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.

CONTENTS

COMPANY INFORMATION

AS ON DECEMBER 31, 2009

Board of Directors

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

Chief Executive Officer

Mir Asad Waseem

Audit Committee

Tariq Mohamed Amin	*Chairman*
Zahid Zaheer	*Member*
Zaeem Ahmad Hanafi	*Member*

Company Secretary

Rafat Hussain

Chief Financial Officer

Imran Shiwani

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

Tahir Ali Tayebi & Co.

Bankers

Askari Bank Limited
Habib Bank Limited
MCB Bank Limited
Habib Metropolitan Bank Limited
Mybank Limited

Registrar and Share Transfer Office

Corporate Support Services (Private) Limited
407-408, Al-Ameera Centre
Shahrah-e-Iraq, Saddar
Karachi.

Registered Office

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

Phone: (92-21) 32561124-26
Fax: (92-21) 32561320 & (92-21) 32565213
E-mail: pakchem@cyber.net.pk
URL: www.pakchem.com.pk

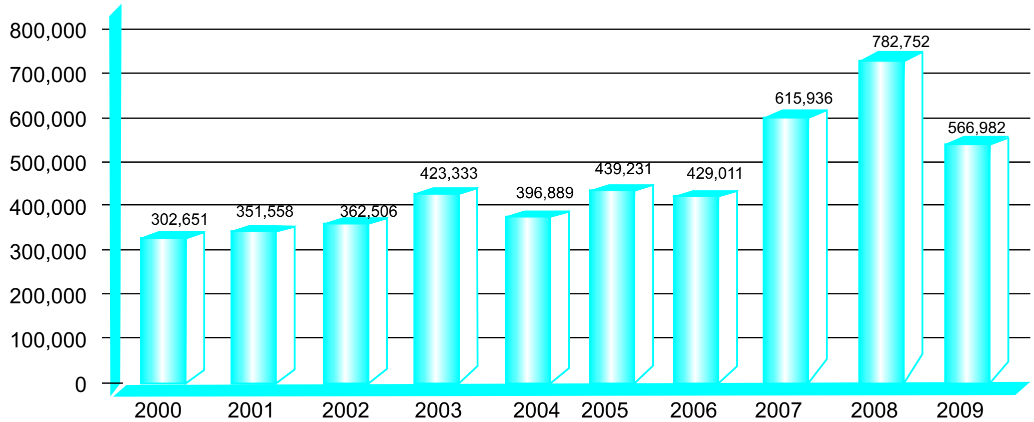
TEN YEAR SUMMARY OF STATISTICS
(Rupees in Thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Operating assets	20,151	19,679	17,695	15,644	14,223	16,859	19,326	23,773	27,800	44,955
Capital work-in-progress	-	-	-	595	2,854	2,998	5,088	2,549	16,087	4,425
Long-term Loans, Deposits & Retirement Benefits*	7,869	8,263	8,500	12,311	22,583	23,002	24,393	770	770	776
Net current and other assets	39,529	50,101	66,511	80,317	87,257	95,811	73,397	109,735	142,253	125,133
Total assets employed	67,549	78,043	92,706	108,867	126,917	138,670	122,204	136,827	186,910	175,289
Ordinary capital	29,260	29,260	29,260	29,260	29,260	32,186	35,405	35,405	42,486	42,486
Reserves	37,707	48,090	62,475	79,607	97,657	106,484	86,799	101,422	144,424	132,803
Long term and deferred liabilities	582	693	971	-	-	-	-	-	-	-
Total funds employed	67,549	78,043	92,706	108,867	126,917	138,670	122,204	136,827	186,910	175,289
Net turnover	302,651	351,558	362,506	423,333	396,889	439,231	429,011	615,936	782,752	566,982
Profit / (loss) before taxation	27,556	23,936	29,402	22,732	32,029	29,342	(3,111)	20,695	40,501	10,728
% of net sales	9.10	6.81	8.11	5.37	8.07	6.68	(0.73)	3.36	5.17	1.89
% of average assets employed	45.79	32.88	34.44	22.55	27.17	22.10	(2.39)	15.98	25.02	5.92
Profit / (loss) after taxation	23,820	19,162	23,163	17,132	26,829	23,457	(6,811)	14,623	32,530	5,373
Cash dividend - amount	9,656	8,778	8,778	8,778	11,704	9,656	-	7,081	16,994	4,249
Bonus Shares - %	-	-	-	-	10	10	-	-	-	-
Right Share - %	-	-	-	-	-	-	-	20	-	-
Cash dividend - %	33	30	30	30	40	30	-	20	40	10
Earnings per share Rs.	8.14	6.55	7.92	5.86	9.17	7.29	(1.92)	4.13	8.04	1.26
Break-up value	23.09	26.67	31.68	37.21	43.38	43.08	34.52	38.65	43.99	41.26
No. of shares	2,926	2,926	2,926	2,926	2,926	3,219	3,541	3,541	4,249	4,249

* From 2007 retirement benefits are included in Net current & other assets instead of Long-term Loans, Deposits and Retirement Benefits.

