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, 2010

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

Hamid Ahmed

Audit Committee

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

Compensation Committee

Zahid Zaheer	*Chairman*
Tariq Mohamed Amin	*Member*
Ozair Ahmed Hanafi	*Member*

Chief Financial Officer and Company Secretary

Imran Shiwani

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

Tahir Ali Tayebi & Co.

Bankers

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

Registrar and Share Transfer Office

Corporate Support Services (Private) Limited
407-408, al-Ameera Centre,
Shahrah-e-Iraq, Saddar, Karachi.
Phone: (92-21) 35662023-24

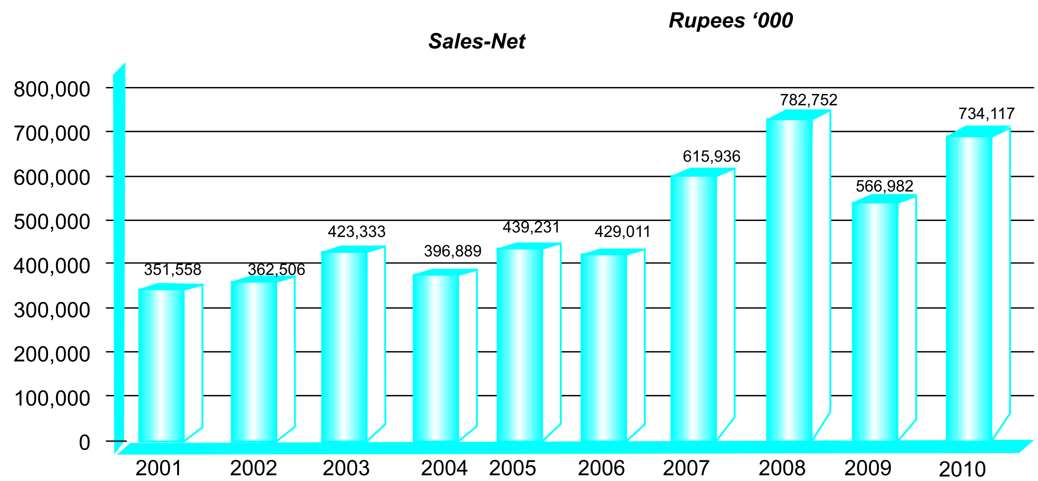
Registered Office

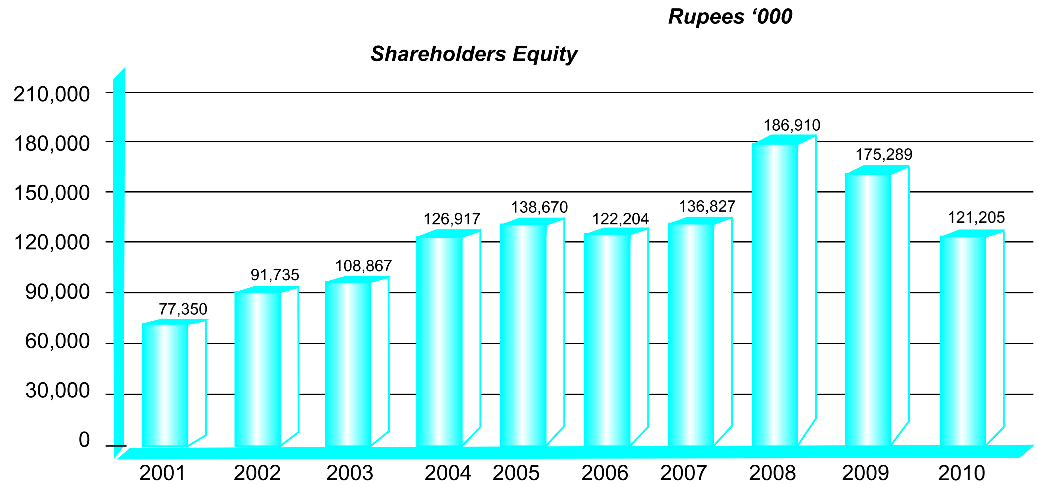
B-19/A, Irshad Qadri Road
S.I.T.E., Karachi-75700
P.O. Box 3639

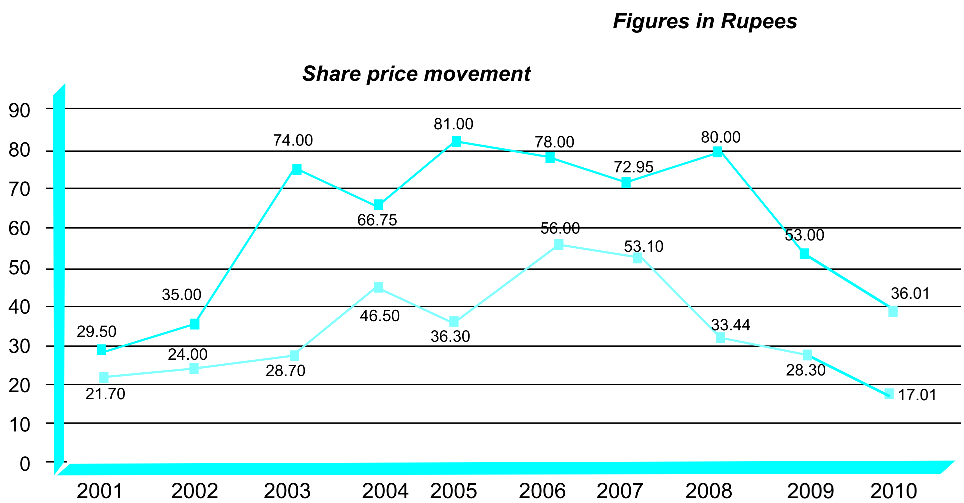
Phone: (92-21) 32561124-26
Fax: (92-21) 32561320 & (92-21) 32565213
E-mail: pakchem@cyber.net.pk
URL: www.pakchem.com.pk

