:

	Pension Fund		Gratuity Fund	
	2013	2012	**2013**	2012
				Rs. in '00
		(Restated)		(Restated)
Balance sheet reconciliation as at December 31				
Present value of defined benefit obligation	14,731	15,800	14,179	11,986
Fair value of plan assets	(15,498)	(14,677)	(7,750)	(7,308)
Net liability / (asset) in balance sheet	(767)	1,123	6,429	4,678
Movement in (asset) / liability				
(Receivable) / payable balance as at January 1	1,123	4,170	4,678	2,014
Charge for the year	819	907	1,677	1,298
Other comprehensive (income) / loss	(1,310)	(2,509)	615	2,655
Contribution during the year	(1,399)	(1,445)	(541)	(1,289)
(Receivable) / payable as at December 31	(767)	1,123	6,429	4,678
Expense recognised				
Service cost	770	476	1,170	1,091
Interest cost	49	431	507	207
	819	907	1,677	1,298
Movement in the defined benefit obligation				
Obligation as at January 1,	15,800	15,577	11,986	9,629
Service cost	770	476	1,170	1,091
Interest cost	1,736	1,857	1,342	1,055
Benefits paid	(1,399)	(1,445)	(633)	(2,384)
Actuarial (gain) / loss recognised	(2,176)	(665)	314	2,595
Obligation as at December 31	14,731	15,800	14,179	11,986
Movement in fair value of plan assets				
Fair value as at January 1	14,677	11,407	7,308	7,615
Expected return on plan assets	1,688	1,426	835	848
Employer contributions	1,399	1,445	541	1,289
Benefits paid	(1,399)	(1,445)	(633)	(2,384)
Actuarial gain / (loss) recognised	(867)	1,844	(301)	(60)
Fair value as at December 31,	15,498	14,677	7,750	7,308
Key actuarial assumptions used are as follows:				
Discount factor used	13.00%	11.50%	13.00%	11.50%
Expected rate of returns per annum on plan assets	13.00%	11.50%	13.00%	11.50%
Expected rate of increase in future salaries per annum	13.00%	11.50%	13.00%	11.50%

	2013 Rupees '000	2013 %	(Restated) 2012 Rupees '000	(Restated) 2012 %
Plan assets comprise of:				
Funded pension plan				
Special Savings Certificates	12,388	79.93	10,218	69.62
Equity securities	2,185	14.10	1,671	11.39
Cash and net current assets	925	5.97	2,788	18.99
	15,498	100	14,677	100.00
Funded gratuity plan				
Special Savings Certificates	7,448	96.1	-	-
Cash and net current assets	302	3.9	7,308	100.00
	7,750	100	7,308	100.00

Comparison for five years:

	2013	2012 (Restated)	2011	2010	2009
	Rupees in '000				
Funded pension plan					
Present value of defined benefit obligation	14,731	15,800	15,577	13,376	11,710
Fair value of plan assets	(15,498)	(14,677)	(11,407)	(10,504)	(9,408)
Deficit / (surplus)	(767)	1,123	4,170	2,872	2,302
Experience adjustment					
Actuarial (gain) / loss on obligation	(2,176)	(665)	1,312	820	(1,347)
Actuarial (loss) / gain on plan assets	(867)	1,844	(568)	(217)	2,295
Funded gratuity plan					
Present value of defined benefit Obligation	14,179	11,986	9,629	8,295	6,309
Fair value of plan assets	(7,750)	(7,308)	(7,615)	(7,506)	(8,535)
Deficit / (surplus)	6,429	4,678	2,014	789	(2,226)
Experience adjustment					
Actuarial (gain) / loss on obligation	(314)	2,595	1,010	(282)	243
Actuarial gain / (loss) on plan assets	(301)	(60)	(23)	(1,160)	(454)

18.3 The latest actuarial valuation of the Funds was carried out as of December 31, 2013 on the basis of the "Projected Unit Credit Method".

