



**PAKISTAN
GUM AND CHEMICALS
LIMITED**



**INTERIM CONDENSED FINANCIAL STATEMENT
FOR THE HALF YEAR ENDED JUNE 30, 2010
(UN-AUDITED)**



PAKISTAN GUM & CHEMICALS LIMITED

COMPANY INFORMATION

AS ON JUNE 30, 2010

Board of Directors

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

Chief Executive Officer

Mir Asad Waseem

Audit Committee

Tariq Mohamed Amin	<i>Chairman</i>
Zaeem Ahmad Hanafi	<i>Member</i>
Zahid Zaheer	<i>Member</i>

Compensation Committee

Zahid Zaheer	<i>Chairman</i>
Tariq Mohamed Amin	<i>Member</i>
Ozair Ahmed Hanafi	<i>Member</i>

Company Secretary

Rafat Hussain

Chief Financial Officer

Imran Shiwani

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisor

Tahir Ali Tayebi & Co.

Bankers

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

Registrar and Share Transfer Office

Corporate Support Services (Private) Limited
407-408, Al-Ameera Center
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
Website: www.pakchem.com.pk



CHAIRMAN'S REVIEW

On behalf of the Board of Directors, I present the un-audited accounts for the half-year ended June 30, 2010. These accounts have been reviewed by our auditors Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants.

For the second quarter ended April to June'10, net sales were Rs.198 million compared to Rs.140 million in the corresponding period of 2009 and operating profit was Rs. 4.9 million compared to Rs. 4.8 million in second quarter of 2009. Loss after taxation in the second quarter of 2010 was Rs.2.6 million compared to Rs.1.7 million profit after taxation in the same period of 2009.

For the half-year ended June 30, 2010, operating profit was Rs. 18.2 million and profit after taxation was Rs.2.4 million compared to operating profit of 9.7 million and profit after taxation of Rs.3.3 million in the same period of 2009. Earning per share amounted to Rs. 0.56 for the half year ended 2010 as compared to Rs. 0.78 for the corresponding period of 2009.

Second quarter results are extremely disappointing but management is doing all it can to meet tough challenges. There is no respite in our determination to meet this challenge and seek better results.

A handwritten signature in black ink, appearing to read "Mohammad Moonis".

Mohammad Moonis
Chairman

Karachi: August 21, 2010.



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

Introduction

We have reviewed the accompanying interim condensed balance sheet of **PAKISTAN GUM AND CHEMICALS LIMITED** as at **30 June 2010**, and the related interim condensed profit and loss account, interim condensed statement of comprehensive income, interim condensed cash flow statement, interim condensed statement of changes in equity and notes to the accounts for the six-month period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards applicable in Pakistan for interim financial reporting.

Karachi: August 21, 2010

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED BALANCE SHEET
AS AT JUNE 30, 2010**

	Note	June 30, 2010 -----Rs. '000----- (Un-audited)	Dec 31, 2009 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	4	52,928	49,380
Long-term deposits		776	776
		<u>53,704</u>	<u>50,156</u>
CURRENT ASSETS			
Stores and spare parts		9,004	5,855
Stock-in-trade	5	191,054	300,188
Trade debts		47,952	52,810
Accrued mark-up on bank deposits		233	37
Loans and advances		1,408	1,625
Short-term prepayments		713	627
Other receivables	6	6,249	22,306
Taxation-net		13,347	10,383
Cash and bank balances		30,816	10,406
		<u>300,776</u>	<u>404,237</u>
TOTAL ASSETS		<u><u>354,480</u></u>	<u><u>454,393</u></u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorised			
10,000,000 Ordinary shares of Rs.10 each		<u>100,000</u>	<u>100,000</u>
Issued, subscribed and paid-up capital			
		<u>42,486</u>	<u>42,486</u>
Reserves			
		<u>130,938</u>	<u>132,803</u>
		<u>173,424</u>	<u>175,289</u>
CURRENT LIABILITIES			
Trade and other payables	7	23,109	44,281
Short-term borrowings	8	155,000	230,462
Accrued mark-up on short-term borrowings		2,947	4,361
		<u>181,056</u>	<u>279,104</u>
CONTINGENCIES AND COMMITMENT			
	9		
TOTAL EQUITY AND LIABILITIES		<u><u>354,480</u></u>	<u><u>454,393</u></u>

The annexed notes from 1 to 14 form an integral part of these interim condensed financial statements.

