

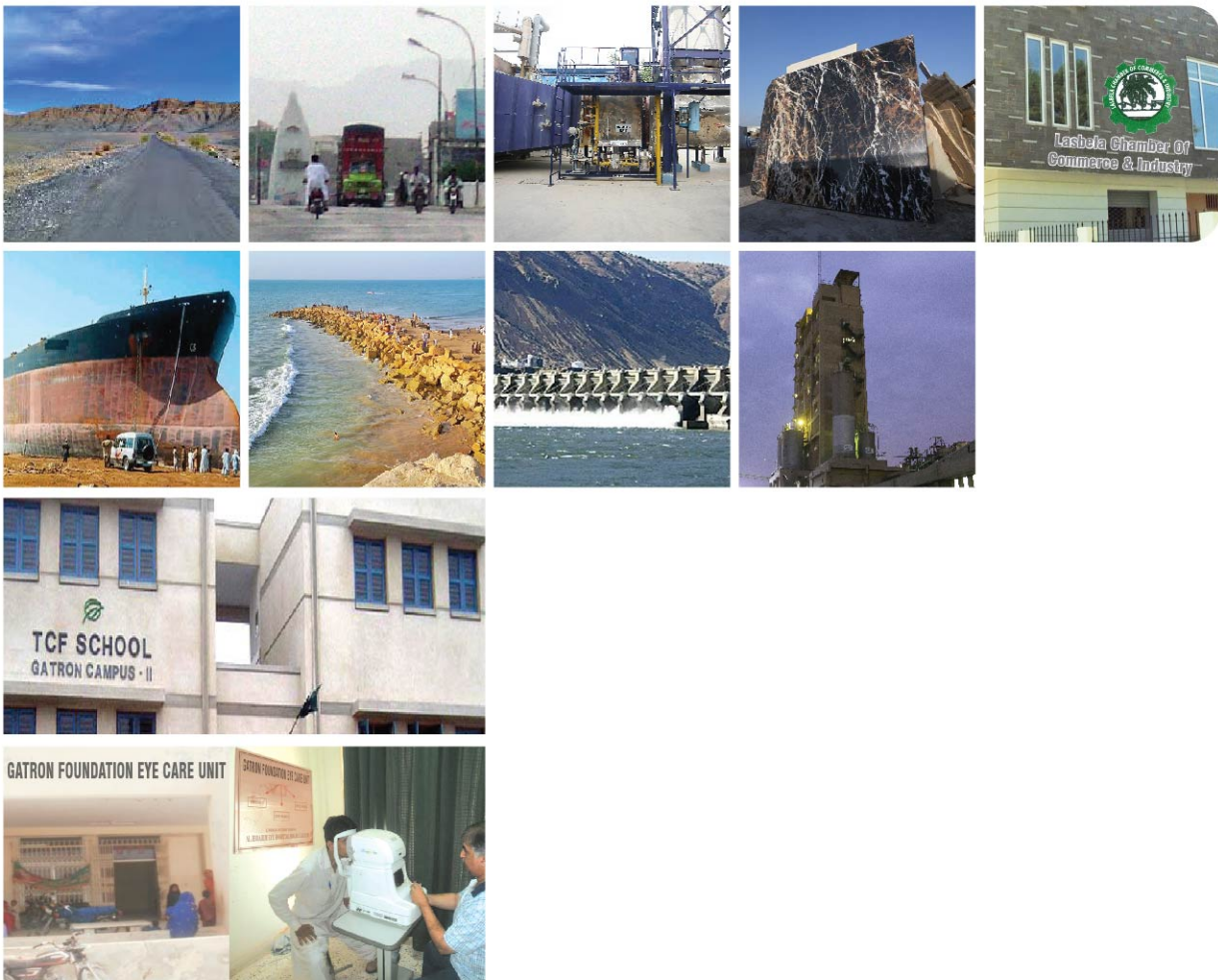


Gatron (Industries) Limited

ANNUAL REPORT 2018

& Accounts 2017-18
of the Company

Also Featuring Economic "HUB" of Balochistan



Cover Story

The City of HUB is today the largest town of Lasbela District in the province of Balochistan, but was a sleep small town called HUB CHOWKI before 1980.

Gatron (Industries) Limited was one of pioneers in setting up 1981, an industrial venture (to produce Polyester Filament Yarn) just 2 km of what was the small town of HUB CHOWKI, which has seen a tremendous social and economical development since then due to the Industrial state that was set up after the set up of Gatron. In all these years Gatron has had the privilege to be one of the largest industries in Balochistan as well as being one of the largest industrial employers in the province of Balochistan. Gatron has a reputation of operational excellence, quality and expertise in all the sectors it is involved in.

The Lasbela District of Balochistan serves as the gateway to the port of Gwadar through the Makran Coastal Highway and to Balochistan itself from the Industrial and Metropolitan city of Karachi. Its' importance is also due to its proximity with Karachi and now more so in the wake of CPEC projects. With the construction of the Northern Bypass and the Coastal Highway, and the gradual execution of CPEC projects in the region, its potential for industrial and commercial investment in the region has increased significantly.

Currently, there are about 200 big and small industrial units in operation producing electric power, cement, polyester chips, filament and yarn, plastic pet bottles, textile yarn and fabrics, glucose, sugar confectionery, food products, pharmaceutical products, petrochemicals, chemicals, ceramics, engineering goods, marble and granite products etc. These industries have an employment capacity of about 25,000 workers and due to these industries the commercial activities of HUB town has also increased significantly, with the increase of population from few thousand in 1980 to over 500,000 people now. The local population of Lasbela comprises of very honest, accommodative and intelligent people who contribute a lot towards the economic development of this region.

At HUB there are two 50 beds hospitals being run by the Health Department of Government of Balochistan and the Balochistan Employees Social Security Institution (BESSI). In order to improve their services, Gatron (Industries) Limited has taken full responsibility of the eye ward at the Civil Hospital at HUB and the eye Clinic at Uthal by providing free Eye clinic as well as Eye surgery services. Gatron (Industries) Limited has also constructed primary and secondary schools which provide quality education to the poor children of the area under the supervision

of The Citizen Foundation (TCF). Other industries also contribute to facilitate the people of District Lasbela in the same way.

The HUB Industrial Area is managed by the Lasbela Industrial Estates Development Authority (LIEDA) who provide necessary infrastructure and maintain the productive and peaceful working conditions in the area by ensuring smooth production of various activities. LIEDA has developed the following five industrial estates in the district but the cluster of industries is located at Hub and at Marble City Gaddani.

- Hub Industrial & Trading Estate
- Marble City, Gaddani
- Winder Industrial & Trading Estate
- Special Industrial Zone, Winder
- Uthal Industrial Estate (Phase I) and (Phase II) at Zero Point of Coastal Highway

Besides the above industrial and commercial activities there is a large Ship Breaking Yard at Gaddani (the twin town of Hub in District Lasbela) which is managed by the Balochistan Development Authority. They provide the provision of necessary infrastructure to the ship breakers who are playing a great role in the economic progress of the region. It is not out of place to say that the industrial and commercial activities of Lasbela, including the Ship Breaking activity generate more than 75% of revenue collected in Balochistan.

In view of the above, the Lasbela Chamber of Commerce & Industry (LCCI) enjoys the singular distinction of being the most active, popular and important Chamber of Balochistan representing the business community of the area. It was established in 1995 after being granted a license from the Ministry of Commerce, Government of Pakistan under Trade Organization Laws after incorporation with SECP as a limited company. The Chamber is affiliated with the Federation of Pakistan Chamber of Commerce & Industry (FPCCI) and takes part in the FPCCI activities quite actively. The main objective of the Chamber is to create a conducive environment to contribute to industrial production activities and also to attract industrial investment to Lasbela District by way of pursuing LIEDA, NHA, PASDEC, Pakistan Railway and District Government to develop necessary infrastructure in the region besides creating awareness amongst its members regarding modern production and processing technologies as well as marketing techniques. It also conducts various events to create awareness regarding the compliance of various laws and regulations relating to trade, industry and finance.





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Corporate Information

Board of Directors

Haji Haroon Bilwani	-	Chairman
Peer Mohammad Diwan	-	Chief Executive
Abdul Razak Diwan		
Zakaria Bilwani		
Usman Bilwani		
Iqbal Bilwani		
Shabbir Diwan		
Muhammad Taufiq Bilwani		
Muhammad Waseem		

Audit Committee Members

Iqbal Bilwani	-	Chairman
Haji Haroon Bilwani		
Usman Bilwani		
Muhammad Waseem		

HR & Remuneration Committee Members

Usman Bilwani	-	Chairman
Iqbal Bilwani		
Muhammad Waseem		

Company Secretary / Chief Financial Officer

Mohammad Yasin Bilwani

Auditors

M/s. Kreston Hyder Bhimji & Company
Chartered Accountants
Karachi.

Legal Advisor

Naeem Ahmed Khan
Advocates
Quetta.

Plant

Plot No.441/49-M2, Sector "M",
H.I.T.E., Main R.C.D. Highway,
HUB, District Lasbela,
Balochistan, Pakistan.

Share Registrar

C&K Management Associates (Private) Limited
Room No. 404, Trade Tower,
Abdullah Haroon Road, Near Metropole Hotel,
Karachi-75530 - Pakistan.
Phone: 021-35687839, 35685930

Registered Office

Room No.32, First Floor,
Ahmed Complex,
Jinnah Road, Quetta - Pakistan.

Bankers

Bank Alfalah Limited
Bank Al-Habib Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Liaison/Correspondence Office

11th Floor, G&T Tower,
18 Beaumont Road,
Civil Lines-10,
Karachi-75530 - Pakistan.
Phone: 021-35659500-9
Fax: 021-35659516

Email

headoffice@gatron.com

Website

www.gatron.com



Vision

To remain at the forefront of quality, innovation and cost competitiveness in the Manufacturing and Marketing of Polyester Filament Yarn, PET Preforms and other Polyester related products.

To achieve corporate success while achieving this vision.

Mission

To achieve the stated vision of the company with dynamism, business excellence with challenging spirit and flexibility.

To serve the need of the customers by providing high quality products as per their requirement and to their ultimate satisfaction.

To be a good employer by creating a work environment which motivates the employees and promotes team work to encourage the employees to pursue the fulfillment of the vision and mission of the company.

To seek long term good relations with suppliers, banks and financial institutions with fair and honest dealings.

To play our role as a good corporate citizen through socially responsible behaviour and through service of the community where we do business.

To achieve the basic aim of benefiting shareholders and stake-holders while adhering to the above vision and mission.

Notice of Annual General Meeting

Notice is hereby given that the Thirty-eighth Annual General Meeting of Gatron (Industries) Limited will be held on Thursday, October 25, 2018 at 11:00 a.m., at factory premises at Plot No.441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, HUB, District Lasbela, Balochistan to transact the following business:

Ordinary Business

1. To confirm the minutes of the Thirty-seventh Annual General Meeting and Extraordinary General Meeting of the company held on October 23, 2017 and December 21, 2017 respectively.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2018 together with the Auditors' Report thereon and Directors' Report for the year then ended.
3. To approve payment of cash dividend at Rs.7.50 per share (75%) as recommended by the Board of Directors for the year ended June 30, 2018. This is in addition to interim cash dividend at Rs.2.00 per share (20%), already paid.
4. To appoint company's auditors for the year ending June 30, 2019 and fix their remuneration.

Special Business

5. To consider and if thought fit, to approve increase in the authorized share capital of the Company and for this purpose to pass the following special resolutions, with or without modifications:

"Resolved that the authorized share capital of the Company be and is hereby increased from Rs.440,000,000 (Rupees Four Hundred Forty Million) divided into 44,000,000 ordinary shares of Rs.10 each to Rs.950,000,000 (Rupees Nine Hundred Fifty Million) divided into 95,000,000 ordinary shares of Rs.10 each."

"Further Resolved that existing Clause V of the Memorandum of Association and Clause 6 of the Articles of Association of the Company be and are hereby amended as under:

Memorandum of Association:

Clause V. The Capital of the Company is Rs.950,000,000 (Rupees Nine Hundred Fifty Million) divided into 95,000,000 (Ninety Five Million) Ordinary Shares of Rs.10/- each with power to increase and reduce the Capital of the Company and to divide the shares in the Capital for the time being into several classes.

Article of Association:

Clause 6. The Capital of the Company is Rs.950,000,000 (Rupees Nine Hundred Fifty Million) divided into 95,000,000 (Ninety Five Million) shares of Rs.10/- (Rupees Ten) each. The minimum subscription shall be Rs.1,75,000/- (Rupees One hundred & Seventy Five Thousand only) which has already been reached."

Notice of Annual General Meeting

"Further Resolved that the Directors and Company Secretary/CFO of the Company be and are hereby authorized singly to take all necessary steps and to execute legal documents that may be required under applicable laws to give effect to the spirit and intent of the above resolutions."

6. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

Mohammad Yasin Bilwani
Company Secretary & CFO

August 29, 2018

Notes:

1. The Share Transfer Books of the company will remain closed from October 18, 2018 to October 25, 2018 (both days inclusive). Transfers received in order at the office of the Shares Registrar before the close of business on October 17, 2018 will be considered in time for the purpose of entitlement of dividend and attendance in the Annual General Meeting.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received at the office of the company not less than 48 hours before the time of holding the meeting. Proxy form is annexed.
3. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced alongwith Proxy Form at the time of attending the meeting.
4. A member, who has deposited his/her shares in Central Depository Company of Pakistan Limited, must bring his/her Participant ID number and account/sub account number along with original CNIC or NICOP or Passport at the time of attending the meeting.
5. The members are advised to notify to the company's Shares Registrar of any change in their addresses.
6. The audited financial statements of the company for the year ended June 30, 2018 have been made available on the company's website in addition to annual, bi-annual and quarterly financial statements of the prior years.
7. If the Company receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting the Company will arrange video conference facility in that city subject to availability of such facility in that city. The Company will intimate to such Shareholders information regarding venue of video conference facility at least 5 days before the date of the Annual General Meeting to enable them to access to such facility.

Notice of Annual General Meeting

8. Members can exercise their right to demand a poll subject to meeting requirements of Section 143 to Section 145 of the Companies Act, 2017 and applicable clauses of the Companies (Postal Ballot) Regulations, 2018.

STATEMENT OF MATERIAL FACTS CONCERNING SPECIAL BUSINESS PURSUANT TO SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Company to be held on October 25, 2018.

Increase in Authorized Share Capital of the Company and Consequent Amendments in the Memorandum and Articles of Association:

The Company, in order to meet its growth objectives and strengthen its financial position, may be required to generate long term resources by issuing securities. It is therefore, deemed appropriate to increase the Authorized Share Capital of the Company from Rs.440,000,000 divided into 44,000,000 ordinary shares of Rs.10 each to Rs.950,000,000 divided into 95,000,000 ordinary shares of Rs.10 each by creation of additional 51,000,000 ordinary shares of Rs.10 each.

The proposed increase in the Authorized Share Capital of the Company will also necessitate amendments in Clause V of the Memorandum of Association and Clause 6 of the Articles of Association of the Company. The Board has also recommended alterations in the Memorandum and Articles of Association of the Company to reflect increase in Authorized Share Capital of the Company.

A copy of Memorandum and Articles of Association has been kept at the registered office of the Company and may be inspected on any working day between 10:30 a.m. to 12:30 p.m from the date of publication of this notice till the conclusion of the Annual General Meeting.

The Directors are not interested, directly or indirectly, in the above special business except to the extent of their shareholdings.

8 ممبران Poll کے مطالبہ کے سلسلے میں اپنا حق استعمال کر سکتے ہیں جو کمپنیز ایکٹ، 2017 کی دفعہ 143 تا دفعہ 145 اوپنیز (پوسٹل بیلٹ) ریگولیشنز 2018 کے قابل اطلاق شقوق کے مطابق ہوگا۔

کمپنیز ایکٹ، 2017 کی شق نمبر (3) 134 کے زیر تحت خصوصی کاروائی سے متعلق اہم معلومات

یہ اسٹیٹمنٹ ان خصوصی کاروائی جو کہ 25 اکتوبر، 2018ء کو منعقد ہونے والے سالانہ اجلاس عام میں طے کیئے جائیں گی کہ متعلق ہے۔

Authorized Share Capital میں اضافے کے سبب کمپنی کے

میمورنڈم اور آرٹیکل آف ایسوسی ایشن میں ہونے والی ترامیم:

کمپنی اپنی ترقیاتی مقاصد کو پورا کرنے اور اپنی مالی حیثیت کو مستحکم کرنے اور طویل مدتی وسائل پیدا کرنے کی غرض سے سیکورٹیز جاری کر سکتی ہے۔ لہذا مناسب ہے کہ کمپنی کا Authorized Share Capital 440,000,000 روپے جو ہر ایک 10 روپے والے 44,000,000 عمومی حصص میں منقسم ہے سے بڑھا کر اضافی 10 روپے والے 51,000,000 عمومی حصص کی تصنیف کے ساتھ 950,000,000 روپے جو ہر ایک 10 روپے والے 95,000,000 عمومی حصص میں منقسم ہے کیا جائے۔

Authorized Share Capital میں تجویز کردہ اضافے کی بدولت کمپنی کے میمورنڈم آف ایسوسی ایشن کی شق نمبر 7 اور آرٹیکل آف ایسوسی ایشن کی شق نمبر 6 میں ترامیم کرنا ہوگی۔ کمپنی کے Authorized Share Capital میں اضافہ کی عکاسی کرنے کے لیے بورڈ آف ڈائریکٹرز نے کمپنی کے میمورنڈم اینڈ آرٹیکل آف ایسوسی ایشن میں ترمیم کی بھی سفارش کی ہے۔

نوٹس کے شائع ہونے کے بعد سے سالانہ اجلاس عام کے نتائج تک میمورنڈم اینڈ آرٹیکل آف ایسوسی ایشن کی نقول کمپنی کے رجسٹرڈ آفس میں موجود ہیں جو کہ کسی بھی کاروباری اوقات میں صبح 10:30 سے 12:30 بجے کے دوران ملاحظہ کی جاسکتی ہیں۔

ڈائریکٹرز اپنی Shareholding کے علاوہ براہ راست اور بالواسطہ طور پر اوپر دی گئی خصوصی کاروائی میں دلچسپی نہیں رکھتے۔

”مزید قرار پایا کہ کمپنی کے ڈائریکٹرز اور کمپنی سیکریٹری/CFO کو انفرادی طور پر اختیار دیا جاتا ہے کہ وہ اس کام کی انجام دہی کے لئے تمام ضروری اقدامات و قانونی دستاویزات کی تعمیل کریں تاکہ مندرجہ بالا قراردادوں کو اسکی اصل روح کے مطابق موثر بنایا جائے۔“

6 صدر مجلس کی اجازت سے دیگر کوئی عمومی امور انجام دینا۔

حسب الحکم بورڈ

محمد یاسین بلوانی
کمپنی سیکریٹری اینڈ سی ایف او

مورخہ: 29، اگست 2018ء

نوٹس:

- 1 کمپنی کی شیئرز انسفر بکس 18، اکتوبر 2018ء سے 25، اکتوبر 2018ء تک (دونوں دن شامل ہیں) بند رہیں گی۔ شیئرز رجسٹر کے دفتر میں جو منتقلیاں 17، اکتوبر 2018ء کو کاروباری اوقات کے اختتام سے قبل موصول ہو جائیں گی وہ منافع منقسمہ کے استحقاق کے مقصد اور سالانہ اجلاس عام میں شرکت کے لئے بروقت سمجھی جائیں گی۔
- 2 جو کوئی بھی میمبر اجلاس میں شرکت کرنے اور ووٹ دینے کا/کی حقدار ہے وہ اپنی جگہ شرکت کرنے اور ووٹ دینے کے لئے کسی دوسرے ممبر کو بطور اپنا/اپنی مختار مقرر کر سکتا/سکتی ہے۔ مختار ناموں کے موثر ہونے کے لئے ضروری ہے کہ وہ اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل کمپنی کے آفس میں وصول ہو جائیں۔
- 3 جو کارپوریٹ ممبر ہیں وہ اپنے بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع نامزد کردہ امیدوار کا نمونہ دستخط اجلاس میں شرکت کے وقت مختار نامہ کے ساتھ پیش کریں۔
- 4 وہ میران جنہوں نے اپنے حصص سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ میں جمع کرائے ہیں، وہ اجلاس میں شرکت کے وقت اصل CNIC یا NICOP یا پاسپورٹ کے ساتھ اپنا پارٹیشنڈ ID نمبر اور اکاؤنٹ/سب اکاؤنٹ نمبر لازماً ساتھ لائیں۔
- 5 شیئرز ہولڈرز کو ہدایت کی جاتی ہے کہ وہ اپنے پتوں میں کسی بھی قسم کی تبدیلی سے متعلق معلومات کمپنی کے شیئرز رجسٹر کو فراہم کریں۔
- 6 30، جون 2018ء کو اختتام پذیر سال کیلئے کمپنی کے آڈٹ شدہ مالیاتی گوشوارے کمپنی کی ویب سائٹ پر سابق برسوں کے سالانہ، ششماہی اور سہ ماہی مالیاتی گوشواروں کے ساتھ فراہم کر دیئے گئے ہیں۔
- 7 اگر کمپنی کو اجلاس کی تاریخ سے کم از کم 10 روز قبل بذریعہ ویڈیو کانفرنس اجلاس میں شرکت کرنے کیلئے ان میران سے درخواست وصول ہوتی ہے جو مجموعی طور پر 10% یا زائد شیئرز ہولڈنگ کے حامل ہوں اور ایک ہی جیوگرافیکل لوکیشن پر رہائش پذیر ہوں تو کمپنی اس شہر میں ویڈیو کانفرنس کی سہولت کا انتظام کر دیگی بشرطیکہ اس شہر میں ایسی سہولت دستیاب ہو۔ کمپنی سالانہ اجلاس عام کی تاریخ سے کم از کم 05 یوم قبل ویڈیو کانفرنس سہولت کے مقام سے متعلق ان شیئرز ہولڈرز کو معلومات فراہم کر دیگی تاکہ وہ ایسی سہولت تک رسائی حاصل کر سکیں۔

اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا اطلاع دی جاتی ہے کہ گیٹرون (انڈسٹریز) لمیٹڈ کا اٹھیسواں سالانہ اجلاس عام درج ذیل کاروائیوں کی انجام دہی کیلئے بروز جمعرات 25، اکتوبر 2018ء کی صبح 11:00 بجے بمقام فیکٹری حدود واقع پلاٹ نمبر 441/49-M2، سیکٹر "M"، H.I.T.E، مین آرسی ڈی ہائی وے، حب، ضلع سیلہ، بلوچستان میں منعقد ہوگا۔

عمومی امور:

- 1 کمپنی کے سینٹیسویں سالانہ اجلاس عام اور غیر معمولی اجلاس عام منعقدہ بالترتیب 23، اکتوبر 2017ء اور 21، دسمبر 2017ء کی کاروائیوں کی توثیق۔
- 2 30، جون 2018ء کو اختتام پذیر ہونے والے سال کے لئے کمپنی کے آڈٹ شدہ حسابات بمع اُس وقت ختم شدہ سال کے لئے اُن پراڈیٹرز رپورٹ اور ڈائریکٹرز رپورٹ پر غور و خوض اور منظوری۔
- 3 30، جون 2018ء کو اختتام پذیر ہونے والے سال کے لئے بورڈ آف ڈائریکٹرز کی سفارش کے مطابق مبلغ 7.50 روپے (75 فیصد) فی حصہ کی شرح سے نقد منافع منقسمہ کی ادائیگی کی منظوری۔ یہ عبوری نقد منافع منقسمہ مبلغ 2.00 روپے (20 فیصد) فی حصہ کے علاوہ ہے جو ادا کیا جا چکا ہے۔
- 4 30، جون 2019ء کو ختم ہونے والے سال کے لئے کمپنی کے آڈیٹرز کا تقرار اور ان کے مشاہرہ کا تعین۔

خصوصی امور:

- 5 کمپنی کے Authorized Share Capital میں اضافہ کی منظوری پر غور کرنا اور اگر موزوں سمجھا گیا تو اس مقصد کیلئے مندرجہ ذیل خصوصی قراردادوں کو ترمیم کیساتھ یا اس کے بغیر منظور کرنا:
- ”قرار پایا کہ کمپنی کی Authorized Share Capital جو 440,000,000 روپے (چار سو چالیس ملین روپے) جو ہر ایک 10 روپے والے 44,000,000 عمومی حصص میں منقسم ہے، سے بڑھا کر 950,000,000 روپے (نوسو پچاس ملین روپے) کی جائے جو ہر ایک 10 روپے والے 95,000,000 عمومی حصص میں منقسم ہے۔“
- ”مزید قرار پایا کہ کمپنی کے میمورینڈم آف ایسوسی ایشن کی موجودہ شق V اور آرٹیکلز آف ایسوسی ایشن کی شق 6 میں مندرجہ ذیل ترمیم کی جاتی ہیں۔“

میمورینڈم آف ایسوسی ایشن:

شق V: کمپنی کا سرمایہ 950,000,000 روپے (نوسو پچاس ملین روپے) ہے جو ہر ایک 10 روپے والے 95,000,000 (پچانوئیں ملین) عمومی حصص میں منقسم ہے۔

مع کمپنی کے سرمائے میں اضافہ اور تخفیف اور قتی طور پر متعدد کلاسز میں سرمائے میں حصص کی تقسیم کے اختیارات کیساتھ ہے۔

آرٹیکلز آف ایسوسی ایشن:

شق 6: کمپنی کا سرمایہ 950,000,000 روپے (نوسو پچاس ملین روپے) ہے جو ہر ایک 10 روپے (دس روپے) کے 95,000,000 (پچانوئیں ملین) حصص میں منقسم ہے کم از کم سمسکرپشن 1,75,000 روپے (صرف ایک سو چھتر ہزار روپے) ہوگی جس تک رسائی ہوگئی ہے۔

Chairman's Review



I am pleased by the performance of Gatron (Industries) Limited for the year ended June 30, 2018.

The Board provides strategic direction to the management and is available for guidance. The Board ensures compliance of all regulatory requirements by the Management.

As required under the Listed Companies (Code of Corporate Governance) Regulation, 2017 self evaluation of the Board of Directors of Gatron (Industries) Limited is carried out regularly. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

The Board is competently assisted by its Committees. The Audit Committee reviews the financial statements and ensures that the accounts fairly represent the financial position of the Company. It also ensures effectiveness of internal controls. The Human Resource & Remuneration Committee (HR&R) overviews HR policies framework within the organization.

The Directors of your Company received agendas and supporting written material including follow up materials in sufficient time prior to meetings. The Board meets frequently enough to adequately discharge its responsibilities. The non-executive and independent directors are equally involved in important decisions.

I, pray to Allah that the Company continues to maintain its momentum of growth in the future.

August 29, 2018

Haji Haroon Bilwani
Chairman

چیرمین کی جائزہ رپورٹ

30 جون 2018ء کو اختتام پزیر ہونے والے سال میں کمپنی کی کارکردگی حوصلہ افزا رہی۔

بورڈ کمپنی کی حکمت عملی سے متعلق انتظامیہ کو رہنمائی فراہم کرنے کے لیے ہر وقت دستیاب ہے اور انتظامیہ کی جانب سے تمام ریگولیٹری ضروریات کی تعمیل کو بھی یقینی بناتی ہے۔

سپڈ کمپنیز (کوڈ آف کورپوریٹ گورننس) ریگولیشنز، 2017ء کے تحت گیٹرون (انڈسٹریز) لمیٹڈ کے بورڈ آف ڈائریکٹرز کی اپنی تشخیص باقاعدگی سے کی جاتی ہے۔ اس تشخیص کا مقصد اس امر کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور افادیت کو کمپنی کے مختص کردہ مقاصد کے تناظر میں پرکھا جاسکے۔

بورڈ کو انسکی کمیٹیوں سے مؤثر مدد ملتی رہتی ہے۔ آڈٹ کمیٹی مالیاتی گوشواروں کا جائزہ لیتی ہے اور کمپنی کے کھاتہ جات میں مالی حیثیت کو منصفانہ طور پر پیش کرنے کو یقینی بناتی ہے۔ اس کے ساتھ یہ اندرونی نگہداری کے عمل کو موثر طور پر نافذ کرتی ہے۔ ہیومن ریسورسز اینڈ ریمیونریشن کمیٹی ادارے کے اندر ایچ آر کے متعلق پالیسیز کا جائزہ لیتی ہے۔

آپ کی کمپنی کے بورڈ آف ڈائریکٹرز کو ان کے اور ان کی کمیٹیوں کے اجلاس کے متعلق امور مع دیگر ضروری دستاویزات قبل از وقت موصول ہوئے۔ بورڈ ضروری سرگرمیوں اور ذمہ داریوں کو موثر انجام دینے کے لیے باقاعدگی سے اجلاس منعقد کرتی ہے۔ نان ایگزیکٹو اور آزاد ڈائریکٹر بھی اہم فیصلوں میں براہری کی بنیاد پر شامل ہوتے ہیں۔

میں پروردگارِ عالم سے دعا گو ہوں کہ مستقبل میں کمپنی کو مزید ترقی و خوشحالی عطا کرے۔

حاجی ہارون بلوانی
چیرمین

29 اگست 2018ء

Directors' Report 2018



Directors' Report

Dear Members,

The Directors of Gatron (Industries) Limited are pleased to present the annual report and the audited financial statements, for the year ended June 30, 2018.

Financial Review

The financial synopsis for the period under review is as below:

- Net sales Rs.13,006 million,
- Operating profit Rs. 654 million,
- Financial costs Rs. 14 million,
- Investment income Rs. 455 million,
- Profit before income tax Rs.1,094 million,
- Profit after income tax Rs. 982 million,
- Earnings per share Rs. 25.59.

The Company recorded the highest production and sales of Polyester Filament Yarn in the last 3 years. This was due to imposition of regulatory duty on imports, which provided the shield to compete against dumped imports, which unfortunately the anti-dumping proceedings did not provide.

Due to regulatory duty, the yarn operations came out from red (loss) to black (profit). The results of this period was also positively enhanced due to better margins in the PTA/MEG to Preforms sales. However, the extra ordinary profit for this year is representing of:

- the continuous increase of unit values of product, pushed up mainly due to increasing raw material PTA/MEG prices. This resulted in a continuous cycle during the year where lower priced inputs purchased before the increase, fetched higher product price enhancing the profitability. Of course in the coming years when raw material prices reverse and go down, the effect of the same will be negative on the results. The PTA/MEG price was \$640 & \$830 in July 2017 climbed upto \$835 & \$892 in June 2018 respectively, with minor dips on the way.
- the devaluation of December 2017 & March 2018 resulting in increased in rupee unit value of sale, while lower cost inventory of raw material / finished goods was used for such sale resulting in realization of significant inventory gains on raw materials as well as finished goods. Offset slightly by the trade payables on account of imports.

On the Balance Sheet front as compared to June 30, 2017 stocks increased by Rs. 538 million to reach amounting to Rs. 2,735 million. Debtors decreased by Rs. 494 million to reach Rs. 1,129 million while creditors increased by Rs. 773 million to reach Rs. 2,216 million. In view of better liquidity position Finance Cost remained at low level, further the company paid its long term loan amounting to Rs. 136.034 million before maturity.

Yarn segment started witnessing normal operating income and improved capacity utilization from the 2nd quarter of the reporting period, due to 5% regulatory duty from July 2017 and which further improved in subsequent quarters due to reasons mentioned above in this report.



Your company is striving since long to increase yarn capacity to fulfill domestic demand which is being fulfilled through imports. During the second half of the reporting period, yarn capacity on the basis of 75 denier was increased by almost 10% due to investments in production machinery.

The anti-dumping duties (ADDs) still have not become truly and fully effective due to litigation and repeated stay orders on composition of National Tariff Commission (NTC) in different High courts and generous attitude of NTC of helping circumvention, whereby they set aside the anti-dumping duties for all importers without any security, rather than only the petitioners getting the stay. Even though NTC has the experience of not being able to collect these duties when stay orders from one high court were dismissed. Moreover, the ADDs are set as low as to 3.25% to 4.9% on the major 3 Chinese suppliers, while the injury to the Pakistan Filament Yarn industry was exceeding 20% by the Chinese dumped imports as calculated by the NTC in the said anti-dumping investigation and whereas the dumping duty on China imposed by Turkey and India on these same producers was in excess of 10%. Earlier last year the NTC arbitrarily also did not impose provisional anti-dumping duties on Polyester Filament Yarn (an special favor to the foreign dumping companies at the cost of not mitigating injury and dumping on the domestic Pakistani producers) despite calculating dumping margin & injury, even though there was no plausible reason to do so. In view of this, the action of not imposing provisional dumping duties, by the NTC did not have any precedent nationally or internationally.

In Preforms segment, your company has increased capacity by replacing old model machines with new model having high cavity machines. The international spreads over PTA/MEG to PET resin (the intermediate for Preforms) improved during the year which resulted in good operating results of this segment. The profitability in this segment was helped by producing & stocking in winter months for sale in summer months, which turned out be extraordinarily better this year due to devaluation from as well raw material price upward trend thus increasing the unit sale value of the said stock.

CHALLENGES FACED AND FUTURE OUTLOOK

- As detailed above, the low anti-dumping duty of 3.25% on mega Chinese producers had not provided enough protection against dumping as well as its circumvention by importers and frequent suspension across the board for all importers on account of generous attitude towards the importers by the NTC has not even made this low duty truly effective. However as noted above the imposition of regulatory duty has helped in better output level of operations of Yarn segment and if it remains will induce the company to expand its capacity further to the 10% witnessed in the reporting period.
- Last year the total output of Filament Yarn industry in the country was below 65,000 tons operating at 75% of capacity which has now risen to above 90%. Along with immediate capacity additions and further additions if RD remains imposed, it is expected that by December 2019, domestic production of filament yarn would be meeting nearly 55% of the market demand for indigenous use of Filament Yarn fabrics from 30%. Every extra ton of domestic filament yarn being sold in place of imported yarn, also means extra ton of domestically produced PTA and other domestically produced inputs (like carton, paper tubes, etc) being used along with providing direct and indirect employment. The production level of the company at mix deniers is expected to be Insha Allah in excess of 55,000 tons in 2018-19.