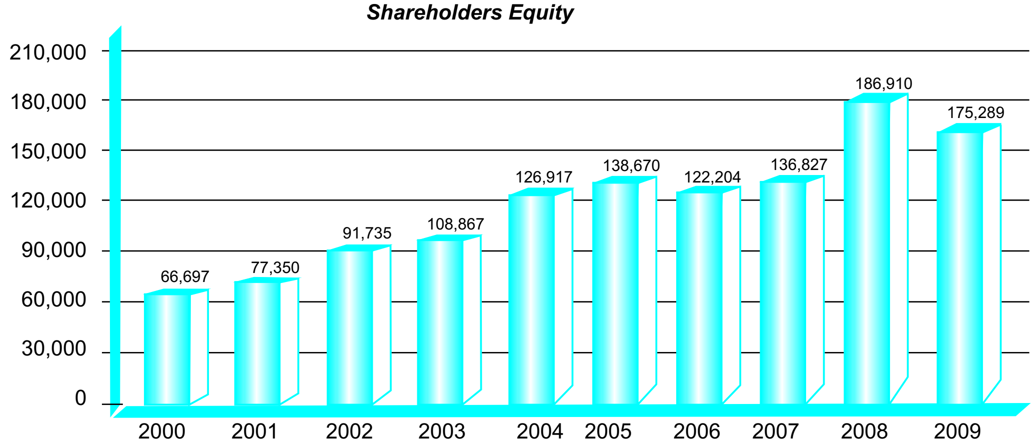
Rupees '000

Sales-Net



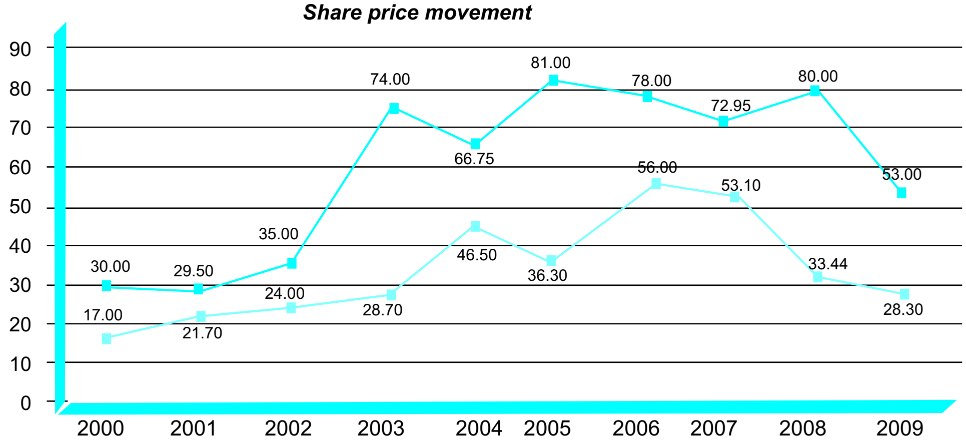
Rupees '000

Shareholders Equity



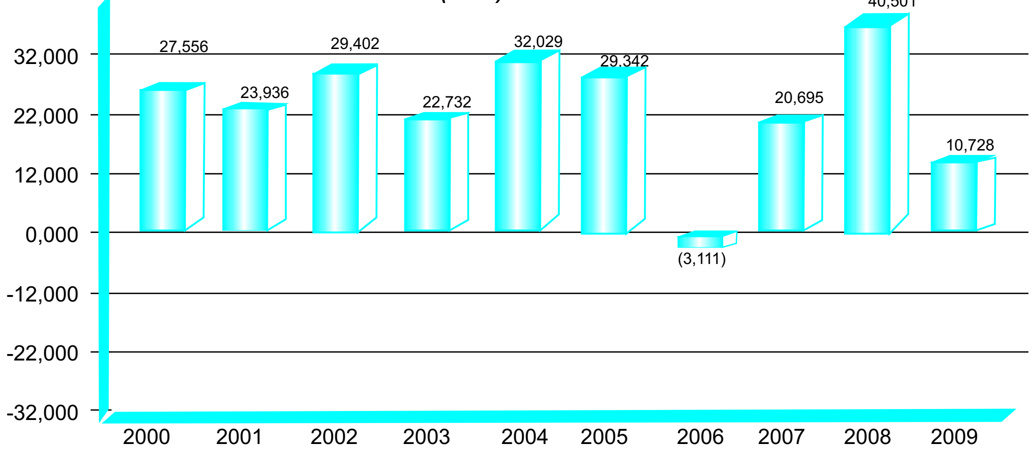
Figures in Rupees

Share price movement



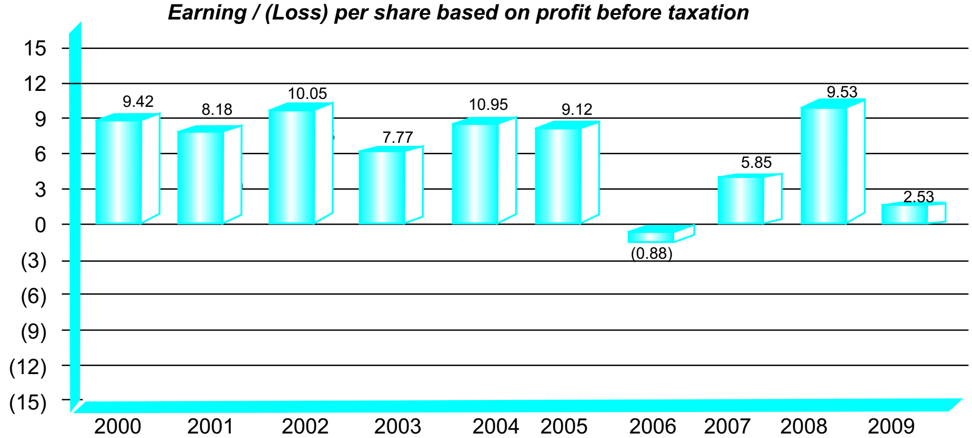
Rupees '000

Profit / (Loss) before taxation



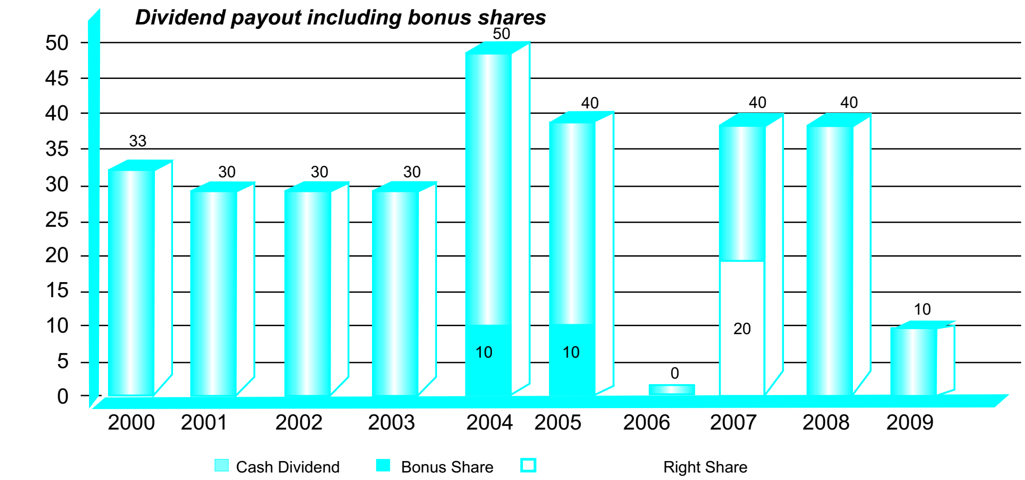
Figures in Rupees

Earning / (Loss) per share based on profit before taxation



Figures in %

Dividend payout including bonus shares



NOTICE OF MEETING

NOTICE IS HEREBY given that the 47th Annual General Meeting of Pakistan Gum & Chemicals Limited, will be held on April 19, 2010 at the Council Hall of the Overseas Investors Chamber of Commerce & Industry, Talpur Road, Karachi at 09:30 A.M. to transact the following:

Ordinary Business:

1. To receive, consider and adopt the Annual Audited Accounts for the year ended December 31, 2009 together with the Directors' and Auditors' reports thereon.

2. To consider and approve payment of dividend at Rs.1.00 per share (10%) to the shareholders for the year ended December 31, 2009 as recommended by the Board of Directors.

3. To appoint auditors and to fix their remuneration.

By order of the Board
Rafat Hussain
Company Secretary
Karachi; March 15, 2010

Notes :

1. The Share Transfer Books of the Company will remain closed from April 9, 2010 to April 19, 2010 (both days inclusive). Transfers received in order at the office of the Registrar of the Company M/s. Corporate Support Services (Private) Ltd., 407-408, Al-Ameera Centre, Shahrah-e-Iraq, Saddar, Karachi by the close of business on April 8, 2010 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.

DIRECTORS' REPORT

On behalf of the Board of Directors, it gives us great pleasure to welcome you to the 47th Annual General Meeting of the Company.

Operating Results

Net Sales during the year were Rs. 567 million vis-à-vis Rs. 783 million for the corresponding period of 2008. Cost of sales was Rs.500 million as compared to Rs.684 million in 2008 whereas profit before tax dropped to Rs.10.7 million in 2009 from Rs.40.5 million in 2008. The main contributors to the drop in profit were lower sales volume, increase in cost of utilities and decline in other income which had exchange gain of Rs. 12.6 million in 2008 compared to only Rs. 1.9 million in 2009. It was not possible to pass on the increase in cost to our buyers due to strong competition in international market.

Manufacturing

During the year, the Company has incurred significant expenses on plant improvement and maintenance which is expected to result in plant efficiency, higher production, and lower cost in coming years. A new production line for guar powder which was installed last year came into full production this year which has increased our powder production and its sale.

Code of Corporate Governance

The management of the Company is in compliance with good corporate governance policies and states as follows:

- 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 departure, if any, has been adequately disclosed. Accounting estimates are based on reasonable and prudent judgment.
- ·International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and departure, if any, has been adequately disclosed.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no doubts upon the Company's ability to continue as a going concern.
- There has been no 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 directors' review of operating results and accounts.
- Key operating and financial data of last ten years is summarized on page 2.
- 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.47 million·
- During the year four (4) meetings of the board were held. Attendance of each director are given below:

Name	No of meetings attended	Remarks
Mr. Mohammad Moonis	4	
Mr. Mohammed Aslam Hanafi	4	
Mr. Ozair Ahmed Hanafi	4	
Mr. Shuaib Ahmed	4	
Mr. Tariq Mohamed Amin	4	
Mr. Zahid Zaheer	4	
Mr. Zaeem Ahmad Hanafi	2	
Mr. M. Ali Hanafi	4	

- Trades in shares of the company, carried out by its directors, CEO, CFO, Company Secretary and their spouses and minor children are as follows:

Description	Purchase of Shares (Nos.)	Transfer of Share (Nos.)	Sales of Shares (No.)
Directors	4,924	-	-
Chief Financial Officer	-	-	-
Company Secretary	-	-	-
Spouses and minor children of Directors, CFO and Company Secretary	-	-	-

Dividend

The Board of Directors is pleased to recommend 10% final cash dividend .