TEN YEAR SUMMARY OF STATISTICS
(Rupees in Thousands)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Operating assets	19,679	17,695	15,644	14,223	16,859	19,326	23,773	27,800	44,955	49,185
Capital work-in-progress	-	-	595	2,854	2,998	5,088	2,549	16,087	4,425	710
Long-term Loans, Deposits & Retirement Benefits	8,263	8,500	12,311	22,583	23,002	24,393	770	770	776	776
Net current and other assets	50,101	66,511	80,317	87,257	95,811	73,397	109,735	142,253	125,133	70,534
Total assets employed	78,043	92,706	108,867	126,917	138,670	122,204	136,827	186,910	175,289	121,205
Ordinary capital	29,260	29,260	29,260	29,260	32,186	35,405	35,405	42,486	42,486	42,486
Reserves	48,090	62,475	79,607	97,657	106,484	86,799	101,422	144,424	132,803	78,719
Long term and deferred liabilities	693	971	-	-	-	-	-	-	-	-
Total funds employed	78,043	92,706	108,867	126,917	138,670	122,204	136,827	186,910	175,289	121,205
Net turnover	351,558	362,506	423,333	396,889	439,231	429,011	615,936	782,752	566,982	734,117
Profit before taxation	23,936	29,402	22,732	32,029	29,342	(3,111)	20,695	40,501	10,728	(42,426)
% of net sales	6.81	8.11	5.37	8.07	6.68	(0.73)	3.36	5.17	1.89	(5.78)
% of average assets employed	32.88	34.44	22.55	27.17	22.10	(2.39)	15.98	25.02	5.92	(28.62)
Profit / (loss) after taxation	19,162	23,163	17,132	26,829	23,457	(6,811)	14,623	32,530	5,373	(49,835)
Cash dividend - amount	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 - %	30.00	30.00	30.00	40.00	30.00	-	20	40	10	-
Earnings / (Loss) per share Rs.	6.55	7.92	5.86	9.17	7.29	(1.92)	4.13	8.04	1.26	(11.73)
Break-up Value	26.67	31.68	37.21	43.38	43.08	34.52	38.65	43.99	41.26	28.53
No. of shares	2,926	2,926	2,926	2,926	3,219	3,541	3,541	4,249	4,249	4,249

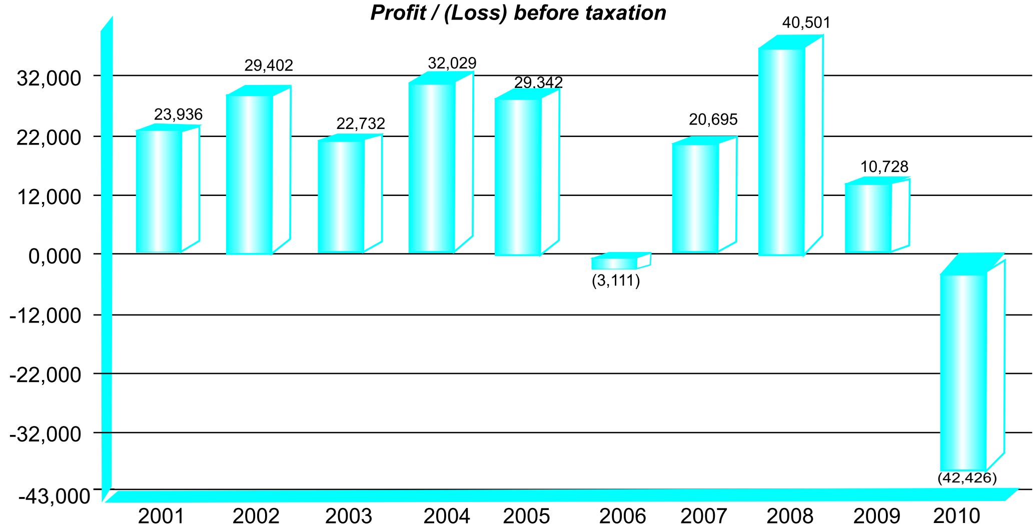

Rupees '000
Sales-Net
800,000
700,000
600,000
500,000
400,000
300,000
200,000
100,000
0
351,558
362,506
423,333
396,889
439,231
429,011
615,936
782,752
566,982
734,117
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010


Rupees '000
Shareholders Equity
210,000
180,000
150,000
120,000
90,000
60,000
30,000
0
77,350
91,735
108,867
126,917
138,670
122,204
136,827
186,910
175,289
121,205
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010


Figures in Rupees
Share price movement
90
80
70
60
50
40
30
20
10
0
29.50
35.00
74.00
66.75
81.00
78.00
72.95
80.00
53.00
36.01
21.70
24.00
28.70
46.50
36.30
56.00
53.10
33.44
28.30
17.01
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010

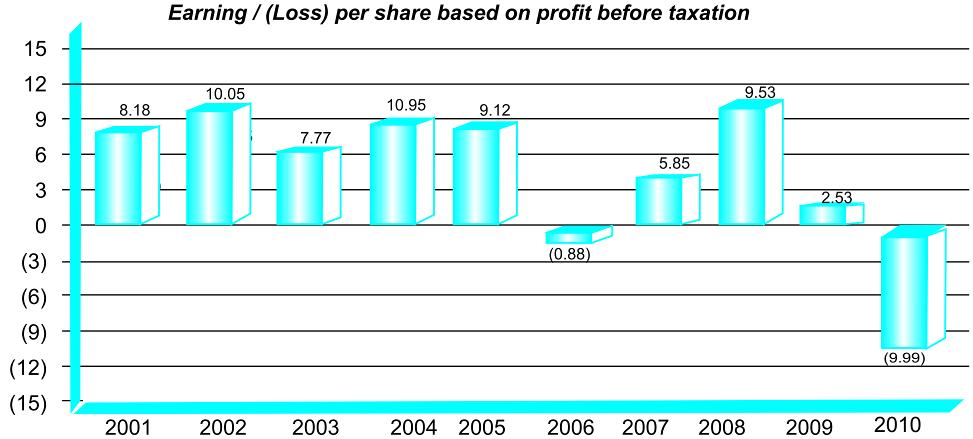
Rupees '000

Profit / (Loss) before taxation



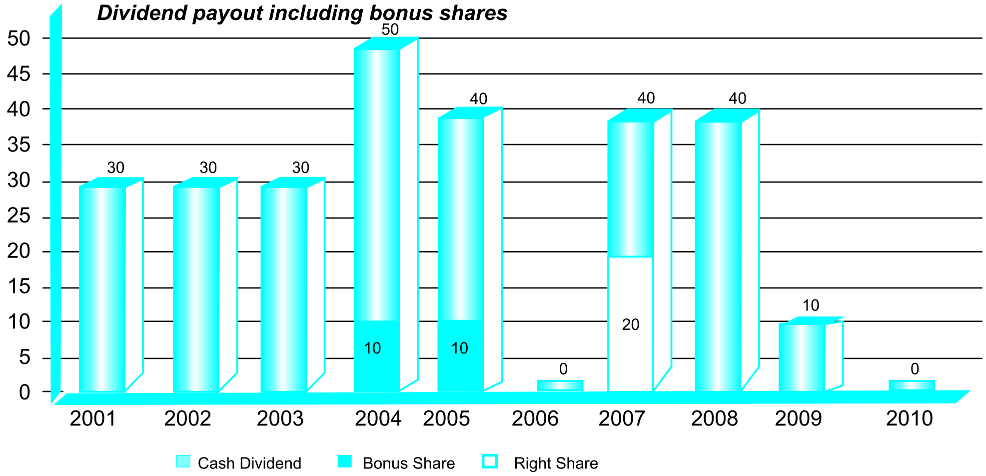
Figures in Rupees

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 48th Annual General Meeting of Pakistan Gum & Chemicals Limited, will be held on Monday, April 18, 2011 at the Council Hall of the Overseas Investors Chamber of Commerce & Industry, Talpur Road, Karachi at 10:00 A.M. to transact the following:

Ordinary Business:

1. To receive, consider and adopt the Annual Audited Accounts for the year ended December 31, 2010 together with the Directors' and Auditors' reports thereon.