- Beyond the above the Company will also be considering to go ahead and further increase in capacity of Polyester Filament Yarn and will decide to launch expansion projects subject to regulatory duty on Polyester Filament Yarn remaining in place for atleast another 5 years. This policy of the government promoting enhancement of domestic capacity will thus would result in the Pakistan Filament Yarn producers meeting over 80% of the market demand for indigenous use of filament yarn fabrics by year 2021-22.
- The current ADD is imposed on China and Malaysia. The dumped imports from other countries like Thailand, Vietnam and Indonesia will continue to be possible without ADD.
- As already reported in previous directors' reports that there also appears an element of subsidy schemes helping the Chinese and Malaysian exporters to export at much low prices. The NTC did not initiate the countervailing proceedings due to some legal limitation, on the previous application by the Filament Yarn Industry. Many countries like Canada and USA have calculated anti-subsidy duties on China on various polyester products which demonstrate that Chinese producers have available subsidy on their exports. Of course USA, Canada and Europe have also imposed anti-subsidy duties on numerous other Chinese products besides polyester.
- Your company welcomes the Government action taken in May 2018 budget of allowing input sales tax of packing material.
- Hope the Government will not take steps which increase the cost of manufacturing in Pakistan, as such increases (as done in the 2013-2016 period) without corresponding rupee devaluation, increase the conversion cost in dollar terms of import substitution products (like what your company produces) versus the international producers who dump their product in Pakistan.
- The Company's funds are stuck in Sales Tax and Income Tax refunds, which are unnecessarily increasing financial cost and affecting liquidity of the Company.
- To overcome shortage of water supply from Hub Dam, water is being arranged from alternate sources which has increased manufacturing cost.

OTHER MATTERS

During the year operations of wholly owned subsidiary M/s. Gatro Power (Private) Limited remained disturbed due to recent major break downs. Upto date all insurance claims have been settled down with insurance companies. The subsidiary company paid cash dividends amounting to Rs. 327.338 million during year.

APPROPRIATION

The Board of Directors of the company has recommended cash dividend @ Rs.7.50 per share (75%). This is in addition to the already paid interim cash dividend @ Rs.2.00 per share (20%).



EARNINGS PER SHARE

The earning per share of the company for the year ended on June 30, 2018 is Rs. 25.59.

MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments effecting the financial position of the company occurred during the period to which the Statement of Financial Position relates and the date of this report.

CHAIRMAN'S REVIEW

The Chairman's review is annexed in this Annual Report.

EXTERNAL AUDITORS

The retiring auditors M/s Kreston Hyder Bhimji & Co., Chartered Accountants, being eligible, offered themselves for re-appointment. The Audit Committee has recommended their re-appointment as auditors of the Company for the year 2018-19.

The Auditors of the Company M/s. Kreston Hyder Bhimji & Co., Chartered Accountants, have issued an unqualified audit report to the members of the company.

PATTERN OF SHAREHOLDING

A statement, showing pattern of shareholding of the Company is annexed to this report.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group along with notes thereto and auditors' report thereon, have also been included in this annual report.

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

The Board confirms the compliance with Corporate and Financial Reporting Framework of the Securities and Exchange Commission of Pakistan and Code of Corporate Governance for the following matters:

- The financial statements for the year ended June 30, 2018 prepared by the management of the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of accounts have been maintained by the company;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent business judgments;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;

- Significant deviations from last year in operating results of the company, if any are disclosed in this report;
- There are no significant doubts upon the company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- Key operating and financial data of last six years in summarized form is annexed;
- The fair value of the provident funds investments as at June 30, 2018 was Rs. 398 million;
- During the year 06 Board meetings, 04 Audit committee meetings and 04 HR & Remuneration Committee meetings were held. Attendance by each director / member were as follows:

Board of Directors	Number of meetings attended
1) Haji Haroon Bilwani	6
2) Mr. Peer Mohammad Diwan	6
3) Mr. Abdul Razak Diwan	5
4) Mr. Zakaria Bilwani	6
5) Mr. Usman Bilwani	5
6) Mr. Iqbal Bilwani	6
7) Mr. Shabbir Diwan	5
8) Mr. Muhammad Taufiq Bilwani	6
9) Mr. Muhammad Waseem	6

Leaves of absence were granted to the directors for not attending the Board meetings.

Audit Committee	Number of meetings attended
1) Mr. Iqbal Bilwani	4
2) Haji Haroon Bilwani	4
3) Mr. Usman Bilwani	3
4) Mr. Muhammad Waseem	4

HR & Remuneration Committee	Number of meetings attended
1) Mr. Usman Bilwani	3
2) Mr. Iqbal Bilwani	4
3) Mr. Shabbir Diwan	3
4) Mr. Muhammad Waseem	4

BOARD OF DIRECTORS

There is no change in the Board of Directors subsequent to election of directors of the company held on December 21, 2017.

EVALUATION OF BOARD OWN PERFORMANCE

In pursuant to the requirements of Listed Companies (Code of Corporate Governance) Regulations, 2017, a formal and effective mechanism is put in place for self evaluation of performance of the Board Members. The mechanism has been duly established, approved and successfully implemented by the Board.

COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

The new (Code of Corporate Governance Regulation, 2017) has implemented a number of changes to bring local companies governance in line with the global norms. The company has effectively implemented these amendments. The Board lays great emphasis on adding and practicing good Corporate Governance, with a view to achieve transparency in its operations, so as to boost stakeholders' confidence.

COMMUNICATION WITH SHAREHOLDERS

The Company focuses on the importance of the communication with the shareholders. The annual, half yearly and quarterly reports are distributed to them within the time specified in the Companies Act, 2017. The activities of the Company are updated on its website at www.gatron.com on timely basis.

ACKNOWLEDGMENT

We, on behalf of the Board of Directors would like to take this opportunity to thank our valued customers for the trust they continue to place in us, the management team for its sincere efforts, Directors for their guidance, and all stakeholders - Bankers, Dealers, Vendors, Associates and Shareholders for helping build Gatron (Industries) Limited into a valuable company.

PEER MOHAMMAD DIWAN
CHIEF EXECUTIVE OFFICER

HAJI HAROON BILWANI
CHAIRMAN / DIRECTOR

August 29, 2018



تعداد اجلاس میں حاضری

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ایچ آراینڈری میونریشن کمیٹی

جناب عثمان بلوانی

جناب اقبال بلوانی

جناب شمیر دیوان

جناب محمد وسیم

بورڈ آف ڈائریکٹرز

21 دسمبر، 2017ء کو منعقدہ کمپنی کے ڈائریکٹروں کے انتخاب کے بعد بورڈ آف ڈائریکٹرز میں کوئی تبدیلی واقع نہیں ہوئی۔

بورڈ کی اپنی کارکردگی کی تشخیص

لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017ء کے مطابق بورڈ کی اپنی سالانہ کارکردگی کی تشخیص کے لئے ایک موثر نظام نافذ کیا گیا۔ بورڈ نے اس نظام کو منظوری کے بعد کامیابی سے لاگو کیا۔

کوڈ آف کارپوریٹ گورننس کے بہترین معمولات کی تعمیل

نئے لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2017ء نے مقامی کمپنیز کے انتظامات کو عالمی معیار کے مطابق لانے کے لئے کئی تبدیلیاں نافذ کیں۔ کمپنی نے ان ترامیم کو موثر طور پر نافذ کیا۔ بورڈ نے اپنے آپریشن میں شفافیت کو متحرک کرنے اور شراکت داروں کا اعتماد بڑھانے کے لئے کارپوریٹ گورننس پر زور دیا ہے۔

ممبران سے رابطہ

کمپنی اپنے شیئر ہولڈرز کے ساتھ رابطے کی اہمیت پر توجہ مرکوز کئے ہوئے ہے جیسا کہ کمپنیز ایکٹ، 2017ء میں مذکور ہے، سالانہ، ششماہی اور سہ ماہی رپورٹس باقاعدگی سے حصص یافتگان کو ارسال کی جاتی ہیں اور کمپنی کی سرگرمیاں ویب سائٹ www.gatron.com پر بروقت اپڈیٹ کی جاتی ہیں۔

اظہار تشکر

ہم بورڈ آف ڈائریکٹرز کی جانب سے اپنے قیمتی صارفین کا شکریہ ادا کرنا چاہتے ہیں جنہوں نے ہم پر اعتماد کیا۔ ساتھ ہی اپنی مینجمنٹ ٹیم کی پر خلوص محنت پر اُن کے تہہ دل سے مشکور ہیں۔ بورڈ آف ڈائریکٹرز کی جانب سے مسلسل رہنمائی پر اُن کے متمنی ہیں اور اپنے تمام متعلقہ افراد بشمول بینکرز، ڈیلرز، ویڈرز، ایسوسی ایٹس اور حصص یافتگان کے بھی شکر گزار ہیں جنہوں نے گیسٹروں کی ترقی میں اپنا کردار بخوبی نبھایا ہے۔

حاجی ہارون بلوانی
چیئر مین / ڈائریکٹر

پیر محمد دیوان
افسر اعلیٰ

29 اگست 2018ء

- ★ مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں پر مستقلاً عمل درآمد کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات مناسب اور محتاط کاروباری قیاسیات پر مبنی ہیں۔
- ★ مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز ملحوظ خاطر رکھے گئے ہیں اور اگر کسی جگہ ان سے انحراف کیا گیا ہے تو اسے مناسب طور پر وجوہات کے ساتھ واضح کیا گیا ہے۔
- ★ اندرونی نگہداری کا نظام مضبوط بنیادوں پر استوار ہے اور اس کا نفاذ موثر طور سے کیا گیا ہے اور اس پر نظر بھی رکھی جا رہی ہے۔
- ★ گزشتہ برس کے آپریٹنگ نتائج سے اگر کوئی واضح انحراف ہے تو اس کا تذکرہ اس رپورٹ میں مناسب جگہ پر کیا گیا ہے۔
- ★ کاروبار جاری رکھنے کے سلسلے میں کمپنی کی اہلیت پر کوئی خاص شک و شبہ نہیں۔
- ★ کارپوریٹ گورننس کے بہترین معمولات جیسا کہ ریگولیشنز میں تفصیلاً مذکور ہیں سے کوئی اہم انحراف نہیں کیا گیا۔
- ★ گزشتہ 6 سال کا اہم آپریٹنگ اور فنانشل ڈیٹا اس رپورٹ میں منسلک ہے۔
- ★ 30 جون 2018ء کو پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر مبلغ 398 ملین روپے تھی۔
- ★ دوران سال 6 بورڈ، 4 آڈٹ کمیٹی اور 4 ایچ آر اینڈ ری میونریشن کمیٹی کے اجلاس کا انعقاد کیا گیا۔ جس میں ڈائریکٹرز اور ممبران کی حاضری درج ذیل رہی:

تعداد اجلاس میں حاضری

6	ہاجی ہارون بلوانی
6	جناب پیر محمد دیوان
5	جناب عبدالرزاق دیوان
6	جناب زکریا بلوانی
5	جناب عثمان بلوانی
6	جناب اقبال بلوانی
5	جناب شہیر دیوان
6	جناب محمد توفیق بلوانی
6	جناب محمد وسیم
بورڈ کے اجلاس میں حاضر نہ ہونے والے ڈائریکٹرز کو رخصت عطاء کی گئی۔	

تعداد اجلاس میں حاضری

4	جناب اقبال بلوانی
4	ہاجی ہارون بلوانی
3	جناب عثمان بلوانی
4	جناب محمد وسیم

تصرف

کمپنی کے بورڈ آف ڈائریکٹرز نے مبلغ 7.50 روپے (75 فیصد) کے نقد منافع منقسمہ فی حصہ دینے کی تجویز پیش کی ہے۔ یہ منافع مبلغ 2.00 روپے (20 فیصد) فی حصہ کی شرح سے پہلے ہی ادا کر دیئے جانے والے عبوری منافع منقسمہ کے علاوہ ہے۔

آمدن فی حصہ

30 جون 2018ء کو اختتام پذیر ہونے والے سال کے لیے منافع فی حصہ 25.59 روپے رہا۔

اہم تبدیلیاں اور معاہدے

بیلنس شیٹ کی تاریخ اور رپورٹ ہذا کی تاریخ کے درمیان کمپنی کی مالیاتی حیثیت میں تبدیلی لانے والی نہ کوئی اہم بات رونما ہوئی اور نہ ہی ایسے معاہدے ہوئے۔

چیئر مین کا جائزہ

چیئر مین کا جائزہ اس سالانہ رپورٹ میں منسلک کر دیا گیا ہے۔

بیرونی آڈیٹرز

ریٹائرنگ آڈیٹرز میسرز کرسٹن حیدر بھیم جی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس نے اہلیت کی بنیاد پر خود کو دوبارہ تقرری کے لئے پیش کیا ہے۔ آڈٹ کمیٹی نے میسرز کرسٹن حیدر بھیم جی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کی بطور بیرونی آڈیٹرز برائے مالی سال 2018/19 دوبارہ تقرری کی سفارش کی ہے۔ کمپنی کے بیرونی آڈیٹرز میسرز کرسٹن حیدر بھیم جی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس نے کمپنی کے ممبران کیلئے غیر مشروط جائزہ رپورٹ جاری کی ہے۔

شیئر ہولڈنگ کی ترتیب

کمپنی کی شیئر ہولڈنگ کی ترتیب ظاہر کرنے والا گوشوارہ اس رپورٹ کے ساتھ منسلک ہے

مجموعی مالیاتی گوشوارے

زیر نظر سالانہ رپورٹ میں گروپ ہذا کے جامع مالیاتی گوشوارے (Consolidated Financial Statement) ہمراہ نوٹس منسلک ہیں۔

کارپوریٹ اور فنانشل رپورٹنگ کا فریم ورک

ڈائریکٹرز تصدیق کرتے ہیں کہ درج ذیل امور میں سیکیورٹی اینڈ ایکسچینج کمیشن کے کارپوریٹ اور فنانشل رپورٹنگ فریم ورک اور کوڈ آف کارپوریٹ گورننس کے ضابطہ اخلاق پر عمل درآمد کیا گیا ہے:

- ★ 30 جون 2018ء کو اختتام پذیر ہونے والے سال کیلئے کمپنی ہذا کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے، کمپنی کے معاملات، اسکے آپریشنز کے نتائج، cash flow اور ایکویٹی میں تبدیلیاں شفاف انداز میں پیش کی گئیں ہیں۔
- ★ کمپنی نے کھاتہ جات موزوں طور سے مرتب کئے ہیں۔

کرنے میں مدد ملی اور اگر یہ RD برقرار رہتی ہے تو یہ کمپنی کو اپنی پیداواری گنجائش میں 10% توسیع جو زیر غور مدت میں مشاہدہ میں آئی سے بھی زیادہ پیداواری گنجائش بڑھانے کے لئے راغب کرے گی۔

★ گزشتہ سال ملک میں فلامنٹ یارن انڈسٹری کی کل پیداوار اپنی صلاحیت کے 75% پر زیر عمل رہتے ہوئے 65,000 ٹن سے کم رہی جو اب 90% سے بڑھ چکی ہے۔ اس فوری طور پر صلاحیت میں اضافے اور اگر ریگولیٹری ڈیوٹی کا نفاذ برقرار رہتا ہے تو مزید پیداواری گنجائش میں اضافے کے ساتھ دسمبر 2019ء تک فلامنٹ یارن فیبرکس کے مقامی استعمال کیلئے فلامنٹ یارن کی مقامی پیداوار مارکیٹ کی طلب کے 30% سے بڑھ کر 55% کے قریب پہنچ جائے گی۔ مقامی فلامنٹ یارن کا ہر ایک زائد درآمد شدہ یارن کی جگہ فروخت سے مقامی طور پر تیار کردہ PTA اور دیگر مقامی طور پر تیار کردہ ان پٹس (جیسے کارٹن، پیپر ٹیوبس وغیرہ) بھی استعمال کئے جائیں گے جس سے بالواسطہ اور بلاواسطہ روزگار فراہم ہوگا۔ توقع ہے کہ 2018-19 میں کمس ڈینیز میں کمپنی کی پیداواری سطح انشاء اللہ 55,000 ٹن سے زائد ہوگی۔

★ کمپنی PFY کی گنجائش میں مزید اضافہ کرنے پر غور کرے گی بشرطیکہ PFY پر RD کم از کم مزید 5 سالوں کیلئے برقرار رکھی جائے۔ مقامی صلاحیت کے اضافے میں فروغ کی حکومتی پالیسی کے نتیجے میں پاکستان میں فلامنٹ یارن کے صنعتکار سال 2021-22 تک فلامنٹ یارن فیبرکس کے مقامی استعمال کیلئے مارکیٹ کی طلب کا 80% تک تیار کرنے لگیں گے۔

★ فی الحال اینٹی ڈمپنگ ڈیوٹی چین اور ملائیشیاء پر عائد کی گئی ہے۔ جبکہ تھائی لینڈ، ویتنام اور انڈونیشیاء جیسے دیگر ممالک سے درآمدات کا سلسلہ اینٹی ڈمپنگ ڈیوٹیوں کے بغیر جاری رہنے کا امکان ہے۔

★ جیسا کہ گزشتہ ڈائریکٹرز رپورٹس میں ذکر کیا گیا کہ سبسڈی اسکیموں کا ایک ایسا عنصر محسوس ہوتا ہے جس کی وجہ سے چینی اور ملائیشیائی برآمد کنندگان کو انتہائی ارزوں پر برآمدات کرنے میں مدد ملتی ہے۔ مقامی فلامنٹ یارن صنعت کی جانب سے اس معاملہ کے متعلق گزشتہ داخل کردہ درخواست پر چند قانونی پابندیوں کے باعث NTC بروقت اقدام کرنے سے قاصر رہا دیگر ممالک جیسا کہ کینیڈا نے چین کی دیگر پولیسٹر مصنوعات پر اینٹی سبسڈی ڈیوٹی عائد کی ہے جس سے پتہ چلتا ہے کہ چینی پروڈیوسرز کی برآمدات میں سبسڈی شامل ہے۔ امریکہ، کینیڈا اور یورپ نے چین کی دیگر مصنوعات پر بھی اینٹی سبسڈی ڈیوٹی عائد کر رکھی ہے۔

★ اس کے علاوہ کمپنی کی خطرہ رقم سیلز ٹیکس اور انکم ٹیکس ری فنڈ میں پھنسی ہوئی ہے جس کے سبب مالیاتی لاگت میں غیر ضروری اضافہ کمپنی کی لیکویڈیٹی پر اثر انداز ہو رہا ہے۔

★ حب ڈیم سے پانی کی فراہمی کی قلت پر قابو پانے کے لئے، متبادل ذرائع سے پانی کا بندوبست کیا جا رہا ہے جس سے پیداواری لاگت میں خاطر خواہ اضافہ ہو رہا ہے۔

دیگر امور

کمپنی کے مکمل ملکیتی ماتحت ادارے میسرز گیٹر و پاور (پرائیویٹ) لمیٹڈ کے آپریشنز حالیہ Breakdowns کی وجہ سے مشکلات کا شکار رہے۔ جن پر انشورنس کلیمز کے معاملات انشورنس کمپنیوں کے ساتھ طے پا گئے ہیں۔ اس مدت کے دوران ذیلی ادارے نے 30 جون 2018ء کو اختتام پذیر ہونے والے سال کیلئے مبلغ 327.338 ملین روپے کے نقد منافعوں کی ادائیگی کی۔

30 جون 2017ء کے مقابلے میں اسٹاکس میں 538 ملین روپے تک کا اضافہ ہوا جو 2,735 ملین روپے تک پہنچ گیا۔ قابل وصول قرضوں کی مالیت 494 ملین روپے کم ہو کر 1,129 ملین روپے تک پہنچ گئی۔ جبکہ قرضداری 773 ملین روپے اضافے کے ساتھ 2,216 ملین روپے تک پہنچ گئی۔ بہتر لیکویڈیٹی پوزیشن کے پیش نظر مالیاتی اخراجات نجلی سطح پر رہے۔ معیاد پوری ہونے سے قبل کمپنی نے اپنا طویل مدتی قرضہ مبلغ 136.034 ملین روپے ادا کر دیا۔

یارن سیگمنٹ نے عمومی آپریٹنگ آمدنی کا آغاز کر دیا اور جولائی 2017ء سے 5% RD کے نفاذ کے بعد زیر نظر مدت کی دوسری سہ ماہی سے پیداواری صلاحیت کے استعمال میں بہتری ہوئی جو رپورٹ ہذا میں مندرجہ بالا بیان کردہ وجوہات کی بناء پر بعد ازاں سہ ماہیوں میں مزید بہتر ہوگی۔

آپ کی کمپنی ملک کی PFY کی طلب جو بذریعہ درآمدات پوری کی جا رہی ہے کو پورا کرنے کیلئے یارن کی پیداواری صلاحیت میں اضافہ کرنے کی طویل عرصے سے کوشش کر رہی ہے۔ زیر غور مدت کی دوسری سہ ماہی کے دوران پیداواری مشینری میں سرمایہ کاری نے 75 ڈینیر کی بنیاد پر یارن کی پیداواری صلاحیت میں تقریباً 10% تک کا اضافہ کیا۔

مختلف اعلیٰ عدالتوں میں نیشنل ٹیرف کمیشن (NTC) کی تشکیل پر متواتر اسٹے آرڈرز اور مقدمہ بازی کے ساتھ ساتھ NTC کے ضیافانہ رویہ کی بنا پر اینٹی ڈمپنگ ڈیویژ (ADDs) ابھی تک صحیح معنوں میں مکمل طور پر موثر نہیں ہوئی جبکہ NTC نے کسی سیکیورٹی کے بغیر تمام درآمد کنندگان کے لئے ADDs منسوخ کر دیں جبکہ صرف درخواست گزاران اسٹے حاصل کر رہے ہیں۔ اعلیٰ عدالت سے اسٹے آرڈرز خارج ہونے کے باوجود NTC نے ADDs وصول نہیں کی۔ مزید برآں تین بڑے چینی سپلائرز پر ADDs کم سطح 3.25% تا 4.9% ہے جبکہ متذکرہ اینٹی ڈمپنگ تحقیقات میں NTC نے تعین کیا تھا کہ پاکستان فلامنٹ یارن انڈسٹری کو چائینز ڈمپڈ امپورٹس کے ذریعہ نقصان 20% سے زیادہ ہے۔ ان ہی چائینز پروڈیوسرز پر ترکی اور انڈیا نے 10% سے زیادہ اینٹی ڈمپنگ ڈیویژ عائد نہیں کی (جو غیر ملکی ڈمپنگ کمپنیوں پر خصوصی مہر بانی ملک کے پروڈیوسرز کو ہونے والے نقصانات کی تلافی نہ کرنے کی صورت میں کی گئی ہے) حالانکہ ایسے اقدام کی کوئی ٹھوس وجہ موجود نہیں تھی۔ اس امر کے پیش نظر NTC کی جانب سے عارضی ڈمپنگ ڈیویژ نافذ نہ کرنے کے اقدام کی کوئی قومی یا بین الاقوامی نظیر نہیں ملتی۔

پری فارم سیگمنٹ میں آپ کی کمپنی نے پرانی ماڈلز کی مشینوں کو نئے ماڈلز کی مشینوں سے جو زیادہ کیویٹی کی حامل ہیں سے تبدیل کر کے پیداواری صلاحیت میں اضافہ کیا ہے۔ اس سال کے دوران PTA/MEG سے PET Resin تک کے بین الاقوامی مارجنز میں بہتری رہی جس کے نتیجے میں اس سیگمنٹ کے آپریٹنگ نتائج اچھے رہے۔ اس سیگمنٹ میں منافع کے حصول میں موسم گرما میں فروخت کے لئے موسم سرما میں تیار شدہ ذخیرے سے مدد ملی جو اس سال روپے کی گرتی قدر اور خام مال کی قیمتوں میں اضافے کے رجحان کے باعث اچھی قیمتوں پر فروخت ہوا۔

درپیش چیلنجز اور مستقبل پر ایک نظر

☆ جیسا کہ اوپر تفصیل سے بیان کیا گیا کہ بڑے چینی مینوفیکچرر پر 3.25% کی انتہائی کم ADDs نے ڈمپنگ کے خلاف مناسب تحفظ فراہم نہیں کیا۔ نیز درآمد کنندگان کی جانب سے اس کی حصار بندی اور NTC کی جانب سے درآمد کنندگان کیلئے ضیافانہ رویہ کی وجہ سے تمام درآمد کنندگان پر کم ڈیویژ بھی حقیقی طور پر موثر نہیں بنی۔ تاہم ریگولیٹری ڈیویژ سے یارن سیگمنٹ کے آپریشنز کی پیداواری سطح کو بہتر

بورڈ آف ڈائریکٹرز کی رپورٹ

معزز ممبران،

گیٹرون (انڈسٹریز) لمیٹڈ کے ڈائریکٹرز 30 جون 2018ء کو اختتام پذیر ہونے والے سال کی رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے دلی مسرت محسوس کر رہے ہیں۔

مالیاتی جائزہ

زیر جائزہ مدت کا مالیاتی خلاصہ درج ذیل ہے :

- خالص فروخت 13,006 ملین روپے۔
- آپریٹنگ منافع 654 ملین روپے۔
- مالیاتی اخراجات 14 ملین روپے۔
- آمدنی بذریعہ سرمایہ کاری 455 ملین روپے۔
- منافع قبل از انکم ٹیکس 1,094 ملین روپے۔
- منافع بعد از انکم ٹیکس 982 ملین روپے۔
- آمدنی فی حصہ 25.59 روپے۔

کمپنی نے گزشتہ 3 برسوں میں اس سال پولیسٹر فلامنٹ یارن (PFY) کی سب سے زیادہ پیداوار اور فروخت ریکارڈ کی جو درآمدات پر ریگولیٹری ڈیوٹی (RD) کے نفاذ کی وجہ سے ممکن ہوئی جس نے ڈمپڈ امپورٹس کے خلاف مقابلہ کرنے میں ڈھال فراہم کی جو بد قسمتی سے اینٹی ڈمپنگ کاروائیاں فراہم نہیں کر سکیں۔

RD کے نفاذ کی وجہ سے یارن آپریشنز نقصان سے منافع میں تبدیل ہو گئے۔ اسی مدت کے نتائج PTA/MEG میں پری فارم سیلز تک بہتر مارجنز کی بناء پر بھی مثبت انداز میں بڑھے تاہم اس سال منافع میں غیر معمولی اضافے کی مزید وجوہات مندرجہ ذیل ہیں:

★ خام مال PTA/MEG کی قیمتوں میں اضافہ کی وجہ سے تیار مال کی قدروں میں مسلسل اضافہ پایا گیا۔ خام مال کی قیمتوں میں اضافے سے قبل کم قیمت پر خرید کردہ خام مال سے تیار مال کو اچھی قیمتوں پر فروخت کرنا منافع کا باعث بنا۔ بے شک آئندہ سالوں میں جب خام مال کی قیمتیں برعکس ہونگی اور نیچے گر گئیں تو اس کا اثر نتائج پر منفی ہوگا۔ PTA/MEG کی قیمتیں چھوٹی موٹی کمی کے ساتھ جولائی 2017ء میں \$640 اور \$830 سے بالترتیب جون 2018ء میں \$835 اور \$892 تک پہنچی۔

★ دسمبر 2017ء اور مارچ 2018ء میں روپے کی گرتی ہوئی قدر نے مال کی فروخت کنندہ قیمتوں میں اضافہ کیا جب کہ کم قیمت خام مال اور تیار شدہ اشیاء کے ذخیرے کی بڑھتی قیمتوں پر فروخت نے خاطر خواہ منافع کے حصول میں مدد دی۔ دوسری جانب درآمدات کی ادائیگیوں پر نقصان اٹھانا پڑا۔

Corporate Social Responsibility



Corporate Social Responsibility

SUSTAINABILITY

INTEGRITY AND ACCOUNTABILITY

At Gatron (Industries) Limited we have committed ourselves to the SINGULAR NOTION that Polyester Yarn & PET Preforms are more than PTA, MEG, Spin Finish & Conning oils and Paper tubes & Cartons ---- rather it's our promise to the people, products and our planet.

People build businesses by doing the Right Thing. With this perception we are moving ahead --- maintaining our commitment to our valued customers, treating our employees with respect, delivering shareholder value, making a positive impact in the communities where we live and work and taking steps to lessen our impact on the environment.

WE ARE COMMITTED AND WE ARE PROGRESSING

Economic Accomplishments

The goal of sustainability requires a more extended time-line for ROI - Return on Investment but once initial investments are made, they can actually lead to increased profitability. So at Gatron our slogan is :

"SUSTAINABILITY 2 PROFITABILITY"

A few examples of our performance:

Economizing Utilities

Saving water is a priority because water is a cost and is in short supply in many areas in Pakistan. The company has become self sufficient, as short falls in municipality supply are met by deep underground sources which are then processed from five RO - Reverse Osmosis plants. The management has been carrying out many water management awareness sessions among the employees of the company.

Significant investment is being done for increasing SER - Specific Energy Ratio. 3 x Centrifugal Turbo compressors, model ZH-400 will replace existing ZR-5 type Compressors. While for improving moisture removal 3 x Refrigerant Dryers will be incorporated in the company fleet. Estimated cost of this project is around Euro 0.5 million.



Power Savings

Several projects have been started for Electrical power savings.

In AHU - Air Handling Unit for speed control inverters have been installed and motor pulley

size have been increased at supply and return air blowers to run with reduced speed and this exercise is expected to complete at end of 2018.

LED tube lights & bulbs have replaced 95% of plant fluorescent lamps & energy savers. Power generation and supply management is being enhanced by improving generator yields through proactive maintenance and capacity optimization, and by best utilization of resources and energy recovery (turbines, gas, diesel & HFO). High rating old radiators and exhaust fans are being replaced with new energy efficient ones.



Power Generating Capacity in Gatro Power (a wholly owned subsidiary company) was enhanced in the year to cater for the increasing load requirements from the consumer side. Significant Capital investment has been made in various projects. 3 New GE Jenbacher Generators have been commissioned. For the first time, your company has also applied for a KE connection to manage the load jerks as well as Gas Load shedding and other problems. A smart synchronization, load sharing and load shedding system has also been purchased to manage the increasingly complex power house operations more efficiently and effectively.

Enhancing Production

To increase over all through put of the plant significant investment has been done. Bottlenecking of existing spinning lines, as well as retrofit and upgradation of winders have enhanced capacity and further enhancement is in the pipeline and should be completed Insha Allah by November 2018.

Modifications and upgrading of Texturing machines for improving quality of yarn and cost savings is an ongoing process. Now all old generation machines have been replaced and several new machines will be delivered and installed in the coming year to supplement up upstream production increase. Even weight DTY bobbins production has increased significantly to cater customers demand of metered yarn bobbins.

Business Strength and Shareholder Performance

Gatron is committed to creating long-term values for its stakeholders by becoming a more sustainable and responsible corporate citizen.

Contributing to Our Communities

We believe that, PEOPLE BUILD BUSINESSES. We value our people and are committed to giving them every opportunity for using their latest, skills, passion and creativity to grow themselves as well as company. We retain exceptional and promo-table talents.

Gatron cares for its employees and to facilitates them, air conditioners have been installed in all Management Cadre vehicles not only to prevent them from heat and dust of the day, but also to upgrade them socially.



Commitment to Customers

Both our quality and customer services are being increased through our Customer & Technical Services. Continuous improvement in all aspects of operations is being done by focusing on better raw materials used, inception of latest manufacturing machines, employee engagement, data based decision making and optimizing a flexible workforce to meet challenging customer demands.

Environmental Stewardship

At Gatron we are shrinking our ENVIRONMENTAL FOOTPRINTS by reducing the following at each of our manufacturing departments:

- Energy consumption,
- Green house gases,
- Hazardous air emissions and Water usage

We are focused on reducing energy usage through targeted investments and initiative and as well as water usage. Our Board of Directors, management and employees take seriously our responsibility to the environment in which we work and live, and conduct our business in accordance with all legal requirements and ethical responsibilities, using scientific knowledge, technical innovation and sound environmental management practices.

We are sensitive to environmental issues through out our business system, including our selection of materials, processes and products. We are conducting operations in full compliance with applicable environmental laws and regulations. We achieve this by practicing of 4 Rs (Reduce, Reuse, Recycle and responsible disposal).

Recycling of post consumer PET bottles and plant Polyester waste materials is under study to reduce impact of Polyester waste on Environment and cater customers requirement of environmental friendly "Recycled Polyester Filament yarn".



Social Responsibility

Gatron continues its strong support through partnerships and community collaboration for education, safety, health and welfare, arts and culture, and the environment.

Recreational activities started at Gatron. An Inter Companies tournament was also arranged in which different group companies (Sister concern) participated.

We believe that we have an inherent responsibility to help improve the quality of life in the communities in which we serve. The Gatron Foundation, a philanthropic arm of Gatron, donated approximately Rs. 1.5 million to non profit organizations and taken social welfare activities of Rs. 10.5 million during the year under review.



Our goal is to create a zero-injury environment at Gatron. Our employees are most aspect of our business. We believe the most basic form of respect we can show to others is to guarantee their personal safety. This means, at Gatron we encourage each other to work safely every day and make good decisions. Having a sound and proven safety process is a cornerstone of our company.

Awards, Certifications and Membership

We are striving for excellence. Our certifications of ISO 9001: 2008, 14001; 2004 & HACCP, ISO22000, PAS223 confirms that our actions and performance are at the highest level with our competitors and with the best companies in Pakistan.

Gatron believes in continual improvement and to improve its current system ISO 9001:2015 is implemented in yarn section. Similarly OEKO-TEX standard 100 Class-I is also introduced and successfully implemented.

Annual IKEA IMUST audit was successfully conducted by Mustaqim Dyeing & Printing Ltd as a supplier of IKEA SWEDEN, which shows our commitment to social compliance of : no child labour; no forced or bonded labour; business ethics; no severe environmental pollution; no severe safety hazards; transparent and reliable system of working hours and wages; payment of legal minimum wages; and worker's accident insurances.

HSE week to create awareness regarding Health and Safety, a competition was held. Every department competed in that and forum was open for every employee to compete.

Gatron is working hard to provide sufficient avenues for employee development. In this regard different soft skills and technical training are arranged for employees of each cadre. Some major training conducted during the year are: Positive Attitude at workplace, Team Building, Time Management, Health and Safety, Train the Trainer, Essential Managerial skills, ISO related etc.

HUMAN RESOURCE MANAGEMENT

Gatron hires quality human resource and then provide them opportunities to help them grow and excel in their respective domains. Gatron believes in enriching its employees by providing them a work environment that is conducive to learning and which allows them to perform at optimum levels at all times.

Gatron has a philosophy of fair, transparent and objective performance evaluation, whereby employees are appraised on continues basis and subsequently rewarded solely on the basis of their performance, thus closing all doors of prejudice and subjective performance evaluation.

In order to enhance the company's policy of inculcating a culture of personal development and continuous improvement across the board, we put great emphasis on the continuous learning and development of our employees and ensure that we provide them the opportunity to attend extensive training programs that brush up their existing skills and at the same time foster new ones, so that our employees keep themselves abreast with contemporary best practices.

RISK MANAGEMENT

Managing risk forms an integral part of our business strategy. Our risk management approach focuses on ensuring sound and sustainable growth while protecting the interests of our stakeholders. The Company has strong corporate governance structure to ensure soundness of risk policies and facilitate ongoing discovery of new risks.

