



**GATRON (INDUSTRIES) LIMITED**

**ANNUAL  
REPORT**

**2019**





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## Corporate Information

### Board of Directors

Haroon Bilwani	-	Chairman
Pir Muhammad Diwan	-	Chief Executive
Abdul Razak Diwan		
Zakaria Bilwani		
Usman Habib Bilwani		
Muhammad Iqbal Bilwani		
Shabbir Diwan		
Muhammad Taufiq Bilwani		
Muhammad Waseem		

### Audit Committee Members

Muhammad Waseem	-	Chairman
Haroon Bilwani		
Usman Habib Bilwani		
Muhammad Iqbal Bilwani		

### HR & Remuneration Committee Members

Muhammad Waseem	-	Chairman
Usman Habib Bilwani		
Muhammad Iqbal Bilwani		

### Company Secretary / Chief Financial Officer

Muhammad 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.

**Shares 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  
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 stakeholders while adhering to the above vision and mission.

”

## Notice of Annual General Meeting

Notice is hereby given that the Thirty-ninth Annual General Meeting of Gatron (Industries) Limited will be held on Monday, October 21, 2019 at 10:30 a.m., at Quetta Serena Hotel, Quetta to transact the following business:

### **Ordinary Business:**

1. To confirm the minutes of the Thirty-eighth Annual General Meeting of the company held on October 25, 2018.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2019 together with the Auditors' Report thereon and Directors' Report for the year then ended.
3. To approve payment of final cash dividend at Rs.15.00 per share (150%) as recommended by the Board of Directors for the year ended June 30, 2019. This is in addition to interim cash dividends of Rs.11.50 per share (115%) already paid.
4. To appoint company's auditors for the year ending June 30, 2020 and fix their remuneration.
5. To transact any other ordinary business with the permission of the Chair.

By Order of the Board

**Muhammad Yasin Bilwani**  
Company Secretary

September 13, 2019

### Notes:

1. The Share Transfer Books of the company will remain closed from October 12, 2019 to October 21, 2019 (both days inclusive). Transfers received in order at the office of the Shares Registrar before the close of business on October 11, 2019 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.



## Notice of Annual General Meeting

3. In case of corporate entity, the Board of Directors resolution/Power of attorney with specimen signature and attested copy of valid CNIC of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted alongwith proxy form to the Company.
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, 2019 are being made available on the company's website in addition to annual, bi-annual and quarterly financial statements of the prior years / periods.
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 about 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.
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.

- ۶۔ 30 جون 2019ء کو اختتام پذیر ہونے والے سال کیلئے کمپنی کے آڈٹ شدہ مالیاتی گوشوارے کمپنی کی ویب سائٹ پر سابق برسوں/مدتوں کے سالانہ، ششماہی اور سہ ماہی مالیاتی گوشواروں کے ساتھ فراہم کئے جا رہے ہیں۔
- ۷۔ اگر کمپنی اجلاس کی تاریخ سے کم از کم 10 روز قبل بذریعہ ویڈیو کانفرنس اجلاس میں شرکت کرنے کیلئے ان ممبران سے رضامندی وصول ہوتی ہے جو مجموعی طور پر 10% یا زائد شیئرز ہولڈنگ کے حامل ہوں اور جیوگرافیکل لوکیشن پر رہائش پذیر ہوں تو کمپنی اس شہر میں ویڈیو کانفرنس کی سہولت کا انتظام کر دے گی بشرطیکہ اس شہر میں ایسی سہولت دستیاب ہو۔ کمپنی سالانہ اجلاس عام کی تاریخ سے کم از کم 05 یوم قبل ویڈیو کانفرنس کی سہولت کے مقام سے متعلق ایسے شیئرز ہولڈرز کو ضروری معلومات فراہم کرے گی تاکہ وہ ایسی سہولت تک رسائی حاصل کر سکیں۔
- ۸۔ ممبران پولنگ کے مطالبہ کے سلسلے میں اپنا حق استعمال کر سکتے ہیں جو کمپنیز ایکٹ 2017ء کی دفعہ 143 تا دفعہ 145 اور کمپنیز (پوسٹل بیلٹ) ریگولیشنز 2018ء کے قابل اطلاق شقوق کے مطابق ہوگا۔

## اطلاع برائے سالانہ اجلاس عام

بذریعہ ہذا اطلاع دی جاتی ہے کہ گیٹرون (انڈسٹریز) لمیٹڈ کا سالانہ اجلاس عام درج ذیل امور کی انجام دہی کیلئے بروز پیر 21، اکتوبر 2019ء کی صبح 10:30 بجے بمقام سرینا ہوٹل، کوئٹہ منعقد ہوگا۔

### عمومی امور:

- ۱۔ کمپنی کے اڑتیسویں سالانہ اجلاس عام منعقدہ 25، اکتوبر 2018ء کی کاروائی کی توثیق۔
- ۲۔ 30، جون 2019ء کو اختتام پذیر ہونے والے سال کیلئے کمپنی کے آڈٹ شدہ حسابات بمع ان پراڈیٹرز کی رپورٹ اور ڈائریکٹرز کی رپورٹ کی وصولی، غور و خوض اور منظوری۔
- ۳۔ 30، جون 2019ء کو اختتام پذیر ہونے والے سال کیلئے بورڈ آف ڈائریکٹرز کی سفارش کے مطابق مبلغ -/15 روپے فی حصہ (150%) کی شرح سے حتمی نقد منافع منقسمہ کی ادائیگی کی منظوری دینا۔ یہ منافع منقسمہ مبلغ 11.50 روپے فی حصہ (115%) کے عبوری منافعوں کے علاوہ ہے جو پہلے ہی ادا کئے جا چکے ہیں۔
- ۴۔ 30، جون 2020ء کو اختتام پذیر ہونے والے سال کیلئے کمپنی کے بیرونی آڈیٹرز کا تقرر اور ان کے مشاہرہ کا تعین کرنا۔
- ۵۔ صدر اجلاس کی اجازت سے دیگر عمومی امور انجام دینا۔

حسب الحکم بورڈ

کراچی:

مورخہ 13، ستمبر 2019ء

محمد یاسین بلوانی

کمپنی سیکریٹری

### نوٹس:

- ۱۔ کمپنی کی شیئر ٹرانسفر بکس 12، اکتوبر 2019ء سے 21، اکتوبر 2019ء تک (دونوں دن شامل ہیں) بند رہیں گی۔ شیئر رجسٹرار کے دفتر میں جو منتقلیاں 11، اکتوبر 2019ء کو کاروباری اوقات کے اختتام سے قبل موصول ہو جائیں گی وہ منافع منقسمہ کے استحقاق کے مقصد اور سالانہ اجلاس عام میں شرکت کیلئے بروقت سمجھی جائیں گی۔
- ۲۔ کوئی بھی ممبر جو اجلاس میں شرکت کرنے اور ووٹ دینے کا/کی حقدار ہے وہ اپنی جگہ شرکت کرنے، تقریر کرنے اور ووٹ دینے کے لئے کسی دوسرے ممبر کو بطور اپنا/اپنی مختار مقرر کر سکتا/کر سکتی ہے مختار ناموں کے متاثر ہونے کے لئے ضروری ہے کہ وہ اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل کمپنی کے آفس میں موصول ہو جائیں۔ مختار نامہ اس رپورٹ کے ہمراہ منسلک ہے۔
- ۳۔ کارپوریٹ ادارہ کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی بمع کارپوریٹ ادارہ کی جانب سے نمائندگی کرنے اور ووٹ ڈالنے کیلئے نامزد کردہ شخص کا نمونہ دستخط اور کارآمد CNIC کی تصدیق شدہ نقل پر کسی فارم کے ساتھ کمپنی کو پیش کیا جائے۔
- ۴۔ وہ ممبران جنہوں نے سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ میں اپنے شیئرز جمع کرائے ہیں، اجلاس میں شرکت کے وقت اصل CNIC یا NICOP یا پاسپورٹ کے ساتھ اپنا پارٹیسپینٹ ID نمبر اور اکاؤنٹ/سب اکاؤنٹ نمکبر لازماً ساتھ لائیں۔
- ۵۔ ممبر کو ہدایت کی جاتی ہے کہ وہ اپنے پتوں میں کسی بھی قسم کی تبدیلی سے متعلق کمپنی کے شیئرز رجسٹرار کو مطلع کریں۔

## Chairman's Review

On behalf of the Board of Directors, I am pleased to present the Annual Report of the Company together with the audited, stand alone and consolidated financial statements and auditors' report thereon for the year ended June 30, 2019.

During the year under review, the Company reported a profit after taxation of Rs. 1,795 million as compared to a profit after taxation of Rs. 982 million last year. This was due to better marketing margins, advantages of pricing in products and better working capital management.

The Board acknowledges the efforts of the management and specially the staff and workers to achieve this mile stone.

The overall performance of the Board of Directors remained good through out the year. The Board is composed of a mix of Directors in terms of relevant experience and skills and its Committees have been operating efficiently. Current year's financial results is a clear indication of the effective role played by the Board in achieving Company's objectives.

On behalf of the Board, I would like to thank all the stakeholders for their trust and support. I am confident that the Company has all the ingredients necessary to achieve the expectations of all its stakeholders

**Haroon Bilwani**  
Chairman

September 13, 2019



## چیرمین کی جائزہ رپورٹ

بورڈ آف ڈائریکٹرز کی جانب سے میں 30 جون، 2019ء کو اختتام پزیر ہونے والی سالانہ رپورٹ ہمراہ آڈٹ شدہ علیحدہ اور مجموعی حسابات اور ان پر آڈیٹرز کی رپورٹ پیش کرتے ہوئے مسرت محسوس کر رہا ہوں۔

زیر نظر سال کے دوران کمپنی نے پچھلے سال 982 ملین روپے منافع بعد از ٹیکس کے مقابلے میں 1,795 ملین روپے منافع بعد از انکم ٹیکس رپورٹ کیا۔ یہ منافع بہتر مارکیٹنگ کے مارجنز، مصنوعات میں قیمتوں کے فوائد اور بہتر ورکنگ کیپٹل مینجمنٹ کی وجہ سے ہوا۔

بورڈ اس سنگ میل کے حصول کے لیے انتظامیہ اور خاص طور پر عملے اور کارکنوں کی کاوشوں کا اعتراف کرتا ہے۔

دوران سال بورڈ آف ڈائریکٹرز کی کارکردگی تسلی بخش رہی۔ بورڈ متعلقہ تجز بے اور مہارت کے لحاظ سے مختلف ڈائریکٹرز پر مشتمل ہے اور اس کی کمیٹیز منوثر انداز میں چل رہی ہیں۔ موجودہ سال کے مالیاتی نتائج بورڈ کی جانب سے کمپنی کی کارکردگی میں منوثر کردار ادا کرنے کا واضح اشارہ ہے۔

بورڈ کی جانب سے میں تمام اسٹیک ہولڈرز کے اعتماد اور تعاون کے لیے ان کا شکریہ ادا کرنا چاہتا ہوں۔ مجھے یقین ہے کہ کمپنی کے پاس اپنے تمام اسٹیک ہولڈرز کی توقع کو پورا کرنے کے لیے ضروری تمام اجزاء موجود ہیں۔

ہارون بلوانی  
چیرمین

13 ستمبر، 2019ء

# **BOARD OF DIRECTORS REPORT AND FINANCIAL STATEMENTS**



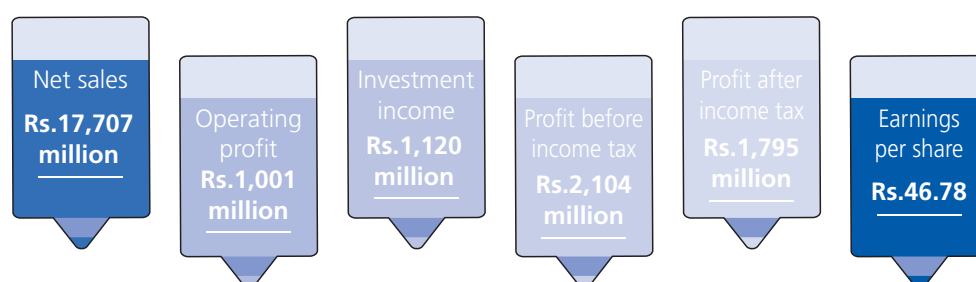
**Gatron (Industries) Limited**

## Directors' Report

Dear Shareholders,

The Directors of Gatron (Industries) Limited are pleased to present the annual report together with the audited financial statements, for the year ended June 30, 2019.

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



Revenue of the Company grew by 36% as compared to last corresponding year mainly due to 26% increase in volume as well as the increase in the selling price of Polyester Filament Yarn (PFY). The selling price increase was in line with the devaluation of average Rupee to \$ rate of current year versus last corresponding year. The major part of the profitability for this year was on account of the continued devaluation of Pak rupee versus the US \$ on monthly average from Rs. 125 in July 2018 to Rs. 139 in December 2018 to Rs. 140 in March 2019 to Rs. 154 in June 2019. This meant that purchased raw material at lower rupee cost by the time converted into finished product had increased in rupee value pushing the rupee / kg price for that product, resulting in a dynamic gain throughout the year. While dollar/ton value of raw materials was in a stable band from November 2018, it started falling significantly and continuously thereafter from May 2019. This prevented traders from importing extra quantities (less inventory overhang in the local market) thus putting less pressure on the market prices of the PFY product to fall immediately and also allowed your company to reduce its finished goods inventory to an all time low of 15 days. All of this resulted in a good windfall gain for the company this year, but should not be expected to repeat next year, as the Pak rupee has now stabilized in the Rs. 156 to RS. 160 band and there appears no significant room for raw materials to fall further since all upstream products margins/spreads have little room to fall further. In fact the traders are now geared up to import large quantities which will put pressure in the market from November 2019 onwards.

In line with the plans for 2018-19 already informed to the shareholders, Company achieved increase in its PFY production ratio as well as increase in its actual production capacity for the year which also contributed in the above mentioned increase in sales volume.

Your company has already informed you about the investments in increase of the capacity. However it has decided to stop further expansion (except those which are already committed) in view of the reduction of regulatory duty on competing imported yarn from 5% to zero. This will mean that substitution of imported Filament Yarn in the country will be affected. Further details are given below in the Future outlook section.

Besides the operations income the major contributor to the results was the investment income. The income from operations contributed only around 47% to the overall bottom line, while major contribution of 53% came from investment income.

Preforms segment witnessed decrease in sales volume by around 17% as compared to last corresponding year due to following major reasons:

- a. The devaluation of Pak rupee led to a price increase of the soft drinks in the retail sector affecting the consumer demand of these beverages and the preform demand. Inflation of all food and living costs also mean that consumer disposal income for spending on beverages reduces.
- b. Cost cutting initiatives taken by major customer(s) to use low weight Preforms which has also affected the tonnage of the Preform sale.
- c. Early start and longer winter seasons were witnessed during 2018-19, as well as frequent rains during the summer season. Both of these factors reduced the volume of beverage sales and consequently affecting Preform sale volume this year.
- d. The Export of Preforms has reduced sharply on the one hand due to imposition of high imports duties on Preforms in one of the main target markets while on the other hand due to the neck change of water preforms in the middle east, meant some of the Preforms being produced by your company are not in demand any more in these export countries.

Your company took this opportunity of lower volume this year, to overhaul the Preform machines. While the volume of Preforms went down by 17% the overall sales in monetary terms only reduced by 4.5% due to the rupee devaluation. For the coming years your company will have to acquire molds and machines to produce sizes of Preforms which are more in demand in the local market to replace the capacity of the sizes which are less in demand as well as to replace the sizes which were being produced for export demand and are now outdated.

Administrative and Distribution & selling expenses remained under control and there is no major change noted as compared to last year pattern, However, we expect them to increase appreciably in the coming years due to pass on effect of the rupee devaluation

On the Balance Sheet front as compared to June 30, 2018 stocks increased by Rs.106 million to reach amounting to Rs. 2,841 million. Debtors increased by Rs.400 million to reach Rs.1,529 million while creditors decreased by Rs. 183 million to reach Rs.2,033 million.

## CHALLENGES FACED AND FUTURE OUTLOOK

- Federal Government on being misguided by the traders/importers lobby, has reduced the Regulatory Duty on competing imported PFY from 5% to zero. It will hurt the investment already made in the initial phases of the expansion and will definitely make it challenging for local PFY manufacturing industry to proceed with the further phases of targeted expansion in production capacity. This expansion plan on the back of regulatory duty of 5% on competing imported yarn, was taking the indigenous production to a level which was to meet above 70% of indigenous demand by 2021-22 compared to 35% in 2016 and was also to increase local employment beyond the jobs already provided by the industry.



- The regulatory duty is needed in view of the insufficient anti-dumping duties of 3.25% to 4.9% on the major 3 Chinese suppliers despite injury margin over 25% assessed by National Tariff Commission. The Company though is already in the process of installing the phase II expansion to reach 65,000 tons production, it is not opening the LC of machinery for the further planned phases. As such the import substitution and industrial employment efforts of the PFY industry has been thwarted while the imported yarn remains at over US\$ 259 million in calendar year 2018 and further increasing.
- Maintaining the current import duty with consistent Regulatory Duty for PFY will help in the growth of domestic PFY industry to cater over 70% of total domestic demand in 2021-22 and reduce the import bill and reliance on international borrowings. Due to limited size of cotton crop, the aim of the country should be to clothe more than 200 million population with locally produced textile raw-materials. It is worthwhile to note that the major raw material of Filament Yarn vis PTA is also produced in Pakistan and with the upcoming new Saudi refinery the basic chemicals for PTA vis Paraxylene may also be produced from crude oil within the country, achieving the self-reliance and full chain of crude oil to polyester clothes within the country.
- We also hope that proposed Phase II FTA with China does not negatively hurt the filament yarn production as well as the downstream synthetic weaving industry. Filament Yarn Manufacturers had already informed the Textile Ministry and Commerce Ministry to take care of the HS codes of these industries in this respect.
- As reported in previous reports, the anti-dumping duties (ADDs) continue to be ineffective due to litigation on composition of National Tariff Commission (NTC) (resulting in repeated stay orders in different High Courts). Earlier the imposition of ADDs was delayed for 4 years due to quorum issues at the NTC. These ADDs are already set at a very low level of 3.25% to 4.9% on the major 3 Chinese suppliers, while the injury to the Pakistan Filament Yarn Industry was exceeding 25% by the Chinese dumped imports as calculated by the NTC in anti-dumping investigation. It is also worthwhile to note that the dumping duty on China imposed by Turkey and India on these same producers was in excess of 10%.
- 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 anti-subsidy 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.
- All the above factors necessitate the Regulatory Duty of 5% on import of PFY for the next 5 years.
- Frequent and notable increase in gas prices along with unsettled GIDC matter make import substitution industry more incompatible.
- The Company's significant funds are stuck in Sales Tax and Income Tax refunds, which unnecessarily affecting liquidity of the Company.

- Elimination of zero rating sales tax on PFY by withdrawing SRO 1125 and various other measures for documentation of the downstream user industry in current budget have significant impacts on overall sale of the Company and may hurt profitability in coming period.
- Instead to reduce Minimum Tax to support industries, Government has increased it to 1.5% in last budget, which will definitely be hurting financial position of businesses.
- Tax credit under section 65(b) of Income Tax Ordinance, 2001 has been taken away from next tax year and remained half for current tax year, may adversely hurt feasibility of upcoming investments in the country.
- Company has obtained long terms loan during the year to finance Plant & Machinery to increase production capacity.
- Despite increasing water level in Hub dam due to recent rains in Balochistan, water supply to Hub industrial area was not restored to desired level due to damage in water supply canal, therefore the company had to arrange water from alternate sources resulting in increased cost of production during 2018-19.

#### OTHER MATTERS

- During the period operations of wholly owned subsidiary Messrs. Gatro Power (Private) Limited remained satisfactory. During the year, this subsidiary company paid cash dividends amounting to Rs.553 million.
- During the period a new wholly owned subsidiary company Messrs. G-Pac Energy (Private) Limited has been incorporated, whose principal business is to generate and sell electric power. The operations of company is expected to be commenced soon.
- During the period, an associated company i.e. Messrs. Novatex Limited has paid Rs. 567 million cash dividend for the year ended on June 30, 2019.

#### APPROPRIATION

The Board of Directors of the company has recommended final cash dividend @ Rs.15.00 per share (150%). This is in addition to the already paid interim cash dividends of Rs.11.50 per share (115%) making total cash dividend Rs. 26.50 per share (265%) for the year ended June 30, 2019.

#### EARNINGS PER SHARE

The earnings per share of the Company for the year ended on June 30, 2019 is Rs.46.78.

#### MATERIAL CHANGES AND COMMITMENTS

No material changes and commitments affecting the financial position of the company occurred during the period to which the balance sheet relates and the date of this report.

## CHAIRMAN'S REVIEW

The Chairman's review on the performance of the Company is annexed to this 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 for re-appointment as auditors of the Company for the year 2019-20.

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

The 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, 2019 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 is no significant doubt 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 per regulations;
- During the year, the directors, including CFO, Company Secretary and their spouses and minor children have not traded in the shares of the company, except as disclosed in the detail of pattern of shareholding;
- 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, 2019 was Rs. 428 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:

<b>Board of Directors</b>	<b>Number of meetings attended</b>
1) Haroon Bilwani	6
2) Pir Muhammad Diwan	6
3) Abdul Razak Diwan	4
4) Zakaria Bilwani	5
5) Usman Habib Bilwani	6
6) Muhammad Iqbal Bilwani	6
7) Shabbir Diwan	5
8) Muhammad Taufiq Bilwani	5
9) Muhammad Waseem	6

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

<b>Audit Committee</b>	<b>Number of meetings attended</b>
1) Muhammad Waseem	4
2) Haroon Bilwani	4
3) Usman Habib Bilwani	4
4) Muhammad Iqbal Bilwani	4

<b>HR &amp; Remuneration Committee</b>	<b>Number of meetings attended</b>
1) Muhammad Waseem	4
2) Usman Habib Bilwani	4
3) Muhammad Iqbal Bilwani	4

## **BOARD OF DIRECTORS**

There is no change in the Board of Directors of the Company.



## **EVALUATION OF BOARD OWN PERFORMANCE**

The Board considers its performance by assessing as a key contributor to good governance as it provides feedback from the individual Director on his perceptions of how the Board is currently performing its role and responsibilities. Envisaging the same, the Board devised in-house questionnaires based on emerging and leading practices to assist performance of the board as a whole, of its committees and of its members.

## **COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE**

The Board reviews the company's strategic direction on regular basis. The business plans and budgetary targets, set by the Board are also reviewed regularly. The Sub-Committees are empowered for effective compliance of Code of Corporate Governance. The Board is committed to maintain a high standard of good Corporate Governance.

## **COMMUNICATION WITH SHAREHOLDERS**

The Company focuses on the importance of the communication with the shareholders. The annual report are distributed to them on CDs within the time specified in the Companies Act, 2017. The activities of the Company are also updated on its website at [www.gatron.com](http://www.gatron.com) on timely basis.

## **ACKNOWLEDGMENT**

The board places on record its profound gratitude for its valued shareholders, banks, financial institutions and customers, whose cooperation, continued support and patronage have enabled the company to strive for constant improvement. During the year, relations between the management and employees remained cordial and we wish to place on record our appreciation for the dedication, perseverance and diligence of the staff and workers of the company.