Future Outlook

Total production of guar crop this year is estimated to be significantly lower than 2009. Consequently, the market price of good quality seed has increased by 25% as compared to last year. Utilities as well as other costs have risen further. In the background of these negative developments, the year 2010 looks to be another difficult year. However, the management of the Company is doing what it can to face this situation by focusing on further cost control measures through manufacturing efficiencies and concerted marketing efforts to boost our foreign sales.

Appropriations	**Rupees in '000**
Net Profit for the year before taxation	10,728
Provision for taxation	(5,355)
Net Profit for the year after taxation	5,373
Unappropriated profit brought forward	27,403
	32,776
Appropriations	
Proposed Cash Dividend	4,249
Proposed Bonus Shares	-
Transfer to General Reserve	-
	4,249
Unappropriated profit carried forward	28,527
Earning per share	1.26

Pattern of shareholdings

The pattern of shareholdings of the Company as at December 31, 2009 is given on page 42 of this report.

Holding Company

East West Group Holdings Inc., a company incorporated in British Virgin Islands, U.K. is the majority 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.

ACKNOWLEDGEMENT

We shall be failing in our duty if we do not commend the management and the staff for their continuing hard work in the year 2009. We extend our most sincere thanks to them and best wishes for 2010.

By order of the Board

M. A. Waseem
Chief Executive Officer

M. Moonis
Chairman

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the listing regulations of the 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 Code in the following manner:

1. The Company encourages representation of independent non-executive directors and directors representing minority interest on its Board of Directors (the Board). The Board presently comprises eight directors including six non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered taxpayers and they have confirmed that 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. All Directors have been elected in place of retiring directors in AGM dated March 27, 2008 for the tenure of three years. No casual vacancy arose in the Board during the year.
5. The Company has prepared and circulated a 'Statement of Ethics and Business Practices', which has been signed by all the Directors and employees of the Company.
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, CFO, Company Secretary and other 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. The directors are aware of their fiduciary responsibilities however if necessary the Board will arrange orientation course for its directors in this respect.
10. The Board has established system of sound internal control, which is effectively implemented at all levels within the Company.
11. The directors' report for the year has been prepared in compliance with the requirements of the Code 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 Code.
15. The Audit Committee comprises of three members, all of whom are non-executive directors including the Chairman of the committee.
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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. There exists an effective internal audit function within the Company.
18. 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.
19. 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.
20. We confirm that all other material principles contained in the Code have been complied with.

M. Moonis	**M. A. Waseem**
Chairman	Chief Executive Officer

Karachi: March 15, 2010

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

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the code) prepared by the Board of Directors of **PAKISTAN GUM AND CHEMICALS LIMITED** (the Company) to comply with the Listing Regulations No.35 of the Karachi Stock Exchange (Guarantee) Limited and Listing Regulation No.35 of the Lahore Stock Exchange (Guarantee) Limited, 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 risk 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code, effective for the year ended **31 December 2009.**

KARACHI: March 15, 2010

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** as at **31 December 2009** 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 note 4.3, 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 2009** and of the profit, its 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.

KARACHI: March 15, 2010

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

BALANCE SHEET
AS AT DECEMBER 31, 2009

	Note	December 31, 2009	December 31, 2008
		----------- Rupees '000 --------	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	**49,380**	43,887
Long-term deposits	6	**776**	770
		50,156	44,657
CURRENT ASSETS			
Stores and spares	7	**5,855**	5,683
Stock-in-trade	8	**300,188**	164,273
Trade debts	9	**52,810**	75,064
Accrued mark-up	10	**37**	47
Loans and advances	11	**1,625**	1,528
Short-term prepayments		**627**	404
Other receivables	12	**22,306**	13,247
Taxation - net	13	**10,383**	4,429
Cash and bank balances	14	**10,406**	28,592
		404,237	293,267
TOTAL ASSETS		**454,393**	337,924
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
10,000,000 (2008: 5,000,000) Ordinary shares of Rs.10 each		**100,000**	50,000
Issued, subscribed and paid-up capital	15	**42,486**	42,486
Reserves	16	**132,803**	144,424
		175,289	186,910
CURRENT LIABILITIES			
Trade and other payables	17	**44,281**	28,262
Accrued mark-up on short-term borrowings		**4,361**	2,752
Short-term borrowings	18	**230,462**	120,000
		279,104	151,014
CONTINGENCIES AND COMMITMENTS	19		
TOTAL EQUITY AND LIABILITIES		**454,393**	337,924

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

Mohammad Moonis	**M.A. Waseem**	**Imran Shiwani**
Chairman	Chief Executive Officer	Chief Financial Officer

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	December 31, 2009	December 31, 2008
		----------- Rupees '000	--------
NET SALES	20	**566,982**	782,752
Cost of sales	21	**(499,680)**	(683,984)
GROSS PROFIT		**67,302**	98,768
Distribution and shipping costs	22	**(15,773)**	(29,176)
Administrative expenses	23	**(30,457)**	(24,679)
Other operating expenses	24	**(615)**	(2,230)
Other operating income	25	**3,316**	13,817
		(43,529)	(42,268)
OPERATING PROFIT		**23,773**	56,500
Finance costs	26	**(13,045)**	(15,999)
PROFIT BEFORE TAXATION		**10,728**	40,501
Taxation	27	**(5,355)**	(7,971)
NET PROFIT FOR THE YEAR		**5,373**	32,530
EARNINGS PER SHARE - Basic and diluted (Rs. per share)	28	**1.26**	8.04

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

Mohammad Moonis
Chairman

M.A. Waseem
Chief Executive Officer

Imran Shiwani
Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

	December 31, 2009	December 31, 2008
	----------- Rupees '000 --------	
Profit for the year	**5,373**	32,530
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**5,373**	32,530

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

Mohammad Moonis	**M.A. Waseem**	**Imran Shiwani**
Chairman	Chief Executive Officer	Chief Financial Officer

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	December 31, 2009	December 31, 2008
		----------- Rupees '000 --------	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in) / generated from operations	29	**(78,934)**	1,165
Income tax paid		**(11,309)**	(10,635)
Long-term deposits		**(6)**	-
Net cash used in operating activities		**(90,249)**	(9,470)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(12,274)**	(21,560)
Sale proceeds from disposal of operating fixed assets		**1,609**	202
Profit received on deposit accounts		**696**	13,627
Net cash used in investing activities		**(9,969)**	(7,731)
CASH FLOWS FROM FINANCING ACTIVITIES			
Shor-term borrowings		**110,462**	27,600
Finance cost paid		**(11,436)**	(14,812)
Proceeds from issue of right shares		**-**	24,634
Dividend paid		**(16,994)**	(7,081)
Net cash generated from financing activities		**82,032**	30,341
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(18,186)**	13,140
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**28,592**	15,452
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**10,406**	28,592

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

Mohammad Moonis
Chairman

M.A. Waseem
Chief Executive Officer

Imran Shiwani
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009

	Issued, subscribed and paid-up capital	Capital reserve	REVENUE RESERVES General reserve	Unappro-priated Profit	Total	Total
	----------	Rupees '000	----------			
Balance as at January 01, 2008	35,405	-	82,474	18,948	101,422	136,827
Cash Dividend @ Rs. 2 per Ordinary share of Rs. 10 each declared on March 27, 2008	-	-	-	(7,081)	(7,081)	(7,081)
Right shares issued during the year at a premium of Rs.25 per Ordinary share of Rs.10 each	7,081	17,553	-	-	-	24,634
Net profit for the year	-	-	-	32,530	32,530	32,530
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	32,530	32,530	32,530
Balance as at December 31, 2008	42,486	17,553	82,474	44,397	126,871	186,910
Cash Dividend @ Rs. 4 per Ordinary share of Rs. 10 each declared on April 18, 2009	-	-	-	(16,994)	(16,994)	(16,994)
Net profit for the year	-	-	-	5,373	5,373	5,373
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	5,373	5,373	5,373
Balance as at December 31, 2009	**42,486**	**17,553**	**82,474**	**32,776**	**115,250**	**175,289**

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

Mohammad Moonis
Chairman

M.A. Waseem
Chief Executive Officer

Imran Shiwani
Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

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 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Significant accounting judgments and estimates

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 12.1 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 unrecognised gains 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. In making these estimates, Company uses the technical resources available with the Company. 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.