The Company follows an embedded approach to Risk Management to ensure informed decision making, which is in line with the overall strategy. This structured approach allows us to address all key risks efficiently and prevent excessive risk taking. The Risk management department plays an active role in identification, analysis and mitigation of key risks, that may disrupt the usual business operations or cause significant financial loss.

The Management fully recognizes the importance of insuring assets against unforeseen circumstances and is confident that all major risks, including resulting production losses, are well covered. Furthermore, the Company has strict policies and controls in place to ensure all surveyor recommendations are complied by within reasonable time-lines. We continuously strive to promote a more risk aware culture, with well-communicated processes, to support good business decisions and enable proactive role of Risk management. By the grace of Almighty no untoward incidence took place during the year under review.

HEALTH, SAFETY AND ENVIRONMENT

The company is well aware about the important asset of the company, especially for its staff and workforce therefore has established Health, Safety & Environment (HSE) department, which is led by qualified and certified Team Leaders. HSE department is very clear with its objectives in fact, identifying the unsafe areas and following on regular basis for reducing the incidents by controlling the unsafe and unhealthy work practices and conditions at work places.

The Safety Operation Committee consisting of Senior Management has been formed for this purpose, furthermore, they conduct Safety Operation Committee meetings on periodical basis and review the monthly incidents/accidents through HSE Department Root Cause Analysis Reports as well as advise/provide resources for mitigation .

HSE representatives as per proactive approach, identification of fire and safety hazards by risk assessment surveys are carried out regularly for the reduction of work place hazards as well as incidents and accidents. HSE Department also conduct incidents statistic gap analysis as well as follow up for corrective / preventive safety measures to minimize accidents.

Management encourages the Managers to identify the critical hazards and also issue Stop Card through e-mails to the concerned department for corrective action.

In addition, Comprehensive Occupational Health and Safety Training Sessions including practical live firefighting and mock evacuation drills are conducted for all employees and its workforce for an organized evacuation in case of any emergency. Furthermore, Annual refresher trainings are also being conducted for all employees, top management to workforce.

HSE Department has developed following manuals and booklets:

- Emergency Response Manual;
- Business Continuity Plan; and
- Small Pocket Size Book in Urdu provided to all employees for study and review.

INFORMATION TECHNOLOGY

Information & Communication Technology (ICT) is a key enabler seeking continuous improvement in business processes of the company with a high emphasis on leveraging technology to gain business advantage. Video Conference, WAN/VPN, VoIP and setting up of Private Cloud for reaching out to new geographical markets were some of the initiatives undertaken in the past. The governance of ICT is aimed at providing resilience to internal and external challenges with a view to ensuring continuity of business operation at all time.

During the period under review, an effort was made to pursue excellence in our wide area network connectivity with factory premises. This was achieved through a special arrangement with an ISP, extending their fiber optic MPLS network to reach out the factory premises. We hope that this change in our wide area network fabric would enable in achieving perfection in our video conference service and overcoming transmission jitters, previously which was difficult to control due to last mile connectivity being over radio. This new fiber connectivity was utilized in a still beneficial way, saving us the cost for acquiring and maintaining a separate server for Gatron Molding Department. Much work was also done in improving local area network at the factory with an aim to overcoming network dependency of one department over another owing to serial connectivity between them.

In order to keep abreast with the latest technology, a research was undertaken in respect of Business Intelligence (BI) software. This was invoked by Management realizing the need for a Decision Support System in the organization. A series of demos and meetings were held in this regard with different vendors, and finally one software was selected and training of the same was arranged and given to software developers involving some key users as well. We envisage that once BI is fully implemented in the organization it will go a long way, without doubt, in changing the perception of our users - from reliance on traditional report viewing to looking at actionable intelligence provided by BI system - for quick and meaningful decision making.



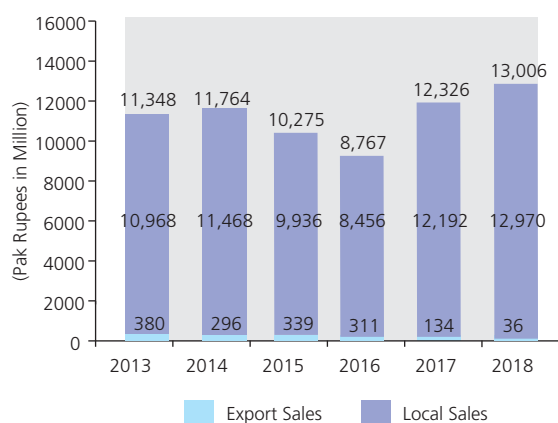
For continuity of business operation, compliance of following were ensured during the period under review : (1) Automated round-the-clock monitoring of our network with a commitment level of around 99% uptime, (2) Pre-emptive checking of our services provided through servers with a commitment level of 99.5%, (3) Online real time replication of our databases on backup machines with a commitment level of 99.5%, (4) Daily offline backup of our critical business operation on external drives and safely keeping them in bank vault with a commitment level of 99%, (5) Desktop audit and service was carried out twice during the year, (6) In-house training to IS staff was conducted as per annual training plan with a view to creating backup and enhancing their skills for a higher level of confidence and commitment.

Financial Highlights

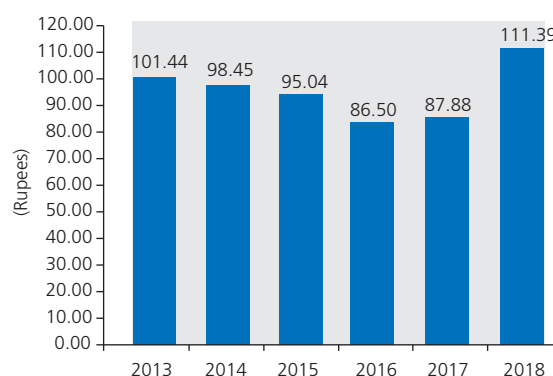
Particulars	2017	2016	2015	2014	2013	2012
Operating Results						
Pak Rupees in Thousands						
Sales	12,325,651	8,766,903	10,275,281	11,763,699	11,348,105	11,199,270
Gross profit / (loss)	261,944	(228,271)	36,265	580,635	496,980	1,117,653
Operating profit / (loss)	(164,314)	(697,887)	(451,346)	55,601	22,015	645,017
Profit / (loss) after taxation	57,464	(254,495)	88,911	145,756	321,603	652,820
Percentage						
Dividend	0.00	0.00	35.00	55.00	40.00	95.00
Financial Position						
Pak Rupees in Thousands						
Paid up Capital	383,645	383,645	383,645	383,645	383,645	383,645
Reserves & unappropriated profit	2,987,893	2,935,022	3,262,345	3,393,211	3,508,016	3,359,053
Property, Plant & Equipment	2,022,061	1,952,288	1,837,233	1,797,791	1,719,259	1,860,764
Current Assets	4,921,715	3,958,822	4,233,600	4,394,362	4,690,308	3,725,008
Current Liabilities	3,655,306	2,767,766	2,620,345	2,614,420	2,393,858	1,675,047
Net Current Assets	1,266,409	1,191,056	1,613,255	1,779,942	2,296,450	2,049,961
Long Term Liabilities	136,034	-	-	-	-	-
Deferred Liabilities	394,508	425,204	404,613	400,528	426,083	470,357
Financial Ratios & Percentages						
Percentages						
Gross profit / (loss) ratio	2.13	(2.60)	0.35	4.94	4.38	9.98
Return on capital employed	1.02	(4.76)	4.48	7.40	7.83	23.60
Return on equity	1.70	(7.67)	2.44	3.86	8.26	17.44
Number of Times						
Inventory turnover	5.72	3.97	4.24	4.51	4.53	4.94
Debtors turnover	10.39	11.56	11.07	10.48	11.60	11.24
Total assets turnover	1.75	1.33	1.53	1.74	1.80	1.87
Fixed assets turnover	6.20	4.63	5.65	6.69	6.34	5.73
Interest cover	1.20	(2.79)	1.58	2.39	4.10	42.12
Ratio						
Debt-Equity	04 : 96	0 : 100	0 : 100	0 : 100	0 : 100	0 : 100
Current Ratio	1.35 : 1	1.43 : 1	1.62 : 1	1.68 : 1	1.96 : 1	2.22 : 1
Per Share Results and Returns						
Pak Rupees						
Break-up value	87.88	86.50	95.04	98.45	101.44	97.56
Earnings per share – Basic and diluted	1.50	(6.63)	2.32	3.80	8.38	17.02
Dividend per share	0.00	0.00	3.50	5.50	4.00	9.50
Percentages						
Dividend Yield	0.00	0.00	2.48	3.24	2.34	10.17
Dividend Pay Out	0.00	0.00	150.86	144.74	47.73	55.82
Number of Times						
Price Earning Ratio – Year end price	58.33	(14.93)	60.78	44.74	20.41	5.49
Share Performance						
Pak Rupees						
Highest	117.64	141.00	175.00	200.37	201.00	95.78
Lowest	84.05	99.00	139.00	165.03	88.79	49.00
At year end	87.50	99.00	141.00	170.00	171.00	93.45

Graphical Presentation

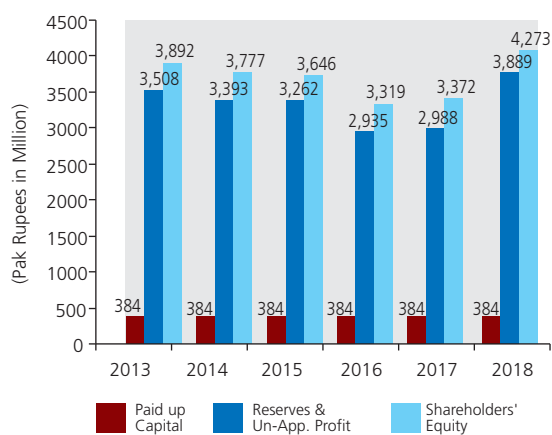
Sales



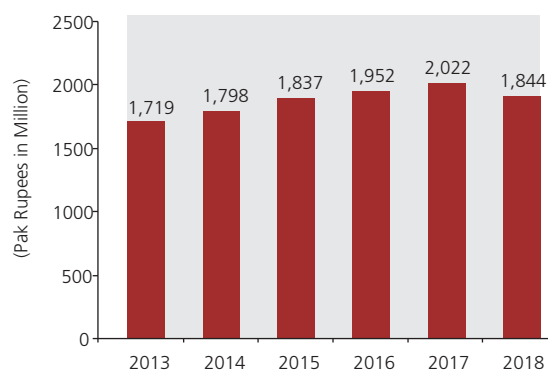
Break up Value of Share



Shareholders' Equity



Property, Plant And Equipment



INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF GATRON INDUSTRIES LIMITED

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Gatron (Industries) Limited (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.


Chartered Accountants
Karachi:

Date: **29 AUG 2018**

Statement Of Compliance With Listed Companies (Code Of Corporate Governance) Regulations, 2017

Name of company : Gatron (Industries) Limited
Year ending: June 30, 2018

The company has complied with the requirements of the CCG Regulations, 2017 in the following manner:

1. The total number of directors are 09 (nine) as per the following:

- a) Male: 9
- B) Female: -

2. The composition of board is as follows:

- a) Independent Director Mr. Muhammad Waseem *
- b) Other Non-executive Directors
 - Haji Haroon Bilwani
 - Mr. Abdul Razak Diwan
 - Mr. Zakaria Bilwani
 - Mr. Usman Bilwani
 - Mr. Iqbal Bilwani
- c) Executive Directors
 - Mr. Peer Mohammad Diwan
 - Mr. Shabbir Diwan
 - Mr. Muhammad Taufiq Bilwani

* The independent director meets the criteria of Independence under Section 166(2) of the Companies Act, 2017.

- 3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
- 4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- 5. 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.
- 6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/shareholders as empowered by the relevant provisions of the Companies Act 2017 [the Act], the Code and these Regulations.
- 7. The meetings of the board were presided over by the Chairman. The board has complied with the requirements of Act, the Code and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
- 8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act, the Code and these Regulations.
- 9. During the year, no Directors' Training Program was arranged for the directors.

10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Code and the Regulations.
11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
 - a) Audit Committee : Iqbal Bilwani - Chairman
Haji Haroon Bilwani
Usman Bilwani
Muhammad Waseem
 - b) HR and Remuneration Committee : Usman Bilwani - Chairman
Iqbal Bilwani
Muhammad Waseem
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly / half yearly / yearly) of the committees were as per following:

a) Audit Committee	04 meetings
b) HR and Remuneration Committee	04 meetings
15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, 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.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

Peer Mohammad Diwan
Chief Executive Officer

Haji Haroon Bilwani
Chairman/Director

August 29, 2018

To the members of Gatron (Industries) Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Gatron (Industries) Limited**, ("the Company") which comprise the statement of financial position as at June 30, 2018, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit, comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**KRESTON****HYDER BHIMJI & CO.**

CHARTERED ACCOUNTANTS

Following are the Key audit matters:

S. No.	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Inventory Valuation:</p> <p>The Company has significant levels of inventory amounting to Rs. 2.735 billion as at the reporting date, being 37% of total Assets of the Company. A number of estimates are involved in the valuation of inventory and judgment has also been applied by management in determining the net realizable values of finished goods.</p> <p>The significance of the balance coupled with the judgments and estimates involved in their valuation has resulted in the inventories being considered as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">➤ Attending the year end stock take to gain comfort over the existence and condition of inventories and internal controls designed by the company.➤ Obtaining the final valuation sheets of the inventories, tracing quantities from working papers of physical stock taking and examination of computation of average costs.➤ Obtaining understanding of internal controls designed by the Company over recording of purchases and valuation of the inventories, and testing their operating effectiveness on sample basis.➤ Assessing historical costs recorded in the inventory valuation by performing test of details on purchases.➤ Assessing the management's determination of the net realizable values testing sales prices fetched by the Company before and after year end.➤ Performing analytical and other relevant audit procedures.➤ Considering the adequacy of the Company's disclosures in respect of inventories.
2.	<p>Contingencies:</p> <p>The Company is under litigation cases in respect of various matters including Gas Infrastructure Developments Cess (GIDC) and other miscellaneous cases as disclosed in note 26 of the accompanying financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none">➤ Assessing management's processes to identify new possible obligations and changes in existing obligations through meetings with the management and review of the minutes of meetings of the Board of Directors and Audit Committee.➤ Review of the relevant information

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**KRESTON****HYDER BHIMJI & CO.**

CHARTERED ACCOUNTANTS

	<p>Given the nature of contingencies, the assessment of the existence of the present legal or constructive obligation, analysis of the probability of the related payments and analysis of a reliable estimate, requires significant management's judgment to ensure appropriate accounting and disclosures. These judgments can change over time as new facts emerge and the case progresses. Therefore, we have identified this matter as a key audit matter.</p>	<p>including case proceedings and correspondences in respect of the ongoing litigations.</p> <ul style="list-style-type: none">➤ Obtaining confirmation from the legal counsels of the Company to evaluate the status of the pending litigations and view point of the Company's legal counsels thereon.➤ Evaluating legal and professional expenses to confirm that all pending legal matters are identified and disclosed.➤ Re-computing the amounts of obligations based on available underlying information and confronted parameters.➤ Assessing the appropriateness of the related disclosures made in the accompanying financial statements in light of IAS-37 "Provisions and Contingencies".
3.	<p>Preparation of Financial Statements under Companies Act, 2017:</p> <p>The Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Company's annual financial statements for the year ended 30 June 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various items of the financial statements.</p> <p>This matter is considered a key audit matter in view of the extensive impacts in the financial statements and also because failure to comply with the requirements of the Act, could have financial and reputational impacts leading to regulatory actions.</p>	<p>Our audit procedures in this respect included the following:</p> <ul style="list-style-type: none">➤ Obtaining an understanding of the provisions of the Act applicable to the Company.➤ Discussing the applicable changes with the Company's management as to whether the Company is complying with such changes and evaluating view point of management and the process applied by the management to make comply with disclosure and presentation requirement.➤ Testing on sample basis the underlying information and evidences for the disclosures required by the Act and ensuring appropriateness.➤ Evaluating the sources of information used by the management for making the disclosures as per the Act and the internal consistency of such disclosures with other elements of the financial statements.

V

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

MM



basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion: Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

W

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) 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.

The engagement partner on the audit resulting in this independent auditor's report is
Mohammad Hanif Razzak.


Chartered Accountants

Karachi:

Dated: **29 AUG 2018**

Statement of Financial Position

AS AT JUNE 30, 2018

	Note	(Rupees in Thousand) 2018	2017
ASSETS			
Non - current Assets			
Property, plant and equipment	5	1,843,643	2,022,061
Long term investments	6	597,563	597,589
Long term loans	7	88	752
Long term deposits	8	1,832	1,666
		2,443,126	2,622,068
Current Assets			
Stores, spare parts and loose tools	9	539,823	460,898
Stock in trade	10	2,734,755	2,196,552
Trade debts	11	1,128,940	1,623,415
Loans and advances	12	99,778	40,308
Trade deposits and short term prepayments	13	36,010	8,934
Other receivables	14	137,324	214,935
Advance income tax		30,000	-
Taxes refund due from Federal Government	15	305,252	344,172
Cash and bank balances	16	47,399	32,501
		5,059,281	4,921,715
TOTAL ASSETS		7,502,407	7,543,783
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	383,645	383,645
Capital reserve	18	383,645	383,645
General reserve	19	2,075,000	2,075,000
Unappropriated profit		1,431,079	529,248
		4,273,369	3,371,538
LIABILITIES			
Non - current Liabilities			
Long term financing	20	-	122,431
Deferred liabilities	21	337,260	394,508
		337,260	516,939
Current Liabilities			
Trade and other payables	22	2,216,006	1,442,946
Accrued mark up	23	142	4,583
Short term borrowings	24	580,017	2,143,874
Unclaimed dividend		11,238	10,959
Current portion of long term financing	20	-	13,603
Provision for income tax less payments	25	84,375	39,341
		2,891,778	3,655,306
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		7,502,407	7,543,783

The notes 1 to 48 annexed herewith form an integral part of these financial statements.

Haji Haroon Bilwani
Chairman

Peer Mohammad Diwan
Chief Executive

Mohammad Yasin Bilwani
Chief Financial Officer

Buying/Selling closing conversion rates were 1 US\$=Rs.121.40/121.60, 1 Euro €=Rs.141.33/141.57 and 1 Pound £= Rs.159.14/159.41

Statement of Profit or Loss

FOR THE YEAR ENDED JUNE 30, 2018

	Note	(Rupees in Thousand) 2018	2017
Sales	27	13,006,437	12,325,651
Cost of sales	28	11,759,047	12,063,707
Gross profit		1,247,390	261,944
Distribution and selling costs	29	194,294	186,656
Administrative expenses	30	232,994	233,039
Other operating expenses	31	184,868	33,458
		612,156	453,153
		635,234	(191,209)
Other income	32	18,278	26,895
Operating profit/(loss)		653,512	(164,314)
Finance costs	33	14,381	32,860
		639,131	(197,174)
Investment income - Dividend	34	454,913	203,175
Profit before income tax		1,094,044	6,001
Income tax - Current and prior		185,308	9,193
Deferred		(73,120)	(60,656)
	35	112,188	(51,463)
Profit after income tax		981,856	57,464
Earnings per share - Basic and diluted (Rupees)	36	25.59	1.50

(1) The Board of Directors has recommended cash dividend for the year ended June 30, 2018 of Rs.7.50 per share (i.e.75%). This is in addition to interim cash dividend of Rs.2.00 per share (i.e.20%) refer note 45.

(2) The notes 1 to 48 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer

Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2018

	Note	(Rupees in Thousand) 2018	2017
Profit after income tax		981,856	57,464
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Loss on remeasurement of defined benefit plan having nil tax impact	21.2	(3,296)	(4,593)
Total comprehensive income		<u>978,560</u>	<u>52,871</u>

The notes 1 to 48 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer

Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2018

	Note	(Rupees in Thousand) 2018	2017
Cash Flows from/(towards) Operating Activities			
Profit before income tax		1,094,044	6,001
Adjustments for:			
Depreciation	5.2	313,555	312,444
Impairment of operating fixed assets	5.1	115,211	-
Provision for defined benefit plan	21.2	34,389	32,637
Gain on disposal of property, plant and equipment	32	(15,020)	(6,241)
Loss on disposal of property, plant and equipment	31	-	1,299
Loss on scrapped items of property, plant and equipment	31	11,923	-
Impairment in long term investments	31	26	25
Provision for doubtful trade debts - net	31	1,842	10,273
Provision for slow moving stores, spare parts and loose tools - net	31	4,242	16,262
Reversal of provision for Workers' Welfare Fund	32	-	(6,720)
Investment income - Dividend	34	(454,913)	(203,175)
Finance costs	33	14,381	32,860
Profit on deposits	32	(50)	-
		<u>25,586</u>	<u>189,664</u>
		1,119,630	195,665
(Increase)/decrease in current assets:			
Stores, spare parts and loose tools		(83,167)	(16,604)
Stock in trade		(538,203)	(176,060)
Trade debts		492,633	(884,975)
Loans and advances		(60,400)	(13,710)
Trade deposits and short term prepayments		(27,076)	32,703
Other receivables		77,614	71,277
Taxes refund due from Federal Government		-	(35,481)
		<u>(138,599)</u>	<u>(1,022,850)</u>
Increase in Trade and other payables		773,262	312,844
Cash flows from/(towards) operations		<u>1,754,293</u>	<u>(514,341)</u>
(Payments for)/receipts of:			
Long term loans		1,594	986
Long term deposits		(166)	-
Defined benefit plan	21.2	(21,813)	(7,270)
Profit on deposits		47	-
Finance costs		(18,822)	(35,923)
Income tax		(131,207)	(57,988)
Group taxation impact - Payment to Gatro Power (Private) Limited		(147)	(1,005)
Net cash flows from/(towards) operating activities		<u>1,583,779</u>	<u>(615,541)</u>
Cash Flows from/(towards) Investing Activities			
Additions in property, plant and equipment		(304,174)	(448,394)
Proceeds from disposal of property, plant and equipment	5.3	56,721	71,249
Dividend received	34	454,913	203,175
Net cash flows from/(towards) investing activities		<u>207,460</u>	<u>(173,970)</u>
Cash Flows (towards)/from Financing Activities			
Long term financing - proceeds		-	136,034
Long term financing - repayment		(136,034)	-
Dividend paid		(76,450)	(15,973)
Net cash flows (towards)/from financing activities		<u>(212,484)</u>	<u>120,061</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,578,755</u>	<u>(669,450)</u>
Cash and cash equivalents at the beginning of the year		<u>(2,111,373)</u>	<u>(1,441,923)</u>
Cash and cash equivalents at the end of the year	37	<u>(532,618)</u>	<u>(2,111,373)</u>

The notes 1 to 48 annexed herewith form an integral part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2018

(Rupees in Thousand)

	Share Capital	Capital Reserve			General reserve	Unappropriated profit	Total
		Share Premium	Others	Sub Total			
Balances as at July 01, 2016	383,645	383,645	75,000	458,645	2,000,000	476,377	3,318,667
Total comprehensive income for the year ended June 30, 2017	-	-	-	-	-	52,871	52,871
Transfer from Capital reserve to General reserve	-	-	(75,000)	(75,000)	75,000	-	-
Balances as at June 30, 2017	383,645	383,645	-	383,645	2,075,000	529,248	3,371,538
Total comprehensive income for the year ended June 30, 2018	-	-	-	-	-	978,560	978,560
Transactions with owners							
Interim cash dividend for the year ended June 30, 2018 at Rs.2.00 per share i.e. @20%	-	-	-	-	-	(76,729)	(76,729)
Balances as at June 30, 2018	383,645	383,645	-	383,645	2,075,000	1,431,079	4,273,369

The notes 1 to 48 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer

Notes To The Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

1 THE COMPANY AND ITS OPERATIONS

1.1 The Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are quoted at Pakistan Stock Exchange since 1992. The principal business of the Company is manufacturing of Polyester Filament Yarn through its self-produced Polyester Polymer/Chips. The Company also produces Pet Preforms and is also capable of producing PET Bottle Grade Chips. The registered office of the Company is situated at Room No. 32, 1st floor, Ahmed Complex, Jinnah Road, Quetta whereas the manufacturing facility of the Company is situated at Plot No 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub Chowki, Distt Lasbela, Balochistan and Liaison office of the Company is situated at 11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

1.2 The Company also owns following Subsidiary Companies:

- Gatro Power (Private) Limited, which is engaged in power generation.
- Global Synthetics Limited, which has yet to commence its operations.

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE YEAR

- After long investigative procedure, National Tariff Commission of Pakistan had imposed Anti Dumping Duty on competing yarn in August 2017, which is still in frivolous litigation at different forums by importers to somehow evade/escapes the Anti Dumping Duty.
- In Finance Act 2017-18, the Government of Pakistan had imposed 5% Regulatory Duty on competing imported yarn to provide level playing field to local industry for increasing domestic capacity and production.
- Increase in utilization of yarn capacity due to imposition of regulatory duty on Polyester Filament Yarn.
- Upward trend in prices of polyester chain with higher margin over raw material in PET Resin/Preform witnessed in international markets as well as devaluation of Pak Rupee against major currencies.
- Expansion in capacity of Polyester Filament Yarn by upgradation of the plant equipments.
- Expansion in Polyester PET Preform capacity by addition of Molding machines.
- Due to devaluation of Pak Rupee, the Company has suffered net exchange loss for the year Rs.62.607 million.
- Provision of super tax is accounted for in line with applicable laws.

3 BASIS OF PREPARATION

3.1 Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3.2 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that became effective during the year

The following Standards, interpretations and amendments to published approved accounting standards became effective during the year.

IAS-7	Statement of Cash Flows (Amendment)
IAS-12	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)
IFRS-7	Financial Instruments: Disclosures – Disclosure Initiative (Amendments)

These Standards, interpretations and amendments as also communicated in the preceding year, do not have significant impact on Company's financial statements except for some additional disclosures. In addition to above, certain new cycle of improvements are applicable in current year, are either considered not to be relevant or are not expected to have significant impact to the Company's financial statements and hence have not been specified.

The Companies Act, 2017 has also brought certain changes with regards to preparation and presentation of annual and interim financial statements of the Company.

Further, the disclosure requirements contained in the fourth schedule to the Companies Act, 2017 have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirement: and
- incorporation of significant additional disclosures.

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following IFRS Standards as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

IAS-19	'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.
IAS-28	Annual Improvements to IFRSs 2014-2016 Cycle [Amendments 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit and loss, for each associate or joint venture separately at the time of

initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.

Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.

- | | |
|--------|--|
| IAS-40 | Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements. |
| IFRS-2 | Classification and Measurement of Share-based Payment Transactions - amendments clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Company's financial statements. |
| IFRS-9 | 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The management has completed an initial assessment of changes required in classification and measurement of financial instruments on |

adoption of the standard and has also carried out an initial exercise to calculate impairment required under expected credit loss model. Based on initial assessment the management considered that there is no significant change in the recognition criteria or carrying value of the financial assets or liabilities and no additional significant impairment is expected.

- IFRS-15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The management has completed an initial assessment of the potential impact on revenue and considered that the impact would not be significant.
- IFRS-16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.
- IFRIC-22 IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Company's financial statements.
- IFRIC-23 IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.

These standards, interpretations and the amendments are either not relevant to or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures, if applicable in certain circumstances.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- | | |
|--------|--|
| IAS-12 | Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits. |
| IAS-23 | Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale. |
| IFRS-3 | Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. |

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

New Standards issued by IASB but not yet been notified by SECP

Following new standards issued by IASB but not yet effective:

IFRS – 1	First Time Adoption of IFRS	January 01, 2013
IFRS – 14	Regulatory Deferral Accounts	January 01, 2016
IFRS – 17	Insurance Contracts	January 01, 2021

3.3 Basis of measurement

These financial statements have been prepared under the historical cost convention except otherwise specifically stated in note 4.

These financial statements are the separate financial statements of the Company in which Investment in subsidiaries and associate have been accounted for at cost less accumulated impairment losses, if any.

These financial statements have been prepared following accrual basis of accounting except for statement of cash flows.

3.4 Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that have an effect on the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that, in the considered opinion of the management, are reasonable, under the circumstances, the results whereof provide the basis of making judgment in relation to carrying value of assets and liabilities that are not readily measurable, using other means. The definitive impact of ultimate outcome, may fluctuate from these estimates.

The estimates and underlying assumptions are periodically appraised. Revision to accounting estimates is recognized and effect is given in the period in which estimates are revised, or in the period of the revision and future periods as appropriate.

Judgments made by the management that have significant effect on the financial statements and estimates with a significant probability of material adjustment in future are disclosed hereunder:

a) Property, plant and equipment

The Company's management reviews the estimated useful lives and related depreciation charge for its property, plant and equipment on each reporting date. The Company reviews the value of the assets for possible impairment on each reporting date where there is any such indication. Any change in the estimate in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation, impairment and deferred tax.

b) Trade debts, advances and other receivables

The estimates of doubtful trade debts, advances and other receivables are made, using and appropriately judging the relevant inputs and applying parameters as stated in note 4.2 & 4.6, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effect of variation is recorded as and when it takes place.

c) Stock in trade

The Company reviews the net realisable value of stock-in-trade to assess any diminution in the carrying values on each reporting date. Net realisable value is determined with respect to estimated selling prices less estimated expenditure to make the sales.

d) Stores, spare parts and loose tools

The estimate of slow moving and obsolete stores, spare parts and loose tools, are made, using and appropriately judging the relevant inputs and applying the parameter i.e. age analysis and obsolescence, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effects of variation is recorded as and when it takes place.

e) Defined benefit plan

The actuarial valuation of defined benefit plan, have been premised on certain actuarial hypothesis, as disclosed in note 4.8 (b). Changes in assumptions in future years may affect the liability under this scheme upto those years.

f) Income tax

In making the estimate for income tax liabilities, the management considers current income tax law and the decisions of appellate authorities. Deferred tax estimate is made considering future applicable tax rate, as also stated disclosed in note 4.10.

g) Impairment of investment in Subsidiary and Associated Company

In making an estimate of recoverable amount of the Company's investment, the management considers breakup value of shares of respective period.

h) Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence/non-occurrence of the uncertain future event(s).

3.5 Functional and reporting currency

These financial statements are presented in Pakistani Rupee, which is the Company's functional currency.

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

4.1 Property, plant and equipment

Initial recognition & measurement:

These are stated at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost. No amortisation is provided on leasehold land since the leases are renewable at the option of the lessee at nominal cost and their realisable values are expected to be higher than respective carrying values.

Depreciation:

Depreciation is charged on diminishing balance method at the rates mentioned in Note 5.1, whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation on addition is charged from the month of the asset is available for use upto the month prior to disposal.

Subsequent costs:

Subsequent costs (including those on account of major repairs) are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future additional economic benefits associated with such additional cost will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance incurred are taken to statement of profit or loss.

Impairment :

The carrying amounts of the Company's assets are reviewed at each reporting date where there is any indication of impairment. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their respective estimated recoverable amounts. Where estimated carrying amounts exceed the respective recoverable amounts, the estimated carrying amounts are

appropriately adjusted with impairment loss recognised in statement of profit or loss for the year. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Fair value means the amount for which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Gain or Loss:

Gain or loss on deletion of property, plant and equipment, if any, is taken to statement of profit or loss.

4.2 Impairment of assets

Value of all Company's assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated and carrying amounts are adjusted accordingly. Impairment losses are recognised in the statement of profit or loss.

4.3 Investments**Subsidiary and Associated Companies**

Investment in Subsidiary and Associated Companies are initially recognized at cost. The carrying amount of investments is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists the investment's recoverable amount is estimated which is higher of its value in use and its fair value less cost to sell. An impairment loss is recognized if the carrying amount exceeds its recoverable amount. Impairment losses are recognized in the statement of profit or loss. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the statement of profit or loss.

The investment in associated company has not been accounted for using the equity method in these financial statements as the Company prepares Consolidated Financial Statements in accordance with IAS 27 'Separate Financial Statements'.

4.4 Stores, spare parts and loose tools

These are valued at weighted average cost. Items in transit are valued at cost comprising of invoice value and other incidental charges incurred thereon till the reporting date. Adequate provision is made for slow moving and obsolete items based on parameter set out by the management as stated in note 3.4 (d). The major value spares and stand by equipments are capitalized and depreciated according to their useful life.

4.5 Stock in trade

These are valued at lower of weighted average cost and net realisable value. The value of goods in process and finished goods represents costs of direct materials plus applicable labour and production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Stock in transit is valued at cost comprising invoice value plus other incidental charges incurred thereon upto the reporting date.

4.6 Trade debts

Trade debts are recognised at invoice value which is fair value of the goods sold. Export debtors are translated into Rupee at the rate prevailing on the reporting date. A provision for doubtful debt is established when there is objective evidence that the Company will not be able to collect amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation or overdue amount allowance, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provision is recognised in the statement of profit or loss. When a trade debt is uncollectible, it is written off.

4.7 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents comprise cash and bank balances and short term borrowings.

4.8 Employees' post employment benefits

a) Defined contribution plan

The Company and the eligible employees contribute equally to recognised Provident Funds.

b) Defined benefit plan

The Company operates an unfunded defined gratuity scheme, in addition to defined contribution plan being not mandatory under the law, for its employees and working directors who attain the minimum qualification period. The obligation is determined through actuarial valuation by an independent actuary using the "Projected Unit Credit Method". The latest actuarial valuation was conducted on the balances as at June 30, 2018.

4.9 Compensated unavailed leaves

The Company accounts for its estimated liability towards unavailed leaves accumulated by employees on accrual basis.

4.10 Income Tax

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum tax and alternate corporate tax under section 113 & 113C of the Income Tax Ordinance, 2001, whichever is higher. The Company to the extent of export sales fall under the final tax regime under section 154 or 169 of the Income Tax Ordinance, 2001. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Deferred

The Company accounts for deferred income tax on all temporary timing differences using the liability method. Deferred income tax assets are recognised to the extent, it is probable that taxable profit will be available against which, the deductible temporary differences, unused tax losses and tax credits, can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date. In this regard, the effect on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted.

4.11 Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid in future for goods and services recognized upto reporting date.

4.12 Provision

Provision is recognised when the Company has present legal or constructive obligations as result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and reliable estimate of the amounts can be made.

4.13 Borrowings and their costs

Borrowings are recorded as the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction, installation or production of a qualifying asset, where borrowing costs, if any, are capitalised as part of the cost of that asset.

4.14 Foreign currency transactions and translation

Foreign currency transactions are recorded into Rupee using the prevailing exchange rates. As on reporting date, monetary assets and liabilities in foreign currencies are translated into Rupee at the prevailing exchange rates on the reporting date. Resultant exchange differences are taken to statement of profit or loss.

4.15 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. The revenue from diverse sources is recognised as explained below:

- Sales are recognised on dispatch of goods to customer.
- Processing services are recognised on completion of services rendered.
- Dividend income is recognised when the right of receipt is established.
- Income from rent is recognized on accrual basis.
- Storage and handling income is recognised on accrual basis.
- Profit on deposit is recognized using the effective interest method.