	Note	December 31, 2013	December 31, 2012
		Rupees in '000	
18.4 Workers' Profits Participation Fund			
Balance at the beginning of the year		14,345	8,399
Allocation for the year	24	4,970	14,345
		19,315	22,744
Interest on Workers' Profits Participation Fund	26	284	287
Payment made during the year		(14,629)	(8,686)
		4,970	14,345

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 Certain former employees of the Company have filed law suits against the Company, claiming an aggregate sum of Rs. 9.031 million on various accounts. The management is confident, based on the advice of its legal counsel that the same is not likely to result in any financial loss to the Company. Therefore, no provision has been made in these financial statements in this regard.

19.1.2 During the tax assessment year 2002-2003, the Taxation Officer did not allow commission expenses, amounting to Rs. 1.815 million, in the calculation of taxable income. The Company has filed a rectification application in this regard. Based on the legal advice from the tax consultant, the management is of the view that the final outcome of the above referred matter will be in favour of the Company and, hence, no provision has been made for any liability that may arise as a result of this matter in these financial statements.

	Note	**December 31, 2013**	December 31, 2012
		Rupees in '000	
19.2 Commitments			
19.2.1 Commitment for capital expenditure		2,251	21,618
19.2.2 Outstanding letter of guarantees		-	5,118
20. NET SALES			
Gross sales			
Local		214,352	281,596
Export		1,109,052	1,454,692
		1,323,404	1,736,288
Sales commission		(4,816)	(9,287)
Discounts		(1,383)	(568)
		(6,199)	(9,855)
		1,317,205	1,726,433

21. COST OF SALES

	Note	December 31, 2013	December 31, 2012
		Rupees in '000	
			(Restated)
Raw material consumed			
Opening stock		-	372,333
Purchases		1,205,581	868,481
		1,205,581	1,240,814
Closing stock		(139,340)	-
		1,066,241	1,240,814
Packing material consumed			
Opening stock		2,764	2,864
Purchases		6,798	11,122
		9,562	13,986
Closing stock		(2,632)	(2,764)
		6,930	11,222
		1,073,171	1,252,036
Manufacturing overheads			
Stores and spares consumed		5,436	12,497
Salaries, wages and benefits	21.1	38,087	36,988
Provision against slow moving stores and spares	7.1	1,103	224
Utilities		52,375	63,450
Depreciation	5.1.2	8,589	6,968
Repairs and maintenance		4,203	4,973
Handling charges		2,741	2,652
Rent, rates and taxes		2,306	1,332
Insurance		1,030	1,088
Traveling and conveyance		1,907	1,560
Laboratory expenses		139	197
Research and development		1,424	336
Communication		113	101
Others		299	120
		119,752	132,486
Cost of goods manufactured		1,192,923	1,384,522
Opening stock of finished goods		33,064	17,317
		1,225,988	1,401,839
Closing stock of finished goods		(67,789)	(33,064)
		1,158,199	1,368,775

21.1 Included herein is a sum of Rs. 1.277 (2012: Rs. 1.723) million in respect of staff retirement benefits.

22. DISTRIBUTION AND SHIPPING COSTS

	2013	2012
Sales promotion expenses	2,203	1,643
Freight expenses	9,553	10,253
Port expenses	4,988	6,344
Marine insurance	1,263	231
	18,007	18,471

23. ADMINISTRATIVE EXPENSES

	Note	December 31, 2013	December 31, 2012
		Rupees in '000	
			(Restated)
Salaries and benefits	23.1	32,527	35,638
Travelling and conveyance		3,493	2,622
Depreciation	5.1.2	3,017	1,761
Communication		2,104	1,293
Security service charges		1,021	663
Repairs and maintenance		287	559
Insurance		419	351
Printing and stationery		1,065	787
Auditors' remuneration	23.2	526	495
Subscriptions		844	867
Legal and professional charges		1,401	1,463
Utilities		-	43
Entertainment		726	820
Provision against debts considered doubtful	9	-	287
Provision against doubtful receivable		-	1,544
Rent, rates and taxes		114	561
Advertisement		77	100
Others		240	113
		47,861	49,967

23.1 Included herein is a sum of Rs. 0.597 (2012: Rs. 2.721) million in respect of staff retirement benefits.

23.2 Auditors' remuneration

Audit fee		360	300
Fee for half yearly review		60	60
Fee for Code of Corporate Governance and other certificates		15	15
Out of pocket expenses		91	120
		526	495