**PIR MUHAMMAD DIWAN**  
CHIEF EXECUTIVE/DIRECTOR

**USMAN HABIB BILWANI**  
DIRECTOR

September 13, 2019

بورڈ کے اجلاس میں حاضریہ ہوسکنے والے ڈائریکٹرز کو رخصت عطاء کی گئی۔

آڈٹ کمیٹی	تعداد اجلاس میں حاضری
جناب محمد وسیم	4
جناب ہارون بلوانی	4
جناب عثمان حبیب بلوانی	4
جناب محمد اقبال بلوانی	4
ایچ آر اینڈ ری میونریشن کمیٹی	تعداد اجلاس میں حاضری
جناب محمد وسیم	4
جناب عثمان حبیب بلوانی	4
جناب محمد اقبال بلوانی	4

### بورڈ آف ڈائریکٹرز:

کمپنی کے بورڈ آف ڈائریکٹرز میں کوئی تبدیلی واقع نہیں ہوئی۔

### بورڈ کی کارکردگی کا جائزہ:

بورڈ کی اپنی کارکردگی کی تشخیص کو گڈ گورننس میں کلیدی مددگار سمجھا جاتا ہے کیونکہ یہ انفرادی ڈائریکٹرز کی طرف سے ان کے خیالات پر تاثرات فراہم کرتا ہے کہ بورڈ اس وقت اپنے کردار اور ذمہ داریوں کو کس طرح ادا کر رہا ہے۔ اسی کا جائزہ لیتے ہوئے بورڈ نے اپنی کمیٹی اور اس کے ممبران کی مجموعی طور پر کارکردگی میں مدد کیلئے خود کار طریقوں پر مبنی سوالنامہ وضع کیا۔

### کوڈ آف کارپوریٹ گورننس کی بہترین عمل کی تعمیل:

بورڈ باقاعدہ بنیاد پر کمپنی کی حکمت عملی کا جائزہ لیتا ہے۔ بورڈ اس کے ذریعہ طے شدہ کاروباری منصوبوں اور بجٹ اہداف کا بھی باقاعدگی سے جائزہ لیتا ہے۔ کوڈ آف کارپوریٹ گورننس کی منوثر تعمیل کیلئے ذیلی کمیٹیوں کو اختیار دیا گیا ہے۔ بورڈ اچھے کارپوریٹ گورننس کے اعلیٰ معیار کو برقرار رکھنے کیلئے پُر عزم ہے۔

### ممبران سے رابطہ:

کمپنی اپنے شیئر ہولڈرز کے ساتھ رابطے کی اہمیت پر توجہ مرکوز کئے ہوئے ہے جیسا کہ کمپنی ایکٹ، 2017ء میں مذکور ہے، سالانہ رپورٹس باقاعدگی سے حصص یافتگان کو CDs میں ارسال کی جاتی ہیں اور کمپنی کی سرگرمیاں ویب سائٹ [www.gatron.com](http://www.gatron.com) پر بروقت اپڈیٹ کی جاتی ہیں۔

### اظہار تشکر:

بورڈ اپنے قابل قدر حصص یافتگان، بینکس، مالیاتی اداروں اور صافین کا تہہ دل سے شکریہ ادا کرتا ہے جن کے مستقل تعاون اور سرپرستی سے کمپنی کو بہتری کیلئے جدوجہد کرنے میں مدد ملی۔ سال کے دوران انتظامیہ اور ملازمین کے مابین تعلقات خوشگوار رہے اور ہم چاہتے ہیں کہ کمپنی کے اسٹاف اور ورکرز کی لگن، استقامت اور محنت کیلئے ہماری تعریف کو ریکارڈ کیا جائے۔

عثمان حبیب بلوانی  
ڈائریکٹر

پیر محمد دیوان  
افسر اعلیٰ / ڈائریکٹر

13 ستمبر، 2019ء

### شیر ہولڈنگ کی ترتیب:

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

### مجموعی مالیاتی گوشوارے:

زیر نظر سالانہ رپورٹ میں گروپ ہند 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 ایچجی کمیشن کے کارپوریٹ اور فنانشل رپورٹنگ فریم ورک اور کوڈ آف کارپوریٹ گورننس ضابطہ اخلاق پر عمل درآمد کیا گیا ہے:

- ☆ 30 جون 2019ء 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۔
- ☆ مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں پر مستقلاً عمل درآمد کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات مناسب اور محتاط کاروباری قیاسات 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 مؤثر 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 ریگولیشنز کے بہترین معمولات سے کوئی اہم انحراف نہیں کیا گیا۔
- ☆ دوران سال ڈائریکٹرز بشمول سی ایف او، کمپنی سیکریٹری اور ان کی شریک حیات اور نابالغ بچوں نے کمپنی کے حصص میں تجارت نہیں کی ہے سوائے ان کے جو شیر ہولڈنگ کی ترتیب میں بیان ہیں۔
- ☆ گزشتہ 6 سال کا اہم آپریٹنگ اور فنانشل ڈیٹا اس رپورٹ میں منسلک ہے۔
- ☆ 30 جون 2019ء کو پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر مبلغ 428 ملین روپے تھی۔
- ☆ دوران سال 6 بورڈ، 4 آڈٹ کمیٹی اور 14 ایجنڈے آر اینڈ ری میونریشن کمیٹی کے اجلاس کا انعقاد کیا گیا۔ جس میں ڈائریکٹرز اور ممبران کی حاضری درج ذیل رہی:

بورڈ کے ڈائریکٹرز	تعداد اجلاس میں حاضری
جناب ہارون بلوانی	6
جناب پیر محمد دیوان	6
جناب عبدالرزاق دیوان	4
جناب زکریا بلوانی	5
جناب عثمان حبیب بلوانی	6
جناب محمد اقبال بلوانی	6
جناب شبیر دیوان	5
جناب محمد توفیق بلوانی	5
جناب محمد وسیم	6

☆ کمپنی نے موجودہ سال کے دوران پیداواری صلاحیت کو بڑھانے کے لئے پلانٹ اور مشینری کی مالی اعانت کے لئے طویل مدتی قرض حاصل کیا ہے۔

☆ بلوچستان میں حالیہ بارشوں کے باعث حب ڈیم میں پانی کی سطح میں اضافے کے باوجود واٹر سپلائی کینال میں ہونے والے نقصان کی وجہ سے حب صنعتی علاقے کو پانی کی فراہمی مطلوبہ سطح پر بحال نہیں کی جاسکی۔ لہذا کمپنی کو متبادل ذرائع سے پانی کا بندوبست کرنا پڑا جس کے نتیجے میں 2018-19 کے دوران پیداواری لاگت میں اضافہ ہوا۔

#### دیگر امور

زیر جائزہ مدت کے دوران مکمل ملکیتی ماتحت ادارہ میسرز گیٹر و پاور (پرائیوٹ) لمیٹڈ کے آپریشنز تسلی بخش رہے۔ سبسڈی کمپنی نے سال کے دوران 553 ملین روپے کے نقد منافع منقسمہ کی ادائیگی کی۔

زیر جائزہ مدت کے دوران مکمل ملکیتی ماتحت ادارہ میسرز جی پیک انرجی (پرائیوٹ) لمیٹڈ کا اجراء کیا گیا جس کا بنیادی کاروبار توانائی پیدا کرنا اور بیچنا ہے۔ اس کمپنی کے آپریشنز جلد شروع کئے جانے کی توقع ہے۔

زیر جائزہ مدت کے دوران ایک ملحقہ کمپنی میسرز نووا ٹیکس لمیٹڈ نے 30 جون، 2019ء کو ختم ہونے والے سال کیلئے 567 ملین روپے کے نقد منافع منقسمہ کی ادائیگی کی۔

#### تصرف

کمپنی کے بورڈ آف ڈائریکٹرز نے مبلغ 15 روپے (150 فیصد) نقد منافع منقسمہ فی حصہ دینے کی تجویز پیش کی ہے۔ یہ منافع مبلغ 11.50 روپے (115 فیصد) فی حصہ کی شرح سے پہلے ہی ادا کر دیئے جانے والے عبوری منافعوں کے علاوہ ہے جو مل کر 30 جون، 2019ء کے لینے مجموعی نقد منافع منقسمہ مبلغ 26.50 روپے (265 فیصد) بناتے ہیں۔

#### آمدن فی حصہ:

30 جون 2019ء کو اختتام پذیر ہونے والے سال کے لینے منافع فی حصہ 46.78 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۔

#### چیزیں کا جائزہ:

چیزیں 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 2019-20 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۔

☆ PFY کی درآمد پر موجودہ درآمدی ڈیوٹی اور ریگولیٹری ڈیوٹی کو برقرار رکھنے سے مقامی PFY تیار کرنے والوں کو ترقی کا موقع ملے گا اور وہ جہاں ایک جانب 2021-22 تک ملکی طلب کو 70 فیصد سے زائد مقامی پیداوار سے پورا کر سکیں گے وہیں ملکی درآمدی بل میں واضح کمی آئے گی اور بیرونی قرضوں کی مجموعی صورت حال بھی بہتر ہوگی۔ کاٹن کی فصل کم کاشت کی جانے کی وجہ سے یہ ضروری ہے کہ 200 ملین مقامی آبادی مقامی خام مال سے تیار شدہ ٹیکسٹائل مصنوعات استعمال کریں۔ یہاں یہ بتانا بھی ضروری ہے کہ فلامنٹ یارن میں استعمال ہونے والا PTA جیسا کہ ہم خام مال پاکستان میں بنایا جاتا ہے اور اب جبکہ سعودی ریفاٹری کا قیام عمل میں لایا جا رہا ہے تو PTA کا اہم خام مال پیرائیلین کیمیکل بھی خام تیل سے ملک میں ہی بنایا جاسکے گا جس کے نتیجے میں خود انحصاری حاصل ہو سکے گی اور خام تیل سے لیکر پولیسٹر بلوسا تک کی مصنوعات ملک میں ہی دستیاب ہوگی۔

☆ ہم یہ بھی امید کرتے ہیں کہ چین کے ساتھ زیر تجویز FTA کے دوسرے مرحلے سے PFY کی پیداوار کے ساتھ ساتھ Downstream Synthetic Weaving صنعت کو بھی نقصان نہیں پہنچے گا۔ فلامنٹ یارن کے مینوفیکچررز نے پہلے سے ہی ٹیکسٹائل منسٹری اور کامرس منسٹری کو اس سلسلے میں ان صنعتوں کے ایجنٹس کو ڈیز کو مد نظر رکھنے کی تجویز دے رکھی ہے۔

☆ جیسا کہ سابقہ ڈائریکٹرز رپورٹ میں بتایا گیا ہے کہ اینٹی ڈمپنگ ڈیوٹیز (ADDs) مسلسل غیر فعال ہیں کیونکہ نیشنل ٹریف کمیشن (NTC) کی ٹریف کمپوزیشن پر درآمد کنندگان نے مختلف ہائی کورٹس سے حکم امتناعی حاصل کر رکھے ہیں پہلے ہی ADDs کے نفاذ میں NTC کے اجلاس میں کورم نہ ہونے سے چار سال کی تاخیر ہوئی ہے۔ یہ ADDs تین بڑے چینی سپلائرز پر کم سطح 3.25 سے 4.9 فیصد عائد ہے۔ جبکہ متذکرہ اینٹی ڈمپنگ کی تحقیقات میں NTC نے تعین کیا تھا کہ پاکستان فلامنٹ یارن انڈسٹری کو چائنیز ڈمپڈ امپورٹس کے ذریعہ نقصان 25 فیصد سے زیادہ ہے ان ہی چائنیز پروڈیوسرز پر ترکی اور انڈیا نے 10 فیصد اینٹی ڈمپنگ ڈیوٹی عائد کر رکھی 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 درآمد کنندگان کو انتہائی ازراں نرخ 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 مالک جیسا کہ کینیڈا اور امریکہ نے چین کی دیگر پولیسٹر مصنوعات پر اینٹی سبسڈی ڈیوٹی طے 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۔

☆ مندرجہ بالا تمام عوامل کے پیش نظر PFY کی درآمدات پر 5 فیصد ریگولیٹری ڈیوٹی اگلے 5 سالوں کے لیے برقرار رکھنے کی ضرورت ہے۔

☆ GIDC کے ساتھ ساتھ گیس کی قیمتوں میں بار بار اور قابل ذکر اضافہ درآمدی متبادل صنعت کو زیادہ متضاد بنا دیتا ہے۔

☆ کمپنی کی خطرہ رقم سیلز ٹیکس اور انکم ٹیکس ری فنڈ میں پھنسی ہوئی ہے جو لیکوئڈٹی پر اثر انداز ہو رہی ہے۔

☆ SRO 1125 کے واپس ہونے پر PFY صفر ریٹنگ سیلز ٹیکس کے خاتمے اور موجودہ بجٹ میں ڈاؤن اسٹریمنگ صارف صنعت کو documented کرنے کے لئے مختلف حکومتی اقدامات سے کمپنی کی مجموعی فروخت پر نمایاں اثرات پڑے ہیں اور آنے والے عرصے میں منافع کو بھی نقصان پہنچ سکتا ہے۔

☆ حکومت نے صنعتوں کی مدد کیلئے Minimum Income Tax میں کمی کی بجائے اسے پچھلے بجٹ میں بڑھا کر 1.5 فیصد کر دیا ہے جس سے کاروبار کی مالی حیثیت کو ضرور نقصان پہنچے گا۔

☆ انکم ٹیکس آرڈیننس 2001ء کے سیکشن 65(b) کے تحت ٹیکس کریڈٹ اگلے مالیاتی سال سے ختم کر دیا گیا ہے اور موجودہ مالی سال کے لئے آدھا رہ گیا ہے، اس سے ملک میں آئندہ سرمایہ کاری کی فزٹیبلٹی کو بری طرح نقصان پہنچ سکتا ہے۔

گزشتہ سال کے مقابلے میں اس سال پری فارمز سیگمنٹ کی فروخت کے حجم میں تقریباً 17 فیصد کی کمی دیکھی گئی جس کی اہم وجوہات درج ذیل ہیں:

- (a) پاکستانی روپے کی قدر میں کمی کے باعث retail کے شعبے میں soft drinks کی قیمتوں میں اضافے نے ان مشروبات کے صارفین کی طلب اور پری فارمز کی فروخت کو متاثر کیا۔ تمام کھانے پینے اور ہائشی اخراجات کی افراط زر کا مطلب یہ بھی ہے کہ مشروبات پر خرچ کرنے کیلئے صارفین کو دستیاب آمدنی میں کمی واقع ہوئی ہے۔
- (b) اہم گاہکوں نے لاگت میں کمی کے اقدامات کے تحت کم وزن والے پری فارمز کو استعمال کرنا شروع کر دیا ہے جس نے پری فارمز کی ٹینج میں فروخت کو متاثر کیا ہے۔
- (c) 2018-19 کے دوران موسم سرما کے جلد اور طویل ہونے اور اسکے علاوہ گرمیوں کے موسم میں متواتر بارشوں نے مشروبات کی فروخت کے حجم کو کم کیا۔ جس کے نتیجے میں کمپنی کی پری فارمز کی فروخت متاثر رہی۔
- (d) ایک طرف پری فارمز پر برآمداتی مارکیٹ میں درآمدی ڈیوٹی بڑھنے کی وجہ سے فروخت میں تیزی سے کمی واقع ہوئی جبکہ دوسری طرف مشرق وسطیٰ میں پانی کے پری فارمز کے نیک تبدیل ہونے کی وجہ سے آپ کی کمپنی کے تیار کردہ کچھ پری فارمز کی طلب ان برآمداتی ممالک میں نہیں رہی۔

آپ کی کمپنی نے اس سال کم حجم کے موقع کا فائدہ اٹھاتے ہوئے پری فارمز کی مشینوں کو overhaul کیا ہے۔ پری فارمز کے حجم میں 17 فیصد کی جبکہ روپے کی قدر میں کمی کی وجہ سے مالیاتی لحاظ سے مجموعی طور پر فروخت میں صرف 4.5 فیصد کی کمی واقع ہوئی ہے۔ آنے والے برسوں میں آپ کی کمپنی کو طلب زدہ سائز کے پری فارمز تیار کرنے کیلئے مولڈز اور مشینوں کو حاصل کرنے کے ساتھ ساتھ ان سائز کو بھی تبدیل کرنا پڑے گا جو برآمداتی طلب کے مطابق نہیں۔

انتظامی، تقسیم اور فروخت کے اخراجات کنٹرول میں رہے اور گزشتہ سال کی طرز کے مقابلے میں اس میں کوئی نمایاں تبدیلی واقع نہیں ہوئی۔ اگرچہ ہم آنے والے سالوں میں روپے کی قدر میں کمی کے نتیجے میں ان میں نمایاں اضافہ متوقع ہے۔

30 جون 2018ء کے مقابلے میں اسٹاک میں 106 ملین روپے کا اضافہ ہوا جو 2,841 ملین روپے تک پہنچ گیا۔ قابل وصول قرضوں کی مالیت 400 ملین روپے بڑھ کر 1,529 ملین روپے تک پہنچ گئی۔ جبکہ قرضداری 183 ملین روپے کی کمی کے ساتھ 2,033 ملین روپے تک پہنچی۔

#### درپیش چیلنجز اور مستقبل پر ایک نظر (Future Outlook)

☆ وفاقی حکومت نے تاجروں/درآمد کنندگان لابی کی گمراہی پر درآمد شدہ PFY پر ریگولیٹری ڈیوٹی کو 5 فیصد سے گھٹا کر صفر کر دیا۔ اس اقدام سے نہ صرف کاروبار کو وسعت دینے کے لئے ابتدائی مراحل میں کی جانے والی سرمایہ کاری کو ٹھیس پہنچے گی بلکہ اس سے مقامی PFY مینوفیکچرنگ انڈسٹری کے لئے پیداواری صلاحیت میں توسیع کے ہدف کو مرحلہ وار پورا کرنے میں بھی مشکلات ہوں گی۔ درآمد شدہ یارن پر 5 فیصد ریگولیٹری ڈیوٹی کے پیش نظر یہ توسیع منصوبہ بندی مقامی پیداوار کو 2016ء کی مقامی طلب کا 35 فیصد کی سطح سے 2021-22 تک 70 فیصد سے زائد پورا کرنے اور مزید لوگوں کو برسر روزگار بنانے کے لئے کی گئی تھی۔

☆ نیشنل ٹیرف کمیشن کے انڈسٹری کو 25 فیصد سے زائد مارجن سے نقصان کے باوجود تین بڑے چینی سپلائرز پر 3.25 فیصد سے 4.9 فیصد تک کی ناکافی اینٹی ڈمپنگ ڈیوٹی کے پیش نظر ریگولیٹری ڈیوٹی کی ضرورت ہے۔ اگرچہ کمپنی پہلے ہی فیز II کی توسیع کو 65,000 ٹن پیداوار تک پہنچانے کے عمل میں ہے، لیکن وہ مزید منصوبہ بندی کے مراحل کے لئے مشینری کی LCs نہیں کھول رہی۔ اس طرح PFY صنعت کے درآمداتی متبادل اور صنعتی روزگار کی کوششوں کو ناکام بنا دیا گیا ہے جبکہ 2018ء میں درآمد شدہ یارن کی مقدار 259 ملین امریکی ڈالر سے بھی زیادہ ہے اور اس میں مزید اضافہ ہو رہا ہے۔



## بورڈ آف ڈائریکٹرز کی رپورٹ

معزز ممبران،

گیٹرون (انڈسٹریز) لمیٹڈ کے ڈائریکٹرز 30 جون 2019ء کو اختتام پذیر ہونے والے سال کی رپورٹ ہمراہ آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے دلی مسرت محسوس کر رہے ہیں۔

زیرجائزہ مدت کا مالیاتی خلاصہ درج ذیل ہے :

☆	خالص فروخت 17,707 ملین روپے۔
☆	آپریٹنگ منافع 1,001 ملین روپے۔
☆	آمدنی بذریعہ سرمایہ کاری 1,120 ملین روپے۔
☆	منافع قبل از انکم ٹیکس 2,104 ملین روپے۔
☆	منافع بعد از انکم ٹیکس 1,795 ملین روپے۔
☆	آمدنی فی حصہ 46.78 روپے۔

کمپنی کی مجموعی فروخت میں گزشتہ سال کے مقابلے میں 36 فیصد اضافہ دیکھا گیا جو خاص طور پر پولیستر فیلامنٹ یارن (PFY) کے حجم میں 26 فیصد کے اضافے کے ساتھ قیمتوں میں اضافہ کی وجہ سے ہوا۔ پچھلے سال کے مقابلے میں فروخت کی قیمت میں اضافہ اس سال ڈالر کی قیمت کے مقابلے میں روپے کی قدر میں کمی کی وجہ سے تھا۔ اس سال کے منافع کا بڑا حصہ امریکی ڈالر کے مقابلے میں روپے کی قدر میں مسلسل کمی تھا جس کی مابانہ اوسط جولائی، 2018ء میں 125 روپے سے دسمبر، 2018ء میں 139 روپے اور مارچ، 2019ء میں 140 روپے سے جون، 2019ء میں 154 روپے تھی۔ اس کا مطلب کم قیمت پر خریدے گئے خام مال سے تیار شدہ مصنوعات میں تبدیل ہونے کے وقت تک ان کی روپے میں قدر میں اضافے نے پورے سال بہترین منافع میں مدد دی۔ جبکہ نومبر، 2018ء سے خام مال کی فی ٹن ڈالر قیمت مستحکم بینڈ میں تھی جوئی، 2019ء سے نمایاں اور مستقل طور پر کم ہونا شروع ہو گئی۔ جس نے تاجروں کو اضافی مقدار میں درآمد کرنے سے روکا (جس سے مقامی مارکیٹ میں انوینٹری میں کمی ہوئی) اس طرح PFY پروڈکٹ کی مارکیٹ کی قیمتوں پر فوری طور پر کم دباؤ پڑا اور آپ کی کمپنی کو بھی اپنی تیار شدہ مصنوعات کی انوینٹری کو 15 دن کی کم ترین سطح تک رکھنے کا موقع ملا۔ ان سب کے نتیجے میں اس سال کمپنی کو غیر متوقع منافع ہوا لیکن اگلے سال ایسا ہونے کی توقع نہیں کی جانی چاہئے کیونکہ روپیہ اب 156 سے 160 کے بینڈ میں مستحکم ہو گیا ہے اور خام مال کے مزید گرنے کی کوئی گنجائش دکھائی نہیں دیتی کیونکہ تمام upstream مصنوعات کے مارجنز/اسپریڈز کی مزید گرنے کی جگہ کم ہے۔ درحقیقت تاجراں بڑی مقدار میں درآمد کرنے کیلئے تیار ہیں جس سے نومبر، 2019ء تک مارکیٹ میں دباؤ پڑے گا۔

حصص یافتگان کو پہلے ہی 19-2018 کے منصوبوں سے آگاہ کیا جا چکا ہے، کمپنی نے اپنے پالیسٹر فیلامنٹ یارن کی پیداواری مقدار میں اضافہ حاصل کرنے کے ساتھ اس کی اصل سالانہ پیداواری صلاحیت میں بھی اضافہ کیا جس کے نتیجے میں فروخت کی حجم میں مذکورہ بالا اضافہ ہوا۔

آپ کی کمپنی نے پہلے ہی آپ کو پیداواری صلاحیت کے بڑھانے میں ہونے والی سرمایہ کاری کے بارے میں آگاہ کیا ہے۔ تاہم درآمد شدہ یارن پر ریگولیٹری ڈیوٹی میں 5 فیصد سے صفر ہونے کے پیش نظر مزید توسیع کو روکنے کا فیصلہ کیا گیا ہے۔ اس کا مطلب یہ ہوگا کہ ملک میں درآمدی فیلامنٹ یارن کی متبادل متاثر ہوگی۔ مزید تفصیلات Future Outlook سیکشن میں درج ہیں۔

آپریٹنگ آمدنی کے علاوہ نتائج میں سب سے بڑی شراکت آمدنی بذریعہ سرمایہ کاری کی تھی۔ آپریشنز سے حاصل ہونے والی آمدنی نے مجموعی طور پر صرف 47 فیصد کا حصہ ڈالا، جبکہ 53 فیصد کا بڑا حصہ آمدنی بذریعہ سرمایہ کاری سے حاصل ہوا۔

## Corporate Social Responsibility



### SUSTAINABILITY

Our goal is to address social issues and further integrate CSR activities with our business. In deciding CSR targets we have drawn up key areas that we see as important to us, our stakeholders and the society.

Gatron (Industries) Limited focuses on three major priorities: Economic Growth, Innovation and Social License to Operate.

#### Economic Growth

It enhances the living standards and prosperity of communities in which we do our business.

#### Innovation

Gatron (Industries) Limited focuses on new products that give us a sustainable advantage over our competitors and offers customers products that caters to their needs and enhance their own sustainable objectives.

#### A Social License to Operate

Local communities are supported by Gatron (Industries) Limited so that there are less negative impacts whilst ensuring that we are admired as a positive force for development and change. We aim to adhere to all local and national obligations and regulations to protect our business by building our image as a good corporate citizen.

## CREATING SHARED VALUES (CSV) STRATEGY

To become a competitive company Gatron (Industries) Limited, believes that it has a critical role to play in moving business and society forward. Our long term and sustainable growth comes only through focusing on benefits we can offer to people and communities in which we operate. We believe CSV is essential for us to balance economic and social commitments in a meaningful way.

CSV is defined as the company's initiatives of creating economic value and enhancing competitiveness while simultaneously advancing the economic, environmental and social conditions of the societies in which we operate. By adopting CSV principles, we focus our efforts on CSR programs that align with our business needs and knowledge while at the same time addressing social challenges and take steps further to create shared value across the entire value chain.

## ECONOMY

### Improving Technology

Our world wide technology partners enable us to consistently improve our capacities with the latest and most efficient technologies.

Gatron (Industries) Limited remains the largest Polyester Filament producer in Pakistan and is growing it's market share. The country's Man Made Fiber (MMF) industry has been wading through a lean phase for the last few financial years.

In the last decade the local Polyester industry witnessed softened demand due to rise in polyester fiber / filament yarn imports, greater competition from Chinese and Far eastern manufacturers and from cotton yarn. For competing in such a throat cutting scenario, the company worked towards its goal to economize production by replacing high energy consuming old machinery with the latest cost effective machines. To increase production and reduce production cost, Retrofit projects of replacing old winders with state of the art latest WINGS - Winder Integrated Godet System in Spinning and upgrading machines in Texturing was done.

### Production Enhancement with the Latest

Multi Million Dollars investment is being done for capacity increase projects: For Project N-11, a new E-Save POY Spinning line equipped with the most energy efficient Quench and Drawing system along with Texturing machines have been ordered. Power Generating and Utilities equipment for the production lines have also been ordered. Start-up is scheduled in 2nd quarter 2019-20

### Energy Conservation

At Gatron (Industries) Limited we follow energy conservation in letter and in spirit by continuously engaging our selves in collective efforts to improve energy performance and efficiency. Many energy saving projects were implemented, some significant projects are as follows.

Hot and Cold insulation of pipes and heat radiating equipment surface have been improved by rectifying and replacing old ineffective ones with latest efficient insulating material. This has resulted in significant reduction in Air Conditioning cost. Leakages are being arrested and maintenance of compressed air lines have been increased by replacing old spoiling piping, filters & regulators, this has resulted in decrease of compressed air consumption.