4.16 Dividend and appropriation to reserve

Liability for dividend and appropriation to reserve are recognised in the financial statements in the period in which these are approved.

Transfer between reserves made subsequent to the reporting date is considered as a non-adjusting event and is recognised in the period in which such transfers are made.

4.17 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 financial instruments and derecognised fully or partly when the Company fully or partly loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is fully or partly discharged, cancelled or expired. Any gain or loss representing value differential if any on derecognition of the financial assets and financial liabilities is taken to statement of profit or loss.

4.18 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the statement of financial position, if the Company has a legally enforceable right to set-off the recognised amounts and the Company intends either to settle on a net basis or to realise the asset and discharge the liability simultaneously.

4.19 Segment information

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure if any, is the total cost incurred during the year to acquire property, plant and equipment. Segment results are stated in note 40.

	Note	(Rupees in Thousand)	
		2018	2017
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	1,687,066	1,819,932
Capital work in progress	5.5	156,577	202,129
		<u>1,843,643</u>	<u>2,022,061</u>

5.1 Operating fixed assets

Particulars	Land		Building		Office premises	Plant and machinery	Furniture and fixture	Factory equipment	Office equipment	Motor vehicles	Store and spares held for capital expenditure	TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land								
	(Rupees in thousand)											
Net carrying value Year ended June 30, 2018												
Net book value (NBV) as at 01st July	25,320	13,348	733	122,246	3,836	1,544,087	2,411	29,426	6,071	66,053	6,401	1,819,932
Additions	-	-	-	-	-	17,001	1,071	13,591	2,940	25,898	-	60,501
Transfer from capital work in progress	-	-	-	-	-	289,023	-	-	-	-	-	289,023
Disposal at NBV	-	-	-	-	-	36,157	-	-	-	5,544	-	41,701
Scrapped at NBV	-	-	-	-	-	10,205	157	637	924	-	-	11,923
Depreciation	-	-	73	12,225	384	274,740	607	7,492	1,768	15,306	960	313,555
Impairment	-	-	-	2,021	-	113,190	-	-	-	-	-	115,211
Net book value as at 30th June	25,320	13,348	660	108,000	3,452	1,415,819	2,718	34,888	6,319	71,101	5,441	1,687,066
Gross carrying value At June 30, 2018												
Cost	25,320	13,348	14,248	468,840	9,902	6,729,145	8,752	72,980	21,051	172,257	13,359	7,549,202
Accumulated depreciation	-	-	13,588	360,840	6,450	5,313,326	6,034	38,092	14,732	101,156	7,918	5,862,136
Net book value	25,320	13,348	660	108,000	3,452	1,415,819	2,718	34,888	6,319	71,101	5,441	1,687,066
Net carrying value Year ended June 30, 2017												
Net book value as at 01st July	25,320	13,348	815	96,981	4,262	1,642,201	2,775	30,309	7,804	73,242	7,987	1,905,044
Additions	-	-	-	-	-	45,050	205	3,502	384	11,023	-	60,164
Transfer from capital work in progress	-	-	-	36,169	-	195,272	-	2,034	-	-	-	233,475
Transfer at NBV	-	-	-	-	-	456	-	-	-	-	(456)	-
Disposal at NBV	-	-	-	-	-	63,529	-	42	29	2,707	-	66,307
Depreciation	-	-	82	10,904	426	275,363	569	6,377	2,088	15,505	1,130	312,444
Net book value as at 30th June	25,320	13,348	733	122,246	3,836	1,544,087	2,411	29,426	6,071	66,053	6,401	1,819,932
Gross carrying value At June 30, 2017												
Cost	25,320	13,348	14,248	468,840	9,902	6,708,909	18,486	86,496	62,368	163,110	13,359	7,584,386
Accumulated depreciation	-	-	13,515	346,594	6,066	5,164,822	16,075	57,070	56,297	97,057	6,958	5,764,454
Net book value	25,320	13,348	733	122,246	3,836	1,544,087	2,411	29,426	6,071	66,053	6,401	1,819,932

Depreciation rate

% per annum

- - 10 10 10 15 to 33 20 20 20 to 30 20 15

5.2 Depreciation for the year has been allocated as follows:

	Note	(Rupees in Thousand) 2018	2017
Cost of sales	28	307,613	306,617
Distribution and selling costs	29	501	513
Administrative expenses	30	5,441	5,314
		<u>313,555</u>	<u>312,444</u>

5.3 Detail of property, plant and equipment disposed off during the year :

(Rupees in Thousand)

Description	Cost	Book Value	Sale Proceeds	Profit / (Loss)	Mode of Disposal	Particulars of Buyers
PLANT & MACHINERY						
Injection Molding Machine	65,945	11,003	15,428	4,425	Negotiation	M/s. Machinepoint Consultants Parque Technologico De Boecillo, C/Andres-Laguna 911, E-47151 Boecillo (Espana).
Mold	53,081	24,951	29,337	4,386	Negotiation	M/s. Cristal Plastic Industrial LLC. Near Bubble Laundry, P.O Box 13224, Mussafah Abu Dhabi, United Arab Emirates.
Items having book value upto Rs.500 thousand each	9,709	203	1,462	1,259	Negotiation	Various
Items having book value upto Rs.500 thousand each	157,053	10,205	-	(10,205)	Scrapped	-
Sub Total	285,788	46,362	46,227	(135)		
FURNITURE & FIXTURE						
Items having book value upto Rs.500 thousand each	10,805	157	-	(157)	Scrapped	-
Sub Total	10,805	157	-	(157)		
FACTORY EQUIPMENT						
Items having book value upto Rs.500 thousand each	27,107	637	-	(637)	Scrapped	-
Sub Total	27,107	637	-	(637)		
OFFICE EQUIPMENT						
Items having book value upto Rs.500 thousand each	44,257	924	-	(924)	Scrapped	-
Sub Total	44,257	924	-	(924)		
MOTOR VEHICLES						
Honda Civic BBN-520	2,156	1,049	1,597	548	Company Policy	Mr. Idress (Employee)
Suzuki Cultus BCB-248	1,039	543	864	321	— do —	Mr. Yousuf (Employee)
Toyota Corolla AXU-371	1,607	528	751	223	— do —	Mr. Aftab Alam (Employee)
Honda City BDN-875	1,522	879	1,260	381	— do —	Mr. Abdul Ghaffar (Employee)
Items having book value upto Rs.500 thousand each	10,427	2,545	6,022	3,477	Various	Various
Sub Total	16,751	5,544	10,494	4,950		
Total - 2018	384,708	53,624	56,721	3,097		
Total - 2017	232,524	66,307	71,249	4,942		

5.3.1 Detail of net gain on disposal of property, plant & equipment

(Rupees in Thousand)

	Note	2018	2017
Gain on disposal of property, plant & equipment	32	15,020	6,241
Loss on disposal of property, plant & equipment	31	-	(1,299)
Loss on scrapped items of property, plant & equipment	31	(11,923)	-
		3,097	4,942

5.4 Particulars of Company's immovable operating fixed assets are as follows :

Particulars	Location	Approximate Area
Land		
Freehold	H.I.T.E., Hub Chowki, Distt. Lasbela Balochistan	10 Acres
Freehold	Manghopir, Gadap Town, Karachi	13 Acres
Freehold	Landhi, Karachi	6 Acres
Leasehold	H.I.T.E., Hub Chowki, Distt. Lasbela Balochistan	32 Acres
Building		
On Freehold land	H.I.T.E., Hub Chowki, Distt. Lasbela Balochistan	5,500 Sq. Meters
On Leasehold land	H.I.T.E., Hub Chowki, Distt. Lasbela Balochistan	108,000 Sq. Meters
Office Premises	M.A Jinnah Road / Dunolly Road Karachi	1,150 Sq. Meters
Office Premises	I.I Chundrigar Road, Karachi	225 Sq. Meters
Office Premises	Jinnah Road, Quetta	115 Sq. Meters
Office Premises	Ketcheri Bazar, Faisalabad	85 Sq. Meters

5.5 Capital Work-in-Progress

	(Rupees in Thousand)			
	Balance as at July 1, 2017	Additions	Transfer to Operating fixed assets	Balance as at June 30, 2018
Factory building on lease hold land under construction	-	4,606	-	4,606
Plant and machinery under erection	202,129	238,865	(289,023)	151,971
	<u>202,129</u>	<u>243,471</u>	<u>(289,023)</u>	<u>156,577</u>
	Balance as at July 1, 2016	Additions	Transfer to Operating fixed assets	Balance as at June 30, 2017
Factory building on lease hold land under construction	19,941	16,228	(36,169)	-
Plant and machinery under erection	27,303	370,098	(195,272)	202,129
Factory equipment	-	2,034	(2,034)	-
	<u>47,244</u>	<u>388,360</u>	<u>(233,475)</u>	<u>202,129</u>

	Note	(Rupees in Thousand) 2018	2017
6 LONG TERM INVESTMENTS			
Wholly Owned Subsidiary Companies			
22.575 million (2017: 22.575 million) shares including 7.525 million bonus shares in Messrs. Gatro Power (Private) Limited	6.1	150,500	150,500
25,000 (2017: 25,000) shares in Messrs. Global Synthetics Limited - Unquoted	6.2	250	250
Impairment loss	6.3	(187)	(161)
		63	89
		<u>150,563</u>	<u>150,589</u>

Associated Company

56.7 million (2017: 56.7 million) shares including 12 million bonus shares in Messrs. Novatex Limited - Unquoted	6.4	447,000	447,000
		<u>597,563</u>	<u>597,589</u>

6.1 The value of investment on the basis of the net assets, as reported in its audited financial statements as at June 30, 2018 amounted to Rs.966.181 million (2017: Rs.1,007.338 million).

6.2 The value of the investment on the basis of the net assets, as reported in its audited financial statements as at June 30, 2018 amounted to Rs.0.063 million (2017: Rs.0.089 million).

6.3 Impairment loss

Balance as at 01st July	161	136
Charge for the year	26	25
Balance as at 30th June	<u>187</u>	<u>161</u>

6.4 The value of 56.7 million (2017: 56.7 million) shares being 36.83% (2017: 36.83%) holding of the total issued share capital of Associated Company, on the basis of the net assets, as reported in its un-audited financial statements as at March 31, 2018 amounted to Rs.5,970.689 million (March 2017: Rs.4,661.006 million).

6.5 Investment in associated companies or undertakings have been made in accordance with the requirements under the Companies Act, 2017.

		(Rupees in Thousand)	
	Note	2018	2017
7 LONG TERM LOANS - Considered good Secured - Interest free			
To employees other than Chief Executive & Directors		4,254	5,848
Amount due in twelve months shown under current assets	12	(4,166)	(5,096)
Recoverable within three years		88	752
7.1	The above loans are under the terms of employment and are secured against the post employment benefits of the employees.		
7.2	Interest free long term loans have been carried out at cost as the effect of carrying these balances at amortised cost is not material.		
8 LONG TERM DEPOSITS			
Security deposits for utilities and others		1,832	1,666
9 STORES, SPARE PARTS AND LOOSE TOOLS			
In hand:			
Stores		90,281	80,614
Spare parts		468,653	404,249
Loose tools		3,672	3,174
		562,606	488,037
Provision for slow moving stores, spare parts and loose tools	9.1	(45,621)	(41,379)
		516,985	446,658
In transit		22,838	14,240
		539,823	460,898
9.1 Provision for slow moving stores, spare parts and loose tools			
Balance as at 01st July		41,379	25,117
Charge for the year		4,602	17,699
Reversals due to consumption		(360)	(1,437)
	31	4,242	16,262
Balance as at 30th June		45,621	41,379
10 STOCK IN TRADE			
Raw material		898,406	797,304
Raw material in transit		172,517	204,309
Goods in process		482,041	451,615
Finished goods	10.1	1,181,791	743,324
		2,734,755	2,196,552
10.1	These include finished goods costing Rs.109.514 million (2017: Rs.486.792 million) valued at net realisable value of Rs.79.949 million (2017: Rs.425.196 million).		

	Note	(Rupees in Thousand) 2018	2017
11 TRADE DEBTS			
Considered good			
Secured			
Local		158,699	649,448
Export	11.1	2,271	3,475
	11.2	160,970	652,923
Unsecured - Local	11.3, 11.4 & 11.5	967,970	970,492
		<u>1,128,940</u>	<u>1,623,415</u>
Considered doubtful - local			
Unsecured - local		75,889	74,047
Provision for doubtful debts - local	11.6	(75,889)	(74,047)
		<u>-</u>	<u>-</u>
		<u>1,128,940</u>	<u>1,623,415</u>
11.1 This represents export sales made in United Arab Emirates of AED 0.069 million (2017: AED Nil) and US\$ Nil (2017: US\$ 0.033 million).			
11.2 These are secured against letters of credit issued by banks in favour of the Company.			
11.3 The maximum aggregate amount due from an associated company Messrs. Novatex Limited at any month end during the year was Rs.1.208 million (2017: Rs.3.593 million). Though the balance at each respective year end was nil.			
11.4 The maximum aggregate amount due from a related party Messrs. Krystalite Products (Private) Limited at any month end during the year was Rs.304.557 million (2017: Rs.138.444 million). Though the balance at each respective year end was nil.			
11.5 These include Rs.28.689 million (2017: Rs.16.264 million) due from a related party Messrs. Mushtaq & Company (Private) Limited. The maximum aggregate amount due at any month end during the year was Rs.50.664 million (2017: Rs.51.237 million).			
11.5.1 Not past due		28,100	16,264
Past due 1-30 days		589	-
		<u>28,689</u>	<u>16,264</u>
11.6 Provision for doubtful debts - local			
Balance as at 01st July		74,047	63,774
Charge for the year		12,254	12,904
Reversals since recovered		(10,412)	(2,631)
	31	1,842	10,273
Balance as at 30th June		<u>75,889</u>	<u>74,047</u>

	Note	(Rupees in Thousand)	
		2018	2017
12 LOANS AND ADVANCES - Considered good			
Secured			
Amount recoverable in twelve months from employees	7	4,166	5,096
Advances to employees	12.1	1,782	684
		<u>5,948</u>	<u>5,780</u>
Unsecured			
Advances:			
to suppliers and contractors	12.2	89,173	25,301
for imports		4,657	9,227
		<u>93,830</u>	<u>34,528</u>
		<u>99,778</u>	<u>40,308</u>

12.1 These represent advances against monthly salaries under the terms of employment.

12.2 These include advances against purchase of vehicles amounting to Rs.16.304 million (2017: Rs.2.340 million).

13 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Shipping guarantees - deposits	13.1	31,991	-
Security deposits		400	645
Prepayments	13.2	3,619	8,289
		<u>36,010</u>	<u>8,934</u>

13.1 This represents margin held by bank against issuance of shipping guarantees for clearance of spare parts consignments.

13.2 These include prepayment to an associated company Messrs. Novatex Limited of Rs. Nil (2017: Rs.6.654 million) being the amount of advance rent.

14 OTHER RECEIVABLES - Considered good

Receivable from suppliers	14.1	91,950	196,409
Claims receivable from suppliers		316	151
Receivable from Federal Government - Sales tax	26.1 (d)	28,000	-
Receivable from Workers' Provident Fund Trust		-	765
Others	14.2, 14.3 & 14.4	17,058	17,610
		<u>137,324</u>	<u>214,935</u>

14.1 These include balances receivable in foreign currency of US\$ 0.632 million (2017: US\$ 1.366 million).

14.2 These include Rs.3.175 million (2017: Rs.3.171 million) receivable from a subsidiary company Messrs. Gatro Power (Private) Limited, mainly on account of plant operation arrangement and this balance is not past due as at year end. The maximum aggregate amount due at any month end during the year was Rs.6.287 million (2017: Rs.6.281 million).

14.3 These include Rs.12.365 million (2017: Rs.12.569 million) receivable from an associated company Messrs. Novatex Limited on account of common sharing expenses and this balance is not past due as at year end. The maximum aggregate amount due at any month end during the year was Rs.15.046 million (2017: Rs.36.591 million).

14.4 These include Rs.0.458 million (2017: Rs. Nil) receivable from a related party Messrs. Krystalite Product (Private) Limited on account of reimbursement of expenses and this balance is not past due as at year end. The maximum aggregate amount due at any month end during the year was Rs.0.458 million (2017: Rs. Nil).

	Note	(Rupees in Thousand)	
		2018	2017
15 TAXES REFUND DUE FROM FEDERAL GOVERNMENT			
Income tax		162,877	201,797
Sales tax		142,375	142,375
		<u>305,252</u>	<u>344,172</u>

16 CASH AND BANK BALANCES

Cash in hand		1,499	889
With banks in current accounts : Local currency	16.1	41,802	31,138
With bank in saving account : Local currency	16.2	1,750	-
With banks in current accounts : Foreign currency	16.3	2,348	474
	16.4	45,900	31,612
		<u>47,399</u>	<u>32,501</u>

16.1 These include Rs. Nil (2017: Rs.1.900 million) received from contractors as security deposit, refer note 22.5.

16.2 This represents security deposits received from contractors, refer note 22.5.

16.3 These represent balances of US\$ 18,026.57 and Euro € 1,129.98 (2017 : US\$ 3,231.19 and Euro € 1,129.98).

16.4 Balance in bank accounts includes an amount of Rs.6.897 million (2017: Rs.7.906 million) kept with Shariah compliant banks.

17 SHARE CAPITAL

	2018	2017		
	(Number of Shares)			
17.1 Authorised capital				
44,000,000	44,000,000	Ordinary shares of Rs.10 each	440,000	440,000
17.2 Issued, subscribed and paid up capital				
30,136,080	30,136,080	Ordinary shares of Rs.10 each allotted for consideration paid in cash	301,361	301,361
8,228,400	8,228,400	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	82,284	82,284
<u>38,364,480</u>	<u>38,364,480</u>		<u>383,645</u>	<u>383,645</u>

These include 1,620,387 (2017 : 1,620,387) shares held by a related party, Messrs. Gani & Tayub (Private) Limited.

	Note	(Rupees in Thousand) 2018	2017
18 CAPITAL RESERVE			
Share premium		<u>383,645</u>	<u>383,645</u>
This represents premium of Rs.20 per share received on initial public issue of 17,438,400 shares in 1992 and premium of Rs.10 per share received on right issue of 3,487,680 shares in 1998. This reserve can be utilised by the Company only for the purposes specified in section 81 of the Companies Act 2017.			
19 GENERAL RESERVE		<u>2,075,000</u>	<u>2,075,000</u>
This represents reserve created from accumulation of past years' profit, to meet future exigencies.			
20 LONG TERM FINANCING - Secured			
from banking company			
Under conventional - Bank Al-Habib Limited		-	136,034
Current maturity shown under current liabilities		-	(13,603)
		<u>-</u>	<u>122,431</u>
20.1 In view of better liquidity position, the Company paid its long term financing before maturity.			
21 DEFERRED LIABILITIES			
Income tax - net	21.1	2,558	75,678
Defined benefit plan	21.2	<u>334,702</u>	<u>318,830</u>
		<u>337,260</u>	<u>394,508</u>
21.1 This comprises of the following major timing differences:			
Taxable temporary difference arising due to:			
tax depreciation allowances		37,796	110,306
Deductible temporary difference arising due to:			
Provision for doubtful debts - net		(22,008)	(22,214)
Provision for slow moving stores, spare parts and loose tools - net		(13,230)	(12,414)
		<u>2,558</u>	<u>75,678</u>
At the reporting date, deferred tax asset amounting to Rs.137.614 million (2017: Rs.394.319 million) has not been recognised considering chances of reversal are remote.			

21.2 Actuarial valuation of the plan was carried out as at June 30, 2018. The calculation for provision of defined benefit plan is as under:

	Note	(Rupees in Thousand) 2018	2017
Movement of the present value of defined benefit obligation (PVDBO)			
Balance as at 01st July		318,830	288,870
Expense	21.2.1	34,389	32,637
Remeasurement loss		3,296	4,593
Payments		(21,813)	(7,270)
Balance as at 30th June		334,702	318,830
21.2.1 Expense			
Service cost		16,185	13,839
Interest cost		18,204	18,798
		34,389	32,637

The principal actuarial assumptions used were as follows:

Discount rate	9.00%	7.75%
Future salary increase rate	9.00%	7.75%
Withdrawal Rate	Moderate	Moderate
Mortality	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005

Sensitivity Analysis

	2018		2017	
	PVDBO (Rupees in Thousand)	Percentage Change	PVDBO (Rupees in Thousand)	Percentage Change
Current Liability	334,702	-	318,830	-
+ 1% Discount Rate	321,687	(3.89%)	306,213	(3.96%)
- 1% Discount Rate	349,447	4.41%	333,141	4.49%
+ 1% Salary Increase Rate	350,586	4.75%	334,187	4.82%
- 1% Salary Increase Rate	320,414	(4.27%)	305,035	(4.33%)
+ 10% Withdrawal Rates	334,698	(0.00%)	318,827	(0.00%)
- 10% Withdrawal Rates	334,705	0.00%	318,833	0.00%
1 Year Mortality age set back	334,702	0.00%	318,830	0.00%
1 Year Mortality age set forward	334,702	0.00%	318,830	0.00%

	(Rupees in Thousand) 2018	2017
Undiscounted payments		
Maturity profile		
Year 1	83,775	77,320
Year 2	15,292	7,079
Year 3	54,294	13,716
Year 4	19,433	50,042
Year 5	15,373	17,054
Year 6 to 10	89,379	82,127
Year 11 and above	244,233	185,570

Risks Associated with Defined Benefit Plan

Longevity Risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary Increase Risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

	Note	(Rupees in Thousand) 2018	2017
22 TRADE AND OTHER PAYABLES			
Trade creditors		352,555	267,422
Creditors for capital expenditures		-	202
Bills payable	22.1	447,416	428,377
Accrued expenses	22.2 & 22.3	245,852	164,058
Advance payments from customers	22.4	673,237	233,754
Sales tax payable		45,239	90,573
Security deposits from contractors	22.5	1,750	1,900
Workers' Profit Participation Fund		34,562	-
Workers' Welfare Fund		17,542	-
Provisions	22.6	349,269	207,077
Withholding taxes		4,260	5,923
Payable to Provident Fund Trusts		3,486	3,025
Other liabilities	22.7	40,838	40,635
		<u>2,216,006</u>	<u>1,442,946</u>

22.1 This represents balances payable in foreign currency of US\$ 3.679 million (2017: US\$ 4.080 million).

22.2 These include Rs.0.478 million (2017: Rs.0.562 million) payable to a related party Messrs. Gani & Tayub (Private) Limited.

22.3 These include Rs. Nil (2017: Rs.8.177 million) payable to an associated company Messrs. Novatex Limited.

22.4 These include advances amounting to Rs.305.701 million (2017: Rs. Nil) secured by way of post dated cheques.

22.5 This represents return-free security deposits from contractors held in separate bank account, refer note 16.

	Note	(Rupees in Thousand) 2018	2017
22.6 Provisions for:			
Gas Infrastructure Development Cess	26.1(b)	75,880	50,095
Enhanced gas rate	22.6.1 & 22.6.2	49,587	27,582
Sindh Sales Tax on rent	22.6.3	4,815	4,754
Infrastructure Cess on imports	22.6.4	140,689	118,697
Sales tax	22.6.5 & 22.6.6	70,944	-
Others	22.6.7	7,354	5,949
		349,269	207,077

22.6.1 The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial & Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU with effect from September 01, 2015. The Company alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate has been restrained. Further, in May 2016, The Single Bench of Sindh High Court decided the case in favour of the petitioners. However, in June 2016, defendants filed appeal before Double Bench of Sindh High Court which also decided in favor of the Petitioners. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and Messrs. Sui Southern Gas Company Limited (SSGCL) billed @ Rs.600 per MMBTU instead of Rs.488.23 per MMBTU. However the Company alongwith others filed a suit on January 19, 2017 against OGRA, SSGCL and others in Sindh High Court. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Company has provided bankers' verified cheque to Nazir of High Court amounting to Rs.37.827 million (2017: Rs.12.274 million). As an abundant precaution, the Company has made total provision of Rs.35.374 million (2017: Rs.18.554 million).

22.6.2 OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power in August 2013 and accordingly, SSGCL started charging rate prescribed for captive power to the Company with effect from September 2013. The Company alongwith several other companies filed suit on December 21, 2015 against OGRA, SSGCL and others in the Sindh High Court challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. As an abundant precaution, the Company has made provision of Rs.14.213 million (2017: Rs.9.028 million) pertaining to the period of November 2015 to June 2018 and did not create receivable of Rs.13.629 million in respect of period from August 2013 to October 2015.

22.6.3 This represents provision of Sindh Sales Tax on rent payable to an associated company Messrs. Novatex Limited, which is currently in litigation since February 18, 2016 against Sindh Revenue Board and Province of Sindh etc. and associated company Messrs. Novatex Limited has obtained stay from Honorable Sindh High Court in this respect.

	(Rupees in Thousand)	
	2018	2017
22.6.4 Balance as at 01st July	118,697	98,112
Provision made during the year	43,984	41,170
Payments made during the year	(21,992)	(20,585)
Balance as at 30th June	<u>140,689</u>	<u>118,697</u>

The Company had filed a petition in the Sindh High Court at Karachi on May 25, 2011 against Province of Sindh and Excise & Taxation department, challenging the levy of Infrastructure Cess on imports. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. In April 2017, the Government of Sindh has promulgated the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The Company has also challenged the new Act in the Sindh High Court on October 23, 2017 against Province of Sindh and Excise & Taxation department and similar stay has been granted by the Honorable Sindh High Court. Till reporting date, the Company has provided bank guarantee amounting to Rs.148.365 million (2017: Rs.123.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006. Based on the legal advise, the management believes that the case will be decided in favour of the Company. However, full provision after December 27, 2006 has been made in these financial statements as an abundant precaution.

22.6.5 The Federal Board of Revenue (FBR) vide SRO 491(I)/2016 dated June 30, 2016 made certain amendments in SRO 1125(I)/2011 dated December 31, 2011 including disallowance of input tax adjustment on packing material of textile products. Consequently, input tax adjustment on packing material of textile product is not being allowed for adjustment with effect from July 01, 2016. The Company has challenged the disallowance of input tax adjustment on packing material in the Sindh High Court on January 16, 2017 against Federation of Pakistan and others. The Honorable Sindh High Court has granted interim relief order and allowed the Company to claim input tax adjustment.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company. However, as an abundant precaution, the Company has made provision of Rs.65.752 million (2017: Rs. Nil).

22.6.6 The FBR vide SRO 450(I)/2013 dated May 27, 2013 made certain amendments in SRO 490(I)/2004 dated June 12, 2004 and disallow input tax adjustment on building materials with effect from May 28, 2013. The Company has challenged the restriction so placed before the Islamabad High Court on December 21, 2015 against Federation of Pakistan. The Court has granted interim relief order and allowed the Company to claim input tax adjustment on building material.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company. However, as an abundant precaution, the Company has made provision of Rs.5.192 million (2017: Rs. Nil).

22.6.7 This represents provision of Gas Infrastructure Development Cess Rs.5.757 million (2017: Rs.4.856 million) and rate difference of gas tariff Rs.1.597 million (2017: Rs.1.093 million) on account of common expenses payable to an associated company Messrs. Novatex Limited.

22.7 These include Rs.33.749 million (2017: Rs.32.842 million) received from employees under Company car policy.

	Note	(Rupees in Thousand)	
		2018	2017
23 ACCRUED MARK UP			
Mark up on long term financing		-	929
Mark up on short term borrowings		<u>142</u>	<u>3,654</u>
	23.1	<u><u>142</u></u>	<u><u>4,583</u></u>

23.1 This include accrued markup of Rs. Nil (2017: Rs.1.434 million) under Shariah compliant arrangements.

24 SHORT TERM BORROWINGS - Secured

From banking companies under mark up arrangements

Running finance			
Under Conventional		580,017	2,087,700
Under Shariah compliant		<u>-</u>	<u>56,174</u>
		<u>580,017</u>	<u><u>2,143,874</u></u>

24.1 The Company has aggregate facilities of short term borrowings amounting to Rs.3,755 million (2017: Rs.4,455 million) from various commercial banks (as listed in Note 24.3) out of which Rs.3,451 million (2017: Rs.3,219 million) remained unutilised at the year end. The Company also has Rs.1,000 million (2017: Rs.1,000 million) swinging facility with an associated company Messrs. Novatex Limited, out of which Rs.276 million (2017: Rs.908 million) utilized by the Company at the year end. The mark up rates for running finance ranged between Rs.0.1775 to Rs.0.2025 per Rs.1,000/- per day. These facilities are renewable annually at respective maturities.

24.2 These arrangements are secured against pari passu hypothecation charge on the stock and book debts of the Company.

24.3 The finances have been obtained or are available from Bank Al-Falah Limited, Bank Al-Habib Limited, Faysal Bank Limited, Habib Bank Limited, Habib Metropolitan Bank Limited, MCB Bank Limited, Meezan Bank Limited, Standard Chartered Bank (Pakistan) Limited and United Bank Limited.

25 PROVISION FOR INCOME TAX LESS PAYMENTS

Balance as at 01st July		39,341	90,244
Provision for the year - Current		185,231	97,329
Prior		<u>77</u>	<u>(88,136)</u>
		<u>185,308</u>	<u>9,193</u>
		224,649	99,437
Payments during the year		(101,207)	(57,988)
Adjustments for the year		<u>(39,067)</u>	<u>(2,108)</u>
Balance as at 30th June	25.1	<u><u>84,375</u></u>	<u><u>39,341</u></u>

25.1 These include Rs.0.147 million (2017: Rs.1.005 million) of subsidiary company Messrs. Gatro Power (Private) Limited on account of group taxation.

26 CONTINGENCIES AND COMMITMENTS

26.1 Contingencies

- a) FBR initiated action against few buyers of Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Company had to pay Rs.27.762 million and had also to submit post-dated cheques of Rs.83.287 million under protest in favour of Chief Commissioner Inland Revenue.

The Company has, however, challenged the action before the Honorable Sindh High Court on December 23, 2013 against Federation of Pakistan and others realizing the facts of the case, circumstances and legal position and the Honorable Sindh High Court has granted interim relief whereby encashment of above mentioned post dated cheques has been restrained.

By way of abundant precaution, the amount of Rs.27.762 million has been charged to statement of profit or loss in previous period. Based on the merits of the case and discussion held with the legal counsel, the management is confident that the case will be decided in favour of the Company. Accordingly no provision has been made for the amount of post dated cheques of Rs.83.287 million.

- b) The Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015 in May 2015, which seeks to impose GIDC levy since 2011. The Company alongwith several other companies filed suit in the Sindh High Court on July 16, 2015 against OGRA and others challenging the validity and promulgation of GIDC Act 2015. The Single Bench of Honorable Sindh High Court had decided the case in favour of petitioners. However, defendants have filed appeal on November 10, 2016 before Double Bench of Sindh High Court.

Considering previous decision of Honorable Supreme Court and legal advisor opinion, the Company is confident that the case will be decided in favour of the petitioners. Total amount of enhanced GIDC upto June 30, 2018 worked out at Rs.115.218 million (2017: Rs.89.433 million), however the Company has provided Rs.75.880 million (2017: Rs.50.095 million) pertaining to the period of July 2014 to June 2018 for Captive Power and June 2015 to June 2018 for Industrial as an abundant precaution in view of reason stated above, refer note 22.6.

- c) The Company along with several other companies has filed a Constitution Petition on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others in the Sindh High Court against a notice issued by the EOBI to the Company to pay contribution at the revised rate of wages with retrospective effect. The Honorable Sindh High Court has already restrained EOBI from taking any coercive action against the Company. No provision of the amount involved i.e Rs.18.504 million (2017: Rs.15.232 million) has been made in these financial statements as the Company is confident of the favorable outcome of the Petition.

- d) During the year the Company filed four appeals on 2nd, 9th & 17th May and 20th June 2018 before the Commissioner Inland Revenue (Appeals) (CIR(A)) – 2, Large Taxpayers Unit, Karachi for the tax periods July 2012 to December 31, 2016 against the assessment orders passed by the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayers Unit, passed under section 11 (2) of the Sales Tax Act, 1990 through which cumulative demand for the aforesaid periods amounting to Rs.55.423 million excluding default surcharge was created. In the assessment orders, major areas on which impugned demand has been raised relates to disallowance of input tax on purchases and recovery of sales tax on sales to subsequently suspend / blacklisted person. The Company has already deposited Rs.28 million under protest (refer note 14) into the Government treasury for stay against the full recovery. No Provision has been made in these financial statements as the Company is confident that the matter will be decided in favour by the appellate authorities.

	(Rupees in Thousand)	
	2018	2017
26.2 Guarantees		
a) Bank Guarantees in favour of:		
The Director Excise & Taxation, Karachi	148,365	123,365
The Electric Inspector,		
President Licencing Board, Quetta	10	10
Pakistan State Oil Company Limited	30,000	25,000
K-Electric Limited	11,560	-
Letters of Credit in favour of:		
Sui Southern Gas Company Limited for Gas	30,992	30,992
	<u>220,927</u>	<u>179,367</u>

- b) The Company has issued post dated cheques in favour of a customer to secure advance against supply of goods, refer note 22.4.

26.3 Commitments

The Company's commitments, against which the banks have opened Letters of Credit, in favor of different suppliers, are as follows:

Foreign currency:		
Property, plant and equipment	345,212	7,064
Raw material	424,044	232,176
Spare parts and others	78,202	18,937
	<u>847,458</u>	<u>258,177</u>
Local currency:		
Raw material	108,585	-
Spare parts and others	-	2,347
	<u>108,585</u>	<u>2,347</u>
	<u>956,043</u>	<u>260,524</u>

	Note	(Rupees in Thousand) 2018	2017
27 SALES			
Gross local sales		13,793,142	13,217,789
Third party processing charges		1,222	11,585
		13,794,364	13,229,374
Less: Sales tax	27.1	824,001	1,037,880
		12,970,363	12,191,494
Export sales		36,074	134,157
		13,006,437	12,325,651

27.1 These include local zero/reduced rate supplies.

28 COST OF SALES

Raw material consumed		8,190,818	8,190,544
Stores, spare parts and loose tools consumed		282,462	162,321
Outsource processing charges		452,602	663,542
Salaries, wages, allowances and benefits	28.1 & 28.2	857,357	761,419
Power, fuel and gas		1,814,186	1,576,776
Rent, rates and taxes		5,182	5,048
Insurance		24,895	25,986
Cartage & transportation		83,267	73,995
Repairs and maintenance		71,242	47,090
Communications & Computer		1,992	1,519
Water supply		12,202	3,475
Travelling		5,193	3,704
Legal and professional fees		210	180
Sundry		18,667	11,951
Depreciation	5.2	307,613	306,617
Impairment of operating fixed assets	5.1	115,211	-
		12,243,099	11,834,167
Duty draw back		(2)	(95)
Scrap sales	28.3	(15,157)	(11,111)
		12,227,940	11,822,961
Opening stock of goods-in-process		451,615	296,340
Closing stock of goods-in-process		(482,041)	(451,615)
Cost of goods manufactured		12,197,514	11,667,686
Opening stock of finished goods		743,324	1,139,345
Closing stock of finished goods		(1,181,791)	(743,324)
		11,759,047	12,063,707

28.1 These include Rs.15.909 million (2017 : Rs.15.591 million) and Rs.16.340 million (2017 : Rs.14.725 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

28.2 It is net off by Rs.36 million (2017: Rs.30 million) in respect of amount received from a subsidiary company Messrs. Gatro Power (Private) Limited against plant operation arrangement.