24. OTHER OPERATING EXPENSES

Workers' Profits Participation Fund	18.4	4,970	14,345
Workers' Welfare Fund		1,889	5,447
		6,859	19,792

25. OTHER OPERATING INCOME

Interest / return on:			
Term deposit receipts		9,537	10,496
Bank deposits		1,815	519
Loans to employees		85	67
		11,437	11,082
Gain on sale of fixed assets		194	452
Exchange gain		3,772	2,206
		15,403	13,740

	Note	December 31, 2013	December 31, 2012
		Rupees in '000	

26. FINANCE COSTS

	Note	December 31, 2013	December 31, 2012
Interest / mark-up on:			
Short-term borrowings		5,746	9,402
Lease financing		588	533
Workers' Profits Participation Fund	18.4	217	287
Car loan		67	-
		6,618	10,222
Bank charges		2,515	3,635
		9,133	13,857

27. TAXATION

		December 31, 2013	December 31, 2012
Current		16,108	22,000
Prior		-	1,134
		16,108	23,134

27.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the Company falls under the final tax regime and is taxed at the rate of 1% of total sales.

27.2 The income tax assessments of the Company have been finalised up to and including the tax year 2013, corresponding to the income year ended December 31, 2012.

28. EARNINGS PER SHARE - BASIC & DILUTED

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

	December 31, 2013	December 31, 2012
	Rupees in '000	
		(Restated)
Net profit for the year	76,441	246,177
	Number of shares	
Ordinary shares in issue during the year	4,248,552	4,248,552
	Rupees	
Earnings per share – basic and diluted	17.99	57.94

29. CASH GENERATED FROM OPERATIONS

	Note	December 31, 2013	December 31, 2012
		Rupees in '000	
Profit before taxation		92,549	269,311
Adjustments for non-cash items			
Depreciation		11,606	8,729
Fixed assets written off		-	-
Finance costs		9,133	13,857
Provision for compensated absences		2,821	2,155
Provision for bonus		13,815	21,520
Provision for slow moving stores and spares		1,103	224
Provision against doubtful receivable		-	1,352
Provision against debt considered doubtful		-	287
Gain on disposal of fixed assets		(194)	(452)
Interest income		(11,437)	(6,962)
		26,847	40,710
Operating profit before working capital changes		119,396	310,021
Working capital changes	29.1	(43,375)	353,122
		76,021	663,143

29.1 Working capital changes

	December 31, 2013	December 31, 2012
(Increase) / decrease in current assets		
Stores and spares	3,071	(4,744)
Stock-in-trade	(173,933)	356,686
Trade debts	(2,988)	83,458
Loans and advances	4,029	(3,371)
Short-term prepayments	6	2
Other receivables	(6,060)	2,706
	(175,875)	434,737
Increase / (decrease) in current liabilities		
Trade and other payables	132,500	(81,615)
	(43,375)	353,122

30. CASH AND CASH EQUIVALENTS

	Note	December 31, 2013	December 31, 2012
Cash and bank balances	14	3,266	36,693
Term deposit receipts – maturity of three months		252,805	304,120
		256,071	340,813

31. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

31.1 The aggregate amounts charged in the financial statements for the year are as follows:

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVES	
	2013	2012	2013	2012	2013	2012
	Rupees in '000					
Managerial remuneration	1,935	1,935	4,967	3,672	3,194	5,433
Housing	871	871	1,155	761	1,092	1,710
Retirement benefits	-	183	149	209	101	782
Bonus	2,903	5,117	3,619	3,200	2,402	3,313
Medical expenses	101	200	271	386	82	194
Utilities	194	194	257	169	243	380
	6,004	8,500	10,418	8,397	7,114	11,812
Number	1	1	3	3	5	12

31.2 The Chief Executive and a Director are also provided with the Company maintained cars in accordance with their terms of employment.

31.3 Six Non-Executive Directors (2012: Six) were paid fees to attend the meetings, aggregating Rs. 0.480 (2012: Rs. 0.380) million.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk, credit risk and liquidity risk. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas.