Four speed control inverters have been installed and motor pulley sizes have been increased to run with reduced speed equipment at reduce speed and or increase production e.g., blowers of A.H.U.s. - Air Handling Units and motors of Spinning extruders.

LED tube lights & bulbs have replaced fluorescent lamps & energy savers.

In Power generation, 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). Inefficient old equipment are are being replaced with new energy efficient ones.

We have been selected by the United Nations Industrial Development Organization (UNIDO) for its Sustainable Energy Initiative for Industries in Pakistan. This project will help us to achieve our goal of continuous energy conservation initiatives.

### Water Conservation

Water conservation is of importance in national and global growth. Water is a scarce commodity in the Industrial area. Realizing the critically of this issue, the company has embarked on series of initiatives aimed at water conservation through focus on the 5R concept - Reduction at source, Reuse, Recycling, Recovery and Rethinking alternatives and improved solutions.

Gatron (Industries) Limited has successfully reduced its specific water consumption over years. Its main areas of focus are continual vigilance and monitoring at the source, maximum possible recycling of process water and steam condensate, as well as cooling tower water treatment optimization, controlling use, and regular monitoring at all consumption points.

### SOCIETY

Our commitment to social compliance was once again confirmed by successful annual IKEA IMUST audit conducted as a sub supplier of IKEA SWEDEN and COCA COLA code of conduct audit. Halal Certification for our products is also ongoing.

At Gatron (Industries) Limited care for Society is of prime importance: we ensure compliance with human rights initiatives; child labour, forced or bonded labour is not allowed; Environmental pollution and Safety hazards are controlled; a transparent and reliable system of working hours and wages is ensured via payment of legal minimum wages and worker's accident insurances.

Human resource policies and practices are being updated at Gatron (Industries) Limited in accordance with best practices. Our policies counter corruption and fraudulent activities.

We are training employees to prepare a competent work force. Some important training are listed below:

### Workers are being trained for

- Quality Management System (QMS) methodology - 5S
- Communication Skills,
- Positive Attitude,
- Manners & Etiquette &
- Work place Ethics,

### Our Management is being trained for

- HALAL food safety management system
- Goal setting
- Internal auditing
- Integrated Management System (IMS)
- Train the trainer
- British Retail Consortium (BRC)
- FSSC 22000
- Best practices in process safety

To create awareness regarding Health and Safety, a Safety week was arranged. Every department participated in the events focusing on HSE, such as

- Drawing competition
- Practical and Class room training sessions and demonstration on use of PPEs, Safety harness and fire suite, Electrical safety, First aid & CPR and Waste management.
- Awards for department performance with low accidents / incidence, best Safety employee and contractor.

For boosting performance and create congenial working environment several recreational programs have been arranged including inter-department cricket tournament, annual Picnic and Farewell dinner.

## ENVIRONMENT

Our CSR theme is to promote a move towards a zero waste and circular economy. Keeping in line with this theme a huge investment has been done for Recycling of post consumer PET bottles and Plant Polyester waste materials (to recycled Polyester Filament Yarn).

This project will reduce impact of Polyester waste on the Environment and cater customers demand of environmental friendly "Recycled Polyester Filament yarn" for export purposes.

### Our Social, Quality and HSE Compliance

Our commitment to quality, occupational safety, health and environment management has helped us achieve major certifications like;

- ISO 9001 : 2015 for Quality Management System (QMS) for ensuring stringent quality protocol.

- ISO 14001; 2015 for globally bench marked Environment Management System (EMS).
- FSSC 22000 FOR FOOD SAFETY CERTIFICATION.
- OEKO-TEX Standard 100, Class I with Appendix-6 for meeting Human and Ecological requirement.

Our certifications confirms that our products are not harmful to humans. Actions and performance are at the highest level with our competitors and with the best companies in Pakistan.

## HUMAN RESOURCE MANAGEMENT

The Human Resources department plays a pivotal role in ensuring the future success of Gatron (Industries) Ltd. In doing so, the HR department is guided by its long-term vision of working in partnership with the Top Management to provide an environment to our employees that is conducive to learning where they can thrive and are empowered to deliver sustainable organizational performance.

In 2019, our HR activities were in line with these priorities and thus we successfully developed an organization wide comprehensive Competency Framework to align the individual, departmental and organizational vision, mission and goals and ultimately, establish a culture of success.

The Competency Framework project was divided in two phases. In phase one, all Heads of Departments were asked to list down position wise technical and behavioral competencies and identify the required level of proficiency for required for the positions against each competency. In the next phase, HODs were asked to assess the current level of proficiency of existing employees against each competency and thereafter perform a gap analysis to identify the areas of improvement.

Going forward, the aforementioned exercise will help the HR department to minimize the existing gap in employees' skills level by providing them training and development opportunities. Apart from employees' skills development, the formulation of the Competency Framework will also help HR department in Recruitment & Selection, Succession Planning and tracking learning & development impact on performance in the years to come.

Our overall risk management program seeks to identify, assess, and, if necessary, mitigate risks in order to minimize potential adverse effects on our performance. We continue to make efforts to elevate the role of Risk Management from being responsive to proactive, by involving all relevant stakeholders in the process.

## RISK MANAGEMENT

The Company has well defined processes in place to identify and evaluate risks, and monitor compliance with the approved policies & procedures. Since the dangers faced by the Company are so wide-ranging; from personnel protection and security of assets to supply chain security - such an assessment must involve active input from Business units. During the last year, we have made significant efforts to enhance the ownership of risks at the 1st Line of Defense. This has significantly increased the visibility of Risk Management department across the

organization which supports active communication of risks while ensuring more informed decision making.

Our risk mitigating activities include the use of insurance to protect the company against unforeseen events while ensuring business continuity. Standards and procedures for security of physical assets, including goods in transit, are well implemented and regular inspection is performed, by the Risk Management, at every physical site.

### **HEALTH, SAFETY & ENVIRONMENT DEPARTMENT**

The Company management is well aware of the important assets of the company specially for staff and work force, therefore has established Health, Safety, Environment Department which is lead by qualified and certified team leaders.

Health Safety Environment Department is very clear with its objectives which include identify the unsafe areas and reducing the incidents by control the unsafe conditions and unhealthy work practices at work places by implementing Permit to Work System.

The safety operation committee consisting of senior management has been formed for this purpose, they conduct safety operation committee meeting on periodical basis and review monthly accident/incidents through HSE department root cause analysis reports and advise as well as provide resources for mitigation.

The company has inducted fire tender to tackle fire emergency situations at any corner of the plant furthermore one ambulance is available and ready with adequate equipment/accessories for shifting injured person to hospital.

Company has also placed emergency cabinets at different critical locations of plant with maximum stock of personal protective equipment and rescue items etc.

Health Safety Environment Department's Representatives conduct Fire Safety Risk Assessment Surveys to identify fire safety hazards on regular basis for reduction of work place hazards.

Health Safety Environment Department conduct accident/incidents statistics gap analysis and also issue stop card through email to the concerned department for corrective action.

In addition comprehensive Occupational Health and Safety Training sessions including practical live fire fighting mock drills conducted so as in case of any emergency available staff could handle the situation.

Emergency evacuation drills conducted on half yearly basis.

Further more annually refresher training are also being conduct of all employee, Top management and contractor's work force.

Health Safety Environment Department has developed following manuals/booklets.

- Emergency Response Manual

- Business Continuity Plan
- Small pocket size Fire Safety Guide Book in Urdu provided to all employees for study and review.

## INFORMATION TECHNOLOGY

ICT is at the forefront of today 's business to provide tools and technologies that help capture, organize and analyze data and finally transform it into meaning information that drive business decisions to. The 50x increase in data between 2010 and 2020(according to an IDG report) opens new avenues as well as bring never before seen challenge. Adoption of Disruptive Technologies have taken the competition to whole new level that has forced business to be more robust, agile and flexible. Companies are finding new and innovative ways to incorporate disruptive technologies like AI, 3D Printing, Blockchain and IoT to change the way they do business. Legacy applications and systems will not cut it, companies are adopting Contanierazation of Services to better utilize the hybrid cloud models and seamlessly move between Private and Public clouds.

ICT at Gatron embarked upon a journey to Digital transformation during the year under review. Technologies currently being used were reviewed to identify gaps that needed to be filled so that foundation for the adoption of disruptive technologies can be laid. A shift from conventional infrastructure to state of the art Nutanix hyperconverged infrastructure was made with support for docker containers, self service portal and work-flow automation during the year 2018-19. The solution is the first step towards software defined data center. The said initiative will enable ICT to deliver services through its web scale infrastructure that is self-healing, non-disruptively upgradeable, can isolate faults, has the ability to predictably recover multiple component failures without bringing down the overall system, and being able to run multiple workloads with diverse infrastructure requirements.

Zabbix NMS was deployed with Maps to have a pulse on wide range of metrics of systems and services. It allows real time health reporting via interactive dashboards and correlation engines to automatically relate multiple metrics. The system will enable faster response and resolution times for any service interruption.

Network is one of the most important component of modern infrastructure, Network Core was upgraded from 1G to10G and LAN traffic bifurcated to multiple VLANs. The Core switching was also upgraded to Nexus 3K. Moreover, to deliver higher up times, Links were upgraded with special emphasis on availability. Perimeter firewall was replaced by Next Generation Firewall (with UTM Bundle) to strengthen the perimeter security.

A new Video Conferencing system was introduced with software defined MCU and huddle rooms to enable more convenient communications. The said system is a step towards Unified communications and will satisfy the communication needs of the most demanding users.

On business continuity front, all single point of failures were eliminated to ensure more resilient infrastructure. The Recovery Point Objective and Recovery Time Objectives were reduced from 24 Hours to 1 Hour where as high availability of all infrastructure within Data Center was ensured for continuous service delivery.

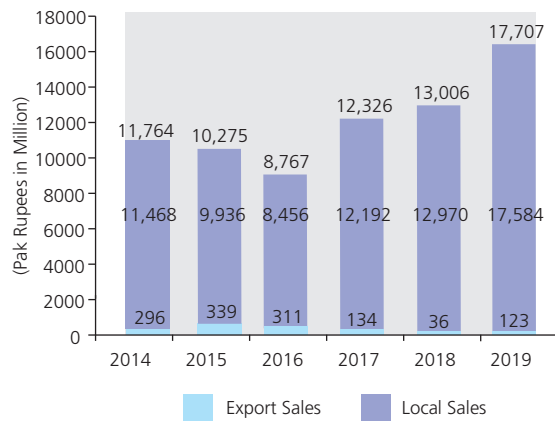


## Financial Highlights

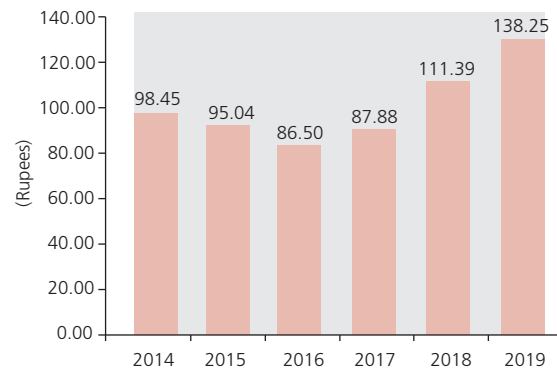
Particulars	2018	2017	2016	2015	2014	2013
<b>Operating Results</b>						
<b>Pak Rupees in Thousands</b>						
Sales	13,006,437	12,325,651	8,766,903	10,275,281	11,763,699	11,348,105
Gross Profit/(loss)	1,247,390	261,944	(228,271)	36,265	580,635	496,980
Operating Profit/(loss)	653,512	(164,314)	(697,887)	(451,346)	55,601	22,015
Profit/(loss) after taxation	981,856	57,464	(254,495)	88,911	145,756	321,603
<b>Percentage</b>						
Dividend - Final	102.50	0.00	0.00	35.00	55.00	40.00
<b>Financial Position</b>						
<b>Pak Rupees in Thousands</b>						
Paid up Capital	383,645	383,645	383,645	383,645	383,645	383,645
Reserves & unappropriated profit	3,889,724	2,987,893	2,935,022	3,262,345	3,393,211	3,508,016
Property, Plant & Equipment	1,843,643	2,022,061	1,952,288	1,837,233	1,797,791	1,719,259
Current Assets	5,059,281	4,921,715	3,958,822	4,233,600	4,394,362	4,690,308
Current Liabilities	2,891,778	3,655,306	2,767,766	2,620,345	2,614,420	2,393,858
Net Current Assets	2,167,503	1,266,409	1,191,056	1,613,255	1,779,942	2,296,450
Long Term Liabilities	-	136,034	-	-	-	-
Deferred Liabilities	337,260	394,508	425,204	404,613	400,528	426,083
<b>Financial Ratios &amp; Percentages</b>						
<b>Percentages</b>						
Gross Profit/(Loss) Ratio	9.59	2.13	(2.60)	0.35	4.94	4.38
Return on Capital Employed	25.90	1.02	(4.76)	4.48	7.40	7.83
Return on Equity	22.98	1.70	(7.67)	2.44	3.86	8.26
<b>Number of Times</b>						
Inventory Turnover	4.77	5.72	3.97	4.24	4.51	4.53
Debtors Turnover	9.45	10.39	11.56	11.07	10.48	11.60
Total Assets Turnover	1.73	1.75	1.33	1.53	1.74	1.80
Fixed Assets Turnover	6.73	6.20	4.63	5.65	6.69	6.34
Interest Cover	86.43	1.20	(2.79)	1.58	2.39	4.10
<b>Ratio</b>						
Debt-Equity	0 : 100	4 : 96	0 : 100	0 : 100	0 : 100	0 : 100
Current Ratio	1.75 : 1	1.35 : 1	1.43 : 1	1.62 : 1	1.68 : 1	1.96 : 1
<b>Per Share Results and Returns</b>						
<b>Pak Rupees</b>						
Break-up Value	111.39	87.88	86.50	95.04	98.45	101.44
Earnings per Share - Basic and diluted	25.59	1.50	(6.63)	2.32	3.80	8.38
Dividend per Share	10.25	0.00	0.00	3.50	5.50	4.00
<b>Percentages</b>						
Dividend Yield	4.61	0.00	0.00	2.48	3.24	2.34
Dividend Pay Out	40.05	0.00	0.00	150.86	144.74	47.73
<b>Number of Times</b>						
Price Earning Ratio - Year end price	8.70	58.33	(14.93)	60.78	44.74	20.41
<b>Share Performance</b>						
<b>Pak Rupees</b>						
Highest	280.00	117.64	141.00	175.00	200.37	201.00
Lowest	80.00	84.05	99.00	139.00	165.03	88.79
At year end	222.56	87.50	99.00	141.00	170.00	171.00

## Graphical Presentation

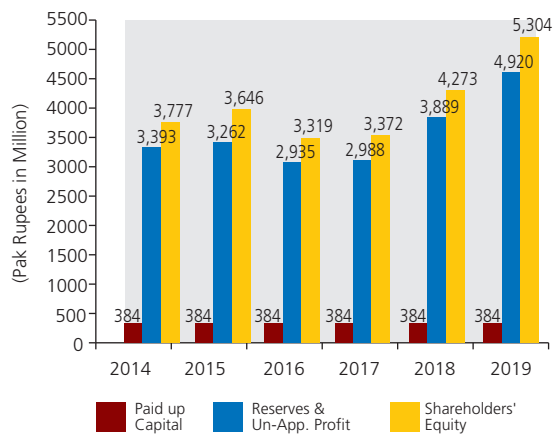
### Sales



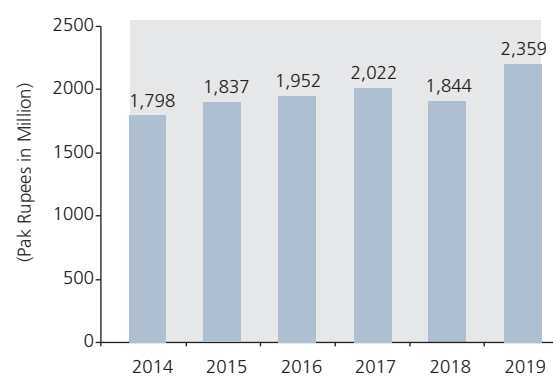
### Break up Value of Share



### 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, 2019 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, 2019.

Further, we highlight below instances of non-compliance with the requirements of Regulations as reflected in the paragraph 9 & 10 where these are stated in the Statement of Compliance.



-2-

1. During the year, the Company has not arranged Directors' Training Program as required under regulation 20 of the Regulations 2017.
2. Company is in process of segregation of duties of chief financial officer and company secretary in compliance with regulation 25 of the Regulations 2017.

  
Chartered Accountants  
Karachi:  
Date: **13 SEP 2019**

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

**Name of company :** Gatron (Industries) Limited  
**Year ending:** June 30, 2019

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 | Haroon Bilwani<br>Abdul Razak Diwan<br>Zakaria Bilwani<br>Usman Habib Bilwani<br>Muhammad Iqbal Bilwani |
| c) Executive Directors           | Pir Muhammad Diwan<br>Shabbir Diwan<br>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 (Act) and the CCG Regulations.
7. The meetings of the board were presided over by the Chairman. The board has complied with the requirements of Act and the CCG 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 and the CCG Regulations.
9. During the year, the Company has not arranged Directors' Training Programme for the directors.

10. There was no change of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit during the year. The Board approved their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. The Company is in process of segregating duties of CFO and Company Secretary in compliance with regulation 25 of the CCG 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 :
    - Muhammad Waseem - Chairman
    - Haroon Bilwani
    - Usman Habib Bilwani
    - Muhammad Iqbal Bilwani
  - b) HR and Remuneration
    - Muhammad Waseem - Chairman
    - Usman Habib Bilwani
    - Muhammad Iqbal Bilwani
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 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, the CCG 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 CCG Regulations have been complied with.

**Pir Muhammad Diwan**  
Chief Executive Officer

**Usman Habib Bilwani**  
Director

September 13, 2019

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

**Report on the Audit of the Un-consolidated Financial Statements**

**Opinion**

We have audited the annexed un-consolidated financial statements of **Gatron (Industries) Limited**, ("the Company") which comprise the un-consolidated statement of financial position as at June 30, 2019, and the un-consolidated statement of profit or loss, the un-consolidated statement of comprehensive income, the un-consolidated statement of changes in equity, the un-consolidated 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 un-consolidated statement of financial position, un-consolidated statement of profit or loss, the un-consolidated statement of comprehensive income, the un-consolidated statement of changes in equity and the un-consolidated 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, 2019 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 un-consolidated financial statements of the current year. These matters were addressed in the context of our audit of the un-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><b>Inventory Valuation:</b></p> <p>The Company has significant levels of inventory amounting to Rs. 2.840 billion as at the reporting date, being 32% 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"> <li>➤ Attending the year end stock take to gain comfort over the existence and condition of inventories and internal controls designed by the company.</li> <li>➤ Obtaining the final valuation sheets of the inventories, tracing quantities from working papers of physical stock taking and examination of computation of average costs.</li> <li>➤ 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.</li> <li>➤ Assessing historical costs recorded in the inventory valuation by performing test of details on purchases.</li> <li>➤ Assessing the management's determination of the net realizable values testing sales prices fetched by the Company before and after year end.</li> <li>➤ Performing analytical and other relevant audit procedures.</li> <li>➤ Considering the adequacy of the Company's disclosures in respect of inventories.</li> </ul>
2.	<p><b>Contingencies:</b></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 25 of the accompanying financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ Review of the relevant information</li> </ul>

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	<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"> <li>➤ 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.</li> <li>➤ Evaluating legal and professional expenses to confirm that all pending legal matters are identified and disclosed.</li> <li>➤ Re-computing the amounts of obligations based on available underlying information and confronted parameters.</li> <li>➤ Assessing the appropriateness of the related disclosures made in the accompanying financial statements in light of IAS-37 "Provisions and Contingencies".</li> </ul>
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#### **Information Other than the un-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, but does not include the un-consolidated financial statements and our auditors' report thereon.

Our opinion on the un-consolidated 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 un-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 un-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 un-consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the un-consolidated 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 un-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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In preparing the un-consolidated 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 un-consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the un-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 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 un-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 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.

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- Evaluate the overall presentation, structure and content of the un-consolidated 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.

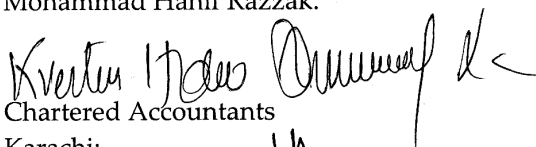

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the un-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or 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.

#### **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 un-consolidated statement of financial position, the un-consolidated statement of profit or loss, the un-consolidated statement of comprehensive income, the un-consolidated statement of changes in equity and the un-consolidated 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: **13 SEP 2019**

# Un-Consolidated Statement of Financial Position

AS AT JUNE 30, 2019

	Note	(Rupees in Thousand) 2019	2018
<b>ASSETS</b>			
<b>Non - Current Assets</b>			
Property, plant and equipment	4	2,359,404	1,843,643
Long term investments	5	602,830	597,563
Long term loans	6	99	88
Long term deposits	7	2,723	1,832
		<b>2,965,056</b>	2,443,126
<b>Current Assets</b>			
Stores, spare parts and loose tools	8	692,348	539,823
Stock in trade	9	2,840,779	2,734,755
Trade debts	10	1,528,561	1,128,940
Loans and advances	11	74,742	99,778
Trade deposits and short term prepayments	12	65,153	36,010
Other receivables	13	254,439	137,324
Advance income tax		116,273	30,000
Sales and income tax refund due from Federal Government	14	142,375	305,252
Cash and bank balances	15	70,317	47,399
		<b>5,784,987</b>	5,059,281
<b>TOTAL ASSETS</b>		<b>8,750,043</b>	7,502,407
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	16	383,645	383,645
Capital reserve	17	383,645	383,645
General reserve	18	3,250,000	2,075,000
Unappropriated profit		1,286,708	1,431,079
		<b>5,303,998</b>	4,273,369
<b>LIABILITIES</b>			
<b>Non - Current Liabilities</b>			
Long term financing	19	126,540	-
Deferred liabilities	20	373,162	337,260
		<b>499,702</b>	337,260
<b>Current Liabilities</b>			
Trade and other payables	21	2,032,547	2,216,006
Unclaimed dividend		16,393	11,238
Accrued mark up	22	8,584	142
Short term borrowings	23	864,718	580,017
Provision for income tax less payments	24	24,101	84,375
		<b>2,946,343</b>	2,891,778
<b>CONTINGENCIES AND COMMITMENTS</b>	25		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,750,043</b>	7,502,407

The notes 1 to 46 annexed herewith form an integral part of these un-consolidated financial statements.

**PIR MUHAMMAD DIWAN**  
Chief Executive

**USMAN HABIB BILWANI**  
Director

**MUHAMMAD YASIN BILWANI**  
Chief Financial Officer

Buying/Selling closing conversion rates were 1 US\$=Rs.164.00/164.50, 1 Euro €=Rs.186.37/186.99 and 1 Pound £= Rs.207.79/208.45

# Un-Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED JUNE 30, 2019

	Note	(Rupees in Thousand) 2019	2018
Sales	26	17,707,325	13,006,437
Cost of sales	27	16,051,671	11,759,047
<b>Gross profit</b>		<b>1,655,654</b>	1,247,390
Distribution and selling costs	28	187,631	194,294
Administrative expenses	29	256,259	232,994
Other operating expenses	30	223,272	184,868
		<b>667,162</b>	612,156
		<b>988,492</b>	635,234
Other income	31	12,733	18,278
<b>Operating profit</b>		<b>1,001,225</b>	653,512
Finance costs	32	17,390	14,381
		<b>983,835</b>	639,131
Investment income - Dividend	33	1,120,088	454,913
<b>Profit before income tax</b>		<b>2,103,923</b>	1,094,044
Income tax - Current & prior		311,746	185,308
- Deferred		(2,558)	(73,120)
	34	309,188	112,188
<b>Profit after income tax</b>		<b>1,794,735</b>	981,856
<b>Earnings per share - Basic and diluted ( Rupees )</b>	35	<b>46.78</b>	25.59

(1) The Board of Directors has recommended final cash dividend for the year ended June 30, 2019 of Rs.15.00 per share (i.e.150%). This is in addition to interim cash dividend of Rs.11.50 per share (i.e.115%) refer note 44.

(2) The notes 1 to 46 annexed herewith form an integral part of these un-consolidated financial statements.

**PIR MUHAMMAD DIWAN**  
Chief Executive

**USMAN HABIB BILWANI**  
Director

**MUHAMMAD YASIN BILWANI**  
Chief Financial Officer

## Un-Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2019

	Note	(Rupees in Thousand) 2019	2018
Profit after income tax		1,794,735	981,856
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	20.2	(6,407)	(3,296)
Total comprehensive income		<u>1,788,328</u>	<u>978,560</u>

The notes 1 to 46 annexed herewith form an integral part of these un-consolidated financial statements.