28.3 Net off sales tax amounting to Rs.3.420 million (2017: Rs.2.106 million).

	Note	(Rupees in Thousand)	
		2018	2017
29 DISTRIBUTION AND SELLING COSTS			
Salaries, allowances and benefits	29.1	26,867	29,332
Insurance		2,727	2,670
Rent, rates and taxes		1,421	3,708
Handling, freight and transportation		151,145	141,062
Advertisement and sales promotion		1,177	1,205
Communications		270	309
Travelling		1,089	2,578
Fee & subscriptions		599	568
Legal & professional fee		4,242	1,280
Sundry		4,256	3,431
Depreciation	5.2	501	513
		194,294	186,656

29.1 These include Rs.0.858 million (2017 : Rs.0.856 million) and Rs.1.611 million (2017 : Rs.3.282 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

30 ADMINISTRATIVE EXPENSES

Salaries, allowances and benefits	30.1	172,074	161,877
Rent, rates and taxes		18,801	29,835
Insurance		1,380	1,594
Repairs and maintenance		4,722	6,785
Travelling		2,970	3,124
Communications		2,844	2,699
Legal and professional fees		5,224	3,249
Utilities		4,223	5,717
Printing and stationery		1,459	1,760
Transportation		4,661	3,302
Sundry		9,195	7,783
Depreciation	5.2	5,441	5,314
		232,994	233,039

30.1 These include Rs.6.723 million (2017 : Rs.6.742 million) and Rs.16.438 million (2017 : Rs.14.630 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

		(Rupees in Thousand)	
	Note	2018	2017
31 OTHER OPERATING EXPENSES			
Loss on disposal of property, plant and equipment	5.3.1	-	1,299
Loss on scrapped items of property, plant and equipment	5.3.1	11,923	-
Provision for doubtful trade debts - net	11.6	1,842	10,273
Provision for slow moving stores, spare parts and loose tools - net	9.1	4,242	16,262
Impairment in long term investments	6.3	26	25
Exchange loss - net		62,607	4,225
Provision for sales tax	31.1	37,935	-
Corporate social responsibility	31.2	12,388	-
Workers' Profit Participation Fund		34,562	-
Workers' Welfare Fund		17,542	-
Auditors' remuneration	31.3	1,801	1,374
		184,868	33,458

31.1 This represents provision made on account of disallowance of input sales tax on packing and building material upto June 30, 2017, refer note 22.6.5 & 22.6.6.

31.2 These represents donations of Rs.7.388 million (2017: Rs. Nil) to a related party Messrs. Gatron Foundation in which Chief Executive and four directors of the Company are governors and Rs.5 million (2017 Rs. Nil) to Messrs. Institute of Business Administration. None of the directors or their spouses has any interest in any donee fund, so far as other donations are concerned.

31.3 Auditors' remuneration

Audit fee - Annual financial statements	1,250	1,000
Limited review, audit of consolidated financial statements, provident funds and certification fee	285	193
Sindh Sales Tax on services	123	96
Out of pocket expenses	143	85
	1,801	1,374

32 OTHER INCOME

Income from financial assets

Profit on deposits	50	-
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Income from non - financial assets & others

Storage and handling income	42	483	483
Gain on disposal of property, plant and equipment	5.3.1	15,020	6,241
Liabilities no more payable written back		2,487	13,221
Reversal of provision for Workers' welfare fund		-	6,720
Miscellaneous income	32.1	238	230
		18,228	26,895
		18,278	26,895

32.1 It includes Rs.0.006 million (2017: Rs.0.006 million) represent rent income from a subsidiary company Messrs. Gatro Power (Private) Limited, refer note 42.

	Note	(Rupees in Thousand) 2018	2017
33 FINANCE COSTS			
Mark up on long term financing		6,718	1,167
Mark up on short term borrowings		6,088	28,578
Bank charges and guarantee commission		1,575	3,115
	33.1	14,381	32,860
33.1 It includes finance costs under Shariah Complaint arrangement amounting to Rs.0.319 million (2017: Rs.8.875 million).			
34 INVESTMENT INCOME - DIVIDEND			
Dividend income from subsidiary company - Messrs. Gatro Power (Private) Limited		327,338	203,175
Dividend income from associated company - Messrs. Novatex Limited		127,575	-
		454,913	203,175
35 INCOME TAX			
For the current year		185,231	97,329
For the prior year		77	(88,136)
		185,308	9,193
Deferred		(73,120)	(60,656)
		112,188	(51,463)
Relationship between income tax and profit before income tax :			
Profit before income tax		1,094,044	6,001
Income tax rate		30%	31%
Income tax on profit before income tax		328,213	1,860
Tax effect of:			
group taxation impact		(98,201)	(62,984)
minimum tax		162,130	121,915
tax loss not recognised		-	33,547
brought forward tax loss adjusted		(251,325)	-
tax credits		(35,322)	(26,597)
super tax		38,925	-
tax on undistributed profit		-	450
income assessed under final tax regime - export sales and dividend income		(20,213)	1,194
change in statutory tax rate		(88)	(2,523)
provision/(reversal) of prior year income tax		77	(88,136)
others		(12,008)	(30,189)
Income tax for the year		112,188	(51,463)

35.1 The Board of Directors of the Company in their meeting held on August 29, 2018 has proposed sufficient cash dividend for the year ended June 30, 2018 (refer note 45) which complies with the requirement of section 5A of the Income Tax Ordinance, 2001. Accordingly, no provision for tax on undistributed reserves has been recognized in these financial statements for the year ended June 30, 2018.

35.2 Sufficient provision for tax has been made in these financial statements taking into account the profit or loss for the year and various admissible and inadmissible allowances and deduction under the Income Tax Ordinance, 2001. Position of provision and tax deemed assessed for last three years are as follows:

	(Rupees in Thousand)		
	2017	2016	2015
Tax provision	<u>97,329</u>	<u>64,175</u>	<u>89,392</u>
Tax assessed	<u>97,406</u>	<u>63,705</u>	<u>49,276</u>

	Note	(Rupees in Thousand)	
		2018	2017
36 EARNINGS PER SHARE - Basic and diluted			
Profit after income tax		<u>981,856</u>	<u>57,464</u>
		(Number of Shares)	
Weighted average number of Ordinary Shares in issue during the year		<u>38,364,480</u>	<u>38,364,480</u>
		(Rupees)	
Earnings per share - Basic and diluted		<u>25.59</u>	<u>1.50</u>

There is no dilutive effect on the basic earnings per share of the Company.

		(Rupees in Thousand)	
37 CASH AND CASH EQUIVALENTS			
Cash and bank balances	16	<u>47,399</u>	32,501
Short term borrowings	24	<u>(580,017)</u>	(2,143,874)
		<u>(532,618)</u>	<u>(2,111,373)</u>

38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

FINANCIAL ASSETS AND LIABILITIES

(Rupees in Thousand)

	Interest/mark-up bearing			Non-Interest/mark-up bearing			2018 Total	2017 Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
Financial Assets								
Loans and advances	-	-	-	5,948	88	6,036	6,036	6,532
Deposits	-	-	-	32,391	1,832	34,223	34,223	2,311
Trade debts	-	-	-	1,128,940	-	1,128,940	1,128,940	1,623,415
Other receivables	-	-	-	109,008	-	109,008	109,008	214,784
Cash and bank balances	1,750	-	1,750	45,649	-	45,649	47,399	32,501
	<u>1,750</u>	<u>-</u>	<u>1,750</u>	<u>1,321,936</u>	<u>1,920</u>	<u>1,323,856</u>	<u>1,325,606</u>	<u>1,879,543</u>
Financial Liabilities								
Long term financing	-	-	-	-	-	-	-	136,034
Trade and other payables	34,562	-	34,562	1,058,148	-	1,058,148	1,092,710	872,777
Accrued mark up	-	-	-	142	-	142	142	4,583
Short term borrowings	580,017	-	580,017	-	-	-	580,017	2,143,874
Unclaimed dividend	-	-	-	11,238	-	11,238	11,238	10,959
	<u>614,579</u>	<u>-</u>	<u>614,579</u>	<u>1,069,528</u>	<u>-</u>	<u>1,069,528</u>	<u>1,684,107</u>	<u>3,168,227</u>

The effective interest/markup rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

38.1 MEASUREMENT OF FAIR VALUE

International Financial Reporting Standard (IFRS), IFRS 13 "Fair Value Measurement", unifies the framework for measurement of fair values as required by other IFRS and requires disclosure regarding fair value measurement, i.e., disclosure of valuation techniques and inputs used to measure the fair value and in case recurring fair value measurements using unobservable inputs the effect of fair value measurement on statement of profit or loss or statement of other comprehensive income.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's certain accounting policies and disclosure requires use of fair value measurement and the Company while assessing fair value maximize the use of relevant of observable inputs and minimize the use of unobservable inputs establishing a fair value hierarchy, i.e., input used in fair value measurement is categorized into following three levels:

- Level 1 Inputs are the quoted prices in active markets for identical assets or liabilities that can be assessed at measurement.
- Level 2 Inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable inputs for the asset or liability.

As at reporting date the fair value of all the assets and liabilities approximates to their carrying values except property, plant and equipment and long term investments in subsidiaries and associate. The property, plant and equipment is carried at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost, whereas long term investment in subsidiaries and associate carried at cost less accumulated impairment, if any. The Company does not expect that unobservable inputs may have significant effect on fair values.

38.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focusses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk Management is carried out under policies and principles approved by the Board. All treasury related transactions are carried out within the parameters of these policies and principles.

A Market Risk

i Foreign exchange risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. Foreign exchange risks arises mainly from future economic transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to foreign exchange risk arising from currency value fluctuations, primarily with respect to the US\$, Euro, AED and JPY. The Company's exposure to foreign currency risk is as follows:

	(Rupees in Thousand)	
	2018	2017
Bills Payable	447,416	428,377
Trade Debts	(2,271)	(3,475)
Receivable from suppliers	(76,757)	(143,180)
Cash at bank in foreign currency accounts	(2,348)	(474)
	(81,376)	(147,129)
	366,040	281,248
Commitments - Outstanding letters of credit	847,458	258,177
Net exposure	1,213,498	539,425

The following significant exchange rates have been applied:

	Average rate				Reporting date rate			
					Rupees			
	2018		2017		2018		2017	
	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling
USD to PKR	109.41	109.61	104.42	104.62	121.40	121.60	104.80	105.00
Euro to PKR	131.03	131.28	113.80	114.02	141.33	141.57	119.91	120.14
AED to PKR	29.70	29.84	-	-	33.05	33.10	-	-
JPY to PKR	-	-	0.96	0.96	-	-	0.94	0.94

Sensitivity Analysis

At reporting date, if the PKR had strengthened/weakened by 10% against the US\$, Euro, AED and JPY with all other variables held constant, pre tax profit for the year would have been higher/lower by the amount shown below, mainly as a result of net foreign exchange gain or net foreign currency exposure at reporting date.

	Average rate		Reporting date rate	
	2018	2017	2018	2017
	(Rupees in Thousand)			
Effect on statement of profit or loss				
USD to PKR	86,070	50,962	95,484	51,147
Euro to PKR	24,197	2,512	26,093	2,647
AED to PKR	(204)	-	(227)	-
JPY to PKR	-	152	-	149
	<u>110,063</u>	<u>53,626</u>	<u>121,350</u>	<u>53,943</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

ii Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest or currency rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company is not exposed to equity price risk since there are no investment in listed equity securities.

iii Interest / Markup rate risk

Interest/Markup rate risk arises from the possibility of changes in Interest/Markup rates which may effect the value of financial instruments. The Company has short term borrowings at variable rates. At the reporting date the Interest/Markup profile of the Company's Interest/Markup-bearing financial instrument is:

	2018	2017	(Rupees in Thousand)	
	Effective rate (in %)		2018	2017
			Carrying amount	
Financial Assets				
Variable rate instruments				
Bank balance	2.15	-	1,750	-
Financial Liabilities				
Variable rate instruments				
Long term financing	6.22	6.19	-	(136,034)
Short term borrowings	5.61 - 7.14	2.08 - 6.87	(580,017)	(2,143,874)
			<u>(578,267)</u>	<u>(2,279,908)</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect statement of profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variable, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2017.

	Statement of Profit or loss	
	100 bp increase	100 bp decrease
As at June 30, 2018		
Cash flow sensitivity - Variable rate	<u>(5,783)</u>	<u>5,783</u>
As at June 30, 2017		
Cash flow sensitivity - Variable rate	<u>(22,799)</u>	<u>22,799</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Company.

B Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Company manages credit risk inter alia by setting credit limits in relation to individual customers and by obtaining advance against sales and also obtains collaterals, where considered necessary. The Company has established an allowance for the doubtful trade debts that represents its estimate of incurred losses in respect of trade debts. Consequently, the Company believes that it is not exposed to any major concentration of credit risk.

Exposure to credit risk

The carrying amount of the financial assets represent the maximum credit exposure before any credit enhancements. Out of total financial assets of Rs.1,325.606 million (2017 : Rs.1,879.543 million), amounted to Rs.1,324.107 million (2017: Rs.1,878.654 million) are subject to credit risk. The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	(Rupees in Thousand)	
	2018	2017
Loans and advances	6,036	6,532
Deposits	34,223	2,311
Trade debts	1,128,940	1,623,415
Other receivables	109,008	214,784
	1,237,948	1,838,199
Bank balances	45,900	31,612
	<u>1,324,107</u>	<u>1,878,654</u>

The aging of trade debts and other receivables at the reporting date:

Not past due	915,236	1,602,664
Past due 1-30 days	194,167	93,555
Past due 31-90 days	98,960	49,113
Past due 91-180 days	6,495	86,778
Past due 180 days	98,979	80,136
	<u>1,313,837</u>	<u>1,912,246</u>
Provision for doubtful debts - local	(75,889)	(74,047)
	<u>1,237,948</u>	<u>1,838,199</u>

The credit quality of Company's bank balances can be assessed with reference to external credit rating as follows:

Banks	Rating Agency	Rating		(Rupees in Thousand)	
		Short term	Long term	2018	2017
Bank Al-Falah Limited	PACRA	A1+	AA+	10,303	8,794
Bank Al-Habib Limited	PACRA	A1+	AA+	266	-
Citibank N.A.	Moody's	P-1	A1	65	63
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	AA-	1,913	480
Faysal Bank Limited	PACRA	A1+	AA	217	343
Habib Bank Limited	JCR-VIS	A-1+	AAA	546	546
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	22,684	7,774
MCB Bank Limited	PACRA	A1+	AAA	1,324	1,244
Meezan Bank Limited	JCR-VIS	A-1+	AA+	4,718	7,426
National Bank of Pakistan	PACRA	A1+	AAA	3,364	3,671
Samba Bank Limited	JCR-VIS	A-1	AA	151	697
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA	238	195
United Bank Limited	JCR-VIS	A-1+	AAA	111	379
				<u>45,900</u>	<u>31,612</u>

Above rating updated as of July 16, 2018 and available on State Bank of Pakistan website.

C Liquidity risk

Liquidity risk represents where an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2018, the Company has Rs.3,755 million plus Rs.1,000 million swinging facility with an associated company Messrs. Novatex Limited, available borrowing limit from financial institutions. The Company has unutilised borrowing facilities of Rs.3,451 million in addition to balances at banks of Rs.46 million. Based on the above, management believes the liquidity risk to be insignificant. The following are the contractual maturities of financial liabilities, including interest/mark up payments.

	Carrying Amount	Contractual Cash Flow	Six months or less	Six to twelve months	One to two years	Two to five years	Above five years
	(Rupees in Thousand)						
2018							
Trade and other payables	1,092,710	1,092,710	1,092,710	-	-	-	-
Accrued mark up	142	142	142	-	-	-	-
Short term borrowings	580,017	580,017	580,017	-	-	-	-
Unclaimed dividend	11,238	11,238	11,238	-	-	-	-
	1,684,107	1,684,107	1,684,107	-	-	-	-
2017							
Long term financing	136,034	163,208	4,259	17,762	34,328	92,862	13,997
Trade and other payables	872,777	872,777	872,777	-	-	-	-
Accrued mark up	4,583	4,583	4,583	-	-	-	-
Short term borrowings	2,143,874	2,151,982	2,151,982	-	-	-	-
Unclaimed dividend	10,959	10,959	10,959	-	-	-	-
	3,168,227	3,203,509	3,044,560	17,762	34,328	92,862	13,997

38.3 CAPITAL RISK MANAGEMENT

The Company's objectives in managing capital is to ensure the Company's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The gearing ratio as at June 30, 2018 and 2017 were as follows:

	(Rupees in Thousand)	
	2018	2017
Total borrowings	580,017	2,279,908
Cash and bank balances	(47,399)	(32,501)
Net debt	532,618	2,247,407
Total equity	4,273,369	3,371,538
Total capital	4,805,987	5,618,945
Gearing ratio	11%	40%

The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The Company finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix amongst various sources of finance to minimize risk and cost.

39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to statement of profit or loss for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Company are as follows:

(Rupees in Thousand)

	Chief Executive		Directors		Executives		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
Managerial remuneration	18,869	18,001	32,127	32,114	72,382	68,799	123,378	118,914
Post employment benefits	5,792	5,874	4,583	3,850	7,517	11,883	17,892	21,607
Utilities	79	78	23	39	52	47	154	164
Other benefits	-	-	2,146	1,936	32,635	34,779	34,781	36,715
Reimbursement	-	-	-	-	940	350	940	350
	24,740	23,953	38,879	37,939	113,526	115,858	177,145	177,750

Number of persons

for remuneration	1	1	3	3	22	23	26	27
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39.1 Aggregate amount of meeting fee to Chairman and 4 non-executive directors (2017: Chairman and 4 non-executive Directors) was Rs.0.145 million (2017: Rs.0.140 million).

39.2 In addition, the Chief Executive and working directors are provided with Company maintained car and certain executives are provided with household furniture and cars under Company policies, the monetary impact where of is not quantifiable.

39.3 An associated company Messrs. Novatex Limited reimbursed Rs.45.385 million (2017: Rs.52.987 million) in respect of services provided by certain directors and executives during the year.

39.4 Comparative figures of executives has been changed due to change in the definition of executives as per Companies Act, 2017.

40 SEGMENT REPORTING

40.1 Reportable segments

The Company's reportable segments are as follows:

- Polyester Filament Yarn - it comprises manufacturing of Polyester Filament Yarn and its raw material.
- Polyester PET Preforms - it comprises manufacturing of Polyester PET Preforms and its raw material.

Other operating expenses, other income, finance costs and taxation are managed at Company level.

40.2 Segment results:

The segment information for the reportable segments for the year ended June 30, 2018 is as follows:

	2018			2017		
	Polyester Filament Yarn	Polyester PET Preforms	Total	Polyester Filament Yarn	Polyester PET Preforms	Total
External sales	<u>8,424,979</u>	<u>4,581,458</u>	<u>13,006,437</u>	<u>6,416,432</u>	<u>5,909,219</u>	<u>12,325,651</u>
Segment result before depreciation and impairment	<u>510,669</u>	<u>738,199</u>	<u>1,248,868</u>	(337,768)	492,461	154,693
Less: Depreciation and impairment	<u>(297,355)</u>	<u>(131,411)</u>	<u>(428,766)</u>	(226,009)	(86,435)	(312,444)
Segment result after depreciation and impairment	<u>213,314</u>	<u>606,788</u>	<u>820,102</u>	<u>(563,777)</u>	<u>406,026</u>	<u>(157,751)</u>
Reconciliation of segment results with Profit before income tax:						
Total results for reportable segments			<u>820,102</u>			(157,751)
Other operating expenses			<u>(184,868)</u>			(33,458)
Other income			<u>18,278</u>			26,895
Finance costs			<u>(14,381)</u>			(32,860)
Investment income - Dividend			<u>454,913</u>			203,175
Profit before income tax			<u>1,094,044</u>			<u>6,001</u>

Assets and liabilities by segments are as follows:

Segment assets	<u>3,927,058</u>	<u>2,015,436</u>	<u>5,942,494</u>	<u>3,451,789</u>	<u>2,534,269</u>	<u>5,986,058</u>
Segment liabilities	<u>711,383</u>	<u>676,663</u>	<u>1,388,046</u>	<u>546,344</u>	<u>315,200</u>	<u>861,544</u>

Reconciliation of segments assets and liabilities with total in the statement of financial position is as follows:

	Assets	Liabilities	Assets	Liabilities
Total for reportable segments	<u>5,942,494</u>	<u>1,388,046</u>	5,986,058	861,544
Unallocated	<u>1,559,913</u>	<u>1,840,992</u>	1,557,725	3,310,701
Total as per statement of financial position	<u>7,502,407</u>	<u>3,229,038</u>	<u>7,543,783</u>	<u>4,172,245</u>

(Rupees in Thousand)

2018			2017		
Polyester Filament Yarn	Polyester PET Preforms	Total	Polyester Filament Yarn	Polyester PET Preforms	Total

Other segment information is as follows:

Depreciation and impairment	<u>297,355</u>	<u>131,411</u>	<u>428,766</u>	226,009	86,435	312,444
Capital expenditures incurred during the year	261,225	33,895	295,120	182,158	259,233	441,391
Unallocated capital expenditure incurred during the year			9,054			7,003
Total			<u>304,174</u>			<u>448,394</u>

40.3 99.72% (2017 : 98.91%) out of total sales of the Company relates to customers in Pakistan.

40.4 All non-current assets of the Company as at June 30, 2018 are located in Pakistan.

40.5 The Company does not have transaction with any external customer which amount to 10 percent or more of the Company's revenue.

	Note	(Metric Tons) 2018	2017
41 PLANT CAPACITY AND ACTUAL PRODUCTION			
41.1 Polyester Filament Yarn	41.1.1		
Annual capacity		29,074	26,755
Actual production		41,751	36,023
41.2 Polyester P.E.T. Preforms	41.2.1		
Annual capacity		50,222	48,462
Actual production	41.2.2	23,838	22,357

41.1.1 The capacity is determined based on 75 denier and 24 filaments. Comparative figure has been revised based on parameters used for 2018 for better presentation. Actual production represents production of various deniers.

41.2.1 The capacity is determined based on 43.66 gms production. Actual production represents production of various grammage. The actual production versus annual capacity is lower on account of very low demand/production in winter months of the year as well as new machines taking time to ramp up capacity and old machines needing to be overhauled. The actual production of preforms (various grammage) in pieces was 779.510 million (2017: 679.974 million) against annual capacity (based on 43.66 gms) of 1,150 million pieces.

41.2.2 The actual production was erroneously reported as 43,979 metric tons instead of 22,357 metric tons in previous financial statements.

(Rupees in Thousand)
2018 2017

42 TRANSACTIONS WITH RELATED PARTIES

During the year, details of transactions with related parties are as follows:

Name	Nature of relationship	Basis of relationship	Nature of transaction		
Gatro Power (Private) Limited	Subsidiary Company	100% ownership	Purchase of power	1,621,017	1,377,773
			Receipt of dividend	327,338	203,175
			Plant operation arrangement	36,000	30,000
			Storage & handling	483	483
			Rent	6	6
			Reimbursement of expenses	114	117
Novatex Limited	Associated Company	Common directorship	Rendering of services	1,044	9,902
			Obtaining of services	452,602	663,542
			Purchase of raw material	1,431	110
			Purchase of property, plant & equipment and spares	10,300	189,425
			Sale of property, plant & equipment	-	43,800
			Receipt of dividend	127,575	-
			Rent	18,484	29,487
			Reimbursement of expenses	134,960	135,088
Krystalite Product (Private) Limited	Related Party	Common management	Sale of goods	457,449	379,763
			Reimbursement of expenses	488	-
Mushtaq & Company (Private) Limited	Related Party	Common management	Sale of goods	86,925	98,498
Gani & Tayub (Private) Limited	Related Party	Common directorship	Payment of dividend	3,241	-
			Charges on account of handling	7,501	6,893
Gatron Foundation	Related Party	Common directorship	Payment of donation	7,388	-
Gatron (Industries) Limited Staff Provident Fund	Retirement benefit fund	Employees fund	Contribution made	19,651	19,128
Gatron (Industries) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Contribution made	3,839	4,061

- The above figures are exclusive of sales tax, where applicable.
- Outstanding balances, as at reporting date, are disclosed in their respective notes.

Transactions and outstanding balances, as applicable in relation to Defined Contribution Plan (DCP) and Key Management Personnel (KMP) have been disclosed in notes 39 of KMP. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Company considers its Chief Executive, Executive Directors and other executives to be KMP.

(Rupees in Thousand)
2018 2017
(Un-audited) (Audited)

43 PROVIDENT FUND RELATED DISCLOSURES

The following information is based on latest financial statements of the Funds.

Size of the Funds - Total Assets	<u>401,552</u>	<u>403,895</u>
Cost of Investments made	<u>366,515</u>	<u>367,364</u>
Fair value of investments	<u>398,122</u>	<u>400,846</u>
Percentage of investments made (Fair value to size of the fund)	<u>99.15%</u>	<u>99.25%</u>

(Rupees in Thousand)

2018		2017	
Amount	%	Amount	%

43.1 The Break-up of cost of investments is:

Shares of Listed Companies	<u>13,188</u>	<u>3.60%</u>	-	0.00%
Government Securities	<u>270,820</u>	<u>73.89%</u>	254,603	69.31%
Debt Securities	<u>31,950</u>	<u>8.72%</u>	29,681	8.08%
Mutual Funds	<u>49,455</u>	<u>13.49%</u>	78,661	21.41%
Bank Deposits	<u>1,102</u>	<u>0.30%</u>	4,419	1.20%
	<u>366,515</u>	<u>100.00%</u>	<u>367,364</u>	<u>100.00%</u>

43.2 Investments out of the provident funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

(Number of employees)
2018 2017

44 NUMBER OF EMPLOYEES

Total number of employees as at June 30	<u>788</u>	<u>824</u>
Total number of plant employees as at June 30	<u>657</u>	<u>697</u>
Average number of employees during the year	<u>799</u>	<u>865</u>
Average number of plant employees during the year	<u>673</u>	<u>736</u>

45 NON ADJUSTING EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors, in its meeting held on August 29, 2018, has recommended cash dividend of Rs.7.50 per share (2017: Rs. Nil). This is in addition to interim cash dividend of Rs.2 per share (2017: Rs. Nil) already paid. The approval of the members for the final cash dividend will be obtained in the Annual General Meeting. Since it is a non adjusting event, the financial statements for the year ended June 30, 2018 do not include the effect of the recommended cash dividend.

46 CORRESPONDING FIGURES

The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of financial statements. The preparation and presentation of these financial statements for the year ended 30 June 2018 is in accordance with requirements in Companies Act 2017. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Major reclassifications include unclaimed dividend of Rs.10.959 million which have been reclassified from trade and other payables to face of statement of financial position separately.

Further, prior year's figure have been reclassified for the purpose of better presentation. Change made during the year is as follows:

Reclassification from component	Reclassification to component	(Rupees in Thousand)
Distribution and selling costs Sundry	Distribution and selling costs Legal & professional fee	1,280

47 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 29, 2018 by the Board of Directors of the Company.

48 GENERAL

Figures have been rounded off to the nearest thousand of Rupees.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer

Pattern of Shareholding

AS ON JUNE 30, 2018

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
310	1	100	17,454
625	101	500	288,891
221	501	1,000	141,963
76	1,001	5,000	149,215
9	5,001	10,000	60,123
1	10,001	15,000	14,300
2	15,001	20,000	31,100
1	65,001	70,000	70,000
1	100,001	105,000	101,000
3	110,001	115,000	345,000
1	115,001	120,000	117,500
1	125,001	130,000	126,000
1	130,001	135,000	132,000
1	135,001	140,000	137,940
1	155,001	160,000	156,000
1	190,001	195,000	190,504
2	215,001	220,000	435,839
1	225,001	230,000	229,880
1	230,001	235,000	234,465
1	285,001	290,000	287,750
1	350,001	355,000	350,414
1	470,001	475,000	470,117
1	580,001	585,000	581,921
1	630,001	635,000	630,320
1	705,001	710,000	706,451
1	970,001	975,000	973,000
1	1,170,001	1,175,000	1,172,422
1	1,325,001	1,330,000	1,327,932
1	1,390,001	1,395,000	1,393,067
1	1,520,001	1,525,000	1,520,565
1	1,600,001	1,605,000	1,602,920
1	1,615,001	1,620,000	1,619,624
1	1,620,001	1,625,000	1,620,387
2	2,045,001	2,050,000	4,093,397
1	2,240,001	2,245,000	2,240,195
1	2,280,001	2,285,000	2,281,100
1	2,795,001	2,800,000	2,796,884
1	2,805,001	2,810,000	2,808,070
1	3,445,001	3,450,000	3,445,400
1	3,460,001	3,465,000	3,463,370
1,281	Total		38,364,480

Categories of Shareholders	shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children.	15,703,230	40.93
Associated Companies, undertakings and related parties.	1,620,387	4.22
NIT and ICP	3,050	0.01
Banks, Development Financial Institutions, Non Banking Financial Institutions.	8,553,030	22.29
Insurance Companies	200	0.00
Modarabas and Mutual Funds	5,800	0.02
Share holders holding 10%	Nil	Nil
General Public		
a. Local	10,710,362	27.92
b. Foreign	164,950	0.43
Others	1,603,471	4.18



**Consolidated
Financial Statements**

Directors' Report on Consolidated Financial Statements of the Group

On behalf of the Board of Directors of M/s. Gatron (Industries) Limited, we are pleased to present the audited Consolidated Financial Statements of the Group for the year ended June 30, 2018.

The Group

The Group comprises of Gatron (Industries) Limited and its subsidiaries i.e Gatro Power (Private) Limited and Global Synthetics Limited.

During the year operations of wholly owned subsidiary M/s. Gatro Power (Private) Limited remained disturbed due to recent major break downs. Upto date all insurance claims have been settled down with insurance companies. The subsidiary company paid cash dividends amounting to Rs. 327.338 million during year.

Global Synthetics Limited has not yet commenced its operations till date.

CONSOLIDATED FINANCIALS

(Rupees in Thousand)

Operating results for the year ended June 30, 2018

Profit before share of profit in associated company	925,338
Share of profit after income tax in associated company	1,451,111
Profit before income tax	2,376,449
Income tax	308,640
Profit after income tax	2,067,809
Un- appropriated Profit brought forward	4,695,857
Un- appropriated Profit carried forward	6,669,762

State of Affairs as on June 30, 2018

Property, Plant and Equipment	2,586,952
Other non-current assets	5,975,109
Current assets	6,644,339
Total assets	15,206,400
Deduct:	
Non-current liabilities	1,148,969
Current liabilities	4,260,379
Total liabilities	5,409,348
Net assets financed by shareholders' equity	9,797,052

AUDITORS

The existing external Auditors, M/s. Kreston Hyder Bhimji & Co., Chartered Accountants, retire at the conclusion of the forthcoming Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

As suggested by the Audit Committee, the Board recommends the appointment of M/s. Kreston Hyder Bhimji & Co., Chartered Accountants as Auditors of the company for the year ending June 30, 2019.

The Auditors of the company M/s. Kreston Hyder Bhimji & Co., Chartered Accountants, have issued an unqualified audit report on consolidated financial statements to the members of the company. As regard to the emphasis paragraph of the Auditors' Report, the detailed explanations have already been given in Note 27.1(a) of the consolidated financial statements for the year ended June 30, 2018.

PEER MOHAMMAD DIWAN
Chief Executive Officer

Haji Haroon Bilwani
Chairman/Director

August 29, 2018

6,644,339	بدل پزیر اثاثہ جات
15,206,400	کل اثاثہ جات
	کٹوتی :
1,148,969	پائیدار واجبات
4,260,379	بدل پزیر واجبات
5,409,348	کل واجبات
9,797,052	خالص اثاثہ جات ادا شدہ مخائبہ ایکوٹی بابتہ حصص یافتگان

آڈیٹرز

موجودہ بیرونی آڈیٹرز میسرز کرسٹن حیدر بھیم جی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس آئندہ سالانہ اجلاس عام کے اختتام پر سبکدوش ہو جائیں گے۔ اہل ہونے کی بنیاد پر انہوں نے دوبارہ تقرری کے لیے خود کو پیش کیا ہے۔

جیسا کہ آڈٹ کمیٹی نے تجویز پیش کی بورڈ نے 30 جون 2019ء کو ختم ہونے والے سال کیلئے کمپنی کے بیرونی آڈیٹرز کی حیثیت سے میسرز کرسٹن حیدر بھیم جی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کے تقرری کی سفارش کی ہے۔

کمپنی کے آڈیٹرز کرسٹن حیدر بھیم جی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس نے کمپنی کے ممبران کو مجموعی مالیاتی گوشوارے پر ایک غیر مشروط جائزہ رپورٹ جاری کی ہے۔ آڈیٹرز کی رپورٹ کے تائیدی پیرا گراف کے ضمن میں 30 جون 2018ء کو ختم شدہ سال کے لیے مجموعی مالیاتی گوشوارے کے نوٹ نمبر 27.1(a) میں مفصل وضاحت پہلے ہی دی جا چکی ہے۔

حاجی ہارون بلوانی
چیئر مین / ڈائریکٹر

پیر محمد یوان
افسر اعلیٰ

29 اگست 2018ء

گروپ کے جامع مالیاتی گوشواروں پر ڈائریکٹرز کی رپورٹ

معزز ممبران،

میسرز گیٹرون (انڈسٹریز) لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 جون 2018ء کو ختم شدہ سال کیلئے گروپ ہذا کے جامع مالیاتی گوشوارے بمسرت پیش کر رہے ہیں۔

گروپ

یہ گروپ میسز گیٹرون (انڈسٹریز) لمیٹڈ اور اس کے مکمل ماتحت اداروں میسز گیٹروپار (پرائیویٹ) لمیٹڈ اور میسز گلوبل سینتھیک لمیٹڈ پر مشتمل ہے۔

کمپنی کے مکمل ملکیتی ماتحت ادارے میسز گیٹروپار (پرائیویٹ) لمیٹڈ کے آپریشنز حالیہ Breakdowns کی وجہ سے مشکلات کا شکار رہے۔ جن پرائسٹورنس کلیمز کے معاملات انشورنس کمپنیوں کے ساتھ طے پا گئے ہیں۔ اس مدت کے دوران ذیلی ادارے نے 30 جون 2018ء کو اختتام پذیر ہونے والے سال کیلئے مبلغ 327.338 ملین روپے کے نقد منافعوں کی ادائیگی کی۔

گلوبل سینتھیک لمیٹڈ نے ابھی تک اپنے آپریشنز کا آغاز نہیں کیا ہے۔

جامع مالیات

آپریٹنگ نتائج برائے سال مختتمہ 30 جون 2018ء	(روپے 000)
منافع قبل از تعین منافع من منسلکہ کمپنیاں	925,338
منافع من منسلکہ کمپنیاں بعد از انکم ٹیکس	1,451,111
منافع قبل از انکم ٹیکس	2,376,449
انکم ٹیکس	308,640
منافع بعد از انکم ٹیکس	2,067,809
غیر متصرف منافع گزشتہ (Un-appropriated profit brought forward)	4,695,857
غیر متصرف منافع حالیہ (Un-appropriated profit carried forward)	6,669,762
30 جون 2018ء تک معاملات کی صورتحال	
املاک، پلانٹ اور ایکویپمنٹ	2,586,952
دیگر پائیدار اثاثہ جات	5,975,109

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GATRON
(INDUSTRIES) LIMITED**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of Gatron (Industries) Limited and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at June 30, 2018, and consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the annexed consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion the annexed consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at June 30, 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the contents of notes 27.1 (a) of the annexed consolidated financial statements relating to provision in respect of WPPF, the ultimate outcome whereof cannot be presently ascertained, and no provision for any liability, that may arise, has been made in the annexed Financial Statements, Our opinion is not qualified in respect of this matter.