2. To appoint auditors and to fix their remuneration.

By Order of the Board

Imran Shiwani
Company Secretary

Karachi, March 21, 2011

Notes:-

1. The Share Transfer Books of the Company will remain closed from April 11, 2011 to April 18, 2011 (both days inclusive).

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, we welcome you to the 48th Annual General Meeting of the Company.

Operating Results

Net Sales during the year were Rs. 734 million vis-à-vis Rs. 567 million for the corresponding period of 2009 and Cost of Sales was Rs.711 million compared to Rs.500 million in 2009. Consequently, Gross Profit in 2010 was a much reduced amount of Rs. 23 million versus Rs. 67 million in 2009. This was principally due to higher cost of seed and increased cost of utilities which could not be passed on entirely to our international customers due to tough competition from India. Profitability has partly deteriorated by Government's unrealistic tax policies, frequent increase in utility tariff coupled with frequent power breakdowns. The management was able to contain Distribution and Administrative Expenses almost to the level of 2009 but this did not help the overall result. Finance Costs also for the year were Rs.7 million higher than 2009. As your Company is subject to presumptive tax on Export Sales regardless of actual profit or loss, therefore, despite the loss for the year, there is taxation of Rs.7 million compared to Rs.5 million in 2009. As a result of all this, the loss before taxation for the year was Rs.42.4 million compared to profit of Rs.10.7 million in 2009 and Rs.40.5 million in 2008.

Manufacturing

Efforts were made to achieve plant efficiency but these efforts were adversely impacted by frequent power load shedding. This also affected the production of the newly installed powder line.

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 director's 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.46.4 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	3	
Mr. Ozair Ahmed Hanafi	4	
Mr. Shuaib Ahmed	4	
Mr. Tariq Mohamed Amin	4	
Mr. Zahid Zaheer	4	
Mr. Zaeem Ahmad Hanafi	3	
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 (No.)**	**Transfer of Shares (Nos.)**	**Sales of Shares (No.)**
Directors	-	66,100	-
Chief Financial Officer	-	-	-
Company Secretary	-	-	-
Spouses and minor children of Directors, CFO and Company Secretary	-	(66,100)	-

Future Outlook

Total guar crop size this year is estimated to be more or less the same as of last year. The market price of good quality seed is likely to follow the international rising trend. Utilities as well as other costs are similarly rising. The year 2011 therefore looks challenging but barring any unforeseen negative development it is hoped it will be better than 2010.

	Rupees '000
Appropriations	
Net Loss for the year before taxation	(42,426)
Provision for taxation	(7,409)
Net Loss for the year after taxation	(49,835)
Unappropriated profit brought forward	28,527
	(21,308)
Appropriations	
Proposed Cash Dividend	-
Proposed Bonus Shares	-
Transfer to General Reserve	-
	-
Unappropriated profit / (Loss) carried forward	(21,308)
Earning/(loss) per share	(11.73)

Pattern of shareholdings

The pattern of shareholdings of the Company as at December 31, 2010 is given on page 45 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 acknowledge efforts of the management and staff who have done well in a very difficult situation and extend our deep appreciation to them and best wishes for 2011.

By order of the Board

Hamid Ahmed
Chief Executive Officer

Mohammad Moonis
Chairman

Karachi: March 21, 2011

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 Annual General Meeting 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.

Mohammad Moonis
Chairman

Hamid Ahmed
Chief Executive Officer

Karachi: March 21, 2011

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, Sub-Regulation (xiii a) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires 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 2010**.

KARACHI: March 21, 2011

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 2010** 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;

   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 2010** and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

d) inour 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: Pervez Muslim

KARACHI: March 21, 2011

BALANCE SHEET
AS AT DECEMBER 31, 2010

	Note	December 31, 2010	December 31, 2009
		----------- Rupees '000 --------	
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
Property, plant and equipment	5	**49,895**	49,380
Long-term deposits	6	**776**	776
		50,671	50,156
CURRENT ASSETS			
Stores and spares	7	**6,998**	5,855
Stock-in-trade	8	**142,891**	300,188
Trade debts	9	**76,606**	52,810
Accrued mark-up	10	**37**	37
Loans and advances	11	**1,430**	1,625
Short-term prepayments		**179**	627
Other receivables	12	**5,838**	22,306
Taxation - net	13	**15,586**	10,383
Cash and bank balances	14	**17,944**	10,406
		267,509	404,237
TOTAL ASSETS		**318,180**	454,393
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
10,000,000 (2009: 10,000,000) Ordinary shares of Rs.10 each		**100,000**	100,000
Issued, subscribed and paid-up capital	15	**42,486**	42,486
Reserves	16	**78,719**	132,803
		121,205	175,289
CURRENT LIABILITIES			
Trade and other payables	17	**27,511**	44,281
Accrued markup on short term borrowings		**4,464**	4,361
Short-term borrowings	18	**165,000**	230,462
		196,975	279,104
CONTINGENCIES AND COMMITMENTS	19		
TOTAL EQUITY AND LIABILITIES		**318,180**	454,393

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

Mohammad Moonis
Chairman

Hamid Ahmed
Chief Executive Officer

Imran Shiwani
Chief Financial Officer

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	December 31, 2010	December 31, 2009
		----------- Rupees '000 --------	
NET SALES	20	**734,117**	566,982
Cost of sales	21	**(710,978)**	(499,680)
GROSS PROFIT		**23,139**	67,302
Distribution and shipping costs	22	**(20,434)**	(15,773)
Administrative expenses	23	**(26,645)**	(30,457)
Other operating expenses	24	**-**	(615)
Other operating income	25	**1,725**	3,316
		(45,354)	(43,529)
OPERATING (LOSS) / PROFIT		**(22,215)**	23,773
Finance costs	26	**(20,211)**	(13,045)
(LOSS) / PROFIT BEFORE TAXATION		**(42,426)**	10,728
Taxation	27	**(7,409)**	(5,355)
NET (LOSS) / PROFIT FOR THE YEAR		**(49,835)**	5,373
(LOSS) / EARNINGS PER SHARE-BASIC (Rs. per share)	28	**(11.73)**	1.26