**PIR MUHAMMAD DIWAN**  
Chief Executive

**USMAN HABIB BILWANI**  
Director

**MUHAMMAD YASIN BILWANI**  
Chief Financial Officer



# Un-Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2019

(Rupees in Thousand)

	Share Capital	Capital Reserve Share Premium	General reserve	Unappropriated profit	Total
Balances as at July 01, 2017	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
<b>Transactions with owners</b>					
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	2,075,000	1,431,079	4,273,369
Total comprehensive income for the year ended June 30, 2019	-	-	-	1,788,328	1,788,328
Transfer to general reserve	-	-	1,175,000	(1,175,000)	-
<b>Transactions with owners</b>					
Final cash dividend for the year ended June 30, 2018 at Rs.8.25 per share i.e. @82.50%	-	-	-	(316,507)	(316,507)
1st Interim cash dividend for the year ended June 30, 2019 at Rs.9.50 per share i.e. @95%	-	-	-	(364,463)	(364,463)
2nd Interim cash dividend for the year ended June 30, 2019 at Rs.2.00 per share i.e. @20%	-	-	-	(76,729)	(76,729)
	-	-	-	(757,699)	(757,699)
<b>Balances as at June 30, 2019</b>	<b>383,645</b>	<b>383,645</b>	<b>3,250,000</b>	<b>1,286,708</b>	<b>5,303,998</b>

The notes 1 to 46 annexed herewith form an integral part of these un-consolidated financial statements.

**PIR MUHAMMAD DIWAN**  
Chief Executive

**USMAN HABIB BILWANI**  
Director

**MUHAMMAD YASIN BILWANI**  
Chief Financial Officer

# Un-Consolidated Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2019

	Note	(Rupees in Thousand) 2019	2018
<b>Cash Flows from/(towards) Operating Activities</b>			
Profit before income tax		2,103,923	1,094,044
Adjustments for:			
Depreciation	4.2	317,002	313,555
Impairment of operating fixed assets	4.1	103,842	115,211
Provision for defined benefit plan	20.2	41,517	34,389
Gain on disposal of property, plant and equipment	31	(7,909)	(15,020)
Loss on disposal of property, plant and equipment	30	521	-
Loss on scrapped items of property, plant and equipment	30	24,341	11,923
Impairment in long term investments	30	72	26
(Reversal)/provision of allowance for ECL - net	10.5	(1,972)	1,842
Provision for slow moving stores, spare parts and loose tools - net	30	7,449	4,242
Investment income - Dividend	33	(1,120,088)	(454,913)
Finance costs	32	17,390	14,381
		<u>(617,835)</u>	<u>25,636</u>
		1,486,088	1,119,680
(Increase)/decrease in current assets:			
Stores, spare parts and loose tools		(159,974)	(83,167)
Stock in trade		(106,024)	(538,203)
Trade debts		(397,649)	492,633
Loans and advances		23,739	(60,400)
Trade deposits and short term prepayments		(29,143)	(27,076)
Other receivables		(117,115)	77,611
		<u>(786,166)</u>	<u>(138,602)</u>
(Decrease)/increase in Trade and other payables		(167,373)	773,262
Cash flows from operations before following		532,549	1,754,340
(Payments for)/receipts of:			
Long term loans		1,286	1,594
Long term deposits		(891)	(166)
Defined benefit plan	20.2	(9,464)	(21,813)
Finance costs		(8,948)	(18,822)
Income tax		(311,608)	(131,207)
Group taxation impact - Payment to Gatro Power (Private) Limited		<u>(24)</u>	<u>(147)</u>
Net cash flows from operating activities		202,900	1,583,779
<b>Cash Flows from/(towards) Investing Activities</b>			
Additions in property, plant and equipment		(971,505)	(304,174)
Proceeds from disposal of property, plant and equipment	4.3	18,077	56,721
Investment made		(5,339)	-
Dividend received	33	1,120,088	454,913
Net cash flows from investing activities		161,321	207,460
<b>Cash Flows (towards)/from Financing Activities</b>			
Long term financing - proceed		126,540	-
Long term financing - repayment		-	(136,034)
Dividend paid		(752,544)	(76,450)
Net cash flows towards financing activities		<u>(626,004)</u>	<u>(212,484)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(261,783)</u>	<u>1,578,755</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>(532,618)</u>	<u>(2,111,373)</u>
<b>Cash and cash equivalents at the end of the year</b>	36	<u>(794,401)</u>	<u>(532,618)</u>

The notes 1 to 46 annexed herewith form an integral part of these un-consolidated financial statements.

**PIR MUHAMMAD DIWAN**  
Chief Executive

**USMAN HABIB BILWANI**  
Director

**MUHAMMAD YASIN BILWANI**  
Chief Financial Officer



# Notes To The Un-Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 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 Limited 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.
- G-Pac Energy (Private) Limited, which has yet to commence its operations.

## 2 BASIS OF PREPARATION

### 2.1 Statement of Compliance

These un-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.

### 2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

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

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's un- consolidated financial statements other than certain additional disclosures.

**Effective from  
accounting period  
beginning on or after:**

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.

January 01, 2018

**Effective from  
accounting period  
beginning on or after:**

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018
Certain annual improvements have also been made to a number of IFRSs.	

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on these un-consolidated financial statements except for IFRS 9 and IFRS 15 which are discussed below:

### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company generates its revenue from sale of goods. The Company's contracts with customers for the sale of goods generally include one performance obligation. The Company has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue recognised.

In general the contracts for the sale of goods do not provide customers with a right of return and volume rebates. Accordingly, the application of the constraint on variable consideration did not have any impact on the revenue recognised by the Company.

## IFRS 9 Financial Instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

### Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale.

IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- For assets measured at fair value, gains and losses will either be recorded in the statement of profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The adoption of IFRS 9 did not have a significant effect on the Company's accounting policies related to financial liabilities.

The accounting policies that apply to financial instruments are stated in note 3.17 to the un-consolidated financial statements.

### Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented in the un-consolidated statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Company's experience of collection history and no historical loss rates / bad debts and normal receivable aging, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and / or financial performance of the Company.

### 2.2.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's un-consolidated financial statements other than certain additional disclosures.

IFRS - 3	'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
IFRS - 3	Business Combinations: Previously Held interest in a joint operation.	January 01, 2019
IFRS - 9	'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS - 10	'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

IFRS - 11	Joint Arrangements: Previously Held interest in a joint operation.	January 01, 2019
IFRS - 16	Leases.	January 01, 2019
IAS 1 & IAS 8	'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
IAS - 12	Income Taxes: Income tax consequences of payments on financial instruments classified as equity.	January 01, 2019
IAS - 19	'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
IAS - 23	Borrowing Costs - Borrowing costs eligible for capitalisation.	January 01, 2019
IAS - 28	'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC - 23	'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Company's un-consolidated financial statements in the period of initial application except for IFRS 16 - 'Leases'. The Company is currently evaluating the impact of these standards.

On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

## **2.3 Basis of measurement**

These un-consolidated financial statements have been prepared under the historical cost convention except otherwise specifically stated in note 3.

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

## **2.4 Critical Accounting Estimates and Judgments**

The preparation of un-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 the management that have significant effect on the un-consolidated financial statements and estimates with a significant probability of material adjustment in future are disclosed hereunder:

### **2.4.1 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.

### **2.4.2 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 3.2 & 3.6, 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.

### **2.4.3 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.

#### 2.4.4 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.

#### 2.4.5 Defined benefit plan

The actuarial valuation of defined benefit plan, have been premised on certain actuarial hypothesis, as disclosed in note 3.8.2. Changes in assumptions in future years may affect the liability under this scheme upto those years.

#### 2.4.6 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 3.10.

#### 2.4.7 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.

#### 2.4.8 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).

### 2.5 Functional and presentation currency

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

## 3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these un-consolidated financial statements are the same as those applied in the preparation of the un-consolidated financial statements of the Company for the year ended June 30, 2018 except for the change in the policy for revenue recognition and financial assets' recognition and measurement due to adoption of IFRS-15 and IFRS-9 respectively as disclosed in note 3.15 and 3.17, if required. The implications of these standards have insignificant impact on these un-consolidated financial statements of the Company. In addition to this, there are certain other changes in policies which are as disclosed below:

### 3.1 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 4.1, 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.

**3.2 Impairment****Financial assets**

The Company recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expect no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The adoption of the expected loss approach has not resulted in any material change in impairment provision for any financial asset.

### **Non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the unconsolidated statement of profit or loss.

## **3.3 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 un-consolidated financial statements as the Company prepares Consolidated financial statements in accordance with IAS 27 'Separate financial statements'.

### **3.4 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 2.4.4. The major value spares and stand by equipments are capitalized and depreciated according to their useful life.

### **3.5 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.

### **3.6 Trade debts, advances and other receivables**

Trade debts, advances and other receivables are recognised at fair value. 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.

### **3.7 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.

### **3.8 Employees' post employment benefits**

#### **3.8.1 Defined contribution plan**

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

#### **3.8.2 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, 2019.

### 3.9 Compensated unavailed leaves

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

### 3.10 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.

### 3.11 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.

### 3.12 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.

### 3.13 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.

### 3.14 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.

### 3.15 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:

- Revenue from sale of goods is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer, and the control transfers at a point in time, i.e. at the time the goods are dispatched / shipped to customer. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, returns rebates and government levies.
- 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 deposits is recognised using the effective interest method.

### 3.16 Dividend and appropriation to reserve

Liability for dividend and appropriation to reserve are recognised in the un-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.

### 3.17 Financial instruments

#### Initial measurement of financial asset

The Company classifies its financial assets in to following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition

#### Subsequent measurement

Debt Investments at FVOCI: These assets are subsequently measured at fair value. Interest/ markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

Equity Investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit or loss.

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in profit or loss.

Financial assets measured at amortized cost: These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss.

### **Non-derivative financial assets**

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalent. The Company derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

### **3.18 Financial liabilities**

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value less transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

### 3.19 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.

### 3.20 Operating segments

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 39.

### 3.21 Contingent liabilities

Contingent liability is disclosed when

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

	Note	(Rupees in Thousand)	
		2019	2018
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	4.1	2,163,271	1,687,066
Capital work in progress	4.5	196,133	156,577
		<u>2,359,404</u>	<u>1,843,643</u>



#### 4.1 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, 2019												
Net book value (NBV) as at 01st July	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
Additions	-	-	-	-	-	56,995	1,198	4,751	9,304	66,235	-	138,483
Transfer from capital work in progress	-	-	-	11,258	-	782,338	-	-	-	-	-	793,596
Disposal at NBV	-	-	-	-	-	2,379	-	-	-	8,310	-	10,689
Scrapped at NBV	-	-	-	-	-	24,341	-	-	-	-	-	24,341
Depreciation	-	-	66	11,386	345	272,858	731	7,558	2,191	21,051	816	317,002
Impairment	-	-	-	-	-	103,842	-	-	-	-	-	103,842
Net book value as at 30th June	25,320	13,348	594	107,872	3,107	1,851,732	3,185	32,081	13,432	107,975	4,625	2,163,271
Gross carrying value At June 30, 2019												
Cost	25,320	13,348	14,248	480,098	9,902	7,026,625	9,950	77,731	30,355	216,177	13,359	7,917,113
Accumulated depreciation	-	-	13,654	372,226	6,795	5,174,893	6,765	45,650	16,923	108,202	8,734	5,753,842
Net book value	25,320	13,348	594	107,872	3,107	1,851,732	3,185	32,081	13,432	107,975	4,625	2,163,271
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

Depreciation rate

% per annum

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

#### 4.2 Depreciation for the year has been allocated as follows:

	Note	(Rupees in Thousand) 2019	2018
Cost of sales	27	308,777	307,613
Distribution and selling costs	28	2,568	501
Administrative expenses	29	5,657	5,441
		<b>317,002</b>	<b>313,555</b>

#### 4.3 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
<b>PLANT &amp; MACHINERY</b>						
Texturising Machines	80,383	504	700	196	Negotiation	<b>Abdul Sattar</b> House# 142, Tufail Shaheed Road, Faisalabad.
Gas Chiller	9,328	728	388	(340)	Negotiation	<b>Raveed Ahmed</b> R-225, Gulshan-e-Waseem, Buffer Zone, Karachi.
AB Drives & Control System	6,970	1,138	-	(1,138)	Scrapped	-
Items having book value upto Rs.500 thousand each	74,324	973	3,142	2,169	Various	<b>Various</b>
Items having book value upto Rs.500 thousand each	621	174	31	(143)	Various	<b>Various</b>
Items having book value upto Rs.500 thousand each	370,227	23,203	-	(23,203)	Scrapped	-
<b>Sub Total</b>	<b>541,853</b>	<b>26,720</b>	<b>4,261</b>	<b>(22,459)</b>		
<b>MOTOR VEHICLES</b>						
Toyota Corolla BHR-083	1,862	1,343	1,576	233	Company Policy	<b>Mr.Afzal</b> Employee of the company
Honda Civic ZF-110	2,383	742	1,279	537	-- do --	<b>Mr.Mukhtar</b> Employee of the company
Suzuki Swift BET-235	1,282	664	995	331	-- do --	<b>Mr.Ahsan Qureshi</b> Employee of the company
Suzuki Swift BMY-594	1,571	1,388	1,531	143	-- do --	<b>Mr. Riaz Godil</b> Employee of the company
Toyota Corolla BAW-336	1,708	546	769	223	-- do --	<b>Abdul Wahab</b> Employee of the company
Toyota Corolla BBD-898	1,793	572	807	235	-- do --	<b>Mr.Hanif</b> Employee of the company
Honda Civic BAV-383	2,156	638	1,182	544	-- do --	<b>Mr.Zubair</b> Employee of the company
Items having book value upto Rs.500 thousand each	9,453	2,365	5,663	3,298	Various	<b>Various</b>
Items having book value upto Rs.500 thousand each	107	52	14	(38)	Various	<b>Various</b>
<b>Sub Total</b>	<b>22,315</b>	<b>8,310</b>	<b>13,816</b>	<b>5,506</b>		
<b>Total - 2019</b>	<b>564,168</b>	<b>35,030</b>	<b>18,077</b>	<b>(16,953)</b>		
<b>Total - 2018</b>	<b>384,708</b>	<b>53,624</b>	<b>56,721</b>	<b>3,097</b>		

##### 4.3.1 Detail of net (loss)/gain on disposal of property, plant & equipment

	Note	(Rupees in Thousand)	
		2019	2018
Gain on disposal of property, plant & equipment	31	7,909	15,020
Loss on disposal of property, plant & equipment	30	(521)	-
Loss on scrapped items of property, plant & equipment	30	(24,341)	(11,923)
		<u>(16,953)</u>	<u>3,097</u>

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

Particulars	Location	Approximate Area
<b>Land</b>		
Freehold	H.I.T.E., Hub Chowki, Distt. Lasbela Balochistan	10 Acres
Freehold	Manghopir, Gadap Town, Karachi	13 Acres
Freehold	Landhi, Karachi	4 Acres
Leasehold	H.I.T.E., Hub Chowki, Distt. Lasbela Balochistan	31 Acres
<b>Building</b>		
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	109,000 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

#### 4.5 Capital Work-in-Progress

	(Rupees in Thousand)		
	Balance as at July 1, 2018	Additions	Transfer to Operating fixed assets
Factory building on lease hold land under construction	4,606	178,433	(11,258)
Plant and machinery under erection	151,971	654,719	(782,338)
	<b>156,577</b>	<b>833,152</b>	<b>(793,596)</b>
	Balance as at July 1, 2017	Additions	Transfer to Operating fixed assets
Factory building on lease hold land under construction	-	4,606	-
Plant and machinery under erection	202,129	238,865	(289,023)
	<b>202,129</b>	<b>243,471</b>	<b>(289,023)</b>
			Balance as at June 30, 2019
			<b>171,781</b>
			<b>24,352</b>
			<b>196,133</b>
			Balance as at June 30, 2018
			<b>4,606</b>
			<b>151,971</b>
			<b>156,577</b>

	Note	(Rupees in Thousand) 2019	2018
<b>5 LONG TERM INVESTMENTS</b>			
<b>Wholly Owned Subsidiary Companies</b>			
22.575 million (2018: 22.575 million) shares including 7.525 million bonus shares in Messrs. Gatro Power (Private) Limited	5.1	150,500	150,500
25,000 (2018: 25,000) shares in Messrs. Global Synthetics Limited - Unquoted	5.2	250	250
Impairment loss	5.3	(212) 38	(187) 63
1,002 (2018: Nil) shares in Messrs. G-Pac Energy (Private) Limited	5.4	10	-
Impairment loss	5.5	(47) (37)	- -
Subscription money against further issuance of shares	5.6	5,329 155,830	- 150,563
<b>Associated Company</b>			
56.7 million (2018: 56.7 million) shares including 12 million bonus shares in Messrs. Novatex Limited - Unquoted	5.7	447,000 602,830	447,000 597,563

**5.1** The value of investment on the basis of the net assets, as reported in its audited financial statements as at June 30, 2019 amounted to Rs.777.379 million (2018: Rs.966.181 million).

**5.2** The value of the investment on the basis of the net assets, as reported in its audited financial statements as at June 30, 2019 amounted to Rs.0.038 million (2018: Rs.0.063 million).

### 5.3 Impairment loss

Balance as at 01st July	187	161
Charge for the year	25	26
Balance as at 30th June	212	187

**5.4** During the year, a new Wholly Owned Subsidiary Company Messrs. G-Pac Energy (Private) Limited has been incorporated to generate electric power.

	Note	(Rupees in Thousand)	
		2019	2018
<b>5.5 Impairment loss</b>			
Balance as at 01st July		-	-
Charge for the year		47	-
Balance as at 30th June		47	-
<b>5.6</b>	This represents amount paid to Subsidiary Company M/s. G-Pac Energy (Private) Limited against further issuance of shares.		
<b>5.7</b>	The value of 56.7 million (2018: 56.7 million) shares being 36.83% (2018: 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, 2019 amounted to Rs.8,432.060 million (March 2018: Rs.5,970.689 million).		
<b>6 LONG TERM LOANS - Considered good Secured - Interest free</b>			
To employees other than Chief Executive & Directors		2,968	4,254
Amount due in twelve months shown under current assets	11	(2,869)	(4,166)
Recoverable within three years		99	88
<b>6.1</b>	The above loans are under the terms of employment and are secured against the post employment benefits of the employees.		
<b>6.2</b>	Interest free long term loans have been carried out at cost as the effect of carrying these balances at amortised cost is not material.		
<b>7 LONG TERM DEPOSITS</b>			
Security deposits for utilities and others		2,723	1,832
<b>8 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
In hand:			
Stores		130,035	90,281
Spare parts		599,428	468,653
Loose tools		4,323	3,672
		733,786	562,606
Provision for slow moving stores, spare parts and loose tools	8.1	(53,070)	(45,621)
		680,716	516,985
In transit		11,632	22,838
		692,348	539,823
<b>8.1 Provision for slow moving stores, spare parts and loose tools</b>			
Balance as at 01st July		45,621	41,379
Charge for the year		8,495	4,602
Reversals due to consumption		(1,046)	(360)
	30	7,449	4,242
Balance as at 30th June		53,070	45,621

	Note	(Rupees in Thousand)	
		2019	2018
<b>9 STOCK IN TRADE</b>			
Raw material		972,626	898,406
Raw material in transit		199,525	172,517
Goods in process		484,446	482,041
Finished goods	9.1	1,184,182	1,181,791
		<u>2,840,779</u>	<u>2,734,755</u>
<b>9.1</b>	These include finished goods costing Rs.132.461 million (2018: Rs.109.514 million) valued at net realisable value of Rs.88.900 million (2018: Rs.79.949 million).		
<b>10 TRADE DEBTS</b>			
<b>Considered good</b>			
Secured			
Local		78,629	158,699
Export		-	2,271
	10.1	78,629	160,970
Unsecured - local	10.2, 10.3 & 10.4	1,449,932	967,970
		<u>1,528,561</u>	<u>1,128,940</u>
<b>Allowance for ECL - local</b>			
Unsecured - local		73,297	75,889
Allowance for ECL - local	10.5	(73,297)	(75,889)
		-	-
		<u>1,528,561</u>	<u>1,128,940</u>
<b>10.1</b>	These are secured against letters of credit issued by banks in favour of the Company.		
<b>10.2</b>	The maximum aggregate amount due from an associated company Messrs. Novatex Limited at any month end during the year was Rs.Nil (2018: Rs.1.208 million). Though the balance at each respective year end was nil.		
<b>10.3</b>	These include Rs.87.212 million (2018: Rs.Nil) due from a related party Messrs. Krystalite Products (Private) Limited and this amount is not past due and not outstanding for more than three months. The maximum aggregate amount due at any month end during the year was Rs.455.744 million (2018: Rs.304.557 million).		
<b>10.4</b>	These include Rs.24.633 million (2018: Rs.28.689 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.52.021 million (2018: Rs.50.664 million).		
<b>10.4.1</b>	Not past due	10,153	28,100
	Past due 1-30 days	8,849	589
	Past due 31-90 days	5,631	-
		<u>24,633</u>	<u>28,689</u>

	Note	(Rupees in Thousand) 2019	2018
<b>10.5 Allowance for ECL - local</b>			
Balance as at 01st July		75,889	74,047
Charge for the year		12,523	12,254
Reversals since recovered		(14,495)	(10,412)
		(1,972)	1,842
Written off during the year		(620)	-
Balance as at 30th June		73,297	75,889

## 11 LOANS AND ADVANCES - Considered good

### Secured

Amount recoverable in twelve months from employees

Advances to employees

6	2,869	4,166
11.1	447	1,782
	3,316	5,948

### Unsecured

Advances:  
to suppliers and contractors  
for imports

11.2	71,261	89,173
	165	4,657
	71,426	93,830
	74,742	99,778

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

**11.2** These include advances against purchase of vehicles amounting to Rs.1.359 million (2018: Rs.16.304 million).

## 12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Shipping guarantees - deposits	12.1	14,340	31,991
Margins held by banks	12.2	50,038	-
Security deposits		150	400
Prepayments		625	3,619
		65,153	36,010

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

**12.2** This represents 100% margin held by bank against opening of Letters of Credit.

## 13 OTHER RECEIVABLES - Considered good

Receivable from suppliers	13.1	87,198	91,950
Claims receivable from suppliers		500	316
Sales tax		115,904	-
Receivable from Federal Government - Sales tax	25.1.4	28,000	28,000
Receivable from Federal Government - Income tax	25.1.5 & 25.1.6	6,366	-
Others	13.2, 13.3 & 13.4	16,471	17,058
		254,439	137,324



- 13.1** These include balances receivable in foreign currency of US\$ 0.532 million (2018: US\$ 0.632 million).
- 13.2** These include Rs.3.071 million (2018: Rs.3.175 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.6.467 million (2018: Rs.6.287 million).
- 13.3** These include Rs.11.961 million (2018: Rs.12.365 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.20.735 million (2018: Rs.15.046 million).
- 13.4** These include Rs.0.087 million (2018: Rs.0.458 million) 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.0.663 million (2018: Rs.0.458 million).

	Note	(Rupees in Thousand)	
		2019	2018
<b>14 SALES AND INCOME TAX REFUND DUE FROM FEDERAL GOVERNMENT</b>			
Income tax	24	-	162,877
Sales tax		142,375	142,375
		<u>142,375</u>	<u>305,252</u>

## 15 CASH AND BANK BALANCES

Cash in hand		1,146	1,499
Cash at banks			
In current accounts : Local currency		61,836	41,802
In saving account : Local currency	15.1	1,435	1,750
In current accounts : Foreign currency	15.2	5,900	2,348
	15.3	69,171	45,900
		<u>70,317</u>	<u>47,399</u>

- 15.1** This represents security deposits received from contractors, refer note 22.5.
- 15.2** These represent balances of US\$ 35,262.46 and Euro € 629.98 (2018 : US\$ 18,026.57 and Euro € 1,129.98).
- 15.3** Balance in bank accounts includes an amount of Rs.13.536 million (2018: Rs.6.897 million) kept with Shariah compliant banks.

				Note	(Rupees in Thousand) 2019	2018
<b>16</b>	<b>SHARE CAPITAL</b>					
	( Number of Shares )					
	2019	2018				
<b>16.1</b>	<b>Authorised capital</b>					
	95,000,000	44,000,000	Ordinary shares of Rs.10 each		<u>950,000</u>	<u>440,000</u>
<b>16.2</b>	<b>Issued, subscribed and paid up capital</b>					
	30,136,080	30,136,080	Ordinary shares of Rs.10 each allotted for consideration paid in cash		<u>301,361</u>	<u>301,361</u>
	8,228,400	8,228,400	Ordinary shares of Rs.10 each allotted as fully paid bonus shares		<u>82,284</u>	<u>82,284</u>
	<u>38,364,480</u>	<u>38,364,480</u>			<u>383,645</u>	<u>383,645</u>
These include 1,620,387 (2018 : 1,620,387) shares held by a related party, Messrs. Gani & Tayub (Private) Limited.						
<b>17</b>	<b>CAPITAL RESERVE</b>					
	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.						
<b>18</b>	<b>GENERAL RESERVE</b>				<u>3,250,000</u>	<u>2,075,000</u>
This represents reserve created from accumulation of past years' profit, to meet future exigencies.						
<b>19</b>	<b>LONG TERM FINANCING - Secured</b>					
	from banking company					
	Under Shariah compliant - Meezan Bank Limited			<b>19.1</b>	<u>126,540</u>	<u>-</u>
<b>19.1</b>	This represents Diminishing Musharika under ILTF loan facility amounting to Rs.1,500 million out of which Rs.126.540 million obtained during the year for purchase of plant and machinery. Principal is payable alongwith profit in 32 equal quarterly installments, commencing after a grace period of two years and expiring in May 2029. The applicable rate of return is relevant SBP rate + 2% i.e. 4% per annum. The outstanding principal sum and accrued profit thereon are secured by way of exclusive hypothecation charge over specific diminishing musharika assets.					
<b>20</b>	<b>DEFERRED LIABILITIES</b>					
	Income tax - net			<b>20.1</b>	<u>-</u>	<u>2,558</u>
	Defined benefit plan			<b>20.2</b>	<u>373,162</u>	<u>334,702</u>
					<u>373,162</u>	<u>337,260</u>

	Note	(Rupees in Thousand) 2019	2018
<b>20.1</b>	This comprises of the following major timing differences:		
<b>Taxable temporary difference arising due to:</b>			
tax depreciation allowances		23,515	37,796
<b>Deductible temporary difference arising due to:</b>			
Provision of allowance for ECL		(21,256)	(22,008)
Provision for slow moving stores, spare parts and loose tools		(15,390)	(13,230)
		<u>(13,131)</u>	<u>2,558</u>
Deferred tax assets of taxable temporary differences not recognized		13,131	-
		<u>-</u>	<u>2,558</u>

At the reporting date, deferred tax asset amounting to Rs.318.495 million (2018: Rs.137.614 million) has not been recognised considering chances of reversal are remote.