(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 on certain issues in the past.

(v) Future estimation of export sale

Deferred tax calculation has been made (and found to be immaterial for the disclosure purpose) based on an estimate of future ratio of export and local sales.

Estimates and judgments 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.

There have been no critical judgments made by the Company's management in applying the accounting policies that would have a significant effect on the amounts recognised in the financial statements.

4.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following revised standards, 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 (accounting periods beginning on or after)
IAS 24 Related Party Disclosures (Revised)	01 January 2011
IAS 27 Consolidated and Separate Financial Statements (Amendment)	01 July 2009
IAS 32 Financial Instruments: Presentation-Classification of Rights Issues (Amendment)	01 February 2010
IAS 39 Financial Instruments: Recognition and measurement: Eligible hedged items (Amendment)	01 July 2009
IFRS 2 Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	01 January 2010
IFRS 3 Business Combinations (Revised)	01 July 2009
IFRIC 14 IAS 19 The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IFRIC 17 Distributions of Non-cash Assets to owners	01 July 2009
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	01 July 2010

The Company expects that the adoption of the above revisions, amendments and interpretations of the standards will not effect the Company's financial statements in the period of initial application.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its annual improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after 01 January 2010. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

4.3 Change in accounting policies and disclosures

During the current year, the Company has adopted the following new and amended IASs / IFRSs as of January 01, 2009, which has resulted in extended presentation and disclosure changes as described below.

IAS1 - Presentation of Financial Statements (Revised)

IAS 23 - Borrowings Costs (Revised)

IFRS 7 - Financial Instruments: Disclosures

IAS 1 "Presentation of Financial Statements"

The revised IAS 1 was issued in September 2007 and became effective for financial years beginning on or after January 01, 2009. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard has introduced the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. Accordingly, the Company has added a separate statement of comprehensive income in these financial statements. Comparative information has also been re-presented to bring it in conformity with the revised standard.

The revised IAS 1 also requires that when the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, it should present a restated financial position (balance sheet) as at beginning of comparative period in addition to the current requirement of presenting the balance sheet as at the end of the current and the comparative period.

As the change in accounting policy impacts only the presentation aspects, there is no impact on the earnings of the Company.

IAS - 23 "Borrowing Costs (Revised)"

The revised IAS 23 was issued in April 2007 and became effective for accounting periods beginning on or after January 01, 2009. The revised standard requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The Company's previous policy was to expense out borrowing costs as they were incurred. In accordance with the transitional provision of the amended IAS 23, the Company has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalized on qualifying assets with a commencement date on or after January 1, 2009. However, the change in accounting policy had no impact on the earnings of the Company during the year ended December 31, 2009 as there were no eligible qualifying assets or attributable borrowing costs.

IFRS 7 "Financial Instruments: Disclosures"

IFRS 7 requires extensive disclosures about the significance of financial instruments for an entity's financial position and results of operations, and qualitative and quantitative disclosures on the nature and extent of risks arising from financial instruments. It combines disclosure requirements from IAS-32, 'Financial Instruments: Presentation', and IAS-30, 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions', and also adds new disclosure requirements. Adoption of this IFRS has resulted in additional disclosures only which have been included in the relevant notes to the financial statements and, accordingly, there is no impact on the earnings of the Company.

4.4 Standards or interpretations effective in 2009 but not relevant to the Company

The following standards and interpretations are effective for financial periods beginning on or after January 1, 2009 but are either not relevant or do not have any effect / material effect on the financial statements of the Company:

IAS 29 – Financial Reporting in Hyperinflationary Economies

IAS 32 – Financial Instruments: Presentation Amendments regarding Puttable Financial Instruments

IFRS 2 – Share Based Payment Amendments regarding Vesting Conditions and Cancellations

IFRS 8 – Operating Segments

IFRIC 12 – Service concession arrangements

IFRIC 13 – Customer loyalty programs

IFRIC 14 – IAS 19 The limit on defined benefit asset, minimum funding requirement and their interactions

IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation.

4.5 Property, plant and equipment

Operating fixed assets

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

Leasehold land is amortised over the period of the lease. Depreciation on all other assets is charged to income 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 income

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. Assets having cost of less than a predetermined materially amount are charged off when purchased.

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

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. 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.

(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. The most recent valuation in this regard was carried out as at December 31, 2009, using the Projected Unit Credit Method; 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. The most recent valuation in this regard was carried out as at December 31, 2009, using the Projected Unit Credit Method.

4.7 Actuarial gains and losses

Actuarial gains and losses are recognised as income or expense when the cumulative unrecognised actuarial gains or losses as of the beginning of the period exceed 10% of the defined benefit obligation except for compensated absences. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

4.8 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.

4.9 Stores and spare

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

4.10 Stock-in-trade

These are valued at the lower of cost and NRV, except for feed meal, which is valued at NRV. 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.

Goods in transit are stated at invoice price plus other charges paid thereon up to the balance sheet date.

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

NRV signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

4.11 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents comprise cash in hand, balances with banks on current and deposit account and outstanding balance of running finance facilities availed by the Company.

4.12 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.

4.13 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.

4.14 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.

4.15 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. All the 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.

4.16 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and tax rebates available, if any, and under the final tax regime or 0.5% of turnover whichever is higher.

Deferred

Deferred tax is recognised, proportionate to local sales and other income, using the liability method, on all major temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part for the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

4.17 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.

4.18 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. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

4.19 Related party transactions

Related party transactions are stated at arm's length basis substantiated in the manner given in note 32 to the financial statements.

4.20 Revenue recognition

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

Other revenues are recognised on accrual basis.

4.21 Impairment

The carrying amounts of assets are reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or a group of assets. If any such indication exists, the recoverable amount of that asset is estimated and impairment losses are recognised in the profit and loss account.

4.22 Borrowing Cost

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed out in the period they occur. Borrowing costs consist of interest and other cost that an entity incurs in connection with the borrowing of funds.

	Note	**December 31, 2009**	December 31, 2008
		------Rupees in '000------	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	**44,955**	27,800
Capital work-in-progress	5.2	**4,425**	16,087
		49,380	43,887

5.1 Operating fixed assets

		COST					ACCUMULATED DEPRECIATION / AMORTISATION				WRITTEN DOWN VALUE
	Note	As at January 01, 2009	Additions	(Disposals)	As at December 31, 2009	Rate	As at January 01, 2009	Charge for the year	(On disposals)	As at December 31, 2009	As at December 31, 2009
December 31, 2009		------------------ Rupees in '000 ------------------				%	------------------ Rupees in '000 ------------------				
Leasehold land		**225**	**-**	**-**	**225**	**1.01**	**102**	**2**	**-**	**104**	**121**
Building on leasehold land	5.1.1	**17,640**	**921**	**-**	**18,561**	**3-10**	**14,371**	**514**	**-**	**14,885**	**3,676**
Plant and machinery	5.1.1	**57,363**	**19,474**	**(203)**	**76,634**	**7 & 10**	**40,527**	**3,688**	**(203)**	**44,012**	**32,622**
Furniture and fixtures		**1,103**	**-**	**-**	**1,103**	**10**	**1,056**	**10**	**-**	**1,066**	**37**
Vehicles		**7,442**	**3,019**	**(2,186)**	**8,275**	**20 & 25**	**4,643**	**960**	**(1,344)**	**4,259**	**4,016**
Office equipment	5.1.1	**10,476**	**521**	**-**	**10,997**	**10 & 33**	**6,011**	**714**	**-**	**6,725**	**4,272**
Electrical installations		**756**	**-**	**-**	**756**	**7 & 10**	**495**	**50**	**-**	**545**	**211**
		95,005	**23,935**	**(2,389)**	**116,551**		**67,205**	**5,938**	**(1,547)**	**71,596**	**44,955**