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

Mohammad Moonis
Chairman

Hamid Ahmed
Chief Executive Officer

Imran Shiwani
Chief Financial Officer

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	**December 31, 2010**	December 31, 2009
		----------- Rupees '000	**--------**
(Loss) / Profit for the year		**(49,835)**	5,373
Other comprehensive income for the year		**-**	-
Total comprehensive (loss) / income for the year		**(49,835)**	5,373

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

Mohammad Moonis
Chairman

Hamid Ahmed
Chief Executive Officer

Imran Shiwani
Chief Financial Officer

CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	**December 31, 2010**	December 31, 2009
		----------- Rupees '000	**--------**
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**29**	**115,735**	(78,934)
Income tax paid		**(12,612)**	(11,309)
Long-term deposits		**-**	(6)
Net cash generated from / (used in) operating activities		**103,123**	(90,249)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure incurred		**(7,999)**	(12,274)
Sale proceeds from disposal of operating fixed assets		**1,471**	1,609
Profit received on bank accounts		**762**	696
Net cash used in investing activities		**(5,766)**	(9,969)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term borrowings - repaid		**(65,462)**	110,462
Finance cost paid		**(20,108)**	(11,436)
Dividend paid		**(4,249)**	(16,994)
Net cash (used in) / generated from financing activities		**(89,819)**	82,032
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**7,538**	(18,186)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**10,406**	28,592
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**17,944**	10,406

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

Mohammad Moonis
Chairman

Hamid Ahmed
Chief Executive Officer

Imran Shiwani
Chief Financial Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010

	Issued, subscribed and paid-up capital	Capital reserve	REVENUE RESERVES			Total
			General Reserve	Unappropriated Profit/accumulated (loss)	Total	
	----------	Rupees '000	----------			
Balance as at January 01, 2009	42,486	17,553	82,474	44,397	126,871	186,910
Final 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	-	-	-	-	-	-
Total comprehensive income	-	-	-	5,373	5,373	5,373
Balance as at December 31, 2009	42,486	17,553	82,474	32,776	115,250	175,289
Final Cash Dividend @ Re.1 per Ordinary share of Rs.10 each declared on April 19, 2010	-	-	-	(4,249)	(4,249)	(4,249)
Net loss for the year	-	-	-	(49,835)	(49,835)	(49,835)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss	-	-	-	(49,835)	(49,835)	(49,835)
Balance as at December 31, 2010	**42,486**	**17,553**	**82,474**	**(21,308)**	**61,166**	**121,205**

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

Mohammad Moonis	**Hamid Ahmed**	**Imran Shiwani**
Chairman	*Chief Executive Officer*	*Chief Financial Officer*

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 32 -	Financial Instruments: Presentation - Classification of Right Issues (Amendment)	01 February 2010
IFRIC 19 -	Extinguishing Financial Liabilities with Equity Instruments	01 July 2010
IAS 24 -	Related Party Disclosures (Revised)	01 January 2011
IFRIC 14 -	IAS 19 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	01 January 2011
IAS 12	Income Taxes : Deferred Tax Amendment Recognition of Underlying Assets	01 January 2012

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. Such improvements are generally effective for accounting periods beginning on or after 01 January 2011. 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 Standards or interpretations effective in 2009 but not relevant to the Company

The Company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the year. However, these are either not relevant or do not have any effect / material effect on the financial statements of the Company:

IFRS 2 - Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions

IFRS 3 - Business Combinations (Revised)

IAS 27 - Consolidated and Separate Financial Statements (Amendment)

IAS 39 - Financial Instruments: Recognition and Measurement - Eligible hedged items (Amendments)

IFRIC 17 - Distributions of Non-cash Assets to owners

In May 2008 and April 2009, International Accounting Standards Board issued amendments to various standards primarily with a view to removing inconsistencies and clarifying wording. These improvements are made in the following standards:

Issued in May 2008

IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations

Issued in April 2009

IFRS 2 - Share-based Payments
IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations
IFRS 8 - Operating Segments
IAS 1 - Presentation of Financial Statements
IAS 7 - Statement of Cash Flows
IAS 17 - Leases
IAS 36 - Impairment of Assets
IAS 38 - Intangible Assets
IAS 39 - Financial Instruments: Recognition and measurement
IFRIC 9 - Reassessment of Embedded Derivatives
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation

The adoption of the above standards, amendments / improvements and interpretations did not have any effect on the financial statements of the Company.

4.4 Property, plant and equipment

Operating fixed assets

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

Leasehold land is depreciated 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.

4.5 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, 2010, 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, 2010, using the Projected Unit Credit Method.

4.6 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.

4.7 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.

4.8 Stores and spares

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

4.9 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.

4.10 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.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 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 1.0% 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.

4.16 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. 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.

4.18 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.

4.19 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.

4.20 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.

4.21 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, 2010**	December 31, 2009
		----------- **Rupees '000** --------	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	**49,185**	44,955
Capital work-in-progress	5.2	**710**	4,425
		49,895	49,380

5.1 Operating fixed assets

	Note	COST				Rate	ACCUMULATED DEPRECIATION / AMORTISATION				WRITTEN DOWN VALUE
		As at January 01, 2010	Additions	(Disposals)	As at December 31, 2010		As at January 01, 2010	Charge for the year	(On disposals)	As at December 31, 2010	As at December 31, 2010
December 31, 2010		---------- Rupees in '000 ----------				%	---------- Rupees in '000 ----------				
Leasehold land		**225**	**-**	**-**	**225**	**1.01**	**104**	**2**	**-**	**106**	**119**
Building on leasehold land	5.1.2	**18,561**	**1,240**	**-**	**19,801**	**3 to 10**	**14,885**	**665**	**-**	**15,550**	**4,251**
Plant and machinery	5.1.2	**76,634**	**8,471**	**-**	**85,105**	**7 & 10**	**44,012**	**4,653**	**-**	**48,665**	**36,440**
Furniture and fixtures	5.1.2	**1,103**	**40**	**-**	**1,143**	**10**	**1,066**	**10**	**-**	**1,076**	**67**
Vehicles		**8,275**	**1,841**	**(3,678)**	**6,438**	**15 & 20**	**4,259**	**986**	**(3,168)**	**2,077**	**4,361**
Office equipment		**10,997**	**122**	**-**	**11,119**	**10 & 33**	**6,725**	**608**	**-**	**7,333**	**3,786**
Electrical installations		**756**	**-**	**-**	**756**	**7 & 10**	**545**	**50**	**-**	**595**	**161**
		116,551	**11,714**	**(3,678)**	**124,587**		**71,596**	**6,974**	**(3,168)**	**75,402**	**49,185**