- 20.2** Actuarial valuation of the plan was carried out as at June 30, 2019. The calculation for provision of defined benefit plan is as under:

**Movement of the present value of defined benefit obligation (PVDBO)**

Balance as at 01st July		334,702	318,830
Expense	20.2.1	41,517	34,389
Remeasurement loss		6,407	3,296
Payments		(9,464)	(21,813)
Balance as at 30th June		<u>373,162</u>	<u>334,702</u>

**20.2.1 Expense**

Service cost	17,787	16,185
Interest cost	23,730	18,204
	<u>41,517</u>	<u>34,389</u>

**The principal actuarial assumptions used were as follows:**

Discount rate	14.25%	9.00%
Future salary increase rate	14.25%	9.00%
Withdrawal Rate	Moderate	Moderate
Mortality	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005

**Sensitivity Analysis**

	2019		2018	
	PVDBO (Rupees in Thousand)	Percentage Change	PVDBO (Rupees in Thousand)	Percentage Change
Current Liability	373,162	-	334,702	-
+ 1% Discount Rate	359,394	(3.69%)	321,687	(3.89%)
- 1% Discount Rate	388,722	4.17%	349,447	4.41%
+ 1% Salary Increase Rate	389,963	4.50%	350,586	4.75%
- 1% Salary Increase Rate	358,018	(4.06%)	320,414	(4.27%)
+ 10% Withdrawal Rates	373,158	(0.00%)	334,698	(0.00%)
- 10% Withdrawal Rates	373,166	0.00%	334,705	0.00%
1 Year Mortality age set back	373,162	0.00%	334,702	0.00%
1 Year Mortality age set forward	373,162	0.00%	334,702	0.00%

(Rupees in Thousand)

	2019	2018
--	------	------

**Undiscounted payments**

**Maturity profile**

Year 1	101,992	83,775
Year 2	59,582	15,292
Year 3	23,824	54,294
Year 4	18,654	19,433
Year 5	30,010	15,373
Year 6 to 10	118,926	89,379
Year 11 and above	708,619	244,233

**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) 2019	2018
<b>21 TRADE AND OTHER PAYABLES</b>			
Trade creditors		599,201	352,555
Creditors for capital expenditures		130	-
Bills payable	21.1	420,652	447,416
Accrued expenses	21.2 & 21.3	245,059	245,852
Advance payments from customers - unsecured	21.4	203,821	673,237
Sales tax payable			45,239
Security deposits from contractors	21.5	1,435	1,750
Workers' Profit Participation Fund	21.6	52,637	34,562
Workers' Welfare Fund	21.7	17,586	17,542
Provisions	21.8	430,535	349,269
Withholding taxes		9,446	4,260
Payable to Provident Fund Trusts		4,247	3,486
Other liabilities	21.9	47,798	40,838
		<u>2,032,547</u>	<u>2,216,006</u>

**21.1** This represents balances payable in foreign currency of US\$ 2.557 million (2018: US\$ 3.679 million).

**21.2** These include Rs.37.951 million (2018: Rs.Nil) payable to a subsidiary company Messrs. Gatro Power (Private) Limited.

- 21.3** These include Rs.0.909 million (2018: Rs.0.478 million) payable to a related party Messrs. Gani & Tayub (Private) Limited.
- 21.4** These include advances amounting to Rs.Nil (2018: Rs.305.701 million) secured by way of post dated cheques.
- 21.5** This represents return-free security deposits from contractors held in separate bank account, refer note 15.1.

	Note	(Rupees in Thousand)	
		2019	2018
<b>21.6 Workers' Profit Participation Fund</b>			
Balance at beginning		34,562	-
Interest on funds utilised in the Company's business	32	298	-
Allocation	30	52,637	34,562
Payments		(34,860)	-
Balance at end		<u>52,637</u>	<u>34,562</u>
<b>21.7 Workers' Welfare Fund</b>			
Balance at beginning		17,542	-
Provision for the year		17,586	17,542
Reversal of provision - prior year		(1,326)	-
	30	16,260	17,542
Adjustment through income tax refund	24	(16,216)	-
		<u>17,586</u>	<u>17,542</u>
<b>21.8 Provisions for:</b>			
Gas Infrastructure Development Cess	25.1.2	106,216	75,880
Enhanced gas rate	21.8.1 & 21.8.2	56,171	49,587
Sindh Sales Tax on rent	21.8.3	5,369	4,815
Infrastructure Cess on imports	21.8.4	167,926	140,689
Sales tax	21.8.5 & 21.8.6	86,544	70,944
Others	21.8.7	8,309	7,354
		<u>430,535</u>	<u>349,269</u>

- 21.8.1** The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial and 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. 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 was 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. However the Company alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. 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.47.667 million (2018: Rs.37.827 million). As an abundant precaution, the Company has made total provision of Rs.40.194 million (2018: Rs.35.374 million). On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories and the Company is paying full amount of the gas bills as per this notification.

**21.8.2** In August 2013, OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power 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 in the Sindh High Court on December 21, 2015 against OGRA, SSGCL and others 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. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and SSGCL billed @ Rs.600 per MMBTU. However the Company alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. 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, refer note 21.8.1. As an abundant precaution, the Company has made provision of Rs.15.977 million (2018: Rs.14.213 million) pertaining to the period of November 2015 to September 2018 and did not create receivable of Rs.13.629 million in respect of period from August 2013 to October 2015. On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories and the Company is paying full amount of the gas bills as per this notification.

**21.8.3** This represents provision of Sindh Sales Tax on rent payable to an associated company Messrs. Novatex Limited. The associated company had filed a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Single Bench of Sindh High Court decided the case in favour of the associated company. However, the Sindh Revenue Board filed an appeal against the decision before the double bench of Sindh High Court.

	<b>(Rupees in Thousand)</b>	
	<b>2019</b>	<b>2018</b>
<b>21.8.4</b> Balance as at 01st July	<b>140,689</b>	118,697
Provision made during the year	<b>54,474</b>	43,984
Payments made during the year	<b>(27,237)</b>	(21,992)
Balance as at 30th June	<b><u>167,926</u></b>	<b><u>140,689</u></b>

The Company had filed a petition in the Sindh High Court at Karachi on May 25, 2011 against Province of Sindh and Excise and 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 and 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.178.365 million (2018: Rs.148.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006 (refer note 25.2). 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 unconsolidated financial statements as an abundant precaution.

**21.8.5** 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 was not being allowed for adjustment with effect from July 01, 2016 till June 30, 2018. The Company had 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 (2018: Rs.65.752 million).

- 21.8.6** The FBR vide SRO 450(I)/2013 dated May 27, 2013 made certain amendments in SRO 490(I)/2004 dated June 12, 2004 and disallowed input tax adjustment on building materials with effect from May 28, 2013. The Company had 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.20.792 million (2018: Rs.5.192 million).

- 21.8.7** This represents provision of Gas Infrastructure Development Cess Rs.6.591 million (2018: Rs.5.757 million) and rate difference of gas tariff Rs.1.718 million (2018: Rs.1.597 million) on account of common expenses payable to an associated company Messrs. Novatex Limited.

- 21.9** These include Rs.39.047 million (2018: Rs.33.749 million) received from employees under Company car policy.

	Note	(Rupees in Thousand)	
		2019	2018
<b>22 ACCRUED MARK UP</b>			
Mark up on long term financing		388	-
Mark up on short term borrowings		8,196	142
	<b>22.1</b>	<b>8,584</b>	<b>142</b>

- 22.1** This include accrued markup of Rs. 0.388 million (2018: Rs.Nil) under Shariah compliant arrangements.

## **23 SHORT TERM BORROWINGS - Secured**

From banking companies under mark up arrangements

Running finance - Under Conventional	<b>864,718</b>	580,017
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- 23.1** The Company has aggregate facilities of short term borrowings amounting to Rs.3,755 million (2018: Rs.3,755 million) from various commercial banks (as listed in Note 23.3) out of which Rs.3,127 million (2018: Rs.3,451 million) remained unutilised at the year end. The Company also has Rs.1,000 million (2018: Rs.1,000 million) swinging facility with an associated company Messrs. Novatex Limited, out of which Rs.237 million (2018: Rs.276 million) has been utilized by the Company at the year end. The applicable mark up rates for running finance during the year ranged between Rs.0.2671 to Rs.0.2926 per Rs.1,000/- per day. These facilities are renewable annually at respective maturities.

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

- 23.3** 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.



	Note	(Rupees in Thousand)	
		2019	2018
<b>24 PROVISION FOR INCOME TAX LESS PAYMENTS</b>			
Balance as at 01st July		84,375	39,341
Provision for the year - Current		307,913	185,231
Prior		3,833	77
		<u>311,746</u>	<u>185,308</u>
		396,121	224,649
Payments during the year		(225,335)	(101,207)
Income tax refundable transferred	14	(162,877)	-
Adjustment of Workers' Welfare Fund	21.7	16,216	-
Adjustments for the year	24.1	(24)	(39,067)
Balance as at 30th June		<u>24,101</u>	<u>84,375</u>

- 24.1** These include Rs. 0.024 million (2018: Rs. 0.147 million) of subsidiary company messrs. Gatro Power (Private) Limited on account of group taxation.

## **25 CONTINGENCIES AND COMMITMENTS**

### **25.1 Contingencies**

- 25.1.1** FBR initiated action against few customers of the 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 had, 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, 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 un-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 Company. Accordingly no provision has been made for the amount of post dated cheques of Rs.83.287 million.

- 25.1.2** 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 the 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, 2019 worked out at Rs.145.554 million (2018: Rs.115.218 million), however the Company accounted for Rs.106.216 million (2018: Rs.75.880 million) pertaining to the period of July 2014 to June 2019 for Captive Power and June 2015 to June 2019 for Industrial as an abundant precaution in view of reason stated above, refer note 21.8.

- 25.1.3** The Company along with several other companies has filed a Constitution Petition in the Sindh High Court on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others 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.21.726 million (2018: Rs.18.504 million) has been made in these un-consolidated financial statements as the Company is confident of the favorable outcome of the Petition.
- 25.1.4** 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 suspended / blacklisted person. The Company has already deposited Rs.28 million (refer note 13) under protest into the Government treasury for stay against the full recovery. The CIR(A) has issued judgment in respect of impugned order for tax periods July 2012 to June 2013 wherein the entire order of the Tax Officer has been held as illegal and unconstitutional. However, the Tax Department has been filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A). No provision has been made in these un-consolidated financial statements as the Company is confident that the matter will be decided in favour by the appellate authorities.
- 25.1.5** Income tax department issued order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2012 wherein income tax demand of Rs. 37.773 million was raised on various issues. Out of the total amount, the Company paid Rs.3.777 million under protest (refer note 13). Appeal was filed before the CIR(A) and the CIR(A) had decided the case partially in favor of the Company whereas major issues were decided in favor of the tax department. Based on the judgment of the CIR(A), the revised demand comes out to Rs. 28.2 million. Against the order of the CIR(A), the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) and the learned ATIR, vide its judgment dated January 1, 2019 has decided all the remaining issues in favor of the Company. Based on the said judgment of the ATIR, partial demand of Rs. 3.777 million earlier paid by the Company under protest is now refundable. As of now, the tax department has not yet filed appeal against the said judgment of ATIR.
- 25.1.6** Income Tax department issued order under section 122(1) of the Income Tax Ordinance, 2001 for the Tax Year 2015 wherein income tax demand of Rs. 25.888 million was raised on various issues. Out of the total amount, the Company paid Rs.2.589 million under protest (refer note 13). Appeal was filed before the CIR(A) and the CIR(A) has decided major issue in favor of the Company, however, minor issues of taxability have been decided against the Company. Appeal has been filed by the Company as well as the tax department before Appellate Tribunal Inland Revenue, however, no hearing has been conducted till date. 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.
- 25.1.7** The tax officer alleged the Company for charging sales tax at reduced rate instead of standard rate of 17% during the tax periods from July 2014 to June 2015 and raised the demand of Rs.1.741 million along with penalty of Rs.0.087 million. The tax department has adjusted the impugned demand with sales tax refunds available with the Company. The Company had filed an appeal before Commissioner Inland Revenue (Appeals) against order of the tax department on the ground that reduced rate was applicable to buyers as those buyers were active and operative at the time of execution of sales transaction. The Commissioner Inland Revenue (Appeals), vide order dated August 22, 2019, has decided the case in favour of the Company. As of now the tax department has not filed further appeal before the Appellate Tribunal Inland Revenue.

**25.1.8** The case of the Company was selected for income tax audit for tax year 2013. The return was amended under section 122(1)/(5) of the Income Tax Ordinance, 2001, however, no income tax demand was raised owing to taxable losses both before and after amendment of the Income Tax return. Subsequently, the tax department again initiated proceedings for further amendment of the already amended income tax return and raised demand of Rs.1.178 million. Demand has been raised mainly because of figurative errors committed by the Additional Commissioner Inland Revenue against which the Company has moved rectification application. Moreover, the Company has also filed an appeal before Commissioner Inland Revenue (Appeals) to secure its interest incase rectification application is rejected by the concerned tax officer. 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.

	Note	(Rupees in Thousand)	
		2019	2018
<b>25.2 Guarantees</b>			
Bank Guarantees in favour of:			
The Director Excise & Taxation, Karachi	<b>21.8.4</b>	<b>178,365</b>	148,365
The Electric Inspector,			
President Licencing Board, Quetta		<b>10</b>	10
Pakistan State Oil Company Limited		<b>40,000</b>	30,000
K-Electric Limited		<b>11,560</b>	11,560
Letters of Credit in favour of:			
Sui Southern Gas Company Limited for Gas		<b>30,992</b>	30,992
		<b>260,927</b>	220,927

### 25.3 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		<b>1,046,130</b>	345,212
Raw material		<b>346,064</b>	424,044
Spare parts and others		<b>91,457</b>	78,202
		<b>1,483,651</b>	847,458
Local currency:			
Raw material		-	108,585
Spare parts and others		<b>40,161</b>	-
		<b>40,161</b>	108,585
		<b>1,523,812</b>	956,043

## 26 SALES

Gross local sales		<b>18,392,023</b>	13,793,142
Third party processing charges		-	1,222
		<b>18,392,023</b>	13,794,364
Less: Sales tax	<b>26.1</b>	<b>808,204</b>	824,001
		<b>17,583,819</b>	12,970,363
Export sales		<b>123,506</b>	36,074
		<b>17,707,325</b>	13,006,437

**26.1** These include local zero/reduced rate supplies.

	Note	(Rupees in Thousand) 2019	2018
<b>27 COST OF SALES</b>			
Raw material consumed		<b>11,176,689</b>	8,190,818
Stores, spare parts and loose tools consumed		<b>341,297</b>	282,462
Outsource processing charges		<b>623,001</b>	452,602
Salaries, wages, allowances and benefits	<b>27.1 &amp; 27.2</b>	<b>1,030,648</b>	857,357
Power, fuel and gas		<b>2,131,075</b>	1,814,186
Rent, rates and taxes		<b>9,414</b>	5,182
Insurance		<b>27,792</b>	24,895
Cartage & transportation		<b>111,269</b>	83,267
Repairs and maintenance		<b>107,816</b>	71,242
Communications & Computer		<b>2,279</b>	1,992
Water supply		<b>40,551</b>	12,202
Travelling		<b>9,164</b>	5,193
Legal and professional fees		<b>305</b>	210
Sundry		<b>45,698</b>	18,667
Depreciation	<b>4.2</b>	<b>308,777</b>	307,613
Impairment of operating fixed assets	<b>4.1</b>	<b>103,842</b>	115,211
		<b>16,069,617</b>	12,243,099
Duty draw back		<b>(136)</b>	(2)
Scrap sales	<b>27.3</b>	<b>(13,014)</b>	(15,157)
		<b>16,056,467</b>	12,227,940
Opening stock of goods-in-process		<b>482,041</b>	451,615
Closing stock of goods-in-process		<b>(484,446)</b>	(482,041)
Cost of goods manufactured		<b>16,054,062</b>	12,197,514
Opening stock of finished goods		<b>1,181,791</b>	743,324
Closing stock of finished goods		<b>(1,184,182)</b>	(1,181,791)
		<b>16,051,671</b>	11,759,047

**27.1** These include Rs.17.195 million (2018 : Rs.15.909 million) and Rs.18.058 million (2018 : Rs.16.340 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

**27.2** It is net off by Rs.36 million (2018: Rs.36 million) in respect of amount received from a subsidiary company Messrs. Gatro Power (Private) Limited against plant operation arrangement.

**27.3** Net off sales tax amounting to Rs.2.603 million (2018: Rs.3.420 million).

## **28 DISTRIBUTION AND SELLING COSTS**

Salaries, allowances and benefits	<b>28.1</b>	<b>34,106</b>	26,867
Insurance		<b>2,513</b>	2,727
Rent, rates and taxes		<b>2,586</b>	1,421
Handling, freight and transportation		<b>128,321</b>	151,145
Advertisement and sales promotion		<b>586</b>	1,177
Communications		<b>462</b>	270
Travelling		<b>142</b>	1,089
Fee & subscriptions		<b>630</b>	599
Legal & professional fee		<b>4,547</b>	4,242
Sundry		<b>11,170</b>	4,256
Depreciation	<b>4.2</b>	<b>2,568</b>	501
		<b>187,631</b>	194,294

**28.1** These include Rs.1.103 million (2018 : Rs.0.858 million) and Rs.1.917 million (2018 : Rs.1.611 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

	Note	(Rupees in Thousand)	
		2019	2018
<b>29 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and benefits	29.1	187,828	172,074
Rent, rates and taxes		20,827	18,801
Insurance		1,267	1,380
Repairs and maintenance		4,099	4,722
Travelling		2,553	2,970
Communications		2,746	2,844
Legal and professional fees		8,930	5,224
Utilities		4,236	4,223
Printing and stationery		1,732	1,459
Transportation		7,534	4,661
Sundry		8,850	9,195
Depreciation	4.2	5,657	5,441
		<u>256,259</u>	<u>232,994</u>

**29.1** These include Rs.7.300 million (2018 : Rs.6.723 million) and Rs.21.542 million (2018 : Rs.16.438 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

### 30 OTHER OPERATING EXPENSES

Loss on disposal of property, plant and equipment	4.3.1	521	-
Loss on scrapped items of property, plant and equipment	4.3.1	24,341	11,923
Provision of allowance for ECL - net	10.5	-	1,842
Provision for slow moving stores, spare parts and loose tools - net	8.1	7,449	4,242
Impairment in long term investments	5.3 & 5.5	72	26
Exchange loss - net		105,204	62,607
Provision for sales tax			37,935
Corporate social responsibility	30.1	14,850	12,388
Workers' Profit Participation Fund	21.6	52,637	34,562
Workers' Welfare Fund	21.7	16,260	17,542
Auditors' remuneration	30.2	1,938	1,801
		<u>223,272</u>	<u>184,868</u>

**30.1** These represents donations of Rs.8.800 million (2018: Rs.7.388 million) to a related party Messrs. Gatron Foundation in which Chief Executive and three directors of the Company are governors and Rs.5.200 million to Messrs. The Citizen Foundation (2018: Rs.5 million 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.

#### 30.2 Auditors' Remuneration

Audit fee - Annual financial statements	1,250	1,250
Limited review, audit of consolidated financial statements, provident funds and certification fee	450	285
Sindh Sales Tax on services	136	123
Out of pocket expenses	102	143
	<u>1,938</u>	<u>1,801</u>

	Note	(Rupees in Thousand)	
		2019	2018
<b>31 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Reversal of provision of allowance for ECL - net	10.5	1,972	-
Profit on deposits		37	50
		<b>2,009</b>	50
<b>Income from non - financial assets &amp; others</b>			
Storage and handling income	41	-	483
Gain on disposal of property, plant and equipment	4.3.1	7,909	15,020
Liabilities no more payable written back		2,565	2,487
Miscellaneous income	31.1	250	238
		<b>10,724</b>	18,228
		<b>12,733</b>	18,278
<b>31.1</b>	It includes Rs.Nil (2018: Rs.0.006 million) representing rent income from a subsidiary company Messrs. Gatro Power (Private) Limited, refer note 41.		
<b>32 FINANCE COSTS</b>			
Mark up on long term financing		388	6,718
Mark up on short term borrowings		15,011	6,088
Interest on Workers' Profit Participation Fund	21.6	298	-
Bank charges and guarantee commission		1,693	1,575
	32.1	<b>17,390</b>	14,381
<b>32.1</b>	It includes finance costs under Shariah Complaint arrangement amounting to Rs.0.498 million (2018: Rs.0.319 million).		
<b>33 INVESTMENT INCOME - DIVIDEND</b>			
Dividend income from subsidiary company - Messrs. Gatro Power (Private) Limited		553,088	327,338
Dividend income from associated company - Messrs. Novatex Limited		567,000	127,575
		<b>1,120,088</b>	454,913
<b>34 INCOME TAX</b>			
For the current year		307,913	185,231
For the prior year		3,833	77
		<b>311,746</b>	185,308
Deferred		(2,558)	(73,120)
		<b>309,188</b>	112,188

	Note	(Rupees in Thousand)	
		2019	2018
<b>Relationship between income tax and profit before income tax :</b>			
Profit before income tax		2,103,923	1,094,044
Income tax rate		29%	30%
Income tax on profit before income tax		610,138	328,213
<b>Tax effect of:</b>			
group taxation impact		(160,396)	(98,201)
minimum tax		-	162,130
brought forward minimum tax and loss adjusted		(84,961)	(251,325)
tax credits		(42,267)	(35,322)
super tax		43,821	38,925
income assessed under final tax regime - export sales and dividend income		(79,289)	(20,213)
change in statutory tax rate		-	(88)
provision of prior year income tax		3,833	77
others		18,309	(12,008)
Income tax for the year		<u>309,188</u>	<u>112,188</u>

**34.1** The Company has already paid sufficient cash dividend for the year ended June 30, 2019 (refer note 44) 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 un-consolidated financial statements for the year ended June 30, 2019.

**34.2** Sufficient provision for tax has been made in these un-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)		
	2018	2017	2016
Tax provision	<u>185,231</u>	<u>97,329</u>	<u>64,175</u>
Tax assessed	<u>150,139</u>	<u>97,406</u>	<u>63,705</u>

	Note	(Rupees in Thousand)	
		2019	2018
<b>35 EARNINGS PER SHARE - Basic and diluted</b>			
Profit after income tax		<u>1,794,735</u>	<u>981,856</u>
<b>( Number of Shares )</b>			
Weighted average number of Ordinary Shares in issue during the year		<u>38,364,480</u>	<u>38,364,480</u>
<b>( Rupees )</b>			
Earnings per share - Basic and diluted		<u>46.78</u>	<u>25.59</u>

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

		( Rupees in Thousand )	
		2019	2018
<b>36 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	15	70,317	47,399
Short term borrowings	23	<u>(864,718)</u>	<u>(580,017)</u>
		<u>(794,401)</u>	<u>(532,618)</u>



**37 FINANCIAL INSTRUMENTS****(Rupees in Thousand)****2019                      2018****Financial assets as per statement of financial position  
- Measured at amortised cost**

Loans and advances	<b>3,415</b>	6,036
Deposits	<b>67,251</b>	34,223
Trade debts	<b>1,528,561</b>	1,128,940
Other receivables	<b>103,669</b>	109,008
Cash and bank balances	<b>70,317</b>	47,399
	<b><u>1,773,213</u></b>	<u>1,325,606</u>

**Financial liabilities as per statement of financial position  
- Measured at amortised cost**

Long term financing	<b>126,540</b>	-
Trade and other payables	<b>1,332,112</b>	1,092,710
Unclaimed dividend	<b>16,393</b>	11,238
Accrued mark up	<b>8,584</b>	142
Short term borrowings	<b>864,718</b>	580,017
	<b><u>2,348,347</u></b>	<u>1,684,107</u>

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

**37.1 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 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.

## 37.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

The Company is 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.