The Board of Directors reviews and agrees policies for managing risks which are summarised below:

32.1 Market risk

Market risk is the risk that fair value of future cash flows will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and equity price risk.

32.1.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. As of the balance sheet date, the Company is not materially exposed to such risk.

32.1.2 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Company is mainly exposed to such risk in respect of foreign currency trade debts amounting to Rs. 33.233 (2012: Rs. 35.938) million.

Management of the Company estimate that 1% (2012: 1%) increase in the exchange rate, with all other factors remaining constant, would increase the Company's profit by Rs. 0.377 (2012: Rs. 0.221) million and 1% (2012:1%) decrease would result in decrease in the Company's profit by the same amount.

32.1.3 Equity price risk

Equity price risk is the risk of loss arising from movements in prices of equity investments. The Company is not exposed to any equity price risk, as the Company does not have any investment in equity shares.

32.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Out of the total financial assets of Rs. 309.852 (2012: Rs. 389.588) million, the financial assets which are subject to credit risk amounted to Rs. 42.946 (2012: Rs. 73.133) million. The Company's credit risk is primarily attributable to its trade debts and bank balances. The Company manages its credit risk in respect of trade debts by securing through letter of credits. The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

Quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings or the historical information about counter party default rates as shown below:

	December 31, 2013	December 31, 2012
	Rupees in '000	
32.2.1 Trade debts		
Customers with no defaults in the past one year	39,773	36,785
32.2.2 Bank balances		
A-1+	1,409	6,644
A1+	1,611	29,035
A1	110	-
A-3	44	-
A-1	-	403
A-2	-	266
	3,174	36,348

32.3 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company applies prudent liquidity risk management by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	On Demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
	Rupees in '000				
Liabilities against assets subject to finance lease	-	517	1,290	644	2,451
Trade and other payables	21,217	16,867	132,591	-	170,675
2013	21,217	17,384	133,881	644	173,126
Liabilities against assets subject to finance lease	-	486	1,456	3,177	5,119
Trade and other payables	31,802	10,687	1,527	-	44,016
2012	31,802	11,173	2,983	3,177	49,135

Effective interest / yield rates for the financial liabilities are mentioned in the respective notes to the financial statements.

32.4 Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

The carrying values of all financial assets and liabilities reflected in the financial statements approximate their fair values.

32.5 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company is currently financing majority of its operations through equity and working capital. The capital structure of the Company is equity based with no financing through long term borrowings.

33. TRANSACTIONS WITH RELATED PARTIES

The related party of the Company comprise of parent company, associates, retirement funds, directors and key management personnel of the Company. Amounts due from and to related parties, amounts due from executives and remuneration of directors and executives are disclosed in the relevant notes.

Other material transactions with related parties are given below:

	December 31, 2013	December 31, 2012
	Rupees in '000	
Parent company		
East West Group Holding Inc.		
Dividend paid	25,492	20,393
Associates		
Orkila Pakistan (Private) Limited		
Sale of goods	3,494	27,039
Commission on sales	2,558	1,344
Shipwell (Private) Limited		
Commission on sales	1,629	5,497
IAL Pakistan (Private) Limited		
Freight expenses	748	1,054

34. DIVIDEND AND APPROPRIATION

In the meeting held on 6th March, 2014, the Board of Directors of the Company recommended (i) a final cash dividend of Rs. 5 per share for the year ended December 31, 2013 and (ii) the transfer of Rs. 55.20 million from unappropriated profit to general reserve, for approval of the members at the Annual General Meeting to be held on 22nd April, 2014.

35. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 6th March, 2014 by the Board of Directors of the Company.

36. GENERAL

36.1 Amounts have been rounded off to the nearest thousand rupees.

36.2 **Provident fund**

	Un-audited December 31, 2013	Un-audited December 31, 2012
	Rupees in '000	
Size of the trust	20,042	23,800
Cost of investments made	20,000	-
Fair value of investments made	20,000	-
Percentage of investment made	99.79%	-

	2013		2012	
	Investment Rupees	% of investment as size of the fund	Investment Rupees	% of investment as size of the fund
Break-up of investments (as per section 227 of the Companies Ordinance, 1984)				
Special Saving Certificates	20,000	99.79	-	-

Investments out of provident fund have been made in accordance with the provision of the section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose. Equal monthly contributions are made, both by the Company and the employees, to the fund at the rate of 8.33% of basic salary and cost of living allowance.