	COST				Rate	ACCUMULATED DEPRECIATION/AMORTISATION				WRITTEN DOWN VALUE
	As at January 01, 2009	Additions	(Disposals)	As at December 31, 2009		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	17,640	921	-	18,561	3 to 10	14,371	514	-	14,885	3,676
Plant and machinery	57,363	19,474	(203)	76,634	7 & 10	40,527	3,688	(203)	44,012	32,622
Furniture and fixture	1,103	-	-	1,103	10	1,056	10	-	1,066	37
Vehicles	7,442	3,019	(2,186)	8,275	15 & 20	4,643	960	(1,344)	4,259	4,016
Office equipment	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

5.1.1 The cost of fully depreciated assets on December 31, 2010 is Rs 23.829 (2009: Rs 22.786) million.

5.1.2 Additions during the year include a sum of Rs.9.319 (2009: Rs.19.283) million transferred from capital work-in-progress, as shown in note 5.2

5.1.3 Depreciation for the year has been allocated as follows:	Note	**December 31, 2010**	December 31, 2009
		----------- Rupees '000 --------	
Cost of sales	21	**6,118**	4,991
Administrative expenses	23	**856**	947
		6,974	5,938

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)					
Vehicles	938	937	1	343	Negotiation	Mr. Shareef - Employee, Karachi
	558	558	-	250	-do-	Mr. Tariq - Employee, Karachi
	373	342	31	199	-do-	Mr. Zeeshan - Employee, Karachi
	1,316	899	417	417	-do-	Mr. Mir Asad Waseem - Employee, Karachi
	373	373	-	181	-do-	Mr. Atif - Employee, Karachi
	40	19	21	27	-do-	Mr. Anis Alvi - Employee, Karachi
	40	20	20	27	-do-	Mr. S. Hyder Naqvi - Employee, Karachi
	40	20	20	27	-do-	Mr. Riaz - Employee, Karachi
December 31, 2010	**3,678**	**3,168**	**510**	**1,471**		
December 31, 2009	2,389	1,547	842	1,609		

5.2 Capital work-in-progress	**Note**	**December 31, 2010**	**Additions / (transfers)**	**December 31, 2009**
			----------- Rupees '000 --------	
Operating fixed assets				
Building on leasehold land		**-**	**1,240**	-
	5.1		**(1,240)**	
Plant and machinery		**-**	**3,614**	4,425
	5.1		**(8,039)**	
Furniture & fixtures		**-**	**40**	-
	5.1		**(40)**	
Advance against vehicle		**710**	**710**	-
		710	**5,604**	4,425
	5.1.2		**(9,319)**	

6. LONG-TERM DEPOSITS	Note	**December 31, 2010**	December 31, 2009
		----------- Rupees '000 --------	
Utilities	6.1	**757**	757
Others		**19**	19
		776	776

6.1 These include deposits carrying interest at the rate ranging between 4% and 5% (2009: 4% and 5%) per annum.

7. STORES AND SPARES

	Note	December 31, 2010	December 31, 2009
		----------- Rupees '000 --------	
Stores and spares		**9,183**	8,106
Provision against slow moving stores and spares	7.1	**(2,185)**	(2,251)
		6,998	5,855

7.1 Provision against slow moving stores and spares

	Note	December 31, 2010	December 31, 2009
Balance at the beginning of the year		**2,251**	2,234
Provision (written back) / made during the year	21	**(66)**	17
		2,185	2,251

8. STOCK-IN-TRADE

	Note	December 31, 2010	December 31, 2009
Raw material		**7,347**	79,719
Packing material		**2,735**	3,318
Finished goods	8.1	**132,809**	217,151
		142,891	300,188

8.1 Included herein is a sum of Rs.89.253 (2009: Rs.37.675) million, representing stock carried at their net realisable value.

9. TRADE DEBTS

	Note	December 31, 2010	December 31, 2009
Secured against letter of credit			
Considered good		**71,664**	46,627
Unsecured			
Considered good	**9.1**	**4,942**	6,183
		76,606	52,810

9.1 Included herein is a sum of Rs.Nil (2009: Rs.Nil) due from a related party. The maximum aggregate amount due from a related party, at the end of any month during the year was Rs.1.825 (2009: Rs.2.515) million.

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9.2 As at December 31, 2010, 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 '000	------------------		
2010	**76,606**	**76,550**	**6**	**1**	**49**
2009	52,810	52,335	-	-	475

	Note	December 31, 2010	December 31, 2009
		---------- Rupees '000 --------	

10. ACCRUED MARK-UP

Bank deposits		**37**	37

11. LOANS AND ADVANCES

	Note	December 31, 2010	December 31, 2009
Considered good, unsecured			
Loans			
Employees	11.1	**915**	577
Advances			
Employees		**205**	328
Suppliers		**310**	720
		1,430	1,625

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 their outstanding balances in the Provident Fund. The amount outstanding at the end of the year is recoverable in equal monthly installments over a period not exceeding one year.

12. OTHER RECEIVABLES

	Note	December 31, 2010	December 31, 2009
		---------- Rupees '000 --------	
Margin Guarantee on export sales		**-**	11,685
Due from Employees' Gratuity Fund	12.1	**1,507**	3,269
Sales tax		**4,331**	7,352
		5,838	22,306

12.1 The status of the funds and principal assumptions used in the actuarial valuation as of December 31, 2010 were as follows:

	Pension Fund		Gratuity Fund	
	2010	**2009**	**2010**	**2009**
	-------- Rs. in '000 ------		-------- Rs. in '000 ------	
Balance sheet reconciliation as at December 31,				
Present value of defined benefit Obligation	**13,376**	11,710	**8,295**	6,309
Fair value of plan assets	**(10,504)**	(9,408)	**(7,506)**	(8,535)
Net actuarial losses not recognised	**(1,018)**	19	**(2,296)**	(1,043)
Net assets / (liability) in balance sheet	**1,854**	2,321	**(1,507)**	(3,269)
Movement in asset / (liability)				
Prepayment as at January 1,	**2,321**	(5,061)	**(3,269)**	(3,663)
Credit / (charge) for the year	**782**	7,616	**1,762**	394
Contribution during the year	**(1,249)**	(234)	**-**	-
Prepayment / (liability) as at December 31,	**1,854**	2,321	**(1,507)**	(3,269)