### 37.2.1 Market Risk

#### A Foreign exchange risk

Foreign exchange risk represents the risk that the fair value of future cash flows of 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 USD, Euro, AED, JPY and CHF. The Company's exposure to foreign currency risk is as follows:

	<b>(Rupees in Thousand)</b>	
	<b>2019</b>	<b>2018</b>
Bills Payable	<b>420,652</b>	447,416
Trade Debts	-	(2,271)
Receivable from suppliers	<b>(87,198)</b>	(76,757)
Cash at bank in foreign currency accounts	<b>(5,900)</b>	(2,348)
	<b>(93,098)</b>	(81,376)
	<b>327,554</b>	366,040
Commitments - Outstanding letters of credit	<b>1,483,651</b>	847,458
Net exposure	<b>1,811,205</b>	1,213,498

The following significant exchange rates have been applied:

	<b>Average rate</b>				<b>Reporting date rate</b>			
	<b>2019</b>		<b>2018</b>		<b>2017</b>		<b>2016</b>	
	<b>Buying</b>	<b>Selling</b>	<b>Buying</b>	<b>Selling</b>	<b>Buying</b>	<b>Selling</b>	<b>Buying</b>	<b>Selling</b>
USD to PKR	135.81	136.18	109.41	109.61	164.00	164.50	121.40	121.60
Euro to PKR	154.89	155.29	131.03	131.28	186.37	186.99	141.33	141.57
AED to PKR	36.96	37.07	29.70	29.84	44.54	44.80	33.05	33.10
JPY to PKR	1.22	1.23			1.52	1.53		
CHF to PKR	136.50	136.87			168.03	168.61		

#### Sensitivity Analysis

At reporting date, if the PKR had strengthened/weakened by 10% against the USD, Euro, AED, JPY and CHF 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	
	2019	2018	2019	2018
	(Rupees in Thousand)			
<b>Effect on statement of profit or loss</b>				
USD to PKR	109,554	86,070	132,340	95,484
Euro to PKR	38,556	24,197	46,427	26,093
AED to PKR	26	(204)	32	(227)
JPY to PKR	330	-	411	-
CHF to PKR	1,552	-	1,911	-
	<u>150,018</u>	<u>110,063</u>	<u>181,121</u>	<u>121,350</u>

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

## B 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.

## C 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:

	Effective rate (in %)		(Rupees in Thousand) Carrying amount	
	2019	2018	2019	2018
<b>Financial Assets</b>				
<b>Variable rate instruments</b>				
Bank balance	2.46	2.15	1,435	1,750
<b>Financial Liabilities</b>				
<b>Variable rate instruments</b>				
Short term borrowings	10.77-11.85	5.61-7.14	(864,718)	(580,017)
			<u>(863,283)</u>	<u>(578,267)</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 2018.

<b>(Rupees in Thousand)</b>		
<b>Statement of Profit or loss</b>		
<b>before tax</b>		
	<b>100 bp increase</b>	<b>100 bp decrease</b>
As at June 30, 2019		
Cash flow sensitivity - Variable rate	<u><b>(8,633)</b></u>	<u><b>8,633</b></u>
As at June 30, 2018		
Cash flow sensitivity - Variable rate	<u><b>(5,783)</b></u>	<u><b>5,783</b></u>

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

### 37.2.2 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.1,773.213 million (2018 : Rs.1,325.606 million), amounted to Rs.1,772.067 million (2018: Rs.1,324.107 million) are subject to credit risk. The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

<b>(Rupees in Thousand)</b>		
	<b>2019</b>	<b>2018</b>
Loans and advances	<b>3,415</b>	6,036
Deposits	<b>67,251</b>	34,223
Trade debts	<b>1,528,561</b>	1,128,940
Other receivables	<b>103,669</b>	109,008
	<b>1,632,230</b>	1,237,948
Bank balances	<b>69,171</b>	45,900
	<b>1,772,067</b>	1,324,107

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

	(Rupees in Thousand)	
	2019	2018
Not past due	1,258,207	915,236
Past due 1-30 days	148,674	194,167
Past due 31-90 days	188,923	98,960
Past due 91-180 days	40,693	6,495
Past due 180 days	69,030	98,979
	1,705,527	1,313,837
Allowance for ECL - local	(73,297)	(75,889)
	<u>1,632,230</u>	<u>1,237,948</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	2019	2018
Bank Al-Falah Limited	PACRA	A-1+	AA+	15,111	10,303
Bank Al-Habib Limited	PACRA	A-1+	AA+	296	266
Citibank N.A.	Moody's	P-1	Aa3	66	65
Dubai Islamic Bank Pakistan Limited	VIS	A-1+	AA	1,867	1,913
Faysal Bank Limited	PACRA	A-1+	AA	447	217
Habib Bank Limited	VIS	A-1+	AAA	343	546
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+	28,780	22,684
MCB Bank Limited	PACRA	A-1+	AAA	945	1,324
Meezan Bank Limited	VIS	A-1+	AA+	11,329	4,718
National Bank of Pakistan	PACRA	A-1+	AAA	9,521	3,364
Samba Bank Limited	VIS	A-1	AA	56	151
Standard Chartered Bank (Pakistan) Limited	PACRA	A-1+	AAA	402	238
United Bank Limited	VIS	A-1+	AAA	8	111
				<u>69,171</u>	<u>45,900</u>

Above rating updated as of July 16, 2019 and available on State Bank of Pakistan website.

### 37.2.3 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, 2019, 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.3,127 million in addition to balances at banks of Rs.69 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)						
<b>2019</b>							
Long term financing	126,540	157,147	2,551	2,524	5,062	59,610	87,400
Trade and other payables	1,332,112	1,332,112	1,332,112	-	-	-	-
Unclaimed dividend	16,393	16,393	16,393	-	-	-	-
Accrued mark up	8,584	8,584	8,584	-	-	-	-
Short term borrowings	864,718	864,718	864,718	-	-	-	-
	<b>2,348,347</b>	<b>2,378,954</b>	<b>2,224,358</b>	<b>2,524</b>	<b>5,062</b>	<b>59,610</b>	<b>87,400</b>
<b>2018</b>							
Trade and other payables	1,092,710	1,092,710	1,092,710	-	-	-	-
Unclaimed dividend	11,238	11,238	11,238	-	-	-	-
Accrued mark up	142	142	142	-	-	-	-
Short term borrowings	580,017	580,017	580,017	-	-	-	-
	<b>1,684,107</b>	<b>1,684,107</b>	<b>1,684,107</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 37.3 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, 2019 and 2018 were as follows:

	(Rupees in Thousand)	
	2019	2018
Total borrowings	991,258	580,017
Cash and bank balances	(70,317)	(47,399)
Net debt	920,941	532,618
Total equity	5,303,998	4,273,369
Total capital	6,224,939	4,805,987
Gearing ratio	15%	11%

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.

### 38 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)

Particulars	Chief Executive		Directors		Executives		TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018
Managerial remuneration	19,842	18,869	34,004	32,127	92,579	72,382	146,425	123,378
Post employment benefits	7,111	5,792	5,614	4,583	11,972	7,517	24,697	17,892
Utilities	91	79	32	23	61	52	184	154
Other benefits	-	-	3,127	2,146	56,996	32,635	60,123	34,781
Reimbursement	-	-	-	-	658	940	658	940
Total	27,044	24,740	42,777	38,879	162,266	113,526	232,087	177,145

Number of persons for remuneration	1	1	3	3	30	22	34	26
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**38.1** Aggregate amount of meeting fee to Chairman and 4 non-executive directors (2018: Chairman and 4 non-executive Directors) was Rs.1.400 million (2018: Rs.0.145 million).

**38.2** 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.

**38.3** An associated company Messrs. Novatex Limited reimbursed Rs.54.367 million (2018: Rs.45.385 million) in respect of services provided by certain directors and executives during the year.

### 39 SEGMENT REPORTING

#### 39.1 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.



### 39.2 Segment results:

The segment information for the reportable segments for the year ended June 30, 2019 is as follows:

(Rupees in Thousand)

	2019			2018		
	Polyester Filament Yarn	Polyester PET Preforms	Total	Polyester Filament Yarn	Polyester PET Preforms	Total
External sales	<u>13,335,178</u>	<u>4,372,147</u>	<u>17,707,325</u>	<u>8,424,979</u>	<u>4,581,458</u>	<u>13,006,437</u>
Segment result before depreciation and impairment	<u>1,118,631</u>	<u>513,977</u>	<u>1,632,608</u>	510,669	738,199	1,248,868
Less: Depreciation and impairment	<u>(319,195)</u>	<u>(101,649)</u>	<u>(420,844)</u>	(297,355)	(131,411)	(428,766)
Segment result after depreciation and impairment	<u>799,436</u>	<u>412,328</u>	<u>1,211,764</u>	<u>213,314</u>	<u>606,788</u>	<u>820,102</u>
Reconciliation of segment results with Profit before income tax:						
Total results for reportable segments			<u>1,211,764</u>			820,102
Other operating expenses			<u>(223,272)</u>			(184,868)
Other income			<u>12,733</u>			18,278
Finance costs			<u>(17,390)</u>			(14,381)
Investment income - Dividend			<u>1,120,088</u>			454,913
<b>Profit before income tax</b>			<u><u>2,103,923</u></u>			<u><u>1,094,044</u></u>

Assets and liabilities by segments are as follows:

Segment assets	<u>4,280,373</u>	<u>2,702,702</u>	<u>6,983,075</u>	<u>3,927,058</u>	<u>2,015,436</u>	<u>5,942,494</u>
Segment liabilities	<u>723,986</u>	<u>510,631</u>	<u>1,234,617</u>	<u>711,383</u>	<u>676,663</u>	<u>1,388,046</u>

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

	Assets	Liabilities	Assets	Liabilities
Total for reportable segments	<u>6,983,075</u>	<u>1,234,617</u>	5,942,494	1,388,046
Unallocated	<u>1,766,968</u>	<u>2,211,428</u>	1,559,913	1,840,992
<b>Total as per un-consolidated statement of financial position</b>	<u><u>8,750,043</u></u>	<u><u>3,446,045</u></u>	<u><u>7,502,407</u></u>	<u><u>3,229,038</u></u>

Other segment information is as follows:

Depreciation and impairment	<u>319,195</u>	<u>101,649</u>	<u>420,844</u>	<u>297,355</u>	<u>131,411</u>	<u>428,766</u>
Capital expenditures incurred during the year	<u>877,269</u>	<u>82,357</u>	<u>959,626</u>	261,225	33,895	295,120
Unallocated capital expenditure incurred during the year			<u>11,879</u>			9,054
Total			<u><u>971,505</u></u>			<u><u>304,174</u></u>

**39.3** 99.30% (2018 : 99.72%) out of total sales of the Company relates to customers in Pakistan.

**39.4** All non - current assets of the Company as at June 30, 2019 are located in Pakistan

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

	Note	(Metric Tones)	
		2019	2018
<b>40 PLANT CAPACITY AND ACTUAL PRODUCTION</b>			
<b>40.1 Polyester Filament Yarn</b>	<b>40.1.1</b>		
Annual capacity		<u>32,502</u>	29,074
Actual production		<u>49,390</u>	41,751
<b>40.2 Polyester PET Preforms</b>	<b>40.2.1</b>		
Annual capacity		<u>50,222</u>	50,222
Actual production		<u>20,612</u>	23,838

**40.1.1** The capacity is determined based on 75 denier and 24 filaments. Actual production represents production of various deniers.

**40.2.1** 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 season time shortening since demand surge for Eid is now moving from lean months to normal peak demand months as well as more rainy days in current season. Export demand also nearly finished due to increase in duty in importing countries as well as neck / grammage change in certain countries. The actual production of preforms (various grammage) in pieces was 693.506 million (2018: 779.510 million) against annual capacity (based on 43.66 gms) of 1,150 million pieces.

#### 41 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	(Rupees in Thousand)	
				2019	2018
Gatro Power (Private) Limited	Subsidiary Company	100% ownership	Purchase of power	1,881,348	1,621,017
			Receipt of dividend	553,088	327,338
			Plant operation arrangement	36,000	36,000
			Storage & handling	-	483
			Rent	-	6
			Reimbursement of expenses	1,015	114
G-Pac Energy (Private) Limited	Subsidiary Company	100% ownership	Investment made	5,339	-
Novatex Limited	Associated Company	Common directorship	Rendering of services	-	1,044
			Obtaining of services	623,001	452,602
			Purchase of raw material	100	1,431
			Purchase of property, plant & equipment	-	10,300
			Receipt of dividend	567,000	127,575
			Rent	18,484	18,484
			Reimbursement of expenses	152,659	134,960
Krystalite Product (Private) Limited	Related Party	Common management	Sale of goods	629,900	457,449
			Reimbursement of expenses	292	488
Mushtaq & Company (Private) Limited	Related Party	Common management	Sale of goods	81,444	86,925
Gani & Tayub (Private) Limited	Related Party	Common directorship	Payment of dividend	32,003	3,241
			Charges on account of handling	8,917	7,501
Gatron Foundation	Related Party	Common directorship	Payment of donation	8,800	7,388
Gatron (Ind) Limited Staff Provident Fund	Retirement benefit fund	Employees Fund	Contribution made	21,706	19,651
Gatron (Ind) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Contribution made	3,892	3,839

- 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 38 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)  
2019      2018  
(Un-audited) (Audited)

## 42 PROVIDENT FUND RELATED DISCLOSURES

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

Size of the Funds - Total Assets	<u>432,114</u>	<u>401,613</u>
Cost of Investments made	<u>417,747</u>	<u>366,515</u>
Fair value of investments	<u>427,844</u>	<u>398,103</u>
Percentage of investments made (Fair value to size of the fund)	<u>99.01%</u>	<u>99.13%</u>

(Rupees in Thousand)

	2019		2018	
	Amount	%	Amount	%

### 42.1 The Break-up of cost of investments is:

Shares of Listed Companies	17,495	4.19%	13,188	3.60%
Government Securities	290,511	69.54%	270,820	73.89%
Debt Securities	23,472	5.62%	31,950	8.72%
Mutual Funds	17,218	4.12%	49,455	13.49%
Bank Deposits	69,051	16.53%	1,102	0.30%
	<u>417,747</u>	<u>100.00%</u>	<u>366,515</u>	<u>100.00%</u>

### 42.2 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)  
2019      2018

## 43 NUMBER OF EMPLOYEES

Total number of employees as at June 30	<u>778</u>	<u>788</u>
Average number of employees during the year	<u>781</u>	<u>799</u>

#### **44 NON ADJUSTING EVENT AFTER STATEMENT OF FINANCIAL POSITION DATE**

The Board of Directors, in its meeting held on September 13, 2019, has recommended final cash dividend of Rs.15.00 per share (2018: Rs.8.25 per share). This is in addition to interim cash dividend of Rs.11.50 per share (2018: Rs.2.00 per share) already paid. The approval of the members for the recommended final cash dividend will be obtained in the Annual General Meeting. Since it is a non adjusting event, the un-consolidated financial statements for the year ended June 30, 2019 do not include the effect of the recommended final cash dividend.

#### **45 DATE OF AUTHORISATION FOR ISSUE**

These un-consolidated financial statements were authorised for issue on September 13, 2019 by the Board of Directors of the Company.

#### **46 GENERAL**

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

**PIR MUHAMMAD DIWAN**  
Chief Executive

**USMAN HABIB BILWANI**  
Director

**MUHAMMAD YASIN BILWANI**  
Chief Financial Officer

## Pattern of Shareholding

AS ON JUNE 30, 2019

No. of Shareholders	Shareholding		Total Shares Held
	From	To	
314	1	100	17,916
630	101	500	290,285
219	501	1,000	139,783
70	1,001	5,000	147,439
8	5,001	10,000	57,223
1	10,001	15,000	14,300
1	15,001	20,000	15,100
1	65,001	70,000	70,000
1	100,001	105,000	101,000
3	110,001	115,000	345,000
1	125,001	130,000	126,000
1	130,001	135,000	132,000
1	175,001	180,000	176,545
1	190,001	195,000	190,504
1	215,001	220,000	217,320
1	225,001	230,000	229,880
1	285,001	290,000	287,750
1	290,001	295,000	294,045
6	350,001	355,000	2,120,879
1	365,001	370,000	369,093
1	470,001	475,000	470,117
1	490,001	495,000	491,033
1	505,001	510,000	509,093
1	570,001	575,000	571,612
1	580,001	585,000	581,921
1	585,001	590,000	587,558
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	1,615,001	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	2,795,001	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
<b>1,285</b>	<b>Total</b>		<b>38,364,480</b>

Categories of Shareholders	shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children.	16,409,416	42.77
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, Investment Companies	6,272,030	16.35
Insurance Companies	200	0.00
Modarabas and Mutual Funds	5,800	0.02
Share holders holding 10%	Nil	Nil
General Public		
a. Local	13,360,958	34.83
b. Foreign	692,088	1.80
Others	551	0.00







## 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, 2019.

### The Group

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

During the year operations of wholly owned subsidiary M/s. Gatro Power (Private) Limited remained satisfactory. This subsidiary company has paid cash dividends amounting to Rs.553 million during the year.

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

During the year a new wholly owned subsidiary company M/s. G-Pac Energy (Private) Limited has been incorporated, whose principal business is to generate and sell electric power. The operations of the company is expected to be commenced soon.

### CONSOLIDATED FINANCIALS

(Rupees in Thousand)

#### Operating results for the year ended June 30, 2019

Profit before share of profit in associated company	1,345,905
Share of profit after income tax in associated company	3,034,019
Profit before income tax	4,379,924
Income Tax	678,394
Profit after income tax	3,701,530
Un- appropriated Profit brought forward	6,669,762
Un- appropriated Profit carried forward	8,426,484

#### State of Affairs as on June 30, 2019

Property, Plant and Equipment	3,239,252
Other non-current assets	8,434,882
Current assets	7,344,436
Total assets	19,018,570
Deduct:	
Non-current liabilities	1,680,910
Current liabilities	4,608,886
Total liabilities	6,289,796
Net assets financed by shareholders' equity	12,728,774

### 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, 2020.

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 26.1.1 of the consolidated financial statements for the year ended June 30, 2019.

**PIR MUHAMMAD DIWAN**  
CHIEF EXECUTIVE / DIRECTOR

**USMAN HABIB BILWANI**  
DIRECTOR

September 13, 2019

	کٹوتی :
1,680,910	پائیدار واجبات
4,608,886	بدل پزیر واجبات
6,289,796	کل واجبات
12,728,774	خالص اثاثہ جات ادا شدہ مخائبہ کی کوئی 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۔

آڈٹ کمیٹی کی تجویز پر بورڈ نے 30 جون 2020ء 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 تاکید پر اگر افراف کے ضمن میں 30 جون 2019ء کو ختم شدہ سال کے لیے مجموعی مالیاتی گوشوارے کے نوٹ نمبر 26.1.1 میں مفصل وضاحت پہلے ہی دی جا چکی ہے۔

عثمان حبیب بلوانی  
ڈائریکٹر

پیر محمد یوان  
افسر اعلیٰ/ڈائریکٹر

13 ستمبر، 2019ء

## 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 2019ء 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 گیٹروپاور (پرائیویٹ) لمیٹڈ، میسز گلوبل سینٹھیلکس لمیٹڈ اور جی پیک اینرجی (پرائیویٹ) لمیٹڈ پر مشتمل ہے۔

سال کے دوران مکمل ملکیتی ماتحت ادارہ میسز گیٹروپاور (پرائیویٹ) لمیٹڈ کے آپریشنز تسلی بخش رہے۔ سبسڈی کمپنی نے اس سال کے دوران 553 ملین روپے کے نقد منافع منقسمہ کی ادائیگی کی۔

میسز گلوبل سینٹھیلکس لمیٹڈ نے ابھی تک اپنے آپریشنز شروع نہیں کئے۔

زیر جائزہ مدت کے دوران مکمل ملکیتی ماتحت ادارہ میسز جی پیک اینرجی (پرائیویٹ) لمیٹڈ کا اجراء کیا گیا جس کا بنیادی کاروبار توانائی پیدا کرنا اور بیچنا ہے۔ اس کمپنی کے آپریشنز جلد شروع کئے جانے کی توقع ہے۔

### جامع مالیات :

(روپے 000)	آپریٹنگ نتائج برائے سال ختمہ 30 جون 2019ء
1,345,905	منافع قبل از تعین منافع من منسلکہ کمپنیاں
3,034,019	منافع من منسلکہ کمپنیاں بعد از انکم ٹیکس
4,379,924	منافع قبل از انکم ٹیکس
678,394	انکم ٹیکس
3,701,530	منافع بعد از انکم ٹیکس
6,669,762	غیر متصرف منافع گزشتہ (Un-appropriated profit brought forward)
8,426,484	غیر متصرف منافع حالیہ (Un-appropriated profit brought forward)
	30 جون 2019ء تک معاملات کی صورتحال
3,239,252	املاک، پلانٹ اور ایکویپمنٹ
8,434,882	دیگر پائیدار اثاثہ جات
7,344,436	بدل پذیر اثاثہ جات
19,018,570	کل اثاثہ جات



**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, 2019, 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, 2019 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 26.1.1 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 consolidated 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><b>Inventory Valuation:</b></p> <p>The Group has significant levels of inventory amounting to Rs. 2.840 billion as at the reporting date, being 15% 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"> <li>➤ Attending the year end stock take to gain comfort over the existence and condition of inventories and internal controls designed by the Group.</li> <li>➤ Obtaining the final valuation sheets of the inventories, tracing quantities from working papers of physical stock taking and examination of computation of average costs.</li> <li>➤ 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.</li> <li>➤ Assessing historical costs recorded in the inventory valuation by performing test of details on purchases.</li> <li>➤ Assessing the management's determination of the net realizable values testing sales prices fetched by the Group before and after year end.</li> <li>➤ Performing analytical and other relevant audit procedures.</li> <li>➤ Considering the adequacy of the Group's disclosures in respect of inventories.</li> </ul>
2.	<p><b>Contingencies:</b></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 consolidated financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>➤ 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.</li> <li>➤ Review of the relevant information</li> </ul>





	<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"> <li>➤ 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.</li> <li>➤ Evaluating legal and professional expenses to confirm that all pending legal matters are identified and disclosed.</li> <li>➤ Re-computing the amounts of obligations based on available underlying information and confronted parameters.</li> <li>➤ Assessing the appropriateness of the related disclosures made in the consolidated financial statements in light of IAS-37 "Provisions and Contingencies".</li> </ul>
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#### **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.

Un


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.

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: **13 SEP 2019**

# Consolidated Statement of Financial Position

AS AT JUNE 30, 2019

	Note	(Rupees in Thousand) 2019	2018
<b>ASSETS</b>			
<b>Non - Current Assets</b>			
Property, plant and equipment	5	3,239,252	2,586,952
Long term investment	6	8,432,060	5,970,689
Long term loans	7	99	88
Long term deposits	8	2,723	4,332
		<b>11,674,134</b>	<b>8,562,061</b>
<b>Current Assets</b>			
Stores, spare parts and loose tools	9	942,242	779,255
Stock in trade	10	2,840,779	2,734,755
Trade debts	11	1,528,561	1,128,940
Loans and advances	12	79,492	114,155
Trade deposits and short term prepayments	13	65,849	36,263
Other receivables	14	247,302	134,836
Advance income tax		116,273	30,000
Sales and income tax refund due from Federal Government	15	142,375	308,518
Cash and bank balances	16	1,381,563	1,377,617
		<b>7,344,436</b>	<b>6,644,339</b>
<b>TOTAL ASSETS</b>		<b>19,018,570</b>	<b>15,206,400</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	17	383,645	383,645
Capital reserve	18	383,645	383,645
General reserve	19	3,535,000	2,360,000
Unappropriated profit		8,426,484	6,669,762
		<b>12,728,774</b>	<b>9,797,052</b>
<b>LIABILITIES</b>			
<b>Non - Current Liabilities</b>			
Long term financing	20	126,540	-
Deferred liabilities	21	1,554,370	1,148,969
		<b>1,680,910</b>	<b>1,148,969</b>
<b>Current Liabilities</b>			
Trade and other payables	22	3,698,476	3,584,631
Unclaimed dividend		16,393	11,238
Accrued mark up	23	8,584	142
Short term borrowings	24	864,718	580,017
Provision for income tax less payments	25	20,715	84,351
		<b>4,608,886</b>	<b>4,260,379</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	26		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>19,018,570</b>	<b>15,206,400</b>

The notes 1 to 47 annexed herewith form an integral part of these consolidated financial statements.

**PIR MUHAMMAD DIWAN**  
Chief Executive

**USMAN HABIB BILWANI**  
Director

**MUHAMMAD YASIN BILWANI**  
Chief Financial Officer

Buying/Selling closing conversion rates were 1 US\$=Rs.164.00/164.50, 1 Euro €=Rs.186.37/186.99 and 1 Pound £= Rs.207.79/208.45

# Consolidated Statement Of Profit Or Loss

FOR THE YEAR ENDED JUNE 30, 2019

	Note	(Rupees in Thousand) 2019	2018
Sales	27	17,707,325	13,006,437
Cost of sales	28	15,679,770	11,481,720
<b>Gross profit</b>		<b>2,027,555</b>	1,524,717
Distribution and selling costs	29	187,631	194,294
Administrative expenses	30	259,968	235,337
Other operating expenses	31	230,799	188,688
		<b>678,398</b>	618,319
		<b>1,349,157</b>	906,398
Other income	32	14,885	33,754
<b>Operating profit</b>		<b>1,364,042</b>	940,152
Finance costs	33	18,137	14,814
		<b>1,345,905</b>	925,338
Share of profit after income tax in associated company	6.1	3,034,019	1,451,111
<b>Profit before income tax</b>		<b>4,379,924</b>	2,376,449
Income tax - Current & prior		311,746	185,308
- Deferred		366,648	123,332
	34	<b>678,394</b>	308,640
<b>Profit after income tax</b>		<b>3,701,530</b>	2,067,809
<b>Earnings per share - Basic and diluted ( Rupees )</b>	35	<b>96.48</b>	53.90

- (1) The Board of Directors of the Parent Company has recommended final cash dividend for the year ended June 30, 2019 of Rs15.00 per share (i.e.150%). This is in addition to interim cash dividend of Rs.11.50 per share (i.e.115%) refer note 44.
- (2) The notes 1 to 47 annexed herewith form an integral part of these consolidated financial statements.