Mohammad Moonis
Chairman

M.A. Wseem
Chief Executive Officer

Imran Shiwani
Chief Financial Officer





PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT
FOR THE HALF-YEAR ENDED JUNE 30, 2010
(UN-AUDITED)**

	Notes	Half Year Ended		Quarter Ended	
		June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
----- (Rupees in '000) -----					
NET SALES		416,542	265,410	198,382	140,029
Cost of sales		<u>(372,996)</u>	<u>(234,062)</u>	<u>(181,857)</u>	<u>(123,229)</u>
GROSS PROFIT		43,546	31,348	16,525	16,800
Distribution and shipping costs		<u>(14,011)</u>	<u>(7,516)</u>	<u>(5,809)</u>	<u>(4,985)</u>
Administrative expenses		<u>(11,869)</u>	<u>(15,142)</u>	<u>(6,306)</u>	<u>(7,974)</u>
Other operating expenses		<u>(399)</u>	<u>(266)</u>	<u>83</u>	<u>(90)</u>
Other operating income		<u>901</u>	<u>1,251</u>	<u>448</u>	<u>1,060</u>
		<u>(25,378)</u>	<u>(21,673)</u>	<u>(11,584)</u>	<u>(11,989)</u>
OPERATING PROFIT		18,168	9,675	4,941	4,811
Finance costs	10	<u>(11,569)</u>	<u>(4,619)</u>	<u>(5,524)</u>	<u>(2,470)</u>
PROFIT / (LOSS) BEFORE TAXATION		6,599	5,056	(583)	2,341
Taxation-current	11	<u>(4,215)</u>	<u>(1,732)</u>	<u>(2,005)</u>	<u>(611)</u>
NET PROFIT / (LOSS) FOR THE PERIOD		2,384	3,324	(2,588)	1,730
EARNINGS / (LOSS) PER SHARE - Basic and diluted		Rs.0.56	Rs.0.78	Rs.(0.61)	Rs.0.41

The annexed notes from 1 to 14 form an integral part of these interim condensed financial statements.


Mohammad Moonis
Chairman


M.A. Wseem
Chief Executive Officer


Imran Shiwani
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED STATEMENT OF
COMPREHENSIVE INCOME FOR THE
HALF-YEAR ENDED JUNE 30, 2010
(UN-AUDITED)**

	Half-Year Ended		Quarter Ended	
	June 30,	June 30,	June 30,	June 30,
	2010	2009	2010	2009
	----- (Rupees in '000) -----			
Net profit / (loss) for the period	2,384	3,324	(2,588)	1,730
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	<u>2,384</u>	<u>3,324</u>	<u>(2,588)</u>	<u>1,730</u>

The annexed notes from 1 to 14 form an integral part of these interim condensed financial statements.


Mohammad Moonis
Chairman


M.A. Waseem
Chief Executive Officer


Imran Shiwani
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED JUNE 30, 2010
(UN-AUDITED)**

	<u>Half-Year Ended</u>	
	June 30, 2010	June 30, 2009
	-----Rs. '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,599	5,056
Adjustments for non cash items:		
Depreciation	3,294	2,759
Finance costs	11,569	4,619
Provision for compensated absences	362	362
Exchange gain	(71)	(856)
Profit on bank deposits	(412)	(363)
Gain on sale of property, plant and equipment	(418)	(32)
	<u>14,324</u>	<u>6,489</u>
Profit before working capital changes	<u>20,923</u>	<u>11,545</u>
Working capital changes		
Decrease / (increase) in current assets		
Stores and spare parts	(3,149)	(308)
Stock-in-trade	109,246	(23,063)
Trade debts	4,929	25,719
Accrued markup	(196)	(241)
Loans and advances	217	(324)
Short-term prepayments	(86)	(315)
Other receivables	16,057	(2,121)
Trade and other payables	(21,647)	(6,631)
	<u>105,371</u>	<u>(7,284)</u>
Cash used in operations	<u>126,294</u>	<u>4,261</u>
Income tax paid	(7,179)	(5,374)
Long term deposits	-	(6)
Finance costs paid	(12,983)	(5,422)
	<u>(20,162)</u>	<u>(10,802)</u>
Net cash generated from / (used in) operating activities	<u>106,132</u>	<u>(6,541)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure incurred	(7,289)	(4,894)
Proceeds from sale of fixed assets	866	80
Profit received on bank deposits	412	363
Net cash (used in) investing activities	<u>(6,011)</u>	<u>(4,451)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment) / proceeds from short term borrowings	(75,462)	15,500
Dividend paid	(4,249)	(16,994)
Net cash (used in) financing activities	<u>(79,711)</u>	<u>(1,494)</u>
Net increase / (decrease) in cash and cash equivalents	<u>20,410</u>	<u>(12,486)</u>
Cash and cash equivalents at the beginning of the period	<u>10,406</u>	<u>28,592</u>
Cash and cash equivalents at the end of the period	<u>30,816</u>	<u>16,106</u>