36.3 The total number of employees at the year end were 85 (2012: 85) and average number of employees during the year were 85 (2012: 84).

36.4 As explained in note 4.4, the comparatives figures in these financial statements have been restated.

Mohammad Moonis
Chairman

Ozair Ahmed Hanafi
Managing Director/CEO

Khadim Hussain
Chief Financial Officer

PATTERN OF SHAREHOLDINGS

AS AT DECEMBER 31, 2013

SIZE OF HOLDING Rs.10/- EACH	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF ISSUED CAPITAL
1 - 100	170	5,733	0.14
101 - 500	172	41,818	0.98
501 - 1,000	47	37,831	0.89
1,001 - 5,000	43	84,080	1.98
5,001 - 10,000	11	82,977	1.95
10,001 - 15,000	3	35,300	0.83
15,001 - 20,000	1	18,101	0.43
20,001 - 25,000	1	25,000	0.59
35,001 - 40,000	1	37,000	0.87
40,001 - 45,000	1	44,617	1.05
45,001 - 50,000	1	47,009	1.11
65,001 - 70,000	1	68,585	1.61
90,001 - 95,000	1	90,750	2.14
95,001 - 100,000	1	97,057	2.28
200,001 - 205,000	1	200,904	4.73
325,001 - 330,000	1	329,725	7.76
450,001 - 455,000	1	452,934	10.66
2,500,001 - 3,000,000	1	2,549,131	60.00
	458	4,248,552	100.00

ADDITIONAL INFORMATION

CATEGORY NO.	CATEGORIES OF SHARE HOLDERS	NUMBER OF SHARES HELD	PERCENTAGE %
1	**Individual**	683,792	16.09
2	**Joint Stock Companies**	142,594	3.36
3	**Directors, Chief Executive Officer, their Spouse and Minor Children**		
	i. Mr. Mohammad Moonis	200,904	4.73
	ii. Mr. Mohammad Ali Hanafi	1,600	0.04
	iii. Mr. M. Aslam Hanafi	55,176	1.30
	iv. Mr. Shuaib Ahmed	452,934	10.66
	v. Mr. Ozair Ahmed Hanafi	2,059	0.05
	vi. Mr. Zahid Zaheer	1,000	0.02
	vii. Mrs. Kehkashan Hanafi	7,260	0.17
4	Associated Company	2,549,131	60.00
5	Banks, DFIs, NBFIs, Insurance Companies, Investment Cos., Modarbas & Mutual Fund	144,842	3.41
6	Charitable Trust	7,260	0.17
	Total	4,248,552	100.00

Shareholders holding 10% or more voting interest

East West Group Holdings Inc.	2,549,131	60.00
Mr. Shuaib Ahmed	452,934	10.66


FACTORY CLEAN

PROXY FORM

51st ANNUAL GENERAL MEETING OF THE COMPANY

I, We____

(Name)

of ____

(Address)

being a member of PAKISTAN GUM & CHEMICALS LIMITED and holder of ____________________

Ordinary Shares as per Register Folio No./CDC Participant's ID and Account No.____________________

____

hereby appoint ____

(Name)

Of ____

(Address)

as my / our proxy to vote for me / us and on my / our behalf at the 51st **ANNUAL GENERAL MEETING** of the Company to be held on Tuesday, the 22nd of April, 2014 and at any adjournment thereof.

Signed by me / us this ____________________ Day of ____________________2014

Signature on Revenue Stamp

Signature of Shareholder must be in accordance with the Specimen signature registered with the company

____

Signature of Proxy

Witness: ____________________

(Signature)

Name: ____________________

Address: ____________________

____

Note:

1. The proxy in order to be valid must be signed across five rupees revenue stamp and should be deposited with the Company not later than 48 hours before the time of holding the meeting.
2. CDC Shareholders and their proxies must attach either an attested photocopy of their CNIC or Passport with this Proxy Form.

PAKCHEM

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