Key Audit Matter(s)

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the annexed consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Inventory Valuation:</p> <p>The Group has significant levels of inventory amounting to Rs. 2.735 billion as at the reporting date, being 18% of total Assets of the Group. A number of estimates are involved in the valuation of inventory and judgment has also been applied by management in determining the net realizable values of finished goods.</p> <p>The significance of the balance coupled with the judgments and estimates involved in their valuation has resulted in the inventories being considered as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ➤ Attending the year end stock take to gain comfort over the existence and condition of inventories and internal controls designed by the Group. ➤ Obtaining the final valuation sheets of the inventories, tracing quantities from working papers of physical stock taking and examination of computation of average costs. ➤ Obtaining understanding of internal controls designed by the Group over recording of purchases and valuation of the inventories, and testing their operating effectiveness on sample basis. ➤ Assessing historical costs recorded in the inventory valuation by performing test of details on purchases. ➤ Assessing the management's determination of the net realizable values testing sales prices fetched by the Group before and after year end. ➤ Performing analytical and other relevant audit procedures. ➤ Considering the adequacy of the Group's disclosures in respect of inventories.
2.	<p>Contingencies:</p> <p>The Company is under litigation cases in respect of various matters including Gas Infrastructure Developments Cess (GIDC) and other miscellaneous cases as disclosed in note 27 of the consolidated financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ➤ Assessing management's processes to identify new possible obligations and changes in existing obligations through meetings with the management and review of the minutes of meetings of the Board of Directors and Audit Committee. ➤ Review of the relevant information including case proceedings and

	<p>Given the nature of contingencies, the assessment of the existence of the present legal or constructive obligation, analysis of the probability of the related payments and analysis of a reliable estimate, requires significant management's judgment to ensure appropriate accounting and disclosures. These judgments can change over time as new facts emerge and the case progresses. Therefore, we have identified this matter as a key audit matter.</p>	<p>correspondences in respect of the ongoing litigations.</p> <ul style="list-style-type: none"> ➤ Obtaining confirmation from the legal counsels of the Group to evaluate the status of the pending litigations and view point of the Group's legal counsels thereon. ➤ Evaluating legal and professional expenses to confirm that all pending legal matters are identified and disclosed. ➤ Re-computing the amounts of obligations based on available underlying information and confronted parameters. ➤ Assessing the appropriateness of the related disclosures made in the consolidated financial statements in light of IAS-37 "Provisions and Contingencies".
3.	<p>Preparation of Consolidated Financial Statements under Companies Act, 2017:</p> <p>The Companies Act, 2017 (the Act) became applicable for the first time for the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018.</p> <p>The Act forms an integral part of the statutory financial reporting framework as applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various items of the consolidated financial statements.</p> <p>This matter is considered a key audit matter in view of the extensive impacts in the financial statements and also because failure to comply with the requirements of the Act, could have financial and reputational impacts leading to regulatory actions.</p>	<p>Our audit procedures in this respect included the following:</p> <ul style="list-style-type: none"> ➤ Obtaining an understanding of the provisions of the Act applicable to the Company. ➤ Discussing the applicable changes with the Group's management as to whether the Company is complying with such changes and evaluating view point of management and the process applied by the management to make comply with disclosure and presentation requirement. ➤ Testing on sample basis the underlying information and evidences for the disclosures required by the Act and ensuring appropriateness. ➤ Evaluating the sources of information used by the management for making the disclosures as per the Act and the internal consistency of such disclosures with other elements of the consolidated financial statements.

Information Other than the Consolidated Financial Statements and Auditor's Report thereon

Management is responsible for the other information. The other information comprises the information included in the Annual report of the Company, but does not include the un-consolidated and consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and Companies Act, 2017 and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

W

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

✓

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is
Mohammad Hanif Razzak.


Chartered Accountants
Karachi: 
Dated: 29 AUG 2018

Consolidated Statement of Financial Position

AS AT JUNE 30, 2018

	Note	(Rupees in Thousand)	
		2018	2017
ASSETS			
Non - current Assets			
Property, plant and equipment	6	2,586,952	2,594,985
Long term investment	7	5,970,689	4,661,006
Long term loans	8	88	752
Long term deposits	9	4,332	1,666
		8,562,061	7,258,409
Current Assets			
Stores, spare parts and loose tools	10	779,255	621,322
Stock in trade	11	2,734,755	2,196,552
Trade debts	12	1,128,940	1,623,415
Loans and advances	13	114,155	43,154
Trade deposits and short term prepayments	14	36,263	9,137
Other receivables	15	134,836	211,823
Advance income tax		30,000	-
Taxes refund due from Federal Government	16	308,518	347,438
Cash and bank balances	17	1,377,617	1,221,217
		6,644,339	6,274,058
TOTAL ASSETS		15,206,400	13,532,467
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	383,645	383,645
Capital reserve	19	383,645	383,645
General reserve	20	2,360,000	2,360,000
Unappropriated profit		6,669,762	4,695,857
		9,797,052	7,823,147
LIABILITIES			
Non - current Liabilities			
Long term financing	21	-	122,431
Deferred liabilities	22	1,148,969	1,009,547
		1,148,969	1,131,978
Current Liabilities			
Trade and other payables	23	3,584,631	2,365,129
Accrued mark up	24	142	4,583
Short term borrowings	25	580,017	2,143,874
Unclaimed dividend		11,238	10,959
Current portion of long term financing	21	-	13,603
Provision for income tax less payments	26	84,351	39,194
		4,260,379	4,577,342
CONTINGENCIES AND COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		15,206,400	13,532,467

The notes 1 to 48 annexed herewith form an integral part of these consolidated financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer

Buying/Selling closing conversion rates were 1 US\$=Rs.121.40/121.60, 1 Euro €=Rs.141.33/141.57 and 1 Pound £= Rs.159.14/159.41

Consolidated Statement Of Profit Or Loss

FOR THE YEAR ENDED JUNE 30, 2018

	Note	(Rupees in Thousand) 2018	2017
Sales	28	12,730,864	12,091,429
Cost of sales	29	11,206,147	11,542,989
Gross profit		1,524,717	548,440
Distribution and selling costs	30	194,294	186,656
Administrative expenses	31	235,337	235,061
Other operating expenses	32	188,688	37,351
		618,319	459,068
		906,398	89,372
Other income	33	33,754	87,577
Operating profit		940,152	176,949
Finance costs	34	14,814	33,308
		925,338	143,641
Share of profit after income tax in associated company	7.1	1,451,111	916,137
Profit before income tax		2,376,449	1,059,778
Income tax - Current and prior		185,308	9,193
Deferred		123,332	156,710
	35	308,640	165,903
Profit after income tax		2,067,809	893,875
Earnings per share - Basic and diluted (Rupees)	36	53.90	23.30

- (1) The Board of Directors of Parent Company has recommended cash dividend for the year ended June 30, 2018 of Rs.7.50 per share (i.e.75%). This is in addition to interim cash dividend of Rs.2.00 per share (i.e.20%) refer note 45.
- (2) The notes 1 to 48 annexed herewith form an integral part of these consolidated financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2018

	Note	(Rupees in Thousand) 2018	2017
Profit after income tax		2,067,809	893,875
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Loss on remeasurement of defined benefit plan having nil tax impact	22.2	(3,322)	(4,680)
Share of other comprehensive (loss)/income of associate - net of tax		(3,686)	528
<i>Items that may be reclassified subsequently to profit or loss</i>			
Share of other comprehensive (loss)/income of associate - net of tax	7.1	(10,167) (13,853)	3,458 3,986
Total comprehensive income		<u>2,050,634</u>	<u>893,181</u>

The notes 1 to 48 annexed herewith form an integral part of these consolidated financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

MOHAMMAD YASIN BILWANI
Chief Financial Officer

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2018

	Note	(Rupees in Thousand) 2018	2017
Cash Flows from/(towards) Operating Activities			
Profit before income tax		2,376,449	1,059,778
Adjustments for:			
Depreciation	6.2	384,196	374,427
Impairment of operating fixed assets	6.1	115,211	-
Provision for defined benefit plan	22.2	34,581	32,798
Gain on disposal of property, plant and equipment	33	(15,020)	(6,241)
Loss on disposal of property, plant and equipment	32	-	1,299
Loss on scrapped items of property, plant and equipment	32	11,923	-
Provision for doubtful trade debts - net	32	1,842	10,273
Provision for slow moving stores, spare parts and loose tools - net	32	7,513	20,044
Reversal of provision for Workers' welfare fund	33	-	(67,878)
Share of profit after income tax in associated company	7.1	(1,451,111)	(916,137)
Finance costs	34	14,814	33,308
Profit on deposits	33	(50)	-
		(896,101)	(518,107)
		1,480,348	541,671
(Increase)/decrease in current assets:			
Stores, spare parts and loose tools		(165,446)	12,586
Stock in trade		(538,203)	(176,060)
Trade debts		492,633	(884,975)
Loans and advances		(71,931)	(14,454)
Trade deposits and short term prepayments		(27,126)	43,146
Other receivables		76,990	72,020
Taxes refund due from Federal Government		-	(35,481)
		(233,083)	(983,218)
Increase in Trade and other payables		1,208,339	664,375
Cash flows from operations		2,455,604	222,828
(Payments for)/receipts of:			
Long term loans		1,594	986
Long term deposits		(2,666)	-
Defined benefit plan	22.2	(21,813)	(7,270)
Profit on deposits		47	-
Finance costs		(19,255)	(36,371)
Income tax		(131,231)	(58,135)
Net cash flows from operating activities		2,282,280	122,038
Cash Flows (towards)/from Investing Activities			
Additions in property, plant and equipment		(533,835)	(591,709)
Proceeds from disposal of property, plant and equipment	6.3	56,721	71,249
Dividend received from associated company	7	127,575	-
Net cash flows towards investing activities		(349,539)	(520,460)
Cash Flows (towards)/from Financing Activities			
Long term financing - proceeds		-	136,034
Long term financing - repayment		(136,034)	-
Dividend paid		(76,450)	(15,973)
Net cash flows (towards)/from financing activities		(212,484)	120,061
Net increase/(decrease) in cash and cash equivalents		1,720,257	(278,361)
Cash and cash equivalents at the beginning of the year		(922,657)	(644,296)
Cash and cash equivalents at the end of the year	37	797,600	(922,657)

The notes 1 to 48 annexed herewith form an integral part of these consolidated financial statements.

Haji Haroon Bilwani
Chairman

Peer Mohammad Diwan
Chief Executive

Mohammad Yasin Bilwani
Chief Financial Officer

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2018

(Rupees in Thousand)

	Share Capital	Capital Reserve			General reserve	Unappropriated profit	Total
		Share Premium	Other	Sub Total			
Balances as at July 01, 2016	383,645	383,645	75,000	458,645	2,285,000	3,802,676	6,929,966
Total comprehensive income for the year ended June 30, 2017	-	-	-	-	-	893,181	893,181
Transfer from Capital reserve to General reserve	-	-	(75,000)	(75,000)	75,000	-	-
Balances as at June 30, 2017	383,645	383,645	-	383,645	2,360,000	4,695,857	7,823,147
Total comprehensive income for the year ended June 30, 2018	-	-	-	-	-	2,050,634	2,050,634
Transactions with owners							
Interim cash dividend for the year ended June 30, 2018 at Rs.2.00 per share i.e. @20%	-	-	-	-	-	(76,729)	(76,729)
Balances as at June 30, 2018	383,645	383,645	-	383,645	2,360,000	6,669,762	9,797,052

- (1) Included in un-appropriated profit, is a sum of Rs 5,403.689 million, representing proportionate share in un-appropriated profit of an associated company Messrs. Novatex Limited upto March 31, 2018, which is not available for distribution to the shareholder of the Parent Company, until realised.
- (2) The notes 1 to 48 annexed herewith form an integral part of these consolidated financial statements.

Haji Haroon Bilwani
Chairman

Peer Mohammad Diwan
Chief Executive

Mohammad Yasin Bilwani
Chief Financial Officer

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2018

1 THE GROUP AND ITS OPERATIONS

The Group consists of :

Gatron (Industries) Limited
Gatro Power (Private) Limited
Global Synthetics Limited

The Parent Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are being quoted at Pakistan Stock Exchange since 1992. The principal business of the Parent Company is manufacturing of Polyester Filament Yarn through its self-produced Polyester Polymer/Chips. The Parent Company also produces Pet Preforms and is also capable of producing PET Bottle Grade Chips. The registered office of the Parent Company is situated at Room No. 32, 1st floor, Ahmed Complex, Jinnah Road, Quetta whereas the manufacturing facility of the Parent Company is situated at Plot No 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub Chowki, Distt Lasbela, Balochistan and Liaison office of the Parent Company is situated at 11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

Gatro Power (Private) Limited is a wholly owned subsidiary of Gatron (Industries) Limited. The principal business of the Subsidiary Company is to generate and sales electric power. The registered office of the Subsidiary Company is situated at Room No. 32, 1st floor, Ahmed Complex, Jinnah Road, Quetta. The plant of the Subsidiary Company is situated at Plot No. 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub Chowki, Distt Lasbela, Balochistan and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

Global Synthetics Limited is a wholly owned subsidiary of Gatron (Industries) Limited, which has yet to commence its operations. The registered office of the Subsidiary Company is situated at Room No.50, 2nd floor, Ahmed Complex, Jinnah Road, Quetta and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

2 SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS DURING THE YEAR

- After long investigative procedure, National Tariff Commission of Pakistan had imposed Anti Dumping Duty on competing yarn in August 2017, which is still in frivolous litigation at different forums by importers to somehow evade/escapes the Anti Dumping Duty.
- In Finance Act 2017-18, the Government of Pakistan had imposed 5% Regulatory Duty on competing imported yarn to provide level playing field to local industry for increasing domestic capacity and production.
- Increase in utilization of yarn capacity due to imposition of regulatory duty on Polyester Filament Yarn.
- Upward trend in prices of polyester chain with higher margin over raw material in PET Resin/Preform witnessed in international markets as well as devaluation of Pak Rupee against major currencies.
- Expansion in capacity of Polyester Filament Yarn by upgradation of the plant equipments.
- Expansion in Polyester PET Preform capacity by addition of Molding machines.

- Due to devaluation of Pak Rupee, the Parent Company has suffered net exchange loss for the year Rs.62.607 million.
- Provision of super tax is accounted for in line with applicable laws.
- Expansion in generation capacity of Subsidiary Company Messrs. Gatro Power (Private) Limited by adding new gas generators.
- Operations of the Subsidiary Company Messrs. Gatro Power (Private) Limited remained disturbed during the year due to break downs. All insurance claims in this regard have been settled down.

3 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Parent Company Gatron (Industries) Limited, Subsidiary Companies Gatro Power (Private) Limited and Global Synthetics Limited. The financial statements of the Parent and Subsidiary Companies are prepared upto the same reporting date using consistent accounting policies. Assets and liabilities of the subsidiaries have been consolidated on line by line basis and the carrying value of investment held by Parent Company is eliminated against the subsidiaries share capital, intra Group balances and transactions are eliminated.

4 BASIS OF PREPARATION

4.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017 have been followed.

4.2 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that became effective during the year

The following Standards, interpretations and amendments to published approved accounting standards became effective during the year.

IAS-7	Statement of Cash Flows (Amendment)
IAS-12	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)
IFRS-7	Financial Instruments: Disclosures – Disclosure Initiative (Amendments)

These Standards, interpretations and amendments as also communicated in the preceding year, do not have significant impact on Group's consolidated financial statements except for some additional disclosures. In addition to above, certain new cycle of improvements are applicable in current year, are either considered not to be relevant or are not expected to have significant impact to the Group's consolidated financial statements and hence have not been specified.

The Companies Act, 2017 has also brought certain changes with regards to preparation and presentation of annual and interim consolidated financial statements of the Group.

Further, the disclosure requirements contained in the fourth schedule to the Companies Act, 2017 have been revised, resulting in the:

- elimination of duplicative disclosures with the IFRS disclosure requirement: and
- incorporation of significant additional disclosures.

b) Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following IFRS Standards as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2018:

IAS-19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Group's consolidated financial statements.

IAS-28 Annual Improvements to IFRSs 2014-2016 Cycle [Amendments 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit and loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Group's consolidated financial statements.

Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Group's consolidated financial statements.

IAS-40 Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there is a change in use. A

change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Group's consolidated financial statements.

- IFRS-2 Classification and Measurement of Share-based Payment Transactions - amendments clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on the Group's consolidated financial statements.
- IFRS-9 'Financial Instruments' and amendment – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The management has completed an initial assessment of changes required in classification and measurement of financial instruments on adoption of the standard and has also carried out an initial exercise to calculate impairment required under expected credit loss model. Based on initial assessment the management considered that there is no significant change in the recognition criteria or carrying value of the financial assets or liabilities and no additional significant impairment is expected.
- IFRS-15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programmes'. The management has completed an initial assessment of the potential impact on revenue and considered that the impact would not be significant.
- IFRS-16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

- IFRIC-22 IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Group's consolidated financial statements.
- IFRIC-23 IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Group's consolidated financial statements.

These standards, interpretations and the amendments are either not relevant to or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures, if applicable in certain circumstances.

Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:

- IAS-12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS-23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- IFRS-3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Group's consolidated financial statements.

New Standards issued by IASB but not yet been notified by SECP

Following new standards issued by IASB but not yet effective:

IFRS – 1	First Time Adoption of IFRS	January 01, 2013
IFRS – 14	Regulatory Deferral Accounts	January 01, 2016
IFRS – 17	Insurance Contracts	January 01, 2021

4.3 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except otherwise specifically stated in note 5.

These consolidated financial statements have been prepared following accrual basis of accounting except for statement of cash flows.

4.4 Critical Accounting Estimates and Judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that have an effect on the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on experience and various other factors that, in the considered opinion of the management, are reasonable, under the circumstances, the results whereof provide the basis of making judgment in relation to carrying value of assets and liabilities that are not readily measurable, using other means. The definitive impact of ultimate outcome, may fluctuate from these estimates.

The estimates and underlying assumptions are periodically appraised. Revision to accounting estimates is recognized and effect is given in the period in which estimates are revised, or in the period of the revision and future periods as appropriate.

Judgments made by management that have significant effect on the consolidated financial statements and estimates with a significant probability of material adjustment in future are disclosed hereunder:

a) Property, plant and equipment

The Group's management reviews the estimated useful lives and related depreciation charge for its property, plant and equipment on each reporting date. The Group reviews the value of the assets for possible impairment on each reporting date where there is any such indication. Any change in the estimate in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation, impairment and deferred tax.

b) Trade debts, advances and other receivables

The estimates of doubtful trade debts, advances and other receivables are made, using and appropriately judging the relevant inputs and applying parameters as stated in note 5.2 & 5.6, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effect of variation is recorded as and when it takes place.

c) Stock in trade

The Parent Company reviews the net realisable value of stock-in-trade to assess any diminution in the carrying values on each reporting date. Net realisable value is determined with respect to estimated selling prices less estimated expenditure to make the sales.

d) Stores, spare parts and loose tools

The estimate of slow moving and obsolete stores, spare parts and loose tools, are made, using and appropriately judging the relevant inputs and applying the parameter i.e age analysis and obsolescence, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effects of variation is recorded as and when it takes place.

e) Defined benefit plan

The actuarial valuation of defined benefit plan, have been premised on certain actuarial hypothesis, as disclosed in note 5.8 (b). Changes in assumptions in future years may affect the liability under this scheme upto those years.

f) Income tax

In making the estimate for income tax liabilities, the management considers current income tax law and the decisions of appellate authorities. Deferred tax estimate is made considering future applicable tax rate, as also stated disclosed in note 5.10.

g) Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Group, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence/non-occurrence of the uncertain future event(s).

4.5 Functional and reporting currency

These consolidated financial statements are presented in Pakistani Rupee, which is the Group's functional currency.

5 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied throughout the year.

5.1 Property, plant and equipment

Initial recognition & measurement:

These are stated at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost. No amortisation is provided on leasehold land since the leases are renewable at the option of the lessee at nominal cost and their realisable values are expected to be higher than respective carrying values.

Depreciation:

Depreciation is charged on diminishing balance method except overhauling of generators, which are depreciated at straight line method, at the rates mentioned in Note 6.1, whereby the depreciable amount of an asset is written off over its estimated useful life. Depreciation on addition is charge from the month of the asset is available for use upto the month prior to disposal.

Subsequent costs:

Subsequent costs (including those on account of major repairs) are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future additional economic benefits associated with such additional cost will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance incurred are taken to consolidated statement of profit or loss.

Impairment:

The carrying amounts of the Group's assets are reviewed at each reporting date where there is any indication of impairment. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their respective estimated recoverable amounts. Where estimated carrying amounts exceed the respective recoverable amounts, the estimated carrying amounts are appropriately adjusted with impairment loss recognised in consolidated statement of profit or loss for the year. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Fair value means the amount for which an asset could be exchanged between knowledgeable and willing parties in an arm's length transaction. Where an impairment loss is recognised, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

Gain or Loss:

Gain or loss on deletion of property, plant and equipment, if any, is taken to consolidated statement of profit or loss.

5.2 Impairment of assets

Value of all Group's assets are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated and carrying amounts are adjusted accordingly. Impairment losses are recognised in the consolidated statement of profit or loss.

5.3 Investments

Associated Company

Investment in Associated Company is stated under Equity Method of accounting after having initially recognised at cost. Gains and losses on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate unless in case of losses the transaction provides evidence of an impairment of the assets transferred.

5.4 Stores, spare parts and loose tools

These are valued at weighted average cost. Items in transit are valued at cost comprising of invoice value and other incidental charges incurred thereon till the reporting date. Adequate provision is made for slow moving and obsolete items based on parameter set out by the management as stated in note 4.4 (d). The major value spares and stand by equipments are capitalized and depreciated according to their useful life.

5.5 Stock in trade

These are valued at lower of weighted average cost and net realisable value. The value of goods in process and finished goods represents costs of direct materials plus applicable labour and production overheads.

Net realisable value signifies the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Stock in transit is valued at cost comprising invoice value plus other incidental charges incurred thereon upto the reporting date.

5.6 Trade debts

Trade debts are recognised at invoice value which is fair value of the goods sold. Export debtors are translated into Rupee at the rate prevailing on the reporting date. A provision for doubtful debt is established when there is objective evidence that the Parent Company will not be able to collect amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provision is recognised in the consolidated statement of profit or loss. When a trade debt is uncollectible, it is written off.

5.7 Cash and cash equivalents

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances and short term borrowings.

5.8 Employees' post employment benefits

a) Defined contribution plan

The Group and the eligible employees contribute equally to recognised provident funds.

b) Defined benefit plan

The Group operates an unfunded defined gratuity scheme, in addition to defined contribution plan being not mandatory under the law, for its employees and working directors who attain the minimum qualification period. The obligation is determined through actuarial valuation by an independent actuary using the "Projected Unit Credit Method". The latest actuarial valuation was conducted on the balances as at June 30, 2018.

5.9 Compensated unavailed leaves

The Group accounts for its estimated liability towards unavailed leaves accumulated by employees on accrual basis.

5.10 Income Tax

Current

The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemptions available, if any, or minimum tax and alternate corporate tax under section 113 & 113C of the Income Tax Ordinance, 2001, whichever is higher. The Parent Company to the extent of export sales fall under the final tax regime under section 154 or 169 of the Income Tax Ordinance, 2001. The charge for current tax also includes adjustments, where considered necessary, to provision for taxation made in previous years arising from assessments framed during the year for such years.

Profits and gains derived by the Subsidiary Company i.e. Gatro Power (Private) Limited from electric power generation project are exempt from income tax under clause 132 of Part-I of the Second Schedule to the Income Tax Ordinance, 2001. The Subsidiary Company is also exempt from minimum tax on turnover under section 113 as per clause 11 (V) of the Part-IV of Second Schedule to the Income Tax Ordinance, 2001.

Deferred

The Parent Company accounts for deferred income tax on all temporary timing differences using the liability method. Deferred income tax assets are recognised to the extent, it is probable that taxable profit will be available against which, the deductible temporary differences, unused tax losses and tax credits, can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the reporting date. In this regard, the effect on deferred taxation of the portion of income expected to be subject to final tax regime is adjusted.

5.11 Trade and other payables

Trade and other payables are carried at cost, which is the fair value of the consideration to be paid in future for goods and services recognized upto reporting date.

5.12 Provision

Provision is recognised when the Group has present legal or constructive obligations as result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and reliable estimate of the amounts can be made.

5.13 Borrowings and their costs

Borrowings are recorded as the proceeds received.

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction, installation or production of a qualifying asset, where borrowing costs, if any, are capitalised as part of the cost of that asset.

5.14 Foreign currency transactions and translation

Foreign currency transactions are recorded into Rupee using the prevailing exchange rates. As on reporting date, monetary assets and liabilities in foreign currencies are translated into Rupee at the prevailing exchange rates on the reporting date. Resultant exchange differences are taken to consolidated statement of profit or loss.

5.15 Revenue recognition

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. The revenue from diverse sources is recognised as explained below:

- Sale are recognised on dispatch of goods to customer.
- Processing services are recognised on completion of services rendered.

- Dividend income is recognised when the right of receipt is established.
- Income from rent is recognized on accrual basis.
- Storage and handling income is recognised on accrual basis.
- Profit on deposit is recognised using the effective interest method.

5.16 Dividend and appropriation to reserve

Liability for dividend and appropriation to reserve are recognised in the consolidated financial statements in the period in which these are approved.

Transfer between reserves made subsequent to the reporting date is considered as a non-adjusting event and is recognised in the period in which such transfers are made.

5.17 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the Group becomes a party to the contractual provisions of the financial instruments and derecognised fully or partly when the Group fully or partly loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is fully or partly discharged, cancelled or expired. Any gain or loss representing value differential if any on derecognition of the financial assets and financial liabilities is taken to consolidated statement of profit or loss.

5.18 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the consolidated statement of financial position, if the Group has a legally enforceable right to set-off the recognised amounts and the Group intends either to settle on a net basis or to realise the asset and discharge the liability simultaneously.

5.19 Segment information

Operating segments are reported in a manner consistent with the internal reporting structure. Management monitors the operating results of its business units separately for the purpose of making decisions regarding resource allocation and performance assessment.

Segment results, assets and liabilities include items directly attributable to segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure have the total cost incurred during the year to acquire property, plant and equipment. Segment results are stated in note 40.

	Note	(Rupees in Thousand)	
		2018	2017
6 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	2,399,123	2,257,866
Capital work in progress	6.5	187,829	337,119
		<u>2,586,952</u>	<u>2,594,985</u>

6.1 Operating fixed assets

Particulars	Land		Building		Office premises	Plant and machinery	Furniture and fixture	Factory equipment	Office equipment	Motor vehicles	Overhauling of generators	Store and spares held for capital expenditure	TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land									
----- (Rupees in thousand) -----													
Net carrying value Year ended June 30, 2018													
Net book value (NBV) as at 01st July	25,320	14,814	733	122,669	3,836	1,902,176	2,558	30,500	6,111	66,900	74,974	7,275	2,257,866
Additions	-	-	-	-	-	17,773	1,254	15,213	3,033	26,972	-	-	64,245
Transfer from capital work in progress	-	-	-	-	-	548,383	-	-	-	-	81,660	-	630,043
Disposal at NBV	-	-	-	-	-	36,157	-	-	-	-	5,544	-	41,701
Scrapped at NBV	-	-	-	-	-	10,205	157	637	924	-	-	-	11,923
Depreciation	-	-	73	12,267	384	319,021	661	7,824	1,792	15,654	25,473	1,047	384,196
Impairment	-	-	-	2,021	-	113,190	-	-	-	-	-	-	115,211
Net book value as at 30th June	25,320	14,814	660	108,381	3,452	1,989,759	2,994	37,252	6,428	72,674	131,161	6,228	2,399,123
Gross carrying value At June 30, 2018													
Cost	25,320	14,814	14,248	473,227	9,902	7,961,935	9,533	76,590	21,266	175,043	230,290	14,838	9,027,006
Accumulated depreciation	-	-	13,588	364,846	6,450	5,972,176	6,539	39,338	14,838	102,369	99,129	8,610	6,627,883
Net book value	25,320	14,814	660	108,381	3,452	1,989,759	2,994	37,252	6,428	72,674	131,161	6,228	2,399,123
Net carrying value Year ended June 30, 2017													
Net book value as at 01st July	25,320	14,814	815	97,451	4,262	2,033,309	2,959	31,411	7,857	74,301	78,540	9,828	2,380,867
Additions	-	-	-	-	-	45,203	205	3,721	384	11,023	-	-	60,536
Transfer from capital work in progress	-	-	-	36,169	-	200,999	-	2,034	-	-	17,995	-	257,197
Transfer at NBV	-	-	-	-	-	1,326	-	-	-	-	-	(1,326)	-
Disposal at NBV	-	-	-	-	-	63,529	-	42	29	2,707	-	-	66,307
Depreciation	-	-	82	10,951	426	315,132	606	6,624	2,101	15,717	21,561	1,227	374,427
Net book value as at 30th June	25,320	14,814	733	122,669	3,836	1,902,176	2,558	30,500	6,111	66,900	74,974	7,275	2,257,866
Gross carrying value At June 30, 2017													
Cost	25,320	14,814	14,248	473,227	9,902	7,681,567	19,084	88,484	62,490	164,822	148,630	14,838	8,717,426
Accumulated depreciation	-	-	13,515	350,558	6,066	5,779,391	16,526	57,984	56,379	97,922	73,656	7,563	6,459,560
Net book value	25,320	14,814	733	122,669	3,836	1,902,176	2,558	30,500	6,111	66,900	74,974	7,275	2,257,866

Depreciation rate

% per annum - - 10 10 10 10 to 33 20 20 20 to 30 20 10 to 30 10 to 15

6.2 Depreciation for the year has been allocated as follows:

	Note	(Rupees in Thousand)	
		2018	2017
Cost of sales	29	378,075	368,600
Distribution and selling costs	30	501	513
Administrative Expenses	31	5,620	5,314
		384,196	374,427

6.3 Detail of property, plant and equipment disposed off during the year :

(Rupees in Thousand)

Description	Cost	Book Value	Sale Proceeds	Profit / (Loss)	Mode of Disposal	Particulars of Buyers
PLANT & MACHINERY						
Injection Molding Machine	65,945	11,003	15,428	4,425	Negotiation	M/s. Machinepoint Consultants Parque Technologico De Boecillo, C/Andres-Laguna 911, E-47151 Boecillo (Espana).
Mold	53,081	24,951	29,337	4,386	Negotiation	M/s. Cristal Plastic Industrial LLC. Near Bubble Laundry, P.O Box 13224, Mussafah Abu Dhabi, United Arab Emirates.
Items having book value upto Rs.500 thousand each	9,709	203	1,462	1,259	Negotiation	Various
Items having book value upto Rs.500 thousand each	157,053	10,205	-	(10,205)	Scrapped	-
Sub Total	285,788	46,362	46,227	(135)		
FURNITURE & FIXTURE						
Items having book value upto Rs.500 thousand each	10,805	157	-	(157)	Scrapped	-
Sub Total	10,805	157	-	(157)		
FACTORY EQUIPMENT						
Items having book value upto Rs.500 thousand each	27,107	637	-	(637)	Scrapped	-
Sub Total	27,107	637	-	(637)		
OFFICE EQUIPMENT						
Items having book value upto Rs.500 thousand each	44,257	924	-	(924)	Scrapped	-
Sub Total	44,257	924	-	(924)		
MOTOR VEHICLES						
Honda Civic BBN-520	2,156	1,049	1,597	548	Group Policy	Mr. Idress (Employee)
Suzuki Cultus BCB-248	1,039	543	864	321	— do —	Mr. Yousuf (Employee)
Toyota Corolla AXU-371	1,607	528	751	223	— do —	Mr. Aftab Alam (Employee)
Honda City BDN-875	1,522	879	1,260	381	— do —	Mr. Abdul Ghaffar (Employee)
Items having book value upto Rs.500 thousand each	10,427	2,545	6,022	3,477	Various	Various
Sub Total	16,751	5,544	10,494	4,950		
Total - 2018	384,708	53,624	56,721	3,097		
Total - 2017	232,524	66,307	71,249	4,942		

6.3.1 Detail of net gain on disposal of property, plant & equipment

	Note	(Rupees in Thousand) 2018	2017
Gain on disposal of property, plant & equipment	33	15,020	6,241
Loss on disposal of property, plant & equipment	32	-	(1,299)
Loss on scrapped items of property, plant & equipment	32	(11,923)	-
		3,097	4,942

6.4 Particulars of Group's immovable operating fixed assets are as follows :

Particulars	Location	Approximate Area
Land		
Freehold	H.I.T.E., Hub Chowki, Distt. Lasbela Balochistan	10 Acres
Freehold	Manghopir, Gadap Town, Karachi	13 Acres
Freehold	Landhi, Karachi	6 Acres
Leasehold	H.I.T.E., Hub Chowki, Distt. Lasbela Balochistan	35 Acres
Building		
On Freehold land	H.I.T.E., Hub Chowki, Distt. Lasbela Balochistan	5,500 Sq. Meters
On Leasehold land	H.I.T.E., Hub Chowki, Distt. Lasbela Balochistan	113,500 Sq. Meters
Office Premises	M.A Jinnah Road / Dunolly Road Karachi	1,150 Sq. Meters
Office Premises	I.I Chundrigar Road, Karachi	225 Sq. Meters
Office Premises	Jinnah Road, Quetta	115 Sq. Meters
Office Premises	Ketcheri Bazar, Faisalabad	85 Sq. Meters

6.5 Capital Work-in-Progress

	(Rupees in Thousand)			
	Balance as at July 1, 2017	Additions	Transfer to Operating fixed assets	Balance as at June 30, 2018
Factory building on lease hold land under construction	-	4,606	-	4,606
Plant and machinery under erection	300,839	430,767	(548,383)	183,223
Overhauling in progress	36,280	45,380	(81,660)	-
	<u>337,119</u>	<u>480,753</u>	<u>(630,043)</u>	<u>187,829</u>
	Balance as at July 1, 2016	Additions	Transfer to Operating fixed assets	Balance as at June 30, 2017
Factory building on lease hold land under construction	19,941	16,228	(36,169)	-
Plant and machinery under erection	27,303	474,535	(200,999)	300,839
Factory equipment	-	2,034	(2,034)	-
Overhauling in progress	15,769	38,506	(17,995)	36,280
	<u>63,013</u>	<u>531,303</u>	<u>(257,197)</u>	<u>337,119</u>

	Note	(Rupees in Thousand) 2018	2017
7 LONG TERM INVESTMENT			
Associated company - Novatex Limited			
56.7 million (2017: 56.7 million) fully paid ordinary shares of Rs.10 each			
As at 01st July		4,661,006	3,740,883
Share of profit after income tax for the period	7.1	1,437,258	920,123
Dividend received		(127,575)	-
as at 30th June	7.2	5,970,689	4,661,006

The Parent Company holds 36.83% interest in an associated company Messrs. Novatex Limited, which is a public limited (Un-quoted) company. Share of profit arising from the associate has been taken to consolidated statement of profit or loss in accordance with the accounting policy as mentioned in note no. 5.3. The share of Parent Company in the net assets has been determined on the basis of the un-audited financial statements for the period ended March 31, 2018.