**PIR MUHAMMAD DIWAN**  
Chief Executive

**USMAN HABIB BILWANI**  
Director

**MUHAMMAD YASIN BILWANI**  
Chief Financial Officer

## Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2019

	Note	(Rupees in Thousand) 2019	2018
Profit after income tax		3,701,530	2,067,809
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	(6,461)	(3,322)
Share of other comprehensive loss of associate - net of tax		(2,768)	(3,686)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Share of other comprehensive loss of associate - net of tax	6.1	(2,880)	(10,167)
		(5,648)	(13,853)
Total comprehensive income		<u>3,689,421</u>	<u>2,050,634</u>

The notes 1 to 47 annexed herewith form an integral part of these consolidated financial statements.

**PIR MUHAMMAD DIWAN**  
Chief Executive

**USMAN HABIB BILWANI**  
Director

**MUHAMMAD YASIN BILWANI**  
Chief Financial Officer



## Consolidated Statement of Changes in Equity

### FOR THE YEAR ENDED JUNE 30, 2019

	(Rupees in Thousand)				
	Share Capital	Capital Reserve Share Premium	General reserve	Unappropriated profit	Total
Balances as at July 01, 2017	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
<b>Transactions with owners</b>					
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	2,360,000	6,669,762	9,797,052
Total comprehensive income for the year ended June 30, 2019	-	-	-	3,689,421	3,689,421
Transfer to general reserve	-	-	1,175,000	(1,175,000)	-
<b>Transactions with owners</b>					
Final cash dividend for the year ended June 30, 2018 at Rs.8.25 per share i.e. @82.50%	-	-	-	(316,507)	(316,507)
1st interim cash dividend for the year ended June 30, 2019 at Rs.9.50 per share i.e. @95%	-	-	-	(364,463)	(364,463)
2nd interim cash dividend for the year ended June 30, 2019 at Rs.2.00 per share i.e. @20%	-	-	-	(76,729)	(76,729)
	-	-	-	(757,699)	(757,699)
<b>Balances as at June 30, 2019</b>	<b>383,645</b>	<b>383,645</b>	<b>3,535,000</b>	<b>8,426,484</b>	<b>12,728,774</b>

(1) Included in un-appropriated profit, is a sum of Rs.7,865.060 million, representing proportionate share in un-appropriated profit of an associated company Messrs. Novatex Limited upto March 31, 2019, which is not available for distribution to the shareholder of the Parent Company, until realised.

(2) The notes 1 to 47 annexed herewith form an integral part of these consolidated financial statements.

**PIR MUHAMMAD DIWAN**  
Chief Executive

**USMAN HABIB BILWANI**  
Director

**MUHAMMAD YASIN BILWANI**  
Chief Financial Officer

# Consolidated Statement of Cash Flows

FOR THE YEAR ENDED JUNE 30, 2019

	Note	(Rupees in Thousand) 2019	2018
<b>Cash Flows from/(towards) Operating Activities</b>			
Profit before income tax		4,379,924	2,376,449
Adjustments for:			
Depreciation	5.2	426,718	384,196
Impairment of operating fixed assets	5.1	103,842	115,211
Provision for defined benefit plan	21.2	41,756	34,581
Gain on disposal of property, plant and equipment	32	(7,909)	(15,020)
Loss on disposal of property, plant and equipment	31	521	-
Loss on scrapped items of property, plant and equipment	31	24,341	11,923
(Reversal)/provision of allowance for ECL - net	11.5	(1,972)	1,842
Provision for slow moving stores, spare parts and loose tools - net	31	10,865	7,513
Share of profit after income tax in associated company	6.1	(3,034,019)	(1,451,111)
Finance costs	33	18,137	14,814
		<u>(2,417,720)</u>	<u>(896,051)</u>
		1,962,204	1,480,398
(Increase)/decrease in current assets:			
Stores, spare parts and loose tools		(173,852)	(165,446)
Stock in trade		(106,024)	(538,203)
Trade debts		(397,649)	492,633
Loans and advances		33,366	(71,931)
Trade deposits and short term prepayments		(29,586)	(27,126)
Other receivables		(112,466)	76,987
		<u>(786,211)</u>	<u>(233,086)</u>
Increase in Trade and other payables		133,357	1,208,339
Cash flows from operations before following		<u>1,309,350</u>	<u>2,455,651</u>
(Payments for)/receipts of:			
Long term loans		1,286	1,594
Long term deposits		1,609	(2,666)
Defined benefit plan	21.2	(9,464)	(21,813)
Finance costs		(9,695)	(19,255)
Income tax		(311,728)	(131,231)
Net cash flows from operating activities		<u>981,358</u>	<u>2,282,280</u>
<b>Cash Flows (towards)/from Investing Activities</b>			
Additions in property, plant and equipment		(1,221,186)	(533,835)
Proceeds from disposal of property, plant and equipment	5.3	18,077	56,721
Dividend received from associated company	6	567,000	127,575
Net cash flows towards investing activities		<u>(636,109)</u>	<u>(349,539)</u>
<b>Cash Flows towards Financing Activities</b>			
Long term financing - proceed		126,540	-
Long term financing - repayment		-	(136,034)
Dividend paid		(752,544)	(76,450)
Net cash flows towards financing activities		<u>(626,004)</u>	<u>(212,484)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(280,755)</u>	<u>1,720,257</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>797,600</u>	<u>(922,657)</u>
<b>Cash and cash equivalents at the end of the year</b>	36	<u>516,845</u>	<u>797,600</u>

The notes 1 to 47 annexed herewith form an integral part of these consolidated financial statements.

**PIR MUHAMMAD DIWAN**  
Chief Executive

**USMAN HABIB BILWANI**  
Director

**MUHAMMAD YASIN BILWANI**  
Chief Financial Officer



# Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2019

## 1 THE GROUP AND ITS OPERATIONS

### The Group consists of :

Gatron (Industries) Limited  
 Gatro Power (Private) Limited  
 Global Synthetics Limited  
 G-Pac Energy (Private) 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 sale 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.

G-Pac Energy (Private) Limited is a wholly owned subsidiary of Gatron (Industries) Limited, which has yet to commence its operations. The principal business of the Subsidiary Company is to generate and sale electric power. The registered office of the Subsidiary Company is situated at Room No.32, 1st 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 BASIS OF CONSOLIDATION

These consolidated financial statements include the financial statements of the Parent Company Gatron (Industries) Limited, Subsidiary Companies Gatro Power (Private) Limited, Global Synthetics Limited and G-Pac Energy (Private) 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.

## 3 BASIS OF PREPARATION

### 3.1 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.

### 3.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

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

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

Certain annual improvements have also been made to a number of IFRSs.

The adoption of the above standards, amendments and improvements to accounting standards did not have any material effect on these consolidated financial statements except for IFRS 9 and IFRS 15 which are discussed below:

## IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group generates its revenue from sale of goods. The Group's contracts with customers for the sale of goods generally include one performance obligation. The Group has concluded that revenue from sale of goods should be recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Therefore, the adoption of IFRS 15 did not have an impact on the timing of revenue recognition and the amount of revenue recognised.

In general the contracts for the sale of goods do not provide customers with a right of return and volume rebates. Accordingly, the application of the constraint on variable consideration did not have any impact on the revenue recognised by the Parent Company.

## IFRS 9 Financial Instruments

IFRS 9 replaced the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' that relates to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. Changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively. The details of new significant accounting policies adopted and the nature and effect of the changes to previous accounting policies are set out below:

### Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables, held for trading and available for sale. IFRS 9, classifies financial assets in the following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortized cost.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- For assets measured at fair value, gains and losses will either be recorded in the consolidated statement of profit or loss or consolidated other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The adoption of IFRS 9 did not have a significant effect on the Group's accounting policies related to financial liabilities.

The accounting policies that apply to financial instruments are stated in note 4.17 to the consolidated financial statements.

### Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented in the Consolidated statement of profit or loss. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management used actual credit loss experience over past years to base the calculation of ECL on adoption of IFRS 9. Given the Group's experience of collection history and no historical loss rates / bad debts and normal receivable aging, the move from an incurred loss model to an expected loss model has not had an impact on the financial position and / or financial performance of the Group.

### 3.2.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures.

IFRS - 3	'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
IFRS - 3	Business Combinations: Previously Held interest in a joint operation.	January 01, 2019
FRS - 9	'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS - 10	Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
IFRS - 11	Joint Arrangements: Previously Held interest in a joint operation.	January 01, 2019
IFRS - 16	Leases.	January 01, 2019
IAS 1 & IAS 8	'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
IAS - 12	Income Taxes: Income tax consequences of payments on financial instruments classified as equity.	January 01, 2019
IAS - 19	'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
IAS - 23	Borrowing Costs - Borrowing costs eligible for capitalisation.	January 01, 2019
IAS - 28	Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC - 23	'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Group's consolidated financial statements in the period of initial application except for IFRS 16 - 'Leases'. The Group is currently evaluating the impact of these standards.

On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of January 01, 2020, unless the new guidance contains specific scope outs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

### **3.3 Basis of measurement**

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

These consolidated 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 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:

### 3.4.1 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.

### 3.4.2 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.

### 3.4.3 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.

### 3.4.4 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.

### 3.4.5 Defined benefit plan

The actuarial valuation of defined benefit plan, have been premised on certain actuarial hypothesis, as disclosed in note 4.8.2. Changes in assumptions in future years may affect the liability under this scheme upto those years.

### 3.4.6 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.

### 3.4.7 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).

## 3.5 Functional and reporting currency

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



## 4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements of the Group for the year ended June 30, 2018 except for the change in the policy for revenue recognition and financial assets' recognition and measurement due to adoption of IFRS-15 and IFRS-9 respectively as disclosed in note 4.15 and 4.17, if required. The implications of these standards have insignificant impact on these consolidated financial statements of the Group. In addition to this, there are certain other changes in policies which are as disclosed below:

### 4.1 Property, plant and equipment

#### Initial recognition & measurement:

These are stated at cost less accumulated depreciation and impairment if any, except freehold land, leasehold 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 5.1, 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.

## 4.2 Impairment

### Financial assets

The Group recognises loss allowances for Expected Credit Losses (ECLs) in respect of financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balance for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than past due for a reasonable period of time. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for financial assets measured at amortised cost are deducted from the Gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof. The Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expect no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The adoption of the expected loss approach has not resulted in any material change in impairment provision for any financial asset.

## Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount, being higher of value in use and fair value less costs to sell, is estimated. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of profit or loss.

### 4.3 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.

### 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 3.4.4. 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, advances and other receivables

Trade debts, advances and other receivables are recognised at fair value. 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 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 consolidated statement of cash flows, cash and cash equivalents comprise cash and bank balances and short term borrowings.

#### **4.8 Employees' post employment benefits**

##### **4.8.1 Defined contribution plan**

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

##### **4.8.2 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, 2019.

#### **4.9 Compensated unavailed leaves**

The Group 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 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.

#### 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 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.

#### 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 consolidated 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 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:

- Revenue from sale of goods is recognised when or as performance obligations are satisfied by transferring control of a promised good or service to a customer, and the control transfers at a point in time, i.e. at the time the goods are dispatched / shipped to customer. Revenue is measured at fair value of the consideration received or receivable, excluding discounts, returns, rebates and government levies.
- 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 deposits is recognised using the effective interest method.

#### 4.16 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.

#### 4.17 Financial instruments

##### Initial measurement of financial asset

The Group classifies its financial assets in to following three categories:

- fair value through other comprehensive income (FVOCI);
- fair value through profit or loss (FVTPL); and
- measured at amortised cost.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition

##### Subsequent measurement

Debt Investments at FVOCI: These assets are subsequently measured at fair value. Interest/ markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Other net gains and losses are recognised in other comprehensive income. On de-recognition, gains and losses accumulated in other comprehensive income are reclassified to the statement of profit or loss.

Equity Investments at FVOCI: These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to the statement of profit or loss.

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in profit or loss.

Financial assets measured at amortized cost: These assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss.

##### Non-derivative financial assets

All non-derivative financial assets are initially recognised on trade date i.e. date on which the Company becomes party to the respective contractual provisions. Non-derivative financial assets comprise loans and receivables that are financial assets with fixed or determinable payments that are not quoted in active markets and includes trade debts, advances, other receivables and cash and cash equivalent. The Company derecognises the financial assets when the contractual rights to the cash flows from the asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial assets are transferred or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset.

#### 4.18 Financial liabilities

All financial liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities at amortised costs are initially measured at fair value minus transaction costs. Financial liabilities at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss.

Financial liabilities, other than those at fair value through profit or loss, are subsequently measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange and modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognised in the profit or loss.

#### 4.19 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.

#### 4.20 Operating segments

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 41.

#### 4.21 Contingent liabilities

Contingent liability is disclosed when

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

	Note	(Rupees in Thousand)	
		2019	2018
<b>5 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	2,973,233	2,399,123
Capital work in progress	5.5	266,019	187,829
		<u>3,239,252</u>	<u>2,586,952</u>



## 5.1 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, 2019													
Net book value (NBV) as at 01st July	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
Additions	-	225	-	-	-	56,995	1,198	5,662	9,304	66,235	-	-	139,619
Transfer from capital work in progress	-	-	-	11,258	-	988,823	-	-	-	-	-	-	1,000,081
Disposal at NBV	-	-	-	-	-	2,379	-	-	-	8,310	-	-	10,689
Scrapped at NBV	-	-	-	-	-	24,341	-	-	-	-	-	-	24,341
Depreciation	-	-	66	11,424	345	345,140	786	8,139	2,222	21,366	36,335	895	426,718
Impairment	-	-	-	-	-	103,842	-	-	-	-	-	-	103,842
Net book value as at 30th June	25,320	15,039	594	108,215	3,107	2,559,875	3,406	34,775	13,510	109,233	94,826	5,333	2,973,233
Gross carrying value													
At June 30, 2019													
Cost	25,320	15,039	14,248	484,485	9,902	8,465,900	10,731	82,252	30,570	218,963	230,290	14,838	9,602,538
Accumulated depreciation	-	-	13,654	376,270	6,795	5,906,025	7,325	47,477	17,060	109,730	135,464	9,505	6,629,305
Net book value	25,320	15,039	594	108,215	3,107	2,559,875	3,406	34,775	13,510	109,233	94,826	5,333	2,973,233
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

Depreciation rate

% per annum

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

## 5.2 Depreciation for the year has been allocated as follows:

	Note	(Rupees in Thousand) 2019	2018
Cost of sales	28	418,314	378,075
Distribution and selling costs	29	2,568	501
Administrative expenses	30	5,836	5,620
		<u>426,718</u>	<u>384,196</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
<b><u>PLANT &amp; MACHINERY</u></b>						
Texturising Machines	80,383	504	700	196	Negotiation	<b>Abdul Sattar</b> House# 142, Tufail Shaheed Road, Faisalabad.
Gas Chiller	9,328	728	388	(340)	Negotiation	<b>Raveed Ahmed</b> R-225, Gulshan-e-Waseem, Buffer Zone, Karachi.
AB Drives & Control System	6,970	1,138	-	(1,138)	Scrapped	-
Items having book value upto Rs.500 thousand each	74,324	973	3,142	2,169	Various	<b>Various</b>
Items having book value upto Rs.500 thousand each	621	174	31	(143)	Various	<b>Various</b>
Items having book value upto Rs.500 thousand each	370,227	23,203	-	(23,203)	Scrapped	-
<b>Sub Total</b>	<b>541,853</b>	<b>26,720</b>	<b>4,261</b>	<b>(22,459)</b>		
<b><u>MOTOR VEHICLES</u></b>						
Toyota Corolla BHR-083	1,862	1,343	1,576	233	Company Policy	<b>Mr.Afzal</b> Employee of the company
Honda Civic ZF-110	2,383	742	1,279	537	-- do --	<b>Mr.Mukhtar</b> Employee of the company
Suzuki Swift BET-235	1,282	664	995	331	-- do --	<b>Mr.Ahsan Qureshi</b> Employee of the company
Suzuki Swift BMY-594	1,571	1,388	1,531	143	-- do --	<b>Mr. Riaz Godil</b> Employee of the company
Toyota Corolla BAW-336	1,708	546	769	223	-- do --	<b>Abdul Wahab</b> Employee of the company
Toyota Corolla BBD-898	1,793	572	807	235	-- do --	<b>Mr.Hanif</b> Employee of the company
Honda Civic BAV-383	2,156	638	1,182	544	-- do --	<b>Mr.Zubair</b> Employee of the company
Items having book value upto Rs.500 thousand each	9,453	2,365	5,663	3,298	Various	<b>Various</b>
Items having book value upto Rs.500 thousand each	107	52	14	(38)	Various	<b>Various</b>
<b>Sub Total</b>	<b>22,315</b>	<b>8,310</b>	<b>13,816</b>	<b>5,506</b>		
<b>Total - 2019</b>	<b>564,168</b>	<b>35,030</b>	<b>18,077</b>	<b>(16,953)</b>		
Total - 2018	384,708	53,624	56,721	3,097		

#### 5.3.1 Detail of net (loss) / gain on disposal of property, plant & equipment

	Note	(Rupees in Thousand) 2019	2018
Gain on disposal of property, plant & equipment	<b>32</b>	<b>7,909</b>	15,020
Loss on disposal of property, plant & equipment	<b>31</b>	<b>(521)</b>	-
Loss on scrapped items of property, plant & equipment	<b>31</b>	<b>(24,341)</b>	(11,923)
		<b>(16,953)</b>	<b>3,097</b>

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

Particulars	Location	Approximate Area
<b>Land</b>		
Freehold	H.I.T.E., Hub Chowki, Distt. Lasbela Balochistan	10 Acres
Freehold	Manghopir, Gadap Town, Karachi	13 Acres
Freehold	Landhi, Karachi	4 Acres
Leasehold	H.I.T.E., Hub Chowki, Distt. Lasbela Balochistan	34 Acres
<b>Building</b>		
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	114,500 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

#### 5.5 Capital Work-in-Progress

	(Rupees in Thousand)		
	Balance as at July 1, 2018	Additions	Transfer to Operating fixed assets
Factory building on lease hold land under construction	4,606	178,433	(11,258)
Plant and machinery under erection	183,223	899,838	(988,823)
	<u>187,829</u>	<u>1,078,271</u>	<u>(1,000,081)</u>
			<u>266,019</u>
	Balance as at July 1, 2017	Additions	Transfer to Operating fixed assets
Factory building on lease hold land under construction	-	4,606	-
Plant and machinery under erection	300,839	430,767	(548,383)
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>

		(Rupees in Thousand)	
	Note	2019	2018
<b>6 LONG TERM INVESTMENT</b>			
<b>Associated company - Novatex Limited</b>			
56.7 million (2018: 56.7 million) fully paid ordinary shares of Rs.10 each			
As at 01st July		<b>5,970,689</b>	4,661,006
Share of profit after income tax for the period	<b>6.1</b>	<b>3,028,371</b>	1,437,258
Dividend received		<b>(567,000)</b>	(127,575)
as at 30th June	<b>6.2</b>	<b>8,432,060</b>	<b>5,970,689</b>

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. 4.3. 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, 2019.

#### 6.1 The Parent Company's share in profit or loss

Sales	<b>23,334,236</b>	16,548,449
Cost of sales	<b>18,969,783</b>	13,963,442
Gross profit	<b>4,364,453</b>	2,585,007
Other expenses, income and taxes	<b>1,330,434</b>	1,133,896
Profit after taxation	<b>3,034,019</b>	1,451,111
Other comprehensive loss	<b>(5,648)</b>	(13,853)
Total comprehensive income	<b>3,028,371</b>	<b>1,437,258</b>

#### 6.2 The Parent Company's interest in assets & liabilities:

Property, plant and equipment	<b>4,517,342</b>	3,606,806
Other non - current assets	<b>470,302</b>	313,018
Current assets	<b>11,248,183</b>	7,600,063
	<b>16,235,827</b>	11,519,887
Long term liabilities	<b>1,700,672</b>	1,379,277
Current liabilities	<b>5,989,695</b>	4,169,921
	<b>7,690,367</b>	5,549,198
Net assets as at March 31	<b>8,545,460</b>	<b>5,970,689</b>
Less: Dividend paid by associated company subsequent to March 31, 2019 @ 20% i.e. Rs.2.00 per share (2018: Nil)	<b>113,400</b>	-
	<b>8,432,060</b>	<b>5,970,689</b>

#### 6.3 The Parent Company's share in Contingencies & Commitment:

##### 6.3.1 Contingencies

- a) 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.9.852 million (2018: Rs.7.859 million) has been made as the associated company is confident of the favorable outcome of the Petition.

- b) The associated company Messrs. Novatex Limited had challenge the issue of admissibility of input tax on building materials before the Honorable Islamabad High Court, which is pending. Meanwhile, the Honorable Islamabad High Court has granted interim relief against disallowance of input tax on building materials. No provision of the amount involved Rs.15.945 million (2018: Rs.11.676 million) has been made as the associated company is confident of the favorable outcome of the Petition.
- c) Deputy Commissioner Inland Revenue (DCIR), had raised various issues including input tax adjustment and alleged the associated company Messrs. Novatex Limited for short payment of sales tax through order no.12/2018 dated June 01, 2018. Appeal was preferred before the Commissioner Inland Revenue Appeals (CIRA), which was decided in favour of the associated company except for the issue of adjustment of input tax claimed on various goods purchased/services acquired having exposure of Rs.0.163 million along with penalty of Rs.0.008 million. The associated company has already deposited Rs.8.103 million under protest into the Government treasury. The management has filed appeal against the said disallowance.

### 6.3.2 Guarantees

Bank guarantees issued by banks on behalf of the associated company Messrs. Novatex Limited amounted to Rs.889.076 million (2018: Rs.722.297 million) for fuel, utilities and imports.

### 6.3.3 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) 2019	2018
Property, plant and equipment		54,366	52,179
Raw material	6.3.3 (a)	1,563,509	282,428
Stores and spare parts		28,092	53,843
		<u>1,645,967</u>	<u>388,450</u>

6.3.3(a) These include Rs.117.103 million (2018: Rs.42.564 million) in respect of local letter of credit.

Post dated cheques issued by the associated company Messrs.. Novatex Limited, to customer amounting to Rs.907.298 million (Inclusive of sales tax) (2018: Rs. Nil) against advance payments received.

## 7 LONG TERM LOANS - Considered good Secured - Interest free

To employees other than Chief Executive & Directors		2,968	4,254
Amount due in twelve months shown under current assets	12	(2,869)	(4,166)
Recoverable within three years		<u>99</u>	<u>88</u>

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.

	Note	(Rupees in Thousand) 2019	2018
<b>8 LONG TERM DEPOSITS</b>			
Security deposits for utilities and others		<u>2,723</u>	<u>4,332</u>
<b>9 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
In hand:			
Stores		<u>166,537</u>	134,527
Spare parts		<u>824,180</u>	653,215
Loose tools		<u>5,934</u>	5,338
		<u>996,651</u>	793,080
Provision for slow moving stores, spare parts and loose tools	9.1	<u>(66,041)</u>	(55,176)
		<u>930,610</u>	737,904
In transit		<u>11,632</u>	41,351
		<u>942,242</u>	<u>779,255</u>
<b>9.1 Provision for slow moving stores, spare parts and loose tools</b>			
Balance as at 01st July		<u>55,176</u>	47,663
Charge for the year		<u>11,914</u>	7,913
Reversals due to consumption		<u>(1,049)</u>	(400)
	31	<u>10,865</u>	7,513
Balance as at 30th June		<u>66,041</u>	<u>55,176</u>
<b>10 STOCK IN TRADE</b>			
Raw material		<u>972,626</u>	898,406
Raw material in transit		<u>199,525</u>	172,517
Goods in process		<u>484,446</u>	482,041
Finished goods	10.1	<u>1,184,182</u>	1,181,791
		<u>2,840,779</u>	<u>2,734,755</u>
<b>10.1</b> These include finished goods costing Rs.132.461 million (2018: Rs.109.514 million) valued at net realisable value of Rs.88.900 million (2018: Rs.79.949 million).			
<b>11 TRADE DEBTS</b>			
<b>Considered good</b>			
Secured			
Local		<u>78,629</u>	158,699
Export		<u>-</u>	2,271
	11.1	<u>78,629</u>	160,970
Unsecured - local	11.2, 11.3 & 11.4	<u>1,449,932</u>	967,970
		<u>1,528,561</u>	<u>1,128,940</u>
<b>Allowance for ECL - local</b>			
Unsecured - local		<u>73,297</u>	75,889
Allowance for ECL - local	11.5	<u>(73,297)</u>	(75,889)
		<u>-</u>	-
		<u>1,528,561</u>	<u>1,128,940</u>
<b>11.1</b> These are secured against letters of credit issued by banks in favour of the Parent Company.			