	Pension Fund		Gratuity Fund	
	2010	**2009**	**2010**	**2009**
	-------- Rs. in '000 ------		-------- Rs. in '000 ------	
(Credit) / Expense recognised				
Service cost	**547**	478	**724**	387
Interest cost	**1,552**	1,394	**956**	878
Expected return on plan assets	**(1,317)**	(1,002)	**(1,125)**	(1,247)
Net actuarial (gain) / losses recognised	**-**	6,746	**189**	376
Liability of Contractual Employees	**-**	-	**1,018**	-
	782	7,616	**1,762**	394
Actual return on plan assets	**1,096**	3,297	**(35)**	793
Movement in the defined benefit obligation				
Obligation as at January 1,	**11,710**	9,293	**6,309**	5,860
Liability of Contractual Employees	**-**	-	**1,018**	-
Service cost	**547**	478	**724**	387
Interest cost	**1,552**	1,394	**956**	879
Benefits paid	**(1,253)**	(802)	**(994)**	(574)
Actuarial (gain) / loss	**820**	1,347	**282**	(243)
Obligation as at December, 31	**13,376**	11,710	**8,295**	6,309
Movement in fair value of plan Assets				
Fair value as at January 1,	**9,408**	6,679	**8,535**	8,316
Expected return on plan assets	**1,317**	1,002	**1,125**	1,247
Employer contributions	**1,249**	2,555	**-**	-
Benefits paid	**(1,253)**	(802)	**(994)**	(574)
Actuarial gain	**(217)**	(26)	**(1,160)**	(454)
Fair value as at December 31,	**10,504**	9,408	**7,506**	8,535
Key actuarial assumptions used are as follows:				
Discount factor used	**14%**	14%	**14%**	14%
Expected rate of returns per annum on plan assets	**14%**	14%	**14%**	14%
Expected rate of increase in future salaries per annum	**14%**	14%	**14%**	14%

	2010		2009	
	Rupees '000	%	Rupees '000	%
Plan assets comprise of:				
Funded pension plan				
Bonds	**3,736**	35.57	-	-
Equities	**6,686**	63.65	9,313	98.99
Property	**-**	-	-	-
Cash and net current assets	**82**	0.78	95	1.01
	10,504	100.00	9,408	100.00
Funded gratuity plan				
Bonds	**6,930**	92.33	7,836	91.81
Equities	**457**	6.09	580	6.80
Property	**-**	-	-	-
Cash and net current assets	**119**	1.58	119	1.39
	7,506	100.00	8,535	100.00

Comparison for five years:

	2010	2009	2008	2007	2006
	----- Rupees in '000 -----				
Funded pension plan					
Present value of defined benefit obligation	**13,376**	11,710	9,293	10,587	10,949
Fair value of plan assets	**(10,504)**	(9,408)	(6,679)	(26,387)	(27,593)
Deficit	**2,872**	2,302	2,614	(15,800)	(16,644)
Experience adjustment					
Actuarial gain on obligation	**(820)**	(1,347)	2,227	1,150	217
Actuarial (loss)/gain on plan assets	**(2**21)	2,295	(7,331)	(3,091)	(3,705)
Funded gratuity plan					
Present value of defined benefit obligation	**8,295**	6,309	5,860	5,196	3,929
Fair value of plan assets	**(7,506)**	(8,535)	(8,315)	(8,146)	(7,455)
Surplus	**789**	(2,226)	(2,455)	(2,950)	(3,526)
Experience adjustment					
Actuarial gain/ (loss) on obligation	**(282)**	243	57	(791)	(2,105)
Actuarial gain/ (loss) on plan assets	**(1,160)**	(454)	(449)	(99)	(1,635)

12.2 The latest actuarial valuation of the Funds was carried out as of December 31, 2010 on the basis of the “Projected Unit Credit Method”.

	Note	December 31, 2010	December 31, 2009
		----------- Rupees '000 --------	

13. TAXATION-Net

	Note	2010	2009
Advance income tax		**16,301**	11,477
Provision for income tax	27	**(7,409)**	(4,657)
Income tax refundable		**6,694**	3,563
		15,586	10,383

14. CASH AND BANK BALANCES

	Note	2010	2009
In hand			
Local currency		**95**	484
Foreign currency		**190**	177
		285	661
At banks in			
Current accounts			
Local currency		**6,778**	2,210
Foreign currency		**131**	215
		6,909	2,425
Savings account	14.1	**7,150**	3,720
Term deposit account	14.2	**3,600**	3,600
		10,750	7,320
		17,659	9,745
		17,944	10,406

14.1 These carry return at the rates, ranging between 4.5% and 5.5% (2009: 4.5% and 5.5%) per annum.

14.2 This carries return at the rate of 11% per annum and has been placed under a lien with a bank on account of a guarantee issued to Sui Southern Gas Company Limited (note 19.1.3).

15. ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

Number of shares 2010	Number of shares 2009		Note	December 31, 2010	December 31, 2009
				----------- Rupees '000 --------	
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%) [2009: 2,549,131 (60%)] Ordinary shares of Rs. 10 each as at December 31, 2010.

	Note	December 31, 2010	December 31, 2009
		----------- Rupees '000 --------	
16. RESERVES			
Capital reserve			
Share Premium on issue of Ordinary shares		**17,553**	17,553
Revenue reserve			
General		**82,474**	82,474
(Accumulated loss) / Unappropriated profit		**(21,308)**	32,776
		78,719	132,803
17. TRADE AND OTHER PAYABLES			
Trade			
Creditors	17.1	**8,256**	22,908
Other payables			
Accrued liabilities	17.2	**17,056**	18,402
Advances from customers		**665**	14
Workers' Profits Participation Fund	17.3	**-**	567
Workers' Welfare Fund		**48**	48
Tax deducted at source		**10**	162
Unclaimed dividends		**611**	602
Employees' Car and Motorcycle Loan Schemes		**865**	1,578
		27,511	44,281

17.1 Included herein an aggregate sum of Rs.1.921 (2009: Rs.3.104) million due to related parties..

17.2 Included herein is sum of Rs.1.854 (2009: Rs.2.321) million due to Employees' Pension Fund (note 12.1).

	Note	December 31, 2010	December 31, 2009
		----------- Rupees '000 --------	
17.3 Workers' Profits Participation Fund			
Balance at the beginning of the year		**567**	2,137
Allocation for the year	24	**-**	567
		567	2,704
Interest on Workers' Profits Participation Fund		**14**	24
Payments made during the year		**(581)**	(2,161)
		-	567

	Note	December 31, 2010	December 31, 2009
		----------- Rupees '000 --------	

18. SHORT-TERM BORROWINGS - secured

	Note	2010	2009
From commercial banks			
Short term loans	18.1	**165,000**	190,000
Short term running finance	18.2	**-**	40,462
		165,000	230,462

18.1 Short term loans

	Note	2010	2009
Export refinance - I		**-**	10,000
Export refinance - II	18.1.2	**165,000**	180,000
		165,000	190,000

18.1.1 The outstanding balance represents a facility arranged by the Company for short-term loan under export refinance, aggregating to Rs.180.000 (2009: Rs.180.000) million, from various 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 1.00% per annum over State Bank of Pakistan minimum export refinance rate.