The annexed notes from 1 to 14 form an integral part of these interim condensed financial statements.

Mohammad Moonis
Chairman

M.A. Wseem
Chief Executive Officer

Imran Shiwani
Chief Financial Officer



PAKISTAN GUM & CHEMICALS LIMITED

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED JUNE 30, 2010
(UN-AUDITED)**

	CAPITAL RESERVE		REVENUE RESERVES		Total
	Issued, subscribed and paid-up capital	Share Premium	General	Unappropriated profit	
----- (Rupees in '000) -----					
Balance as at January 01, 2009	42,486	17,553	82,474	44,397	186,910
Cash dividend @ Rs.4 per Ordinary share of Rs.10 each, declared on April 18, 2009	-	-	-	(16,994)	(16,994)
Profit after taxation for the half year ended June 30, 2009	-	-	-	3,324	3,324
Balance as at June 30, 2009	<u>42,486</u>	<u>17,553</u>	<u>82,474</u>	<u>30,727</u>	<u>173,240</u>
Balance as at January 01, 2010	42,486	17,553	82,474	32,776	175,289
Cash dividend @ Rs.1 per Ordinary share of Rs.10 each, declared on April 19, 2010	-	-	-	(4,249)	(4,249)
Profit after taxation for the half year ended June 30, 2010	-	-	-	2,384	2,384
Balance as at June 30, 2010	<u>42,486</u>	<u>17,553</u>	<u>82,474</u>	<u>30,911</u>	<u>173,424</u>

The annexed notes from 1 to 14 form an integral part of these interim condensed financial statements.

Mohammad Moonis
Chairman

M.A. Wseem
Chief Executive Officer

Imran Shiwani
Chief Financial Officer



**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED JUNE 30, 2010
(UN-AUDITED)**

1. THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan as a Public Limited Company, under the Companies Ordinance, 1984 (the Ordinance). The shares of the Company are quoted on the Karachi and Lahore Stock exchanges. The Company is principally engaged in the production and sale of guar gum and its allied products. The registered office of the Company is situated at B-19/A, Irshad Qadri Road, S.I.T.E Karachi.

2. STATEMENT OF COMPLIANCE

These interim condensed financial statements of the Company for the half year ended June 30, 2010 has been prepared in accordance with the requirements of the International Accounting Standards 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed.

These interim condensed financial statements are unaudited but subject to limited scope review by the auditors and do not include all the information and disclosures as required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2009.

3. ACCOUNTING POLICIES

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computation adopted in the preparation of these interim condensed financial statements are the same as those applied in the preparation of the financial statements for the year ended December 31, 2009 except as follows:

The company has adopted the following new and amended IFRS and IFRIC interpretations which became effective during the period:

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

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

**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
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
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 affect the Company's financial statements in the period of initial application.