	COST					ACCUMULATED DEPRECIATION				WRITTEN DOWN VALUE
	As at January 01, 2008	Additions	(Disposals) / (written-off)*	As at December 31, 2008	Rate	As at January 01, 2008	Charge for the year	(On disposals)/ (written-off)	As at December 31, 2008	As at December 31, 2008
December 31, 2008	------------------ Rupees in '000 ------------------				%	------------------ Rupees in '000 ------------------				
Leasehold land	225	-	-	225	1.01	100	2	-	102	123
Building on leasehold land	17,612	47	(19) *	17,640	3 & 4	13,869	521	(19) *	14,371	3,269
Plant and machinery	73,434	3,784	(19,855) *	57,363	7 & 10	58,337	2,045	(19,855) *	40,527	16,836
Furniture and fixtures	1,103	-	-	1,103	10	1,046	10	-	1,056	47
Vehicles	7,375	427	(360)	7,442	20 & 25	4,068	923	(348)	4,643	2,799
Office equipment	11,971	3,764	(303) (4,956) *	10,476	10 & 33	10,838	432	(303) (4,956) *	6,011	4,465
Electrical installations	756	-	-	756	7 & 10	445	50	-	495	261
	112,476	8,022	(663) (24,830) *	95,005		88,703	3,983	(651) (24,830) *	67,205	27,800

5.1.1 Additions during the year include a sum of Rs.19.283 (2008: Rs.3.867) million transferred from capital work-in-progress, as shown in note 5.2.

5.1.2 The cost of fully depreciated assets written off during the year amounted to Rs. Nil (2008: Rs.24.830) million.

	Note	**December 31, 2009**	December 31, 2008
		----------- Rupees '000 --------	
5.1.3 Depreciation for the year has been allocated as follows:			
Cost of sales	21	**4,991**	3,104
Administrative expenses	23	**947**	879
		5,938	3,983

5.1.4 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 '000)					
Plant and machinery	203	203	-	-	Trade in	Maxim Power Solutions
Vehicles	41	24	17	27	Negotiation	Mr. Waseem Employee, Karachi
	41	24	17	27	-do-	Mr. Khursheed Employee, Karachi
	41	24	17	27	-do-	Mr. Naeem-ul-Hasan Employee, Karachi
	474	474	-	281	-do-	Mr. Noman Hasan Khan Car Dealer, Karachi
	811	781	30	485	-do-	-do-
	778	17	761	762	-do-	-do-
	2,389	**1,547**	**842**	**1,609**		

	Note	**December 31, 2009**	**Additions / (transfers)**	December 31, 2008
		----------- Rupees '000 --------		
5.2 Capital work-in-progress				
Building on leasehold land		**-**	**921**	-
	5.1	**-**	**(921)**	-
Plant and machinery		**4,425**	**6,462**	16,087
	5.1	**-**	**(18,124)**	-
Office equipment		**-**	**238**	-
	5.1	**-**	**(238)**	-
		4,425	**7,621**	16,087
	5.1.1	**-**	**(19,283)**	-

6. LONG-TERM DEPOSITS

Utilities	**757**	757
Others	**19**	13
	776	770

	Note	December 31, 2009	December 31, 2008
		---------- Rupees '000 --------	

7. STORES AND SPARES

	Note	2009	2008
Stores and Spares		**8,106**	7,917
Provision against slow moving stores and spares	7.1	**(2,251)**	(2,234)
		5,855	5,683

7.1 Provision against slow moving stores and spares

	Note	2009	2008
Balance at the beginning of the year		**2,234**	2,194
Provision made during the year	21	**17**	40
		2,251	2,234

8. STOCK-IN-TRADE

	Note	2009	2008
Raw material		**79,719**	24,157
Packing material		**3,318**	4,078
Finished goods	8.1	**217,151**	136,038
		300,188	164,273

8.1 Included in finished goods is a sum of Rs.37.675 (2008: Rs.43.058) million, representing stock carried at their net realisable value.

9. TRADE DEBTS

	2009	2008
Secured - against letters of credit		
Considered good	**46,627**	62,237
Unsecured		
Considered good	**6,183**	12,827
Provision against debts considered doubtful		
Opening balance	**-**	2
Written-off during the year	**-**	(2)
	-	-
	52,810	75,064

9.1 The maximum aggregate amount due from Orkila Pakistan (Private) Limited, a related party, at the end of any month during the year was Rs.2.515 (2008: Rs.2.612) million.

9.2 Debtors amounting to Rs.4.645 million have been discounted with a bank.

9.3 As at December 31, 2009, 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
		-------------------------------------(Rs. in '000)	----------------------------		
2009	**52,810**	**52,335**	**-**	**-**	**475**
2008	75,064	73,133	1,632	-	299

	Note	December 31, 2009	December 31, 2008
		----------- Rupees '000 --------	

10. ACCRUED MARK-UP

Bank deposits		**37**	47

11. LOANS AND ADVANCES

Considered good, unsecured

	Note	December 31, 2009	December 31, 2008
Loans			
Employees	11.1	**577**	543
Advances			
Suppliers		**1,028**	985
Employees		**20**	-
		1,625	1,528

11.1 These are interest free, personal loans given to the employees of the Company, in accordance with the terms of their employment, and are secured against the outstanding balances of the Provident Fund. The amount outstanding at the end of the year is recoverable in equal monthly installments.

Long-term loans have not been discounted to their present value as the financial impact thereof is not considered material by the management.

12. OTHER RECEIVABLES

	Note	December 31, 2009	December 31, 2008
Margin Guarantee on export sales		**11,685**	-
Due from Employees' Pension Fund	12.1	**-**	5,061
Due from Employees' Gratuity Fund	12.1	**3,269**	3,663
Sales tax		**7,352**	4,523
		22,306	13,247

12.1 The status of the funds and principal assumptions used in the actuarial valuation as of December 31, 2009 were as follows:

	Pension Fund		Gratuity Fund	
	2009	**2008**	**2009**	**2008**
	------- Rs. in '000 -------		------- Rs. in '000 -------	
Balance sheet reconciliation as at December 31,				
Present value of defined benefit obligation	**11,710**	9,293	**6,309**	5,860
Fair value of plan assets	**(9,408)**	(6,679)	**(8,535)**	(8,316)
Net actuarial losses not recognised	**19**	(7,675)	**(1,043)**	(1,207)
Net liability / (asset) in balance sheet	**2,321**	(5,061)	**(3,269)**	(3,663)
Movement in (asset) / liability				
Prepayment as at January 1,	**(5,061)**	(18,370)	**(3,663)**	(4,388)
Credit / (charge) for the year	**7,616**	(891)	**394**	725
Contribution during the year	**(2,555)**	14,200	**-**	-
(Asset) / liability as at December 31,	**-**	(5,061)	**(3,269)**	(3,663)

	Pension Fund		Gratuity Fund	
	2009	2008	**2009**	2008
	------- Rs. in '000 -------		**------- Rs. in '000 -------**	
(Credit) / Expense recognised				
Service cost	**478**	689	**387**	397
Interest cost	**1,394**	1,059	**878**	520
Expected return on plan assets	**(1,002)**	(2,639)	**(1,247)**	(815)
Net actuarial losses / (gain) recognised	**6,746**	-	**376**	623
	7,616	(891)	**394**	725
Actual return on plan assets	**3,297**	9,970	**793**	1,264
Movement in the defined benefit obligation				
Obligation as at January 1,	**9,293**	10,587	**5,860**	5,196
Service cost	**478**	689	**387**	397
Interest cost	**1,394**	1,059	**879**	520
Benefits paid	**(802)**	(815)	**(574)**	(196)
Actuarial loss / (gain)	**1,347**	(2,227)	**(243)**	(57)
Obligation as at December, 31	**11,710**	9,293	**6,309**	5,860
Movement in fair value of plan assets				
Fair value as at January 1,	**6,679**	22,387	**8,316**	8,146
Expected return on plan assets	**1,002**	2,638	**1,247**	815
Employer contributions	**2,555**	(14,200)	**-**	-
Benefits paid	**(802)**	(815)	**(574)**	(196)
Actuarial gain	**(26)**	(7,331)	**(454)**	(449)
Fair value as at December 31,	**9,408**	6,679	**8,535**	8,316
Key actuarial assumptions used are as follows:				
Discount factor used	**14%**	15%	**14%**	15%
Expected rate of returns per annum on plan assets	**14%**	15%	**14%**	15%
Expected rate of increase in future salaries per annum	**14%**	15%	**14%**	15%