The loan, along with short-term running finance mentioned in note 18.2, are secured against first pari-passu equitable mortgage charge of Rs.270.000 (2009: 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 (2009: Rs.55.000) million. The mark-up is charged at KIBOR plus 1.50% (2009: KIBOR plus 1.50%) per annum.

This short-term running finance is also secured against first pari passu charge on bank debts and receivables, amounting to Rs.200 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 the same will 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.

19.1.3 A letter of guarantee amounting to Rs.3.600 (2009: Rs. 3.600) million has been issued by a commercial bank on behalf of the Company.

	Note	**December 31, 2010**	December 31, 2009
		----------- Rupees '000	**--------**
19.2 Commitments			
19.2.1 Commitment for capital expenditure		**21**	18,500
19.2.2 Rentals under operating lease agreements in respect of land		**156**	158

20. NET SALES

	Note	**December 31, 2010**	December 31, 2009
Gross sales			
Local		**185,472**	190,382
Export		**555,440**	381,522
		740,912	571,904
Sales commission		**(6,514)**	(4,264)
Discounts		**(281)**	(658)
		(6,795)	(4,922)
		734,117	566,982

	Note	December 31, 2010	December 31, 2009
		----------- Rupees '000 --------	
21. COST OF SALES			
Raw material consumed			
Opening stock		**79,719**	24,157
Purchases		**410,793**	506,300
		490,512	530,457
Closing stock		**(7,347)**	(79,719)
		483,165	450,738
Packing material consumed			
Opening stock		**3,318**	4,078
Purchases		**12,244**	11,922
		15,562	16,000
Closing stock		**(2,735)**	(3,318)
		12,827	12,682
		495,992	463,420
Manufacturing overheads			
Stores and spares consumed		**15,124**	14,723
Salaries, wages and benefits	21.1	**24,959**	23,713
(Written back) / Provision made against slow moving stores and spares	7.1	**(66)**	17
Utilities		**74,349**	59,002
Depreciation	5.1.3	**6,118**	4,991
Repairs and maintenance		**2,097**	3,607
Handling charges		**3,525**	3,299
Rent, rates and taxes		**2,106**	3,959
Insurance		**967**	879
Traveling and conveyance		**987**	983
Laboratory expenses		**215**	991
Research and development		**-**	962
Communication		**96**	87
Others		**167**	160
		130,644	117,373
Cost of goods manufactured		**626,636**	580,793
Opening stock of finished goods		**217,151**	136,038
		843,787	716,831
Closing stock		**(132,809)**	(217,151)
		710,978	499,680

21.1 Included herein is a sum of Rs.0.318 (2009: Rs.0.370) million in respect of staff retirement benefits.

	Note	December 31, 2010	December 31, 2009
		----------- Rupees '000 --------	

22. DISTRIBUTION AND SHIPPING COSTS

Sales promotion expenses		**975**	1,760
Freight		**11,332**	7,473
Port expenses		**6,381**	5,014
Cartage outward		**1,446**	1,317
Marine insurance		**300**	163
Travelling and conveyance		**-**	46
		20,434	15,773

23. ADMINISTRATIVE EXPENSES

Salaries and benefits	23.1	**18,402**	21,536
Travelling and conveyance		**1,311**	1,823
Depreciation	5.1.3	**856**	947
Communication		**1,155**	1,061
Security service charges		**672**	692
Repairs and maintenance		**219**	247
Insurance		**124**	293
Printing and stationery		**277**	356
Auditors' remuneration	23.2	**450**	515
Subscriptions		**406**	864
Legal and professional charges		**1,586**	1,086
Utilities		**278**	293
Entertainment		**485**	373
Donation	23.3	**100**	-
Rent, rates and taxes		**186**	122
Advertisement		**76**	157
Others		**62**	92
		26,645	30,457

23.1 Included herein is a sum of Rs.0.482 (2009: Rs.0.516) million in respect of staff retirement benefits

23.2 Auditors' remuneration

Audit fee	**300**	300
Review of Code of Corporate Governance compliance and half yearly financial statements	**75**	90
Other services	**15**	60
Out of pocket expenses	**60**	65
	450	515

23.3 Donations do not include any donee in whom any director or his spouse has any interest.

	Note	December 31, 2010	December 31, 2009
		----------- Rupees '000 --------	

24. OTHER OPERATING EXPENSES

	Note	2010	2009
Workers' Profits Participation Fund	17.3	-	567
Workers' Welfare Fund		-	48
		-	615

25. OTHER OPERATING INCOME

	2010	2009
Return on:		
Deposit accounts	**632**	476
Savings account	**130**	220
	762	696
Gain on sale of operating fixed assets	**961**	766
Exchange gain	**2**	1,854
	1,725	3,316

26. FINANCE COSTS

	2010	2009
Mark-up on:		
Export refinance	**14,750**	9,462
Short-term running finance	**2,856**	1,380
Bank charges	**2,591**	2,179
Interest on Workers' Profit Participation Fund	**14**	24
	20,211	13,045

27. TAXATION

	Note	2010	2009
Current	27.1	**7,409**	4,657
Prior		**-**	698
		7,409	5,355

27.1 Relationship between accounting profit and tax expense

	2010	2009
(Loss) / profit before taxation	**(40,729)**	10,728
Tax at the rate of 35 percent	**-**	3,755
Minimum tax at the rate of 1.00% on turnover	**7,409**	-
Tax effects of:		
Effect of tax under final tax regime and other adjustments-net	**-**	902
	7,409	4,657

The income tax assessments of the Company have been finalised up to and including the tax year 2010, corresponding to the income year ended December 31, 2009. The provision for taxation for the current year is based on minimum tax on turnover under Section 113 of the Income Tax Ordinance, 2001.

Deferred

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

28. (LOSS) / EARNINGS PER SHARE

	Note	December 31, 2010	December 31, 2009
		----------- Rupees '000 --------	

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

	2010	2009
Net (loss) / profit for the year	**(49,835)**	5,373
	Number of shares	
Ordinary shares in issue during the year	**4,248,552**	4,248,552
	Rupees	
(Loss) / Earnings per share - Basic	**(11.73)**	1.26

29. CASH GENERATED FROM OPERATIONS

	Note	December 31, 2010	December 31, 2009
		----------- Rupees '000 --------	
(Loss) / Profit before taxation		**(42,426)**	10,728
Adjustments for non-cash items			
Depreciation		**6,974**	5,938
Finance costs		**20,211**	13,045
Provision against compensated absences		**607**	1,019
Provision for bonus		**2,134**	1,590
(Written back) / Provision for slow moving stores and spares		**(66)**	17
Gain on disposal of fixed assets		**(961)**	(766)
Profit on deposit accounts		**(762)**	(696)
		28,137	20,147
Operating (loss) / profit before working capital changes		**(14,289)**	30,875
Working capital changes	29.1	**130,024**	(109,809)
		115,735	(78,934)