7.1 The Parent Company's share in profit or loss

Sales	16,548,449	12,970,007
Cost of sales	13,963,442	11,361,139
Gross profit	2,585,007	1,608,868
Other expenses, income and taxes	1,133,896	692,731
Profit after taxation	1,451,111	916,137
Other comprehensive (loss)/income	(13,853)	3,986
Total comprehensive income	1,437,258	920,123

7.2 The Parent Company's interest in assets & liabilities:

Property, plant and equipment	3,606,806	3,445,478
Other non - current assets	313,018	183,186
Current assets	7,600,063	4,731,516
	11,519,887	8,360,180
Long term liabilities	1,379,277	754,800
Current liabilities	4,169,921	2,726,981
	5,549,198	3,481,781
Net assets as at March 31	5,970,689	4,878,399
Less: Sponsors loan classified in equity	-	217,393
	5,970,689	4,661,006

7.3 The Parent Company's share in Contingencies & Commitment:

Contingencies

The associated company Messrs. Novatex Limited along with several other companies has filed a Constitution Petition in the Honorable Sindh High Court against a notice issued by the Employment Old Age Benefits Institution (EOBI) to the associated company to pay contribution at the revised rate of wages with retrospective effect. The Honorable High Court of Sindh has already restrained EOBI from taking any coercive action against the associated company. No provision of the amount involved Rs.21.339 million (2017: Rs.16.113 million) has been made as the associated company is confident of the favorable outcome of the Petition.

Guarantees

Bank guarantees issued by banks on behalf of the associated company Messrs. Novatex Limited amounted to Rs.553.156 million (2017: Rs.486.861 million) out of total of Rs.1,501.893 million (2017: Rs.1,321.893 million) for fuel, utilities and imports.

Commitments

The local / import commitments, against which banks have opened letters of credit, in favor of different suppliers, are as follows:

	Note	(Rupees in Thousand)	
		2018	2017
Property, plant and equipment		52,179	-
Raw material	7.3.1	282,428	452,082
Stores and spare parts		53,843	18,300
		<u>388,450</u>	<u>470,382</u>

7.3.1 These include Rs.42.564 (2017: Rs. Nil) in respect of local letter of credit.

7.4 Investment in associated company or undertaking have been made in accordance with the requirements under the Companies Act, 2017.

8 LONG TERM LOANS - Considered good Secured - Interest free

To employees other than Chief Executive & Directors		4,254	5,848
Amount due in twelve months shown			
under current assets	13	(4,166)	(5,096)
Recoverable within three years		<u>88</u>	<u>752</u>

8.1 The above loans are under the terms of employment and are secured against the post employment benefits of the employees.

8.2 Interest free long term loans have been carried out at cost as the effect of carrying these balances at amortised cost is not material.

9 LONG TERM DEPOSITS

Security deposits for utilities and others		<u>4,332</u>	<u>1,666</u>
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10 STORES, SPARE PARTS AND LOOSE TOOLS

In hand:

Stores		134,527	115,697
Spare parts		653,215	532,396
Loose tools		5,338	4,831
		<u>793,080</u>	<u>652,924</u>

Provision for slow moving stores, spare parts and loose tools	10.1	(55,176)	(47,663)
		<u>737,904</u>	<u>605,261</u>

In transit		41,351	16,061
		<u>779,255</u>	<u>621,322</u>

10.1 Provision for slow moving stores, spare parts and loose tools

Balance as at 01st July		47,663	27,619
Charge for the year		7,913	21,481
Reversals due to consumption		(400)	(1,437)
	32	<u>7,513</u>	<u>20,044</u>
Balance as at 30th June		<u>55,176</u>	<u>47,663</u>

	Note	(Rupees in Thousand) 2018	2017
11 STOCK IN TRADE			
Raw material		898,406	797,304
Raw material in transit		172,517	204,309
Goods in process		482,041	451,615
Finished goods	11.1	1,181,791	743,324
		<u>2,734,755</u>	<u>2,196,552</u>

11.1 These include finished goods costing Rs.109.514 million (2017: Rs.486.792 million) valued at net realisable value of Rs.79.949 million (2017: Rs.425.196 million).

12 TRADE DEBTS

Considered good

Secured			
Local		158,699	649,448
Export	12.1	2,271	3,475
	12.2	160,970	652,923
Unsecured - local	12.3, 12.4 & 12.5	967,970	970,492
		<u>1,128,940</u>	<u>1,623,415</u>

Considered doubtful - local

Unsecured - local		75,889	74,047
Provision for doubtful debts - local	12.6	(75,889)	(74,047)
		-	-
		<u>1,128,940</u>	<u>1,623,415</u>

12.1 This represents export sales made by Parent Company in United Arab Emirates of AED 0.069 million (2017: AED Nil) and US\$ Nil (2017: US\$ 0.033 million).

12.2 These are secured against letters of credit issued by banks in favour of the Parent Company.

12.3 The maximum aggregate amount due from an associated company Messrs. Novatex Limited at any month end during the year was Rs.1.208 million (2017: Rs.3.593 million). Though the balance at each respective year end was nil.

12.4 The maximum aggregate amount due from a related party Messrs. Krystalite Products (Private) Limited at any month end during the year was Rs.304.557 million (2017: Rs.138.444 million). Though the balance at each respective year end was nil.

12.5 These include Rs.28.689 million (2017: Rs.16.264 million) due from a related party Messrs. Mushtaq & Company (Private) Limited. The maximum aggregate amount due at any month end during the year was Rs.50.664 million (2017: Rs.51.237 million).

	Note	(Rupees in Thousand)	
		2018	2017
12.5.1 Not past due		28,100	16,264
Past due 1-30 days		589	-
		<u>28,689</u>	<u>16,264</u>
12.6	Provision for doubtful debts - local		
Balance as at 01st July		74,047	63,774
Charge for the year		12,254	12,904
Reversals since recovered		(10,412)	(2,631)
	32	<u>1,842</u>	<u>10,273</u>
Balance as at 30th June		<u>75,889</u>	<u>74,047</u>
13	LOANS AND ADVANCES - Considered good		
Secured			
Amount recoverable in twelve months from employees	8	4,166	5,096
Advances to employees	13.1	1,782	684
		<u>5,948</u>	<u>5,780</u>
Unsecured			
Advances :			
to suppliers and contractors	13.2	102,102	27,084
for imports		6,105	10,290
		<u>108,207</u>	<u>37,374</u>
		<u>114,155</u>	<u>43,154</u>
13.1	These represent advances against monthly salaries under terms of employment.		
13.2	These include advances against purchase of vehicles amounting to Rs.16.304 million (2017: Rs.2.540 million).		
14	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS		
Shipping guarantees - deposits	14.1	31,991	-
Security deposits		450	645
Prepayments	14.2	3,822	8,492
		<u>36,263</u>	<u>9,137</u>
14.1	This represents margin held by bank against issuance of shipping guarantees on behalf of Parent Company for clearance of spare parts consignments.		
14.2	These include prepayment to an associated company Messrs. Novatex Limited of Rs. Nil (2017: Rs.6.654 million) being the amount of advance rent.		
15	OTHER RECEIVABLES - Considered good		
Receivable from suppliers	15.1	91,950	196,409
Claims receivable from suppliers		1,003	210
Receivable from Federal Government - Sales tax	27.1 (e)	28,000	-
Receivable from Workers' Provident Fund Trust		-	765
Others	15.2 & 15.3	13,883	14,439
		<u>134,836</u>	<u>211,823</u>

15.1 These include balances receivable in foreign currency of US\$ 0.632 million (2017: US\$ 1.366 million).

15.2 These include Rs.12.365 million (2017: Rs.12.569 million) receivable from an associated company Messrs. Novatex Limited on account of common sharing expenses and this balance is not past due as at year end. The maximum aggregate amount due at any month end during the year was Rs.15.046 million (2017: Rs.36.591 million).

15.3 These include Rs.0.458 million (2017: Rs. Nil) receivable from a related party Messrs. Krystalite Product (Private) Limited on account of reimbursement of expenses and this balance is not past due as at year end. The maximum aggregate amount due at any month end during the year was Rs.0.458 million (2017: Rs. Nil).

	Note	(Rupees in Thousand)	
		2018	2017
16 TAXES REFUND DUE FROM FEDERAL GOVERNMENT			
Income tax		166,143	205,063
Sales tax		142,375	142,375
		<u>308,518</u>	<u>347,438</u>

17 CASH AND BANK BALANCES

Cash in hand		1,634	964
With banks in current accounts : Local currency	17.1	1,371,885	1,219,779
With bank in saving account : Local currency	17.2	1,750	-
With banks in current accounts : Foreign currency	17.3	2,348	474
	17.4	<u>1,375,983</u>	<u>1,220,253</u>
		<u>1,377,617</u>	<u>1,221,217</u>

17.1 These Include Rs. Nil (2017: Rs.1.900 million) received from contractors as security deposit, refer note 23.5.

17.2 This represents security deposits received from contractors, refer note 23.5.

17.3 These represent balances of US\$ 18,026.57 and Euro € 1,129.98 (2017 : US\$ 3,231.19 and Euro € 1,129.98).

17.4 Balance in bank accounts includes an amount of Rs.6.897 million (2017: Rs.7.906 million) kept with Shariah compliant banks.

18 SHARE CAPITAL

2018 2017
(Number of Shares)

18.1 Authorised capital

44,000,000	44,000,000	Ordinary shares of Rs.10 each	440,000	440,000
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18.2 Issued, subscribed and paid up capital

30,136,080	30,136,080	Ordinary shares of Rs.10 each allotted for consideration paid in cash	301,361	301,361
8,228,400	8,228,400	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	82,284	82,284
<u>38,364,480</u>	<u>38,364,480</u>		<u>383,645</u>	<u>383,645</u>

These include 1,620,387 (2017 : 1,620,387) shares held by a related party, Messrs. Gani & Tayub (Private) Limited.

	Note	(Rupees in Thousand)	
		2018	2017
19 CAPITAL RESERVE			
Share premium		<u>383,645</u>	<u>383,645</u>
This represents premium of Rs.20 per share received on initial public issue of 17,438,400 shares in 1992 and premium of Rs.10 per share received on right issue of 3,487,680 shares in 1998. This reserve can be utilised by the Parent Company only for the purposes specified in section 81 of the Companies Act 2017.			
20 GENERAL RESERVE		<u>2,360,000</u>	<u>2,360,000</u>
This represents reserve created from accumulation of past years' consolidated profit, to meet future exigencies.			
21 LONG TERM FINANCING - Secured			
from banking company			
Under conventional - Bank Al-Habib Limited		-	136,034
Current maturity shown under current liabilities		-	(13,603)
		<u>-</u>	<u>122,431</u>
21.1 In view of better liquidity position, the Parent Company paid its long term financing before maturity.			
22 DEFERRED LIABILITIES			
Income tax - net	22.1	813,111	689,779
Defined benefit plan	22.2	<u>335,858</u>	<u>319,768</u>
		<u>1,148,969</u>	<u>1,009,547</u>
22.1 This comprises of the following major timing differences:			
Taxable temporary difference arising due to:			
tax depreciation allowances		37,796	110,306
Deferred tax liability arising in respect of unrealised accumulated profit from an associated company Messrs. Novatex Limited			
		810,553	614,101
Deductible temporary difference arising due to :			
Provision for doubtful debts - net		(22,008)	(22,214)
Provision for slow moving stores, spare parts and loose tools - net		<u>(13,230)</u>	<u>(12,414)</u>
		<u>813,111</u>	<u>689,779</u>

At the reporting date, deferred tax asset amounting to Rs.137.614 million (2017: Rs.394.319 million) has not been recognised by the Parent Company considering chances of reversal are remote.

22.2 Actuarial valuation of the plan was carried out as at June 30, 2018. The calculation for provision of defined benefit plan is as under:

	Note	(Rupees in Thousand)	
		2018	2017
Movement of the present value of defined benefit obligation (PVDBO)			
Balance as at 01st July		319,768	289,560
Expense	22.2.1	34,581	32,798
Remeasurement loss		3,322	4,680
Payments		(21,813)	(7,270)
Balance as at 30th June		<u>335,858</u>	<u>319,768</u>
22.2.1 Expense			
Service cost		16,305	13,950
Interest cost		<u>18,276</u>	<u>18,848</u>
		<u>34,581</u>	<u>32,798</u>

The principal actuarial assumptions used were as follows:

Discount rate	9.00%	7.75%
Future salary increase rate	9.00%	7.75%
Withdrawal Rate	Moderate	Moderate
Mortality	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005

Sensitivity Analysis

	2018		2017	
	PVDBO (Rupees in Thousand)	Percentage Change	PVDBO (Rupees in Thousand)	Percentage Change
Current Liability	335,858	-	319,768	-
+ 1% Discount Rate	322,786	(3.89%)	307,096	(3.96%)
- 1% Discount Rate	350,665	4.41%	334,138	4.49%
+ 1% Salary Increase Rate	351,809	4.75%	335,188	4.82%
- 1% Salary Increase Rate	321,507	(4.27%)	305,913	(4.33%)
+ 10% Withdrawal Rates	335,854	(0.00%)	319,765	(0.00%)
- 10% Withdrawal Rates	335,861	0.00%	319,771	0.00%
1 Year Mortality age set back	335,858	0.00%	319,768	0.00%
1 Year Mortality age set forward	335,858	0.00%	319,768	0.00%

	(Rupees in Thousand)	
	2018	2017
Undiscounted payments		
Maturity profile		
Year 1	83,797	77,339
Year 2	15,315	7,099
Year 3	54,848	13,736
Year 4	19,453	50,505
Year 5	15,748	17,071
Year 6 to 10	89,427	82,432
Year 11 and above	245,157	186,319

Risks Associated with Defined Benefit Plan

Longevity Risks:

The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population.

Salary Increase Risk:

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Withdrawal Risk:

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

	Note	(Rupees in Thousand)	
		2018	2017
23 TRADE AND OTHER PAYABLES			
Trade creditors		429,481	326,894
Creditors for capital expenditures		11,365	202
Bills payable	23.1	447,416	428,377
Accrued expenses	23.2 & 23.3	249,192	165,890
Advance payments from customers	23.4	673,237	233,754
Sales tax payable		69,796	107,346
Security deposits from contractors	23.5	1,750	1,900
Workers' Profit Participation Fund		34,562	-
Workers' Welfare Fund		17,542	-
Provisions	23.6	1,600,680	1,050,400
Withholding taxes		4,296	6,001
Payable to Provident Fund Trusts		3,486	3,025
Other liabilities	23.7	41,828	41,340
		<u>3,584,631</u>	<u>2,365,129</u>

23.1 This represents balances payable in foreign currency of US\$ 3.679 million (2017: US\$ 4.080 million).

23.2 These include Rs.0.478 million (2017: Rs.0.562 million) payable to a related party Messrs. Gani & Tayub (Private) Limited.

23.3 These include Rs. Nil (2017: Rs.8.177 million) payable to an associated company Messrs. Novatex Limited.

23.4 These include advances amounting to Rs.305.701 million (2017: Rs. Nil) secured by way of post dated cheques provided by Parent Company.

23.5 This represents return-free security deposits from contractors held in separate bank account, refer note 17.

	Note	(Rupees in Thousand) 2018	2017
23.6 Provisions for:			
Gas Infrastructure Development Cess	27.1 (c)	977,914	694,597
Enhanced gas rate	23.6.1 & 23.6.2	398,728	226,403
Sindh Sales Tax on rent	23.6.3	4,815	4,754
Infrastructure Cess on imports	23.6.4	140,925	118,697
Sales tax	23.6.5 & 23.6.6	70,944	-
Others	23.6.7	7,354	5,949
		<u>1,600,680</u>	<u>1,050,400</u>

23.6.1 The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial & Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU with effect from September 01, 2015. The Group alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate has been restrained. Further, in May 2016, The Single Bench of Sindh High Court decided the case in favour of the petitioners. However, in June 2016, defendants filed appeal before Double Bench of Sindh High Court which also decided in favor of the Petitioners. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and Messrs. Sui Southern Gas Company Limited (SSGCL) billed @ Rs.600 per MMBTU instead of Rs.488.23 per MMBTU. However the Group alongwith others filed suit on January 19, 2017 against OGRA, SSGCL and others in Sindh High Court. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Group has provided bankers' verified cheque to Nazir of High Court amounting to Rs.250.700 million (2017: Rs.76.928 million). As an abundant precaution, the Group has made total provision of Rs.143.928 million (2017: Rs.81.434 million).

23.6.2 OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power in August 2013 and accordingly, SSGCL started charging rate prescribed for captive power to the Group with effect from September 2013. The Group alongwith several other companies filed suit on December 21, 2015 against OGRA, SSGCL and others in the Sindh High Court challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. As an abundant precaution, the Group has made provision of Rs.254.800 million (2017: Rs.144.969 million) pertaining to the period of November 2015 to June 2018 and did not create receivable of Rs.240.238 million in respect of period from August 2013 to October 2015.

23.6.3 This represents provision of Sindh Sales Tax on rent payable to an associated company Messrs. Novatex Limited, which is currently in litigation since February 18, 2016 against Sindh Revenue Board and Province of Sindh etc. and associated company Messrs. Novatex Limited has obtained stay from Honorable Sindh High Court in this respect.

	(Rupees in Thousand)	
	2018	2017
23.6.4 Balance as at 01st July	118,697	98,112
Provision made during the year	44,456	41,170
Payments made during the year	(22,228)	(20,585)
Balance as at 30th June	<u>140,925</u>	<u>118,697</u>

The Parent Company had filed a petition in the Sindh High Court at Karachi on May 25, 2011 against Province of Sindh and Excise & Taxation department challenging the levy of Infrastructure Cess on imports. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. In April 2017, the Government of Sindh has promulgated the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The Parent Company has also challenged the new Act in the Sindh High Court on October 23, 2017 against Province of Sindh and Excise & Taxation department and similar stay has been granted by the Honorable Sindh High Court. Till reporting date, the Parent Company has provided bank guarantee amounting to Rs.148.365 million (2017: Rs.123.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006. Based on the legal advise, the management believes that the case will be decided in favour of the Parent Company. However, full provision after December 27, 2006 has been made in these consolidated financial statements as an abundant precaution.

The Subsidiary Company Messrs. Gatro Power (Private) Limited has filed a petition on April 13, 2018 against Province of Sindh & others in the Sindh High Court at Karachi challenging the levy of Infrastructure Cess on imports by the Government of Sindh through Sindh Development and Maintenance of Infrastructure Cess Act, 2017. Stay has been granted by the Honorable Sindh High Court ordered to pay 50% in cash of this liability and to submit bank guarantee for the rest of 50% until the final order is passed. Till reporting date, the Subsidiary Company has provided bank guarantee amounting to Rs.2.500 million (2017: Rs. Nil) in favour of Excise and Taxation Department, in respect of consignments cleared after April 13, 2018. Based on the legal advise, the management believes that the case will be decided in favour of the Subsidiary Company. However, full provision after April 13, 2018 has been made in these consolidated financial statements as an abundant precaution.

23.6.5 The Federal Board of Revenue (FBR) vide SRO 491(I)/2016 dated June 30, 2016 made certain amendments in SRO 1125(I)/2011 dated December 31, 2011 including disallowance of input tax adjustment on packing material of textile products. Consequently, input tax adjustment on packing material of textile product is not being allowed for adjustment with effect from July 01, 2016. The Parent Company has challenged the disallowance of input tax adjustment on packing material in the Sindh High Court on January 16, 2017 against Federation of Pakistan and others. The Honorable Sindh High Court has granted interim relief order and allowed the Parent Company to claim input tax adjustment.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has made provision of Rs.65.752 million (2017: Rs. Nil).

23.6.6 The FBR vide SRO 450(I)/2013 dated May 27, 2013 made certain amendments in SRO 490(I)/2004 dated June 12, 2004 and disallow input tax adjustment on building materials with effect from May 28, 2013. The Parent Company has challenged the restriction so placed before the Islamabad High Court on December 21, 2015 against Federation of Pakistan. The Court has granted interim relief order and allowed the Parent Company to claim input tax adjustment on building material.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has made provision of Rs.5.192 million (2017: Rs. Nil).

23.6.7 This represents provision of Gas Infrastructure Development Cess Rs.5.757 million (2017: Rs.4.856 million) and rate difference of gas tariff Rs.1.597 million (2017: Rs.1.093 million) on account of common expenses payable to an associated company Messrs. Novatex Limited.

23.7 These include Rs.34.739 million (2017: Rs.33.547 million) received from employees under Group car policy.

		(Rupees in Thousand)	
	Note	2018	2017
24 ACCRUED MARK UP			
Mark up on long term financing		-	929
Mark up on short term borrowings		142	3,654
	24.1	<u>142</u>	<u>4,583</u>

24.1 This include accrued markup of Rs. Nil (2017: Rs.1.434 million) under Shariah compliant arrangements.

25 SHORT TERM BORROWINGS - Secured

From banking companies under mark up arrangements

Running finance			
Under Conventional		580,017	2,087,700
Under Shariah compliant		-	56,174
		<u>580,017</u>	<u>2,143,874</u>

25.1 The Parent Company has aggregate facilities of short term borrowings amounting to Rs.3,755 million (2017: Rs.4,455 million) from various commercial banks (as listed in Note 25.3) out of which Rs.3,451 million (2017: Rs.3,219 million) remained unutilised at the year end. The Parent Company also has Rs.1,000 million (2017: Rs.1,000 million) swinging facility with an associated company Messrs. Novatex Limited, out of which Rs.276 million (2017: Rs.908 million) utilized by the Parent Company at the year end. The mark up rates for running finance ranged between Rs.0.1775 to Rs.0.2025 per Rs.1,000/- per day. These facilities are renewable annually at respective maturities.

25.2 These arrangements are secured against pari passu hypothecation charge on the stock and book debts of the Parent Company.

25.3 The finances have been obtained or are available from Bank Al-Falah Limited, Bank Al-Habib Limited, Faysal Bank Limited, Habib Bank Limited, Habib Metropolitan Bank Limited, MCB Bank Limited, Meezan Bank Limited, Standard Chartered Bank (Pakistan) Limited and United Bank Limited.

	(Rupees in Thousand)	
	2018	2017
26 PROVISION FOR INCOME TAX LESS PAYMENTS		
Balance as at 01st July	39,194	89,239
Provision for the year - Current	185,231	97,329
Prior	77	(88,136)
	185,308	9,193
	224,502	98,432
Payments during the year	(101,231)	(58,135)
Adjustments for the year	(38,920)	(1,103)
Balance as at 30th June	84,351	39,194

27 CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

- The Subsidiary Company Messrs. Gatro Power (Private) Limited has not made any provision in respect of Workers' Profit Participation Fund on the ground that there are no workers as defined in The Companies Profits (Workers' Participation) Act, 1968 and accordingly the said Act does not apply to the Subsidiary Company. The Subsidiary Company is confident that no liability will arise on this account.
- FBR initiated action against few buyers of Parent Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Parent Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Parent Company had to pay Rs.27.762 million and had also to submit post-dated cheques of Rs.83.287 million under protest in favour of Chief Commissioner Inland Revenue.

The Parent Company has, however, challenged the action before the Honorable Sindh High Court on December 23, 2013 against Federation of Pakistan and others, realizing the facts of the case, circumstances and legal position and the Honorable Sindh High Court has granted interim relief whereby encashment of above mentioned post dated cheques has been restrained.

By way of abundant precaution, the amount of Rs.27.762 million has been charged to consolidated statement of profit or loss in previous period. Based on the merits of the case and discussion held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. Accordingly no provision has been made for the amount of post dated cheques of Rs.83.287 million.

- The Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015 in May 2015, which seeks to impose GIDC levy since 2011. The Group alongwith several other companies filed suit in the Sindh High Court on July 16, 2015 against OGRA & others challenging the validity and promulgation of GIDC Act 2015. The Single Bench of Honorable Sindh High Court had decided the case in favour of petitioners. However, defendants have filed appeal on November 10, 2016 before Double Bench of Sindh High Court.

Considering previous decision of Honorable Supreme Court and legal advisor opinion, the Group is confident that the case will be decided in favour of the petitioners. Total amount of enhanced GIDC upto June 30, 2018 worked out at Rs.1,179.928 million (2017: Rs.896.611 million), however the Group has provided Rs.977.914 million (2017: Rs.694.597 million) pertaining to the period of July 2014 to June 2018 for Captive Power and June 2015 to June 2018 for Industrial as an abundant precaution in view of reason stated above, refer note 23.6.

- d) The Parent Company along with several other companies has filed a Constitution Petition on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others in the Sindh High Court against a notice issued by the EOBI to the Parent Company to pay contribution at the revised rate of wages with retrospective effect. The Honorable Sindh High Court has already restrained EOBI from taking any coercive action against the Parent Company. No provision of the amount involved i.e Rs.18.504 million (2017: Rs.15.232 million) has been made in these consolidated financial statements as the Parent Company is confident of the favorable outcome of the Petition.
- e) During the year the Parent Company filed four appeals on 2nd, 9th & 17th May and 20th June 2018 before the Commissioner Inland Revenue (Appeals) (CIR(A)) – 2, Large Taxpayers Unit, Karachi for the tax periods July 2012 to December 31, 2016 against the assessment orders passed by the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayers Unit, passed under section 11 (2) of the Sales Tax Act, 1990 through which cumulative demand for the aforesaid periods amounting to Rs.55.423 million excluding default surcharge was created. In the assessment orders, major areas on which impugned demand has been raised relates to disallowance of input tax on purchases and recovery of sales tax on sales to subsequently suspend / blacklisted person. The Parent Company has already deposited Rs.28 million under protest (refer note 15) into the Government treasury for stay against the full recovery. No Provision has been made in these consolidated financial statements as the Parent Company is confident that the matter will be decided in favour by the appellate authorities.

	(Rupees in Thousand)	
27.2 Guarantees	2018	2017
a) Bank Guarantees in favour of:		
The Director Excise & Taxation, Karachi	150,865	123,365
The Electric Inspector,		
President Licencing Board, Quetta	10	10
Pakistan State Oil Company Limited	30,000	25,000
K-Electric Limited	11,560	-
Letters of Credit in favour of:		
Sui Southern Gas Company Limited for Gas	161,937	161,937
	<u>354,372</u>	<u>310,312</u>

- b) The Parent Company has issued post dated cheques in favour of a customer to secure advance against supply of goods, refer note 23.4.

27.3 Commitments

The Group's commitments, against which the banks have opened Letters of Credit, in favor of different suppliers, are as follows:

Foreign currency:		
Property, plant and equipment	347,863	7,064
Raw material	424,044	232,176
Spare parts and others	257,493	62,599
	<u>1,029,400</u>	<u>301,839</u>
Local currency:		
Raw material	108,585	-
Spare parts and others	1,423	3,870
	<u>110,008</u>	<u>3,870</u>
	<u>1,139,408</u>	<u>305,709</u>

	Note	(Rupees in Thousand)	
		2018	2017
28 SALES			
Gross local sales		13,793,142	13,217,789
Third party processing charges		1,222	11,585
		13,794,364	13,229,374
Less: Sales tax	28.1	1,099,574	1,272,102
		12,694,790	11,957,272
Export sales		36,074	134,157
		12,730,864	12,091,429

28.1 These include local zero/reduced rate supplies.

29 COST OF SALES

Raw material consumed		8,190,818	8,190,544
Stores, spare parts and loose tools consumed		335,615	209,192
Outsource processing charges		452,602	663,542
Salaries, wages, allowances and benefits	29.1	864,096	767,592
Power, fuel and gas		1,030,776	892,771
Rent, rates and taxes		5,182	5,048
Insurance		35,504	36,483
Cartage & transportation		83,267	73,995
Repairs and maintenance		121,828	52,630
Communications & Computer		1,992	1,519
Water supply		12,202	3,475
Travelling		5,193	3,704
Legal & professional fees		210	180
Sundry		57,894	44,336
Depreciation	6.2	378,075	368,600
Impairment of operating fixed assets	6.1	115,211	-
		11,690,465	11,313,611
Duty draw back		(2)	(95)
Scrap sales	29.2	(15,423)	(11,273)
		11,675,040	11,302,243
Opening stock of goods-in-process		451,615	296,340
Closing stock of goods-in-process		(482,041)	(451,615)
Cost of goods manufactured		11,644,614	11,146,968
Opening stock of finished goods		743,324	1,139,345
Closing stock of finished goods		(1,181,791)	(743,324)
		11,206,147	11,542,989

29.1 These include Rs.16.081 million (2017 : Rs.15.745 million) and Rs.16.463 million (2017: Rs.14.828 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

29.2 Net off sales tax amounting to Rs.3.471 million (2017: Rs.2.137 million).

	Note	(Rupees in Thousand)	
		2018	2017
30 DISTRIBUTION AND SELLING COSTS			
Salaries, allowances and benefits	30.1	26,867	29,332
Insurance		2,727	2,670
Rent, rates and taxes		1,421	3,708
Handling, freight and transportation		151,145	141,062
Advertisement and sales promotion		1,177	1,205
Communications		270	309
Travelling		1,089	2,578
Fee & subscriptions		599	568
Legal & professional fee		4,242	1,280
Sundry		4,256	3,431
Depreciation	6.2	501	513
		194,294	186,656

30.1 These include Rs.0.858 million (2017 : Rs.0.856 million) and Rs.1.611 million (2017 : Rs.3.282 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

31 ADMINISTRATIVE EXPENSES

Salaries, allowances and benefits	31.1	173,668	163,240
Rent, rates and taxes		18,815	29,855
Insurance		1,380	1,594
Repairs and maintenance		4,722	6,785
Travelling		2,970	3,124
Communications		2,844	2,699
Legal & professional fees		5,224	3,249
Utilities		4,223	5,717
Printing and stationery		1,459	1,760
Transportation		4,661	3,302
Sundry		9,751	8,422
Depreciation	6.2	5,620	5,314
		235,337	235,061

31.1 These include Rs.6.801 million (2017 : Rs.6.812 million) and Rs.16.507 million (2017 : Rs.14.688 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

	Note	(Rupees in Thousand)	
		2018	2017
32 OTHER OPERATING EXPENSES			
Loss on disposal of property, plant and equipment	6.3.1	-	1,299
Loss on scrapped items of property, plant and equipment	6.3.1	11,923	-
Provision for doubtful trade debts - net	12.6	1,842	10,273
Provision for slow moving stores, spare parts and loose tools - net	10.1	7,513	20,044
Exchange loss - net		63,050	4,229
Provision for sales tax	32.1	37,935	-
Corporate social responsibility	32.2	12,388	-
Workers' Profit Participation Fund		34,562	-
Workers' Welfare Fund		17,542	-
Auditors' remuneration	32.3	1,933	1,506
		<u>188,688</u>	<u>37,351</u>

32.1 This represents provision made by Parent Company on account of disallowance of input sales tax on packing and building material upto June 30, 2017, refer note 23.6.5 & 23.6.6.

32.2 These represents donations of Rs.7.388 million (2017: Rs. Nil) to a related party Messrs. Gatron Foundation in which Chief Executive and four directors of the Parent Company are governors and Rs.5 million (2017 Rs. Nil) to Messrs. Institute of Business Administration, paid by the Parent Company. None of the directors of the Group or their spouses has any interest in any donee fund, so far as other donations are concerned.

32.3 Auditors' remuneration

Audit fee - Annual financial statements			
Parent Company - Gatron (Industries) Limited		1,250	1,000
Subsidiary Company - Gatro Power (Private) Limited		100	100
Subsidiary Company - Global Synthetics Limited		23	23
Limited review, audit of consolidated financial statements, Provident funds and certification fee		285	193
Sindh Sales Tax on services		132	105
Out of pocket expenses		143	85
		<u>1,933</u>	<u>1,506</u>

33 OTHER INCOME

Income from financial assets

Profit on deposits	50	-
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Income from non - financial assets & others

Gain on disposal of property, plant and equipment	6.3.1	15,020	6,241
Liabilities no more payable written back		2,508	13,234
Reversal of provision for Workers' welfare fund		-	67,878
Insurance claim received	33.1	15,944	-
Miscellaneous income		232	224
		<u>33,704</u>	<u>87,577</u>
		<u>33,754</u>	<u>87,577</u>

33.1 This represents amount received by Subsidiary Company Messrs. Gatro Power (Private) Limited, on account of Business Interruption covered under Comprehensive Machinery Insurance Policy due to breakdown of generators.