	2009		2008	
	Rupees '000	**%**	Rupees '000	%
Plan assets comprise of:				
Funded pension plan				
Bonds	**-**	**-**	-	-
Equities	**9,313**	**98.99**	6,164	92.29
Property	**-**	**-**	-	-
Cash and net current assets	**95**	**1.01**	515	7.71
	9,408	**100.00**	6,679	100.00
Funded gratuity plan				
Bonds	**7,836**	**91.81**	7,788	93.66
Equities	**580**	**6.80**	390	4.69
Property	**-**	**-**	-	-
Cash and net current assets	**119**	**1.39**	137	1.65
	8,535	**100.00**	8,315	100.00

Comparison for five years:	**2009**	**2008**	**2007**	**2006**	**2005**
		-------------- Rs. in '000 --------------			
Funded pension plan					
Present value of defined benefit obligation	**11,710**	9,293	10,587	10,949	10,547
Fair value of plan assets	**(9,408)**	(6,679)	(26,387)	(27,593)	(29,517)
Deficit / (Surplus)	**2,302**	2,614	(15,800)	(16,644)	(18,970)
Experience adjustment					
Actuarial (loss) / gain on obligation	**(1,347)**	2,227	1,150	217	-
Actuarial gain / (loss) on plan assets	**2,295**	(7,331)	(3,091)	(3,705)	150
Funded gratuity plan					
Present value of defined benefit obligation	**6,309**	5,860	5,196	3,929	2,585
Fair value of plan assets	**(8,535)**	(8,315)	(8,146)	(7,455)	(9,394)
Surplus	**(2,226)**	(2,455)	(2,950)	(3,526)	(6,809)
Experience adjustment					
Actuarial gain / (loss) on obligation	**243**	57	(791)	(2,105)	-
Actuarial (loss) / gain on plan assets	**(454)**	(449)	(99)	(1,635)	1,711

12.2 The latest actuarial valuation of the Funds was carried out as of December 31, 2009 on the basis of the “Projected Unit Credit Method”.

	Note	December 31, 2009	December 31, 2008
		----------- Rupees '000 --------	
13. TAXATION - Net			
Advance income tax		**11,477**	8,331
Provision for income tax - current		**(4,657)**	(9,018)
Income tax refundable - net		**3,563**	5,116
		10,383	4,429
14. CASH AND BANK BALANCES			
In hand			
Local currency		**484**	398
Foreign currency		**177**	245
		661	643
At banks in			
Current accounts			
Local currency		**2,210**	18,629
Foreign currency		**215**	857
		2,425	19,486
Savings account	14.1	**3,720**	4,863
Term deposit account - under lien	14.2	**3,600**	3,600
		7,320	8,463
		9,745	27,949
		10,406	28,592

14.1 These carry return at the rates, ranging between 4.5% and 5.5% (2008: 4.5% to 5.5%) per annum

14.2 This carries return at the rate of 11.0% per annum. Further, the term deposit account has been placed under a lien with a bank on account of a guarantee issued to Sui Southern Gas Company Limited.

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of shares 2009	Number of shares 2008		2009	2008
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%) [2008: 2,549,131 (60%)] Ordinary shares of Rs. 10 each as at December 31, 2009.

	Note	December 31, 2009	December 31, 2008
		----------- Rupees '000 --------	
16. RESERVES			
Capital reserve			
Share premium		**17,553**	17,553
Revenue reserves			
General		**82,474**	82,474
Unappropriated profit		**32,776**	44,397
		115,250	126,871
		132,803	144,424

17. TRADE AND OTHER PAYABLES

	Note	December 31, 2009	December 31, 2008
Trade			
Creditors	17.1	**22,908**	4,857
Other payables			
Accrued liabilities	17.2	**15,617**	17,064
Compensated absences		**2,785**	2,110
Advances from customers		**14**	431
Workers' Profits Participation Fund	17.3	**567**	2,137
Workers' Welfare Fund		**48**	193
Tax deducted at source		**162**	173
Unclaimed and unpaid dividends		**602**	354
Employees' Car and Motorcycle Loan Schemes		**1,578**	943
		44,281	28,262

17.1 Included herein a sum of Rs.1.114 (2008: Rs.0.954) million and Rs.0.069 (2008: Rs.0.120) million, respectively, due to Orkila Pakistan (Private) Limited and Shipwell (Private) Limited - related parties.

17.2 Included herein is a sum of Rs.1.591 (2008: Rs.5.658) million accrued by the Company on account of bonus to employees.

17.3 Workers' Profits Participation Fund

	Note	December 31, 2009	December 31, 2008
Balance at the beginning of the year		**2,137**	1,097
Allocation for the year	24	**567**	2,137
		2,704	3,234
Interest on Worker's Profit Participation Fund	26	**24**	35
Payments made during the year		**(2,161)**	(1,132)
		567	2,137

18. SHORT-TERM BORROWINGS - secured

	Note	December 31, 2009	December 31, 2008
From commercial banks			
Short term loans	18.1	**190,000**	120,000
Short term running finance	18.2	**40,462**	-
		230,462	120,000

18.1 Short term loans

	Note	December 31, 2009	December 31, 2008
Export refinance - I	18.1.1	**10,000**	-
Export refinance - II	18.1.2	**180,000**	120,000
		190,000	120,000

18.1.1 The Company has arranged a facility for short-term loan under export refinance, amounting to Rs.10.000 (2008: Rs.10.000) million, from a commercial bank on mark-up basis.

The loan is repayable through the realisation of export proceeds / negotiation of export bills within a maximum period of 180 days from the draw-down date. Mark-up is payable upon adjustment of loan or at quarter end, whichever is earlier, at the rate of 1% per annum over State Bank of Pakistan minimum export refinance rate.

18.1.2 The Company has arranged a facility for short-term loan under export refinance, aggregating to Rs.180.000 (2008: Rs.130.000) million, from commercial banks on mark-up basis.

The loans are repayable through the realisation of export proceeds / negotiation of export bills within a maximum period of 180 days from the draw-down date. Mark-up is payable upon adjustment of loans or at quarter end, whichever is earlier, at the rate of 1% per annum over State Bank of Pakistan minimum export refinance rate.

The above loans, along with short-term running finance mentioned in note 18.2, are secured against first pari-passu equitable mortgage charge of Rs.270.000 million over factory premises.

18.2 Short term running finance

The Company has arranged a facility for short-term running finance from a commercial bank, amounting to Rs.55.000 (2008: Rs.55.000) million. The mark-up is charged at 3 months KIBOR plus 1.5% per annum.

The short-term running finance is also secured against first pari passu charge on book debts and receivables, amounting to Rs.220.000 million.

19. CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

19.1.1 The former employees of the Company filed law suits against the Company, claiming an aggregate sum of Rs.7.617 million on various accounts. The management is confident, based on the advice of its legal counsel, that any liability in this respect has a remote possibility of crystallisation. 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 filed the 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 from this matter in these financial statements.

19.1.3 A letter of guarantee amounting to Rs.3.600 million (2008: Rs. 3.600) million has been issued by a commercial bank on behalf of the Company.