PAKISTAN GUM & CHEMICALS LIMITED

	Note	June 30, 2010	Dec. 31, 2009
----- (Rupees in '000) -----			
4. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	4.1	52,888	44,955
Capital work-in-progress	4.2	40	4,425
		<u>52,928</u>	<u>49,380</u>
4.1 Operating fixed assets			
Opening net book value		44,955	27,800
Additions during the period / year, including transfers from capital work-in-progress	4.1.1	11,675	23,935
		<u>56,630</u>	<u>51,735</u>
Disposal during the period / year	4.1.2	448	842
Depreciation charged during the period / year		3,294	5,938
		<u>3,742</u>	<u>6,780</u>
		<u>52,888</u>	<u>44,955</u>
4.1.1 Additions during the period / year, including transfers from capital work-in-progress			
Building on leasehold land		8,471	19,474
Plant and machinery		1,241	921
Vehicles		1,841	3,019
Office equipment		122	521
		<u>11,675</u>	<u>23,935</u>
4.1.2 Disposal during the period / year			
Vehicle		448	842
		<u>448</u>	<u>842</u>
4.2 Capital work-in-progress			
Balance at the beginning of the period / year		4,425	16,087
Additions during the period / year		4,895	7,621
Transferred to operating fixed assets		(9,280)	(19,283)
		<u>40</u>	<u>4,425</u>
5. STOCK-IN-TRADE			
Raw material		666	79,719
Packing material		2,547	3,318
Finished goods		187,841	217,151
		<u>191,054</u>	<u>300,188</u>
6. OTHER RECEIVABLES			
Margin guarantee on export sales		-	11,685
Due from Employees' Gratuity Fund		3,076	3,269
Sales tax		3,173	7,352
		<u>6,249</u>	<u>22,306</u>
7. TRADE AND OTHER PAYABLES			
Trade			
Creditors		3,244	23,264
Other payables			
Accrued liabilities		12,775	15,261
Compensated expenses		2,434	2,785
Advances from customers		1,900	14
Workers' Profit Participation Fund		346	567
Workers' Welfare Fund		97	48
Tax deducted at source		356	162
Unpaid dividend		37	-
Unclaimed dividend		586	602
Employees' car and motorcycle loan schemes		1,334	1,578
		<u>19,865</u>	<u>21,017</u>
		<u>23,109</u>	<u>44,281</u>
8. SHORT-TERM BORROWINGS- secured			
From commercial banks			
Short-term loans		155,000	190,000
Short-term running finance		-	40,462
		<u>155,000</u>	<u>230,462</u>

**9. CONTINGENCIES AND COMMITMENT****Contingencies**

9.1 The status of contingencies as at June 30, 2010 is the same as reported in the annual financial statements for the year ended December 31, 2009.

Commitment

9.2 Commitment for capital expenditure amounted to Rs.24.860 million.

	Half-year ended		Quarter ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
----- (Rupees in '000) -----				
10. FINANCE COSTS				
Mark-up on:				
Export refinance	7,241	3,773	3,841	2,108
Short-term running finance	2,839	7	1,199	3
	10,080	3,780	5,040	2,111
Bank charges	1,489	839	484	359
	11,569	4,619	5,524	2,470

11. TAXATION

11.1 The charge for current taxation is based on taxable income at the current rates of taxation and on the final tax regime under Section 169 of the Income Tax Ordinance, 2001. However, the amount of tax liability is provisional and final liability will be determined on the basis of annual results.

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

12. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Company comprise the holding company (East West Group Holdings Inc, British Virgin Islands), local associated companies, staff retirement funds, directors, executives and key management personnel. The Company in the normal course of business carries out transactions at normal market price with various related parties. Transactions with related parties are given below:

Relationship	Nature of transaction	Half-year ended	
		June 30, 2010	June 30, 2009
--- (Rupees in '000) ---			
Holding company	Dividend paid to the holding company	2,549	10,197
Associated companies	Commission on sales	2,501	1,462
	Sale of goods	3,069	5,611
	Freight forwarding	34	128
	Transportation	1,081	457
Staff retirement benefit plan	Contribution to staff retirement benefit funds	412	438
Key management personnel	Remuneration	5,618	3,988

Related party transactions are carried out on commercial terms, as approved by the Board of Directors.

13. DATE OF AUTHORISATION

These interim condensed financial statements were authorised for issue on August 21, 2010 by the Board of Directors of the Company.

14. GENERAL

14.1 The figures of the profit and loss account for the quarters ended June 30, 2010 and June 30, 2009 have not been subject to limited scope review by the external auditors.

14.2 Figures presented in these interim condensed financial statements have been rounded off to the nearest thousand rupees.

Mohammad Moonis
Chairman

M.A. Wseem
Chief Executive Officer

Imran Shiwani
Chief Financial Officer