	Note	(Rupees in Thousand)	
		2018	2017
34 FINANCE COSTS			
Mark up on long term financing		6,718	1,167
Mark up on short term borrowings		6,088	28,578
Bank charges and guarantee commission		2,008	3,563
	34.1	14,814	33,308

34.1 It include markup under Shariah Complaint arrangement amounting to Rs.0.319 million (2017: Rs.8.875 million).

35 INCOME TAX

For the current year		185,231	97,329
For the prior year		77	(88,136)
		185,308	9,193
Deferred	35.1	123,332	156,710
		308,640	165,903

Relationship between income tax and consolidated profit before income tax :

Consolidated profit before income tax	2,376,449	1,059,778
Income tax rate	30%	31%
Income tax on consolidated profit before income tax	712,935	328,531

Tax effect of:

minimum tax	162,130	121,915
tax loss not recognised	-	33,547
brought forward tax loss adjusted	(251,325)	-
tax credits	(35,322)	(26,597)
super tax	38,925	-
tax on undistributed profit	-	450
income assessed under final tax regime - export sales	(1,077)	1,194
change in statutory tax rate	(88)	(2,523)
Provision / (reversal) of prior year income tax	77	(88,136)
deferred tax effect on un-realised share of profit in associated company Messrs. Novatex Limited	196,452	217,366
income exempt from subsidiary company Messrs. Gatro Power (Private) Limited	(85,862)	(105,653)
loss from subsidiary company Messrs. Global Synthetics Limited	8	8
dividend income and share of profit in associated company Messrs. Novatex Limited	(416,197)	(284,002)
others	(12,016)	(30,197)
Income tax for the year	308,640	165,903

35.1 It include amounting to Rs.196.452 million (2017: Rs.217.366 million) pertains to deferred tax provided during the year on un-realized share of profit in associated company Messrs. Novatex Limited.

35.2 The Board of Directors of the Parent Company in their meeting held on August 29, 2018 has proposed sufficient cash dividend for the year ended June 30, 2018 (refer note 45) which complies with the requirement of section 5A of the Income Tax Ordinance, 2001. Accordingly, no provision for tax on undistributed reserves has been recognized in these consolidated financial statements for the year ended June 30, 2018.

35.3 Sufficient provision for tax has been made in these consolidated financial statements taking into account the profit or loss for the year and various admissible and inadmissible allowances and deduction under the Income Tax Ordinance, 2001. Position of provision and tax deemed assessed for last three years are as follows:

	(Rupees in Thousand)		
	2017	2016	2015
Tax provision	97,329	64,175	89,392
Tax assessed	97,406	63,705	49,276

	Note	(Rupees in Thousand)	
		2018	2017
36 EARNINGS PER SHARE - BASIC AND DILUTED			
Consolidated profit after income tax		2,067,809	893,875
		(Number of Shares)	
Weighted average number of Ordinary Shares in issue during the year		38,364,480	38,364,480
		(Rupees)	
Earnings per share - Basic and diluted		53.90	23.30

There is no dilutive effect on the basic earnings per share of the Group.

		(Rupees in Thousand)	
37 CASH AND CASH EQUIVALENTS			
Cash and bank balances	17	1,377,617	1,221,217
Short term borrowings	25	(580,017)	(2,143,874)
		797,600	(922,657)

38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

FINANCIAL ASSETS AND LIABILITIES

(Rupees in Thousand)

	Interest/mark-up bearing			Non-Interest/mark-up bearing			2018 Total	2017 Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
Financial Assets								
Loans and advances	-	-	-	5,948	88	6,036	6,036	6,532
Deposits	-	-	-	32,441	4,332	36,773	36,773	2,311
Trade debts	-	-	-	1,128,940	-	1,128,940	1,128,940	1,623,415
Other receivables	-	-	-	105,833	-	105,833	105,833	211,613
Cash and bank balances	1,750	-	1,750	1,375,867	-	1,375,867	1,377,617	1,221,217
	<u>1,750</u>	<u>-</u>	<u>1,750</u>	<u>2,649,029</u>	<u>4,420</u>	<u>2,653,449</u>	<u>2,655,199</u>	<u>3,065,088</u>
Financial Liabilities								
Long term financing	-	-	-	-	-	-	-	136,034
Trade and other payables	34,562	-	34,562	1,149,779	-	1,149,779	1,184,341	934,081
Accrued mark up	-	-	-	142	-	142	142	4,583
Short term borrowings	580,017	-	580,017	-	-	-	580,017	2,143,874
Unclaimed dividend	-	-	-	11,238	-	11,238	11,238	10,959
	<u>614,579</u>	<u>-</u>	<u>614,579</u>	<u>1,161,159</u>	<u>-</u>	<u>1,161,159</u>	<u>1,775,738</u>	<u>3,229,531</u>

The effective interest/markup rates for the monetary financial assets and liabilities are mentioned in respective notes to the consolidated financial statements.

38.1 MEASUREMENT OF FAIR VALUE

International Financial Reporting Standard (IFRS), IFRS 13 "Fair Value Measurement", unifies the framework for measurement of fair values as required by other IFRS and requires disclosure regarding fair value measurement, i.e., disclosure of valuation techniques and inputs used to measure the fair value and in case recurring fair value measurements using unobservable inputs the effect of fair value measurement on statement of profit or loss or statement of other comprehensive income.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group's certain accounting policies and disclosure requires use of fair value measurement and the Group while assessing fair value maximize the use of relevant of observable inputs and minimize the use of unobservable inputs establishing a fair value hierarchy, i.e., input used in fair value measurement is categorized into following three levels:

- Level 1 Inputs are the quoted prices in active markets for identical assets or liabilities that can be assessed at measurement.
- Level 2 Inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 Inputs are unobservable inputs for the asset or liability.

As at reporting date, the fair value of all the assets and liabilities approximates to their carrying values except property, plant and equipment. The property, plant and equipment is carried at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost. The Group does not expect that unobservable inputs may have significant effect on fair values.

38.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Group exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group's overall risk management programme focusses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk Management is carried out under policies and principles approved by the Board. All treasury related transactions are carried out within the parameters of these policies and principles.

A Market Risk

i Foreign exchange risk

Foreign exchange risk represents the risk that the fair value of future cash flows of a financial instruments will fluctuate because of changes in foreign exchange rates. Foreign exchange risks arises mainly from future economic transactions or receivables and payables that exist due to transactions in foreign currencies.

The Group is exposed to foreign exchange risk arising from currency value fluctuations, primarily with respect to the US\$, Euro, AED and JPY. The Group's exposure to foreign currency risk is as follows:

	(Rupees in Thousand)	
	2018	2017
Bills Payable	447,416	428,377
Creditors for capital expenditure	9,047	-
	456,463	428,377
Trade Debts	(2,271)	(3,475)
Receivable from suppliers	(76,757)	(143,180)
Cash at bank in foreign currency accounts	(2,348)	(474)
	(81,376)	(147,129)
	375,087	281,248
Commitments - Outstanding letters of credit	1,029,400	301,839
Net exposure	1,404,487	583,087

The following significant exchange rates have been applied:

	Average rate				Rupees	Reporting date rate			
	2018		2017			2018		2017	
	Buying	Selling	Buying	Selling		Buying	Selling	Buying	Selling
USD to PKR	109.41	109.61	104.42	104.62	121.40	121.60	104.80	105.00	
Euro to PKR	131.03	131.28	113.80	114.02	141.33	141.57	119.91	120.14	
AED to PKR	29.70	29.84	-	-	33.05	33.10	-	-	
JPY to PKR	-	-	0.96	0.96	-	-	0.94	0.94	

Sensitivity Analysis

At reporting date, if the PKR had strengthened/weakened by 10% against the US\$, Euro, AED and JPY with all other variables held constant, pre tax consolidated profit for the year would have been higher/lower by the amount shown below, mainly as a result of net foreign exchange gain or net foreign currency exposure at reporting date.

	Average rate		Reporting date rate	
	2018	2017	2018	2017
	(Rupees in Thousand)			
Effect on consolidated statement of profit or loss				
USD to PKR	86,984	51,232	96,498	51,417
Euro to PKR	40,967	6,399	44,178	6,743
AED to PKR	(204)	-	(227)	-
JPY to PKR	-	152	-	149
	<u>127,747</u>	<u>57,783</u>	<u>140,449</u>	<u>58,309</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on consolidated profit for the year and assets / liabilities of the Group.

ii Price risk

Price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest or currency rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is not exposed to equity price risk since there are no investment in listed equity securities.

iii Interest / Markup rate risk

Interest / Markup rate risk arises from the possibility of changes in Interest / Markup rates which may effect the value of financial instruments. The Parent Company has short term borrowings at variable rates. At the reporting date, the interest profile of the Parent Company interest-bearing financial instrument is:

	Effective rate (in %)		(Rupees in Thousand) Carrying amount	
	2018	2017	2018	2017
Financial Assets				
Variable rate instruments				
Bank balance	2.15	-	1,750	-
Financial Liabilities				
Variable rate instruments				
Long term financing	6.22	6.19	-	(136,034)
Short term borrowings	5.61 - 7.14	2.08 - 6.87	(580,017)	(2,143,874)
			<u>(578,267)</u>	<u>(2,279,908)</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect consolidated statement of profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) consolidated profit for the year by the amounts shown below. This analysis assumes that all other variable, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2017.

	Consolidated statement of Profit or loss	
	100 bp increase	100 bp decrease
As at June 30, 2018		
Cash flow sensitivity - Variable rate	<u>(5,783)</u>	<u>5,783</u>
As at June 30, 2017		
Cash flow sensitivity - Variable rate	<u>(22,799)</u>	<u>22,799</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the year and assets / liabilities of the Parent Company.

B Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed completely to perform as contracted. The Parent Company manages credit risk inter alia by setting credit limits in relation to individual customers and by obtaining advance against sales and also obtains collaterals, where considered necessary. Also the Parent Company does not have significant exposure in relation to individual customer. Consequently, the Group believes that it is not exposed to any major concentration of credit risk.

Exposure to credit risk

The carrying amount of the financial assets represent the maximum credit exposure before any credit enhancements. Out of total financial assets of Rs.2,655.199 million (2017 : Rs.3,065.088 million), amounted to Rs.2,653.565 million (2017: Rs.3,064.124 million) are subject to credit risk. The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	(Rupees in Thousand)	
	2018	2017
Loans and advances	6,036	6,532
Deposits	36,773	2,311
Trade debts	1,128,940	1,623,415
Other receivables	105,833	211,613
	1,234,773	1,835,028
Bank balances	1,375,983	1,220,253
	<u>2,653,565</u>	<u>3,064,124</u>

The aging of trade debts and other receivables at the reporting date:

Not past due	912,061	1,599,493
Past due 1-30 days	194,167	93,555
Past due 31-90 days	98,960	49,113
Past due 91-180 days	6,495	86,778
Past due 180 days	98,979	80,136
	1,310,662	1,909,075
Provision for doubtful debts - local	(75,889)	(74,047)
	<u>1,234,773</u>	<u>1,835,028</u>

The credit quality of Group's bank balances can be assessed with reference to external credit rating as follows:

Banks	Rating Agency	Rating		(Rupees in Thousand)	
		Short term	Long term	2018	2017
Bank Al-Falah Limited	PACRA	A1+	AA+	11,452	8,848
Bank Al-Habib Limited	PACRA	A1+	AA+	365	-
Citibank N.A.	Moody's	P-1	A1	65	63
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	AA-	1,913	480
Faysal Bank Limited	PACRA	A1+	AA	217	343
Habib Bank Limited	JCR-VIS	A-1+	AAA	916	986
Habib Metropolitan Bank Limited	PACRA	A1+	AA+	1,348,025	1,194,868
MCB Bank Limited	PACRA	A1+	AAA	1,402	1,733
Meezan Bank Limited	JCR-VIS	A-1+	AA+	4,718	7,426
National Bank of Pakistan	PACRA	A1+	AAA	6,410	4,235
Samba Bank Limited	JCR-VIS	A-1	AA	151	697
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA	238	195
United Bank Limited	JCR-VIS	A-1+	AAA	111	379
				<u>1,375,983</u>	<u>1,220,253</u>

Above rating updated as of July 16, 2018 and available on State Bank of Pakistan website.

C Liquidity risk

Liquidity risk represents where an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Parent Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2018, the Parent Company has Rs.3,755 million plus Rs.1,000 million swinging facility with an associated company Messrs. Novatex Limited, available borrowing limit from financial institutions. The Parent Company has unutilised borrowing facilities of Rs.3,451 million in addition to balances at banks of Rs.1,376 million. Based on the above, management believes the liquidity risk to be insignificant. The following are the contractual maturities of financial liabilities, including interest/mark-up payments.

	Carrying Amount	Contractual Cash Flow	Six months or less	Six to twelve months	One to two years	Two to five years	Above five years
	(Rupees in Thousand)						
2018							
Trade and other payables	1,184,341	1,184,341	1,184,341	-	-	-	-
Accrued mark up	142	142	142	-	-	-	-
Short term borrowings	580,017	580,017	580,017	-	-	-	-
Unclaimed dividend	11,238	11,238	11,238	-	-	-	-
	<u>1,775,738</u>	<u>1,775,738</u>	<u>1,775,738</u>	-	-	-	-
2017							
Long term financing	136,034	163,208	4,259	17,762	34,328	92,862	13,997
Trade and other payables	934,081	934,081	934,081	-	-	-	-
Accrued mark up	4,583	4,583	4,583	-	-	-	-
Short term borrowings	2,143,874	2,151,982	2,151,982	-	-	-	-
Unclaimed dividend	10,959	10,959	10,959	-	-	-	-
	<u>3,229,531</u>	<u>3,264,813</u>	<u>3,105,864</u>	<u>17,762</u>	<u>34,328</u>	<u>92,862</u>	<u>13,997</u>

38.3 CAPITAL RISK MANAGEMENT

The Group's objectives in managing capital is to ensure the Group's ability to continue as a going concern so that it can continue to provide returns to shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The gearing ratio as at June 30, 2018 and 2017 were as follows:

	(Rupees in Thousand)	
	2018	2017
Total borrowings	580,017	2,279,908
Cash and bank balances	(1,377,617)	(1,221,217)
Net debt	(797,600)	1,058,691
Total equity	9,797,052	7,823,147
Total capital	9,797,052	8,881,838
Gearing ratio	0%	12%

The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and bank balances. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

The Group finances its operations through equity, borrowings and management of working capital with a view to maintaining an appropriate mix amongst various sources of finance to minimize risk and cost.

39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged to consolidated statement of profit or loss for remuneration, including all benefits to the Chief Executive, Directors and Executives of the Group are as follows:

	(Rupees in Thousand)							
	Chief Executive		Directors		Executives		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017
Managerial remuneration	18,869	18,001	32,127	32,114	74,713	71,047	125,709	121,162
Post Employment benefits	5,792	5,874	4,583	3,850	7,517	11,883	17,892	21,607
Utilities	79	78	23	39	52	47	154	164
Other benefits	-	-	2,146	1,936	33,773	35,884	35,919	37,820
Reimbursement	-	-	-	-	940	350	940	350
	24,740	23,953	38,879	37,939	116,995	119,211	180,614	181,103

Number of persons

for remuneration	1	1	3	3	23	24	27	28
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39.1 Aggregate amount of meeting fee to Chairman and 4 non-executive directors (2017: Chairman and 4 non-executive Directors) was Rs.0.145 million (2017: Rs.0.140 million).

39.2 In addition, the Chief Executive and working directors are provided with Company maintained car and certain executives are provided with household furniture and cars under Group policies, the monetary impact where of is not quantifiable.

39.3 An associated company Messrs. Novatex Limited reimbursed Rs.45.385 million (2017: Rs.52.987 million) to the Parent Company in respect of services provided by certain directors and executives during the year.

39.4 Comparative figures of executives has been changed due to change in the definition of executives as per Companies Act, 2017.

40 SEGMENT REPORTING

40.1 Reportable segments

The Group's reportable segments are as follows:

- Polyester Filament Yarn - it comprises manufacturing of Polyester Filament Yarn and its raw material.
- Polyester PET Preform - it comprises manufacturing of Polyester PET Preform and its raw material. This includes the results of Subsidiary Company Messrs. Global Synthetics Limited, which has not yet commenced its operations till date.
- Electric Power generation- it comprises operations of Subsidiary Company Messrs. Gatro Power (Private) Limited.

Other operating expenses, other income, finance costs and taxation are managed at Group level.

40.2 Segment results:

The segment information for the reportable segments for the year ended June 30, 2018 is as follows:

(Rupees in Thousand)

	2018					2017				
	Polyester Filament Yarn	Polyester PET Preform	Total of Polyester Polymer	Power Generation	Group	Polyester Filament Yarn	Polyester PET Preform	Total of Polyester Polymer	Power Generation	Group
Sales	8,424,979	4,581,458	13,006,437	1,621,017	14,627,454	6,416,432	5,909,219	12,325,651	1,377,773	13,703,424
Segment result before depreciation and impairment	510,669	738,197	1,248,866	345,138	1,594,004	(337,768)	492,460	154,692	345,969	500,661
Less: Depreciation and impairment	(297,355)	(131,411)	(428,766)	(70,641)	(499,407)	(226,009)	(86,435)	(312,444)	(61,983)	(374,427)
Segment result after depreciation and impairment	213,314	606,786	820,100	274,497	1,094,597	(563,777)	406,025	(157,752)	283,986	126,234
Reconciliation of segment sales & results with sales & consolidated profit before income tax:										
Total sales for reportable segments					14,627,454					13,703,424
Elimination of inter-segment sales from subsidiary company Messrs. Gatro Power (Private) Limited					(1,896,590)					(1,611,995)
Sales					12,730,864					12,091,429
Total results for reportable segments			820,100	274,497	1,094,597			(157,752)	283,986	126,234
Other operating expenses			(184,892)	(3,822)	(188,714)			(33,482)	(3,894)	(37,376)
Other income			18,278	15,965	34,243			26,895	61,171	88,066
Finance costs			(14,381)	(433)	(14,814)			(32,860)	(448)	(33,308)
Investment income - Dividend			454,913	-	454,913			203,175	-	203,175
Share of profit after income tax in associated company Messrs. Novatex Limited					1,451,111					916,137
			1,094,018	286,207	2,831,336			5,976	340,815	1,262,928
Elimination of intra group transactions					(454,887)					(203,150)
Consolidated profit before income tax					2,376,449					1,059,778

(Rupees in Thousand)

2018					2017				
Polyester Filament Yarn	Polyester PET Preform	Total of Polyester Polymer	Power Generation	Group	Polyester Filament Yarn	Polyester PET Preform	Total of Polyester Polymer	Power Generation	Group

Assets and liabilities by segments are as follows:

Segment assets	3,927,058	2,015,523	5,942,581	2,339,113	8,281,694	3,451,789	2,534,385	5,986,174	1,933,603	7,919,777
Segment liabilities	711,383	676,687	1,388,070	1,372,932	2,761,002	546,344	315,227	861,571	926,265	1,787,836

Reconciliation of segments assets and liabilities with total in the consolidated statement of financial position is as follows:

	Assets	Liabilities	Assets	Liabilities
Total for reportable segments	8,281,694	2,761,002	7,919,777	1,787,836
Unallocated	7,083,602	2,651,545	5,771,731	3,924,802
Elimination of intra group balances	(158,896)	(3,199)	(159,041)	(3,318)
Total as per consolidated statement of financial position	15,206,400	5,409,348	13,532,467	5,709,320

Other segment information is as follows:

Depreciation and impairment	297,355	131,411	428,766	70,641	499,407	226,009	86,435	312,444	61,983	374,427
Capital expenditures incurred during the year	261,225	33,895	295,120	229,661	524,781	182,158	259,233	441,391	143,315	584,706
Unallocated capital expenditure incurred during the year					9,054					7,003
Total					533,835					591,709

40.3 All non-current assets of the Group as at June 30, 2018 are located in Pakistan. Parent Company's local sales represents sales to various external customers in Pakistan whereas export sales represents sales to customers in various countries.

40.4 The Group does not have transaction with any external customer which amount to 10 percent or more of the Group's revenue.

	Note	(Metric 2018)	(Tons 2017)
41 PLANT CAPACITY AND ACTUAL PRODUCTION			
41.1 Polyester Filament Yarn	41.1.1		
Annual capacity		29,074	26,755
Actual production		41,751	36,023
41.2 Polyester P.E.T. Preforms	41.2.1		
Annual capacity		50,222	48,462
Actual production	41.2.2	23,838	22,357
		(KWH in Thousand)	
41.3 Electric Power	41.3.1		
Annual capacity		251,492	213,222
Actual production		142,783	125,113

41.1.1 The capacity is determined based on 75 denier and 24 filaments. Comparative figure has been revised based on parameters used for 2018 for better presentation. Actual production represents production of various deniers.

41.2.1 The capacity is determined based on 43.66 gms production. Actual production represents production of various grammage. The actual production versus annual capacity is lower on account of very low demand/production in winter months of the year as well as new machines taking time to ramp up capacity and old machines needing to be overhauled. The actual production of preforms (various grammage) in pieces was 779.510 million (2017: 679.974 million) against annual capacity (based on 43.66 gms) of 1,150 million pieces.

41.2.2 The actual production was erroneously reported as 43,979 metric tons instead of 22,357 metric tons in previous consolidated financial statements.

41.3.1 The actual production versus annual capacity is lower on account of annual capacity includes capacities of standby gas generators as well as spare HFO generators and requirement of well optimum running load on gas engines .

42 TRANSACTIONS WITH RELATED PARTIES (Rupees in Thousand) 2018 2017

During the year, details of transactions with related parties are as follows:

Name	Nature of relationship	Basis of relationship	Nature of transaction		
Novatex Limited	Associated Company	Common directorship	Rendering of services	1,044	9,902
			Obtaining of services	452,602	663,542
			Purchase of raw material	1,431	110
			Purchase of property, plant & equipment and spares	10,300	189,425
			Sale of property, plant & equipment	-	43,800
			Receipt of dividend	127,575	-
			Rent	18,484	29,487
			Reimbursement of expenses	134,960	135,088
Krystalite Product (Private) Limited	Related Party	Common management	Sale of goods	457,449	379,763
			Reimbursement of expenses	488	-
Mushtaq & Company (Private) Limited	Related Party	Common management	Sale of goods	86,925	98,498
Gani & Tayub (Private) Limited	Related Party	Common directorship	Payment of dividend	3,241	-
			Charges on account of handling	7,501	6,893
Gatron Foundation	Related Party	Common directorship	Payment of donation	7,388	-
Gatron (Industries) Limited Staff Provident Fund	Retirement benefit fund	Employees Fund	Contribution made	19,901	19,352
Gatron (Industries) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Contribution made	3,839	4,061

- The above figures are exclusive of sales tax, where applicable.

- Outstanding balances, as at reporting date, are disclosed in their respective notes.

Transactions and outstanding balances, as applicable in relation to Defined Contribution Plan (DCP) and Key Management Personnel (KMP) have been disclosed in notes 39 of KMP. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Group considers its Chief Executive, Executive Directors and other executives to be KMP.

43 PROVIDENT FUND RELATED DISCLOSURES

(Rupees in Thousand)
2018 2017
(Un-audited) (Audited)

The following information is based on latest financial statements of the Funds.

Size of the Funds - Total Assets	<u>401,552</u>	<u>403,895</u>
Cost of Investments made	<u>366,515</u>	<u>367,364</u>
Fair value of investments	<u>398,122</u>	<u>400,846</u>
Percentage of investments made (Fair value to size of the fund)	<u>99.15%</u>	<u>99.25%</u>

	(Rupees in Thousand)			
	2018		2017	
	Amount	%	Amount	%
43.1 The Break-up of cost of investments is:				
Shares of Listed Companies	13,188	3.60%	-	0.00%
Government Securities	270,820	73.89%	254,603	69.31%
Debt Securities	31,950	8.72%	29,681	8.08%
Mutual Funds	49,455	13.49%	78,661	21.41%
Bank Deposits	1,102	0.30%	4,419	1.20%
	<u>366,515</u>	<u>100.00%</u>	<u>367,364</u>	<u>100.00%</u>

43.2 Investments out of the provident funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

44 NUMBER OF EMPLOYEES

(Number of employees)
2018 2017

Total number of employees as at June 30	<u>792</u>	<u>828</u>
Total number of plant employees as at June 30	<u>660</u>	<u>700</u>
Average number of employees during the year	<u>803</u>	<u>869</u>
Average number of plant employees during the year	<u>676</u>	<u>739</u>

45 NON ADJUSTING EVENT AFTER CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors of the Parent Company, in its meeting held on August 29, 2018, has recommended cash dividend of Rs.7.50 per share (2017: Rs. Nil). This is in addition to interim cash dividend of Rs.2.00 per share (2017: Rs. Nil) already paid. The approval of the members for the final cash dividend will be obtained in the Annual General Meeting. Since it is a non adjusting event, the consolidated financial statements for the year ended June 30, 2018 do not include the effect of the recommended cash dividend.

46 CORRESPONDING FIGURES

The fourth schedule to the Companies Act, 2017 has introduced certain presentation and classification requirements for the elements of consolidated financial statements. The preparation and presentation of these consolidated financial statements for the year ended 30 June 2018 is in accordance with requirements in Companies Act 2017. Accordingly, the corresponding figures have been rearranged and reclassified, wherever considered necessary, to comply with the requirements of Companies Act, 2017. Major reclassifications include unclaimed dividend of Rs.10.959 million which have been reclassified from trade and other payables to face of consolidated statement of financial position separately.

Further, prior year's figure have been reclassified for the purpose of better presentation. Change made during the year is as follows:

Reclassification from component	Reclassification to component	(Rupees in Thousand)
Distribution and selling costs Sundry	Distribution and selling costs Legal & professional fee	1,280

47 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on August 29, 2018 by the Board of Directors of the Parent Company.

48 GENERAL

Figures have been rounded off to the nearest thousand of Rupees.

Haji Haroon Bilwani
Chairman

Peer Mohammad Diwan
Chief Executive

Mohammad Yasin Bilwani
Chief Financial Officer

Important Notes to the Members

Submission of Computerized National Identity Cards (CNIC) and (NICOP)

CNIC or NICOP numbers of the shareholder is mandatory requirement for payment of dividend. Shareholders are therefore, requested to submit copies of their CNIC or NICOP to the Shares Registrar. In case of non-receipt of valid CNIC or NICOP, the Company will be constrained to withhold the payment of dividend of such shareholders. The shareholders while sending CNIC or NICOP must quote their respective folio number and name of the company (in case of corporate shareholders).

Payment of Cash Dividend Electronically

As per provision of Section 242 of the Companies Act, 2017 any dividend payable in cash shall only be paid through electronic mode directly in to the bank account designated by the entitled shareholders. The shareholders who have not yet provided relevant information are requested to provide their folio number, name and detail of bank account consisting of bank name, branch name, branch code, account number, title of account and IBAN in which they desire their dividend to be credited, failing which the company will be unable to pay the dividend through any other mode. Standard request form has also been placed on website of the company. Such information is to be sent to the Shares Registrar at the earliest possible.

Counterfoil Information of Cash Dividend

As per the Companies (Distribution of Dividend) Regulations, 2017 issued by Securities and Exchange Commission of Pakistan vide SRO No.1145(I)/2017 dated November 6, 2017, all the listed companies announcing cash dividend are required to provide a certificate to their shareholders through the Central Depository Company of Pakistan (CDC), specifying the calculation of dividend amount including the number of shares held, total amount of cash dividend, tax and zakat deductions and the net amount credited into the designated bank account of the shareholders. Shareholders (either holding shares in electronic or physical form) can by logging in CDC's e-Services portal i.e., <https://cdcaccess.com.pk/public/index.xhtml> retrieve status of their dividends.

Unclaimed Shares/Dividends

Members of the company are once again requested to contact office of the company or the company's Shares Registrar for collection of their shares/dividends which they have not yet received due to any reason.

As per Section 244(1) of the Companies Act 2017, all unclaimed shares and unclaimed dividends of the members of the company for a period of three years from the date it is due and payable are required to be credited by the Company to the Federal Government.

Deposit of Physical Shares into CDC Account:

The Shareholders having physical shareholding may open CDC sub-account with any of the brokers or Investor Account directly with CDC to place their physical shares into script-less form. This will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange. Further, Section 72 of the Companies Act, 2017 states that after the commencement of the Act, from the date to be notified by SECP, a company having share capital, shall have shares in book-entry form only. Every existing company shall be required to replace its physical shares with book-entry form in the manner as may be specified and from the date notified by SECP, within a period not exceeding four years from the commencement of the Act.

Withholding Tax on Dividend

Pursuant to the provisions of Income Tax Ordinance, 2001, different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies.

The 'Filer' is defined as a taxpayer whose name appears in the Active Tax-payers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

To enable the Company to withhold tax @ 15% for filers, all the shareholders are advised to ensure that their names appear in the latest available ATL on FBR website, otherwise tax on their cash dividend will be deducted @ 20% as applicable for non-filers.

In case of joint shareholder, each shareholder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each shareholder as may be notified by the shareholders, in writing as follows, to our Shares Registrar, or if no such notification is received each shareholder shall be assumed to have an equal number of shares:

Folio / CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder(s)	
		Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must reach the Shares Registrar of the Company by the close of business on October 17, 2018 otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint shareholder(s).

As per FBR's clarification, the valid exemption certificate under section 159 of the Ordinance is mandatory to claim exemption of withholding tax under Clause 47B of Part IV of 2nd Schedule of the Income Tax Ordinance, 2001. Those who fall in the category mentioned in the aforesaid clause must provide valid tax exemption certificate before close of business on October 17, 2018 to our Shares Registrar, otherwise tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Income Tax Ordinance, 2001.

The corporate shareholders having CDC accounts are required to have their NTN updated with their respective participants, whereas corporate physical shareholders are requested to send copy of their NTN certificate to the Company's Shares Registrar.

Circulations of Annual Reports through CD/DVD/USB

Pursuant to the Securities and Exchange Commission of Pakistan's notification S.R.O 470(I)/2016 dated 31 May, 2016, the Shareholders of Gatron (Industries) Limited in 36th Annual General Meeting of the Company held on 24th October, 2016 had accorded their consent for transmission of annual reports including annual audited accounts, notices of annual general meetings and other information contained therein through CD or DVD or USB instead of transmitting the same in hard copies. The shareholders who wish to receive hard copies of the aforesaid documents may send request to the Company Secretary / Shares Registrar, on the Standard Request Form for supply of documents free of cost. The shareholders who intend to receive the annual report including the notice of meeting through e-mail are requested to provide their written consent on the Standard Request Form.

Both forms are available on the Company's website: www.gatron.com.

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Proxy Form

38TH ANNUAL GENERAL MEETING

I/We, _____ of _____
being a Shareholder of **Gatron (Industries) Limited** and holding _____
Ordinary Shares as per Register Folio No. _____ or "CDC" Participant's
I.D. No. _____ A/c No. _____ hereby appoint
Mr. / Ms. _____
of _____ or failing him/her Mr. / Ms. _____ of
_____ as my/our Proxy in my/our absence to attend and vote for me/us
and on my/our behalf at the 38th Annual General Meeting of the Company to be held on Thursday,
October 25, 2018 and at any adjournment thereof.

Signed this _____ day of , _____ 2018.

Witness:

1. Signature _____
Name _____
Address _____
CNIC No. _____
2. Signature _____
Name _____
Address _____
CNIC No. _____

Signature
on Revenue
Stamp of Rs.5/-

Notes:

1. The proxy form 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. The proxy must be a member of the company.
3. Signature should agree with the specimen signature, registered with the company.
4. CDC shareholders and their proxies must attach either an attested photocopy of their Computerized National Identity Card or Passport with this proxy form.

مختارنامہ (پراکسی فارم)

۳۸ واں سالانہ اجلاس عام

میں/ہم _____
 بحیثیت رکن گیٹرون (انڈسٹریز) لمیٹڈ و حامل _____
 عام حصص بمطابق شیڈر رجسٹر فوئیو نمبر _____ اور/یا سی ڈی سی کے شراکتی آئی ڈی نمبر _____
 اور ذیلی کھاتہ نمبر _____ محترم/محترمہ _____ ساکن _____
 یا بصورت دیگر _____ ساکن _____

کواپنی/ہماری جگہ بروز جمعرات، مورخہ 25 اکتوبر، 2018ء، میں منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں شرکت،
 رائے دہندگی کے لیے اپنا نمائندہ مقرر کرتا/کرتی کرتے ہوں/ہیں۔

دستخط مورخہ _____ برائے ماہ و سال _____ ثبت ہیں۔

گواہ:

5 روپے کارسیدی
 ٹکٹ یہاں چسپاں کر کے
 دستخط کریں

1 دستخط _____

نام _____

پتہ _____

سی این آئی سی نمبر _____

2 دستخط _____

نام _____

پتہ _____

سی این آئی سی نمبر _____

نوٹ:

(1) مختارنامہ (پراکسی فارم) کے مؤثر ہونے کے لیے ضروری ہے کہ وہ 5 روپے کے رسیدی ٹکٹ پر دستخط کے ساتھ اجلاس شروع ہونے سے

48 گھنٹے قبل کمپنی کو موصول ہو جائے۔

(2) مختار (پراکسی) کو کمپنی کا رکن (ممبر) ہونا ضروری ہے۔

(3) دستخط کمپنی کے پاس رجسٹرڈ کردہ نمونے کے مطابق ہونی چاہیئے۔

(4) سی ڈی سی شیڈر ہولڈرز اور ان کے پراکسیز سے گزارش ہے کہ وہ اپنے قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی اس مختارنامہ

(پراکسی فارم) کے ساتھ منسلک کریں۔

E-DIVIDEND MANDATE FORM

Date: _____

The Manager
C&K Management Associates (Pvt) Limited
Share Registrar of
Gatron (Industries) Limited
Room No. 404, Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel, Karachi-75530

Subject: Bank account details for payment of Dividend through electronic mode

Dear Sir,

I/We/Messrs., _____,
being a member of Gatron (Industries) Limited [the "Company"], hereby, authorize the Company, to directly credit cash dividends declared by the Company in my bank account as detailed below:

(i) Shareholder's details:	
Name of the Shareholder	
Folio No.	
CDC Participant ID & Sub-Account No. /CDC IAS	
CNIC/NICOP/Passport/NTN No. (please attach copy)	
Contact Number (Landline & Cell Nos.)	
Shareholder's Address	
(ii) Shareholder's Bank account details:	
Title of Bank Account	
IBAN (See Note 1 below)	
Bank's Name	
Branch Name & Code No	
Branch Address	

It is stated that the above particulars given by me are correct and I shall keep the Company, informed in case of any changes in the said particulars in future.

Yours truly,

Signature of Shareholder
(Please affix company stamp in case of corporate entity)

Notes:

1. Please provide complete IBAN, after verification from your concerned bank to enable the company to electronic credit into your bank account.

The payment of cash dividend will be processed on the basis of the IBAN number alone. The company is entitled to rely on the IBAN number as per your instructions. The company shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, delay, or failure in performance of any of its obligations hereunder which is caused by incorrect payment instructions and / or due to any event beyond the control of the company.

2. CDC members are requested to submit with Participant/CDC Investor Account Services for incorporation of bank account.



Gatron (Industries) Limited