	December 31, 2009	December 31, 2008
	----------- **Rupees '000**	--------
19.2 Commitments		
19.2.1 Commitment for capital expenditure	**18,500**	2,417
19.2.2 Rentals under operating lease agreements in respect of land	**158**	160

	Note	December 31, 2009	December 31, 2008
		----------- Rupees '000 --------	
20. NET SALES			
Gross sales			
Local		**190,382**	234,282
Export		**381,522**	559,030
		571,904	793,312
Sales commission		**(4,264)**	(10,093)
Discounts		**(658)**	(467)
		(4,922)	(10,560)
		566,982	782,752
21. COST OF SALES			
Raw material consumed			
Opening stock		**24,157**	55,533
Purchases		**506,300**	594,671
		530,457	650,204
Closing stock		**(79,719)**	(24,157)
		450,738	626,047
Packing material consumed			
Opening stock		**4,078**	1,945
Purchases		**11,922**	17,833
		16,000	19,778
Closing stock		**(3,318)**	(4,078)
		12,682	15,700
		463,420	641,747
Manufacturing overheads			
Stores and spares consumed		**14,723**	7,887
Salaries, wages and benefits	21.1	**23,713**	24,927
Utilities		**59,002**	57,441
Depreciation	5.1.3	**4,991**	3,104
Repairs and maintenance		**3,607**	5,467
Handling charges		**3,299**	4,017
Rent, rates and taxes		**3,959**	5,905
Insurance		**879**	559
Traveling and conveyance		**983**	989
Laboratory expenses		**991**	1,485
Research and development		**962**	362
Communication		**87**	92
Provision against slow moving stores and spares	7.1	**17**	40
Others		**160**	101
		117,373	112,376
Cost of goods manufactured		**580,793**	754,123
Opening stock of finished goods		**136,038**	65,899
		716,831	820,022
Closing stock		**(217,151)**	(136,038)
		499,680	683,984

21.1 Included herein is a sum of Rs.0.370 (2008: Rs.0.319) million in respect of the Company's contribution to the provident fund, provision of Rs.0.297 (2008: Rs.0.861) million in respect of compensated absences and Rs.0.844 (2008: Rs.3.203) million in respect of bonus to employees.

	Note	December 31, 2009	December 31, 2008
		----------- Rupees '000 --------	

22. DISTRIBUTION AND SHIPPING COSTS

	Note	2009	2008
Sales promotion expenses		**1,760**	979
Freight		**7,473**	19,147
Port expenses		**5,014**	6,481
Cartage outward		**1,317**	1,670
Marine insurance		**163**	310
Travelling and conveyance		**46**	589
		15,773	29,176

23. ADMINISTRATIVE EXPENSES

	Note	2009	2008
Salaries and benefits	23.1	**21,536**	16,420
Travelling and conveyance		**1,823**	1,547
Depreciation	5.1.3	**947**	879
Communication		**1,061**	899
Security service charges		**692**	614
Repairs and maintenance		**247**	321
Insurance		**293**	225
Printing and stationery		**356**	452
Auditors' remuneration	23.2	**515**	410
Subscriptions		**864**	1,418
Legal and professional charges		**1,086**	262
Utilities		**293**	254
Entertainment		**373**	444
Rent, rates and taxes		**122**	245
Advertisement		**157**	205
Others		**92**	84
		30,457	24,679

23.1 Included herein is a sum of Rs.0.516 (2008: Rs.0.483) million in respect of the Company's contribution to the provident fund, provision of Rs.0.722 (2008: Rs.0.535) million in respect of compensated absences and Rs.0.747 (2008: Rs.2.455) million in respect of bonus to employees.

23.2 Auditors' remuneration

	2009	2008
Audit fee	**300**	200
Review of Code of Corporate Governance compliance and half yearly financial statements	**90**	75
Other services	**60**	75
Out of pocket expenses	**65**	60
	515	410

24. OTHER OPERATING EXPENSES

	Note	2009	2008
Workers' Profits Participation Fund	17.3	**567**	2,137
Workers' Welfare Fund		**48**	93
		615	2,230

25. OTHER OPERATING INCOME

	Note	December 31, 2009	December 31, 2008
		----------- Rupees '000 --------	
Profit on			
Deposit accounts		**476**	293
Savings accounts		**220**	270
		696	563
Mark-up on			
Provident Fund loan		**-**	469
Gain on sale of operating fixed assets		**766**	190
Exchange gain		**1,854**	12,595
		3,316	13,817

26. FINANCE COSTS

	Note	December 31, 2009	December 31, 2008
Mark-up on:			
Export refinance		**9,462**	9,613
Short-term running finance		**1,380**	4,237
Interest on Workers' Profit Participation Fund	17.3	**24**	35
Bank charges		**2,179**	2,114
		13,045	15,999

27. TAXATION

	Note	December 31, 2009	December 31, 2008
Current	27.1	**4,657**	9,018
Prior		**698**	(1,047)
		5,355	7,971

27.1 Relationship between accounting profit and tax expense

	December 31, 2009	December 31, 2008
Profit before taxation	**10,728**	40,501
Income tax at the applicable rate 35% (2008: 35%)	**3,755**	14,175
Effect of tax under final tax regime and other adjustments - net	**902**	(5,157)
	4,657	9,018

The income tax assessment of the company have been finalised up to and including the tax year 2009, corresponding to the income year ended December 31, 2008.

Deferred

A major portion of the Company's income is subject to taxation under the 'Final Tax Regime' under Section 169 of the Income Tax Ordinance, 2001. Accordingly, a significant part of the Company's tax liability is determined on the basis of withholding tax deductions made, irrespective of profit and further there is no material temporary difference between the tax and accounting bases of carrying value of assets and liabilities. Therefore, the tax effects of temporary differences, which might determine deferred taxation, are not considered to be significant.

		December 31, 2009	December 31, 2008
		----------- Rupees '000 --------	

28. EARNINGS PER SHARE

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

	December 31, 2009	December 31, 2008
Net profit for the year	**5,373**	32,530
	Number of shares	
Ordinary shares in issue during the year	**4,248,552**	4,248,552
	Rupees	
Earnings per share - Basic and diluted	**1.26**	8.04

29. CASH GENERATED FROM OPERATIONS

	Note	December 31, 2009	December 31, 2008
		----------- Rupees '000 --------	
Profit before taxation		**10,728**	40,501
Adjustments for non-cash items			
Depreciation		**5,938**	3,983
Finance costs		**13,045**	15,999
Provision against compensated absences		**1,019**	(419)
Provision for bonus		**1,590**	5,658
Provision for slow moving stores and spares		**17**	40
Gain on disposal of fixed assets		**(766)**	(190)
Profit on deposit accounts		**(696)**	(13,627)
		20,147	11,444
Operating profit before working capital changes		**30,875**	51,945
Working capital changes	29.1	**(109,809)**	(50,780)
		(78,934)	1,165

29.1 Working capital changes

	December 31, 2009	December 31, 2008
(Increase) / decrease in current assets		
Stores and spares	**(189)**	(150)
Stock-in-trade	**(135,915)**	(40,896)
Trade debts	**22,254**	(11,694)
Advances	**(97)**	(845)
Short-term prepayments	**(223)**	29
Other receivables	**(9,049)**	25,015
	(123,219)	(28,541)
Increase / (decrease) in current liabilities		
Trade and other payables	**15,125**	(23,122)
Workers' Profit Participation Fund	**(1,570)**	1,040
Workers' Welfare Fund	**(145)**	(157)
	13,410	(22,239)
	(109,809)	(50,780)

30. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	CHIEF EXECUTIVE		DIRECTORS		EXECUTIVE		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008
	(Rupees '000)							
Managerial remuneration	**1,837**	1,638	**1,876**	1,024	**2,468**	1,615	**6,181**	4,277
Housing	**827**	737	**520**	461	**1,111**	727	**2,458**	1,925
Retirement benefits	**153**	136	**96**	85	**206**	135	**455**	356
Bonus	**550**	400	**325**	200	**434**	337	**1,309**	937
Medical expenses	**104**	168	**112**	86	**148**	97	**364**	351
Utilities	**184**	164	**115**	102	**247**	162	**546**	428
	3,655	3,243	**3,044**	1,958	**4,614**	3,073	**11,313**	8,274
Number	**1**	1	**2**	2	**5**	3	**8**	6

30.2 The Chief Executive and one of the Directors are also provided with the Company maintained cars and other benefits in accordance with their terms of employment.

30.3 Six Non-Executive Directors (2008: Six) were paid fees to attend the meetings, aggregating to Rs.0.285 (2008: Rs.0.205) million.