29.1 Working capital changes

	2010	2009
(Increase) / decrease in current assets		
Stores and spares	**(1,077)**	(189)
Stock-in-trade	**157,297**	(135,915)
Trade debts	**(23,796)**	22,254
Advances	**195**	(97)
Short-term prepayments	**448**	(223)
Other receivables	**16,468**	(9,049)
	149,535	(123,219)
Increase / (decrease) in current liabilities		
Trade and other payables	**(18,944)**	15,125
Workers' Profit Participation Fund	**(567)**	(1,570)
Workers' Welfare Fund	**-**	(145)
	(19,511)	13,410
	130,024	(109,809)

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		EXECUTIVES		TOTAL	
	2010	2009	2010	2009	2010	2009	2010	2009
	---------------------------- Rupees '000 -------------------------							
Managerial remuneration	**1,890**	1,837	**1,906**	1,876	**2,373**	2,468	**6,169**	6,181
Housing	**850**	827	**534**	520	**1,068**	1,111	**2,452**	2,458
Retirement benefits	**256**	153	**178**	96	**165**	206	**599**	455
Bonus	**235**	550	**148**	325	**297**	434	**680**	1,309
Medical expenses	**55**	104	**93**	112	**159**	148	**307**	364
Utilities	**189**	184	**119**	115	**237**	247	**545**	546
	3,475	3,655	**2,978**	3,044	**4,299**	4,614	**10,752**	11,313
Number	**1**	1	**2**	2	**5**	5	**8**	8

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 (2009: Six) were paid fees to attend the meetings aggregating Rs.0.340 (2009: Rs.0.285) 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 borrowings with floating interest rate.

The Company's policy is to keep its short-term borrowings 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, 2010	December 31, 2009
	-------- Rupees in '000 --------	
Financial liability		
Short-term borrowings	**165,000**	230,462

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, 2010	December 31, 2009
Change in interest rate	±	**1.00%**	1.00%
Effect on profit before tax (Rs.000's)	±	**176**	100
Effect on equity (Rs.000's)	±	**114**	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, 2010	December 31, 2009
	----------- Rupees '000 --------	
Bank balances	**131**	215
Trade debts	**71,664**	46,627
The following significant exchange rates have been applied at the reporting dates:		
Exchange rate (US Dollar)	**85.7**	84.1

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 in '000	
December 31, 2010	**+10**	**7,180**	**4,667**
	-10	**(7,180)**	**(4,667)**
December 31, 2009	**+10**	4,684	3,045
	-10	(4,684)	(3,045)

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 counter parties 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, 2010	December 31, 2009
31.2.1 Trade debts	----------- **Rupees '000** --------	
Customers with no defaults in the past one year	**76,606**	52,810
31.2.2 Bank balances		
The carrying values of bank balances are analysed as follows:		
Held with banks having a short-term rating of A1+	**17,659**	9,560
Held with banks having a short-term rating of A-	**-**	185
	17,659	9,745

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
	----------------------- Rupees in '000 -----------------------					
Trade and other payables	**3,019**	**23,579**	**48**	**865**	**-**	**27,511**
Accrued mark-up	**-**	**4,464**	**-**	**-**	**-**	**4,464**
Short-term loan	**-**	**-**	**165,000**	**-**	**-**	**165,000**
2010	**3,019**	**28,043**	**165,048**	**865**	**-**	**196,975**
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

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, 2010 and December 31, 2009.

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 add revenue reserve.

	December 31, 2010	December 31, 2009
	----------- Rupees '000	**--------**
Short-term borrowings	**165,000**	230,462
Trade and other payables	**27,511**	44,281
Mark-up accrued on short-term borrowings	**4,464**	4,361
Cash and bank balances	**(17,944)**	(10,406)
Net debt	**179,031**	268,698
Issued, subscribed and paid-up capital	**42,486**	42,486
Share Premium	**17,553**	17,553
Revenue reserve	**61,166**	115,250
Total capital	**121,205**	175,289
Capital and net debt	**300,236**	443,987
Gearing ratio	**60%**	61%

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, 2010, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2009: 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:

	Note	December 31, 2010	December 31, 2009
		----------- Rupees '000 --------	
Orkila Pakistan (Private) Limited - Associated company			
Sale of goods		**3,378**	6,283
Commission on sales		**1,269**	2,060
Shipwell (Private) Limited - Associated company			
Sale of goods		**111**	41
Commission on sales		**2,368**	1,061
IAL Pakistan (Private) Limited - Associated Company			
Freight Forwarding		**45**	128
Logistics		**1,463**	457
Staff retirement benefit plan			
Contribution to staff retirement funds		**800**	886

33. CAPACITY AND PRODUCTION

	Note	2010	2009
		----------- Metric Tons --------	
Installed capacity (Seed processing)		**35,000**	35,000
Actual seed processing	33.1	**8,638**	11,312

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

34. DIVIDEND AND APPROPRIATION

In the meeting held on March 21, 2011, the Board of Directors of the Company recommended a final cash dividend @ Nil (2009: 10%) amounting to Rs Nil (2009: Re 1 per share).

35. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on March 21, 2011 by the Board of Directors of the Company.

36. GENERAL

Amounts have been rounded off to the nearest thousand rupees.

Mohammad Moonis	**Hamid Ahmed**	**Imran Shiwani**
Chairman	*Chief Executive Officer*	*Chief Financial Officer*

PATTERN OF SHAREHOLDINGS
AS AT DECEMBER 31, 2010

SIZE OF HOLDING Rs.10/- EACH	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES HELD	PERCENTAGE OF ISSUED CAPITAL
1 - 100	106	3,064	0.07
101 - 500	143	27,949	0.66
501 - 1,000	41	30,316	0.71
1,001 - 5,000	39	79,762	1.88
5,001 - 10,000	10	73,796	1.74
10,001 - 15,000	3	34,800	0.82
15,001 - 20,000	1	18,101	0.43
20,001 - 25,000	1	20,769	0.49
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
55,001 - 60,000	1	58,700	1.38
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
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
	355	4,248,552	100.00

ADDITIONAL INFORMATION

Category No.	Categories of Share Holders	NUMBER OF SHARES HELD	PERCENTAGE %
1	**Individual**	647,079	15.23
2	**Joint Stock Companies**	99,808	2.35
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. 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. Farah Zaeem Hanafi	145	0.00
	x. 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	222,196	5.23
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

48th ANNAUL GENERAL MEETING OF THE COMPANY

I, ____
(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 48th **ANNUAL GENERAL MEETING** of the Company to be held on Monday, the 18th of April 2011 and at any adjournment thereof.

Signed by me/us this ______________ day of ______________ 2011

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.