31. FINANCIAL RISK MANAGEMENT, OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks i.e. market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company's senior management oversees the management of these risks. The Company's senior management provides policies for overall risk management, as well as policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of financial derivatives, financial instruments and investment of excess liquidity. It is the Company's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

31.1 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 other price risk, such as equity risk.

Financial instruments affected by market risk include trade debtors, trade payables, bank balances and short-term loan.

31.1.1 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. The Company's exposure to the risk of change in market interest rate relates primarily to the Company's liability against short-term running finance with floating interest rate.

The Company's policy is to keep its short-term running finance at the lowest level by effectively utilising the positive cash and bank balances.

Interest rate profile of financial instruments

At the reporting date, the interest rate profile of the Company's interest bearing financial instruments was as follows:

	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	Effective rates (%)		----------- Rupees '000 --------	
Financial liability				
Short-term running finance	**3 months KIBOR + 1.5**	-	**40,462**	-

Sensitivity analysis

A change of 100 basis points (1%) in interest rate at the reporting date would have changed Company's profit before tax for the year and equity by the amounts shown below, with all other variables held constant.

		December 31, 2009	December 31, 2008
Change in interest rate	±	**1%**	-
Effect on profit before tax (Rs.000's)	±	**100**	-
Effect on equity (Rs.000's)	±	**88**	-

31.1.2 Foreign Currency Risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in a foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's exposure to foreign currency risk is as follows:

	December 31, 2009	December 31, 2008
	----------- Rupees '000 --------	
Bank balances	**215**	857
Trade debts	**46,627**	62,237
The following significant exchange rates have been applied at the reporting dates:		
Exchange rate (US Dollar)	**84.1**	78.7

The foreign currency exposure is partly covered as the majority of the Company's billing is determined in dollars which is converted into rupees at the exchange rate prevailing at the transaction date. The Company has assessed that hedging its foreign currency borrowings will be more expensive than assuming the risk itself.

Sensitivity analysis:

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's profit before tax and the Company's equity.

	Change in US dollar rate (%)	Effect on Profit/(loss)	Effect on equity
		----------- Rupees '000 --------	
December 31, 2009	**+10**	**4,684**	3,045
	-10	**(4,684)**	(3,045)
December 31, 2008	**+10**	**6,309**	4,101
	-10	**(6,309)**	(4,101)

31.1.3 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.

31.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is mainly exposed to credit risk on trade debts and bank balances. The Company seeks to minimise the credit risk exposure through having exposure only to customers considered credit worthy and obtaining securities where applicable.

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:

	Carrying values	
	December 31, 2009	December 31, 2008
	----------- Rupees '000 --------	
31.2.1 Trade debts		
Customers with no defaults in the past one year	**52,810**	75,064
31.2.2 Bank balances		
The carring values of bank balances are analysed as follows		
Held with banks having a short -term rating of A1+	**9,560**	27,663
Held with banks having a short -term rating of A-	**185**	286
	9,745	27,949

31.3 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	5 years	Total
		---------------------- Rs. in '000	---------------------			
Trade and other payables	3,387	38,701	615	1,578	-	44,281
Accrued mark-up	-	4,361	-	-	-	4,361
Short-term loan	-	-	230,462	-	-	230,462
2009	3,387	43,062	231,077	1,578	-	279,104
Trade and other payables	2,464	22,525	2,330	943	-	28,262
Accrued mark-up	-	2,752	-	-	-	2,752
Short-term loan	-	-	120,000	-	-	120,000
2008	2,464	25,277	122,330	943	-	151,014

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

31.4 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.

31.5 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.

No changes were made in the objectives, policies or processes during the years ended December 31, 2009 and December 31, 2008.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company's policy is to keep the gearing ratio between 40% and 65%. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, accrued mark-up less cash and cash equivalents. Capital includes, equity attributable to the equity holders and revenue reserve.

	December 31, 2009	December 31, 2008
	----------- Rupees '000 --------	
Short-term borrowings	**230,462**	120,000
Trade and other payables	**44,281**	28,262
Mark-up accrued on short-term borrowings	**4,361**	2,752
Cash and bank balances	**(10,406)**	(28,592)
Net debt	**268,698**	122,422
Issued, subscribed and paid-up capital	**42,486**	42,486
Share Premium	**17,553**	17,553
Revenue reserve	**115,250**	126,871
Total capital	**175,289**	186,910
Capital and net debt	**443,987**	309,332
Gearing ratio	**61%**	40%

32. TRANSACTIONS WITH RELATED PARTIES

The related parties of the Company comprise of associated company, employees' provident fund, employees' pension fund and staff gratuity fund, directors and key management personnel of the Company. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties, amounts due from executives and remuneration of directors and executives are disclosed in the relevant notes.

Terms and conditions of transactions with related parties

The transactions with the related parties are made at normal market prices. Outstanding balances are disclosed in the respective notes. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2009, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2008: Nil).

An assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. Other material transactions with related parties are given below:

	December 31, 2009	December 31, 2008
	----------- Rupees '000 --------	
Orkila Pakistan (Private) Limited - Associated company		
Sale of goods	**6,283**	10,491
Commission on sales	**2,060**	2,717
Shipwell (Private) Limited - Associated company		
Sale of goods	**41**	-
Commission on sales	**1,061**	907

	Note	December 31, 2009	December 31, 2008
		---------- Rupees '000 --------	
IAL Pakistan (Private) Limited - Associated Company			
Freight Forwarding		**128**	327
Logistics		**457**	-
Staff retirement benefit plan			
Contribution to staff retirement funds		**886**	802

33. CAPACITY AND PRODUCTION

	Note		
Installed capacity (Seed processing)		**35,000**	35,000
Actual seed processing	33.1	**11,312**	22,890

33.1 The under utilisation of capacity was due to lower demand during the year.

34. DIVIDEND AND APPROPRIATION

In the meeting held on March 15, 2010 the Board of Directors of the Company recommended a final cash dividend of Rs.1/- per share for the year ended December 31, 2009, for approval of the members at the Annual General Meeting to be held on April 19, 2010. These financial statements do not reflect these appropriations and the dividend payable.

35. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 15, 2010 by the Board of Directors of the Company.

36. GENERAL

Amounts have been rounded off to the nearest thousand rupees.

Mohammad Moonis
Chairman

M.A. Waseem
Chief Executive Officer

Imran Shiwani
Chief Financial Officer

PATTERN OF SHAREHOLDINGS
AS AT DECEMBER 31, 2009

SIZE OF HOLDING Rs.10/- EACH			NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF ISSUED CAPITAL
1	-	100	85	3,270	0.07
101	-	500	153	30,233	0.71
501	-	1,000	31	22,392	0.53
1,001	-	5,000	36	61,762	1.45
5,001	-	10,000	10	74,720	1.76
10,001	-	15,000	3	36,800	0.87
15,001	-	20,000	1	18,101	0.43
25,001	-	30,000	1	28,200	0.66
35,001	-	40,000	1	37,000	0.87
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	2	197,036	4.64
195,001	-	200,000	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
			330	4,248,552	100.00

ADDITIONAL INFORMATION

Category No.	Categories of Share Holders	NUMBER OF SHARES HELD	PERCENTAGE %
1	**Individual**	629,079	14.81
2	**Joint Stock Companies**	99,797	2.35
3	**Directors, Chief Executive Officer and their Spouse and Minor Children**		
	i. Mr. Mohammad Moonis	134,804	3.17
	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. Tariq Mohamed Amin	1,000	0.02
	vii. Mr. Zahid Zaheer	1,000	0.02
	viii. Mr. Zaeem A. Hanafi	1,000	0.02
	ix. Mrs. Shahinda Moonis	66,100	1.56
	x. Mrs. Farah Zaeem Hanafi	145	0.00
	xi 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	240,207	5.65
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

PROXY FORM

47th ANNAUL 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 proxy to vote for me and on my behalf at the 47th **ANNUAL GENERAL MEETING** of the Company to be held on Monday, 19th April 2010 and at any adjournment thereof.

Signed by me/us this ______________ day of ______________ 2010

Signature on Revenue Stamp

____
Signature of Proxy

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

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.