**11.2** The maximum aggregate amount due from an associated company Messrs. Novatex Limited at any month end during the year was Rs.Nil (2018: Rs.1.208 million). Though the balance at each respective year end was nil.

**11.3** These include Rs.87.212 million (2018: Rs.Nil) due from a related party Messrs. Krystalite Products (Private) Limited and this amount is not past due and not outstanding for more than three months. The maximum aggregate amount due at any month end during the year was Rs.455.744 million (2018: Rs.304.557 million).

**11.4** These include Rs.24.633 million (2018: Rs.28.689 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.52.021 million (2018: Rs.50.664 million).

	Note	(Rupees in Thousand)	
		2019	2018
<b>11.4.1</b> Not past due		<b>10,153</b>	28,100
Past due 1-30 days		<b>8,849</b>	589
Past due 31-90 days		<b>5,631</b>	-
		<b>24,633</b>	28,689
<b>11.5 Allowance for ECL - local</b>			
Balance as at 01st July		<b>75,889</b>	74,047
Charge for the year		<b>12,523</b>	12,254
Reversals since recovered		<b>(14,495)</b>	(10,412)
		<b>(1,972)</b>	1,842
Written off during the year		<b>(620)</b>	-
Balance as at 30th June		<b>73,297</b>	75,889

## **12 LOANS AND ADVANCES - Considered good**

### **Secured**

Amount recoverable in twelve months from employees

Advances to employees

<b>7</b>	<b>2,869</b>	4,166
<b>12.1</b>	<b>447</b>	1,782
	<b>3,316</b>	5,948

### **Unsecured**

Advances :

to suppliers and contractors  
for imports

<b>12.2</b>	<b>76,004</b>	102,102
	<b>172</b>	6,105
	<b>76,176</b>	108,207
	<b>79,492</b>	114,155

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

**12.2** These include advances against purchase of vehicles amounting to Rs.1.359 million (2018: Rs.16.304 million).

## **13 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**

Shipping guarantees - deposits

Margins held by banks

Security deposits

Prepayments

<b>13.1</b>	<b>14,340</b>	31,991
<b>13.2</b>	<b>50,038</b>	-
	<b>475</b>	450
	<b>996</b>	3,822
	<b>65,849</b>	36,263



**13.1** This represents margin held by bank against issuance of shipping guarantees on behalf of the Parent Company for clearance of spare parts consignments.

**13.2** This represents 100% margin held by bank against opening of Letters of Credit on behalf of the Parent Company.

	Note	(Rupees in Thousand)	
		2019	2018
<b>14 OTHER RECEIVABLES - Considered good</b>			
Receivable from suppliers	14.1	87,198	91,950
Claims receivable from suppliers		500	1,003
Sales tax		109,241	-
Receivable from Federal Government - Sales tax	26.1.5 & 26.1.10	28,011	28,000
Receivable from Federal Government - Income tax	26.1.6 & 26.1.7	6,366	-
Others	14.2 & 14.3	15,986	13,883
		<u>247,302</u>	<u>134,836</u>

**14.1** These include balances receivable in foreign currency of US\$ 0.532 million (2018: US\$ 0.632 million).

**14.2** These include Rs.11.961 million (2018: Rs.12.365 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.20.735 million (2018: Rs.15.046 million).

**14.3** These include Rs.0.087 million (2018: Rs.0.458 million) 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.0.663 million (2018: Rs.0.458 million).

#### **15 SALES AND INCOME TAX REFUND DUE FROM FEDERAL GOVERNMENT**

Income tax	25	-	166,143
Sales tax		142,375	142,375
		<u>142,375</u>	<u>308,518</u>

#### **16 CASH AND BANK BALANCES**

Cash in hand		1,304	1,634
Cash at banks		1,372,924	1,371,885
In current accounts : Local currency		1,435	1,750
In saving account : Local currency	16.1	5,900	2,348
In current accounts : Foreign currency	16.2	1,380,259	1,375,983
	16.3	<u>1,381,563</u>	<u>1,377,617</u>

**16.1** This represents security deposits received from contractors, refer note 22.4.

**16.2** These represent balances of US\$ 35,262.46 and Euro € 629.98 (2018 : US\$ 18,026.57 and Euro € 1,129.98).

**16.3** Balance in bank accounts includes an amount of Rs.161.435 million (2018: Rs.6.897 million) kept with Shariah compliant banks.

**17 SHARE CAPITAL**

( Number of Shares )		Note	(Rupees in Thousand)	
2019	2018		2019	2018
17.1 Authorised capital				
95,000,000	44,000,000	Ordinary shares of Rs.10 each	950,000	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
38,364,480	38,364,480		383,645	383,645

These include 1,620,387 (2018 : 1,620,387) shares held by a related party, Messrs. Gani & Tayub (Private) Limited.

**18 CAPITAL RESERVE**

Share premium	<b>383,645</b>	383,645
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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.

**19 GENERAL RESERVE**

**3,535,000** 2,360,000

This represents reserve created from accumulation of past years' consolidated profit, to meet future exigencies.

**20 LONG TERM FINANCING - Secured**  
from banking company

Under Shariah compliant - Meezan Bank Limited	<b>20.1</b>	<b>126,540</b>	-
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**20.1** This represents Diminishing Musharika under ILTF loan facility amounting to Rs.1,500 million out of which Rs.126.540 million obtained during the year by the Parent Company for purchase of plant and machinery. Principal is payable alongwith profit in 32 equal quarterly installments, commencing after a grace period of two years and expiring in May 2029. The applicable rate of return is relevant SBP rate + 2% i.e 4% per annum. The outstanding principal sum and accrued profit thereon are secured by way of exclusive hypothecation charge over specific diminishing musharika assets.

**21 DEFERRED LIABILITIES**

Income tax - net	<b>21.1</b>	<b>1,179,759</b>	813,111
Defined benefit plan	<b>21.2</b>	<b>374,611</b>	335,858
		<b>1,554,370</b>	1,148,969

	Note	(Rupees in Thousand) 2019	2018
<b>21.1</b>	This comprises of the following major timing differences:		
<b>Taxable temporary difference arising due to:</b>			
tax depreciation allowances		23,515	37,796
Deferred tax liability arising in respect of unrealised accumulated profit from an associated company Messrs. Novatex Limited		1,179,759	810,553
<b>Deductible temporary difference arising due to :</b>			
Provision of allowance for ECL		(21,256)	(22,008)
Provision for slow moving stores, spare parts and loose tools - net		(15,390)	(13,230)
		<u>1,166,628</u>	<u>813,111</u>
Deferred tax assets of taxable temporary difference not recognised		13,131	-
		<u>1,179,759</u>	<u>813,111</u>

At the reporting date, deferred tax asset amounting to Rs.318.495 million (2018: Rs.137.614 million) has not been recognised by the Parent Company considering chances of reversal are remote.

- 21.2** Actuarial valuation of the plan was carried out as at June 30, 2019. The calculation for provision of defined benefit plan is as under:

**Movement of the present value of defined benefit obligation (PVDBO)**

Balance as at 01st July		335,858	319,768
Expense	21.2.1	41,756	34,581
Remeasurement loss		6,461	3,322
Payments		(9,464)	(21,813)
Balance as at 30th June		<u>374,611</u>	<u>335,858</u>

**21.2.1 Expense**

Service cost	17,922	16,305
Interest cost	23,834	18,276
	<u>41,756</u>	<u>34,581</u>

**The principal actuarial assumptions used were as follows:**

Discount rate	14.25%	9.00%
Future salary increase rate	14.25%	9.00%
Withdrawal Rate	Moderate	Moderate
Mortality	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005

**Sensitivity Analysis**

	2019		2018	
	PVDBO (Rupees in Thousand)	Percentage Change	PVDBO (Rupees in Thousand)	Percentage Change
Current Liability	374,611	-	335,858	-
+ 1% Discount Rate	360,785	(3.69%)	322,786	(3.89%)
- 1% Discount Rate	390,233	4.17%	350,665	4.41%
+ 1% Salary Increase Rate	391,480	4.50%	351,809	4.75%
- 1% Salary Increase Rate	359,402	(4.06%)	321,507	(4.27%)
+ 10% Withdrawal Rates	374,607	(0.00%)	335,854	(0.00%)
- 10% Withdrawal Rates	374,615	0.00%	335,861	0.00%
1 Year Mortality age set back	374,611	0.00%	335,858	0.00%
1 Year Mortality age set forward	374,611	0.00%	335,858	0.00%

(Rupees in Thousand)  
2019      2018  
Undiscounted payments

**Maturity profile**

Year 1	102,020	83,797
Year 2	60,272	15,315
Year 3	23,850	54,848
Year 4	19,175	19,453
Year 5	30,019	15,748
Year 6 to 10	120,704	89,427
Year 11 and above	708,619	245,157

**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) 2019	2018
<b>22 TRADE AND OTHER PAYABLES</b>			
Trade creditors		681,858	429,481
Creditors for capital expenditures		8,069	11,365
Bills payable	22.1	420,652	447,416
Accrued expenses	22.2	220,996	249,192
Advance payments from customers - unsecured	22.3	203,821	673,237
Sales tax payable		-	69,796
Security deposits from contractors	22.4	1,435	1,750
Workers' Profit Participation Fund	22.5	52,637	34,562
Workers' Welfare Fund	22.6	17,586	17,542
Provisions	22.7	2,028,541	1,600,680
Withholding taxes		9,562	4,296
Payable to Provident Fund Trusts		4,247	3,486
Other liabilities	22.8	49,072	41,828
		<u>3,698,476</u>	<u>3,584,631</u>

**22.1** This represents balances payable in foreign currency of US\$ 2.557 million (2018: US\$ 3.679 million).

**22.2** These include Rs.0.909 million (2018: Rs.0.478 million) payable to a related party Messrs. Gani & Tayub (Private) Limited.

**22.3** These include advances amounting to Rs.Nil (2018: Rs.305.701 million) secured by way of post dated cheques provided by Parent Company.

**22.4** This represents return-free security deposits from contractors held in separate bank account, refer note 16.1.

	Note	(Rupees in Thousand) 2019	2018
<b>22.5 Workers' Profit Participation Fund</b>			
Balance at beginning		34,562	-
Interest on funds utilised in the Company's business	33	298	-
Allocation	31	52,637	34,562
Payments		(34,860)	-
Balance at end		<u>52,637</u>	<u>34,562</u>

**22.6 Workers' Welfare Fund**

Balance at beginning		17,542	-
Provision for the year		17,586	17,542
Reversal of provision - prior year		(1,326)	-
	31	16,260	17,542
Adjustment through income tax refund	25	(16,216)	-
		<u>17,586</u>	<u>17,542</u>

**22.7 Provisions for:**

Gas Infrastructure Development Cess	26.1.3	1,311,227	977,914
Enhanced gas rate	22.7.1 &		
	22.7.2	447,171	398,728
Sindh Sales Tax on rent	22.7.3	5,369	4,815
Infrastructure Cess on imports	22.7.4	169,921	140,925
Sales tax	22.7.5 &		
	22.7.6	86,544	70,944
Others	22.7.7	8,309	7,354
		<u>2,028,541</u>	<u>1,600,680</u>

**22.7.1** The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial and 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. 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 was 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. However the Group alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. 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.316.797 million (2018: Rs.250.700 million). As an abundant precaution, the Group has made total provision of Rs.159.264 million (2018: Rs.143.928 million). On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories and the Group is paying full amount of the gas bills as per this notification.

**22.7.2** In August 2013, OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power 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 in the Sindh High Court on December 21, 2015 against OGRA, SSGCL and others 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. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and SSGCL billed @ Rs.600 per MMBTU. However the Group alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. 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, refer note 22.7.1. As an abundant precaution, the Group has made provision of Rs.287.907 million (2018: Rs.254.800 million) pertaining to the period of November 2015 to September 2018 and did not create receivable of Rs.240.238 million in respect of period from August 2013 to October 2015. On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories and the Group is paying full amount of the gas bills as per this notification.

**22.7.3** This represents provision of Sindh Sales Tax on rent payable by the Parent Company to an associated company Messrs. Novatex Limited. The associated company had file a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Single Bench of Sindh High Court decided the case in favour of the associated company. However, the Sindh Revenue Board filed an appeal against the decision before the double bench of Sindh High Court.

		<b>(Rupees in Thousand)</b>	
		<b>2019</b>	<b>2018</b>
<b>22.7.4</b>	Balance as at 01st July	<b>140,925</b>	118,697
	Provision made during the year	<b>57,992</b>	44,456
	Payments made during the year	<b>(28,996)</b>	(22,228)
	Balance as at 30th June	<b><u>169,921</u></b>	<u>140,925</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 and 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 and 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.178.365 million (2018: Rs.148.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006 (refer note 26.2). 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 in the Sindh High Court on April 13, 2018 against Province of Sindh and others 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.7.500 million (2018: Rs.2.500 million) in favour of Excise and Taxation Department, in respect of consignments cleared after April 13, 2018 (refer note 26.2). Based on the legal advise, the management believes that the case will be decided in favour of the Company. However, full provision after April 13, 2018 has been made in these consolidated financial statements as an abundant precaution.

- 22.7.5** 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 was not being allowed for adjustment with effect from July 01, 2016 till June 30, 2018. The Parent Company had 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 (2018: Rs.65.752 million).

- 22.7.6** The FBR vide SRO 450(I)/2013 dated May 27, 2013 made certain amendments in SRO 490(I)/2004 dated June 12, 2004 and disallowed input tax adjustment on building materials with effect from May 28, 2013. The Parent Company had 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.20.792 million (2018: Rs.5.192 million).

- 22.7.7** This represents provision of Gas Infrastructure Development Cess Rs.6.591 million (2018: Rs.5.757 million) and rate difference of gas tariff Rs.1.718 million (2018: Rs.1.597 million) on account of common expenses payable by the Parent Company to an associated company Messrs. Novatex Limited.

- 22.8** These include Rs.40.320 million (2018: Rs.34.739 million) received from employees under Group car policy.



	Note	(Rupees in Thousand)	
		2019	2018
<b>23 ACCRUED MARK UP</b>			
Mark up on long term financing		388	-
Mark up on short term borrowings		8,196	142
	<b>23.1</b>	<b>8,584</b>	<b>142</b>
<b>23.1</b>	This include accrued markup of Rs.0.388 million (2018: Rs.Nil) under Shariah compliant arrangements.		
<b>24 SHORT TERM BORROWINGS - Secured</b>			
<b>From banking companies under mark up arrangements</b>			
Running finance - Under Conventional		864,718	580,017
<b>24.1</b>	The Parent Company has aggregate facilities of short term borrowings amounting to Rs.3,755 million (2018: Rs.3,755 million) from various commercial banks (as listed in Note 24.3) out of which Rs.3,127 million (2018: Rs.3,451 million) remained unutilised at the year end. The Company also has Rs.1,000 million (2018: Rs.1,000 million) swinging facility with an associated company Messrs. Novatex Limited, out of which Rs.237 million (2018: Rs.276 million) has been utilized by the Company at the year end. The applicable mark up rates for running finance during the year ranged between Rs.0.2671 to Rs.0.2926 per Rs.1,000/- per day. These facilities are renewable annually at respective maturities.		
<b>24.2</b>	These arrangements are secured against pari passu hypothecation charge on the stock and book debts of the Parent Company.		
<b>24.3</b>	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.		
<b>25 PROVISION FOR INCOME TAX LESS PAYMENTS</b>			
Balance as at 01st July		84,351	39,194
Provision for the year - Current		307,913	185,231
Prior		3,833	77
		311,746	185,308
		396,097	224,502
Payments during the year		(225,455)	(101,231)
Income tax refundable transferred	<b>15</b>	(166,143)	-
Adjustment of Workers' Welfare Fund	<b>22.6</b>	16,216	-
Adjustments for the year		-	(38,920)
Balance as at 30th June		20,715	84,351
<b>26 CONTINGENCIES AND COMMITMENTS</b>			
<b>26.1 Contingencies</b>			
<b>26.1.1</b>	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.		

- 26.1.2** FBR initiated action against few customers of the 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 had, 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, 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.

- 26.1.3** 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 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 the 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, 2019 worked out at Rs.1,513.241 million (2018: Rs.1,179.928 million), however the Group accounted for Rs.1,311.227 million (2018: Rs.977.914 million) pertaining to the period of July 2014 to June 2019 for Captive Power and June 2015 to June 2019 for Industrial as an abundant precaution in view of reason stated above, refer note 22.7.

- 26.1.4** The Parent Company along with several other companies has filed a Constitution Petition in the Sindh High Court on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others 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.21.726 Million (2018: Rs.18.504 million) has been made in these consolidated financial statements as the Parent Company is confident of the favorable outcome of the Petition.

- 26.1.5** 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 suspended / blacklisted person. The Parent Company has already deposited Rs.28 million (refer note 14) under protest into the Government treasury for stay against the full recovery.

The CIR(A) has issued judgment in respect of impugned order for tax periods July 2012 to June 2013 wherein the entire order of the Tax Officer has been held as illegal and unconstitutional. However, the Tax Department has been filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order passed by CIR(A). 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.

- 26.1.6** Income tax department issued order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2012 wherein income tax demand of Rs. 37.773 million was raised on various issues. Out of the total amount, the Parent Company paid Rs.3.777 million under protest (refer note 14). Appeal was filed before the CIR(A) and the CIR(A) had decided the case partially in favor of the Parent Company whereas major issues were decided in favor of the tax department. Based on the judgment of the CIR(A), the revised demand comes out to Rs. 28.2 million. Against the order of the CIR(A), the Parent Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) and the learned ATIR, vide its judgment dated January 1, 2019 has decided all the remaining issues in favor of the Parent Company. Based on the said judgment of the ATIR, partial demand of Rs. 3.777 million earlier paid by the Parent Company under protest is now refundable. As of now, the tax department has not yet filed appeal against the said judgment of ATIR.
- 26.1.7** Income Tax department issued order under section 122(1) of the Income Tax Ordinance, 2001 for the Tax Year 2015 wherein income tax demand of Rs. 25.888 million was raised on various issues. Out of the total amount, the Parent Company paid Rs.2.589 million under protest (refer note 14). Appeal was filed before the CIR(A) and the CIR(A) has decided major issue in favor of the Parent Company, however, minor issues of taxability have been decided against the Parent Company. Appeal has been filed by the Parent Company as well as the tax department before Appellate Tribunal Inland Revenue, however, no hearing has been conducted till date. 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.
- 26.1.8** The tax officer alleged the Parent Company for charging sales tax at reduced rate instead of standard rate of 17% during the tax periods from July 2014 to June 2015 and raised the demand of Rs.1.741 million along with penalty of Rs.0.087 million. The tax department has adjusted the impugned demand with sales tax refunds available with the Parent Company. The Parent Company had filed an appeal before Commissioner Inland Revenue (Appeals) against order of the tax department on the ground that reduced rate was applicable to buyers as those buyers were active and operative at the time of execution of sales transaction. The Commissioner Inland Revenue (Appeals), vide order dated August 22, 2019, has decided the case in favour of the Parent Company. As of now the tax department has not filed further appeal before the Appellate Tribunal Inland Revenue.
- 26.1.9** The case of the Parent Company was selected for income tax audit for tax year 2013. The return was amended under section 122(1)/(5) of the Income Tax Ordinance, 2001, however, no income tax demand was raised owing to taxable losses both before and after amendment of the Income Tax return. Subsequently, the tax department again initiated proceedings for further amendment of the already amended income tax return and raised demand of Rs.1.178 million. Demand has been raised mainly because of figurative errors committed by the Additional Commissioner Inland Revenue against which the Parent Company has moved rectification application. Moreover, the Parent Company has also filed an appeal before Commissioner Inland Revenue (Appeals) to secure its interest incase rectification application is rejected by the concerned tax officer. 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.

- 26.1.10** The tax officer disallowed input sales tax amounting to Rs.0.042 million, claimed by the Subsidiary Company Messrs.. Gatro Power (Private) Limited on building materials used for installation of Plant and machinery for tax period February 2017 (refer note 14). An appeal was filed against the said order before the CIR(A). The learned CIR(A) has remanded back the case to the tax officer with specific directions to first ascertain whether the building material was used for installation of plant and machinery or for any other purpose. In case the same was used for installation of plant and machinery then the tax officer has been directed to allow claim for the same. The Subsidiary Company has submitted documents evidencing usage of the said building material for installation of plant and machinery, however, the officer has not yet reverted back, moreover, the tax department has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against allowance of input tax adjustment on building material used for installation of plant and machinery. No provision has been made in these consolidated financial statements as the management is hopeful for a favorable outcome.
- 26.1.11** Tax department initiated monitoring of withholding proceedings against the Subsidiary Company Messrs.. Gatro Power (Private) Limited for tax year 2013 wherein demand of Rs.47.408 million including default surcharge and penalty was raised on account of intercorporate dividend paid to Parent Company. The Subsidiary Company had filed an appeal before Commissioner Inland Revenue (Appeals) against order of the tax department which was decided in favour of the Subsidiary Company on ground of the order being time barred whereas on other grounds the appeal was dismissed. Accordingly, both the Subsidiary Company as well as the tax department have filed an appeal before the Appellate Tribunal Inland Revenue, which is pending at present. 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 Subsidiary Company.
- 26.1.12** Tax department has raised demand of Rs.14.101 million and Rs.103.346 million against Subsidiary Company Messrs. Gatro Power (Private) Limited on the basis of order passed for monitoring of tax withholding for tax years 2014 and 2015 respectively. Appeal was filed before the Commissioner Inland Revenue (Appeals), which was decided in favour of the Subsidiary Company. However, tax department has filed appeals before Appellate Tribunal Inland Revenue, hearing of which is pending. 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 Subsidiary Company.

		<b>(Rupees in Thousand)</b>	
	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>26.2</b>	<b>Guarantees</b>		
Bank Guarantees in favour of:			
The Director Excise & Taxation, Karachi	<b>22.7.4</b>	<b>185,865</b>	150,865
The Electric Inspector, President			
Licencing Board, Quetta		<b>10</b>	10
Pakistan State Oil Company Limited		<b>40,000</b>	30,000
K-Electric Limited		<b>11,560</b>	11,560
Letters of Credit in favour of:			
Sui Southern Gas Company Limited for Gas		<b>163,992</b>	161,937
		<b>401,427</b>	<b>354,372</b>

			(Rupees in Thousand)	
		Note	2019	2018
<b>26.3 Commitments</b>				
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			1,596,780	347,863
Raw material			346,064	424,044
Spare parts and others			94,321	257,493
			<b>2,037,165</b>	1,029,400
Local currency:				
Raw material			-	108,585
Spare parts and others			40,161	1,423
			<b>40,161</b>	110,008
			<b>2,077,326</b>	1,139,408
<b>27 SALES</b>				
Gross local sales			18,392,023	13,793,142
Third party processing charges			-	1,222
			<b>18,392,023</b>	13,794,364
Less: Sales tax		27.1	808,204	824,001
			<b>17,583,819</b>	12,970,363
Export sales			123,506	36,074
			<b>17,707,325</b>	13,006,437
<b>27.1</b>	These include local zero/reduced rate supplies.			
<b>28 COST OF SALES</b>				
Raw material consumed			11,176,689	8,190,818
Stores, spare parts and loose tools consumed			407,328	335,615
Outsource processing charges			623,001	452,602
Salaries, wages, allowances and benefits		28.1	1,074,427	900,096
Power, fuel and gas			1,503,818	1,306,349
Rent, rates and taxes			9,414	5,182
Insurance			41,265	35,504
Cartage & transportation			111,269	83,267
Repairs and maintenance			124,870	121,828
Communications & Computer			2,279	1,992
Water supply			40,551	12,202
Travelling			9,164	5,193
Legal & professional fees			305	210
Sundry			51,254	21,894
Depreciation		5.2	418,314	378,075
Impairment of operating fixed assets		5.1	103,842	115,211
			<b>15,697,790</b>	11,966,038
Duty draw back			(136)	(2)
Scrap sales		28.2	(13,088)	(15,423)
			<b>15,684,566</b>	11,950,613
Opening stock of goods-in-process			482,041	451,615
Closing stock of goods-in-process			(484,446)	(482,041)
Cost of goods manufactured			<b>15,682,161</b>	11,920,187
Opening stock of finished goods			1,181,791	743,324
Closing stock of finished goods			(1,184,182)	(1,181,791)
			<b>15,679,770</b>	11,481,720

**28.1** These include Rs.17.385 million (2018: Rs.16.081 million) and Rs.18.214 million (2018: Rs.16.463 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

**28.2** Net off sales tax amounting to Rs.2.618 million (2018: Rs.3.471 million).

	Note	(Rupees in Thousand)	
		2019	2018
<b>29 DISTRIBUTION AND SELLING COSTS</b>			
Salaries, allowances and benefits	29.1	34,106	26,867
Insurance		2,513	2,727
Rent, rates and taxes		2,586	1,421
Handling, freight and transportation		128,321	151,145
Advertisement and sales promotion		586	1,177
Communications		462	270
Travelling		142	1,089
Fee & subscriptions		630	599
Legal & professional fee		4,547	4,242
Sundry		11,170	4,256
Depreciation	5.2	2,568	501
		<u>187,631</u>	<u>194,294</u>

**29.1** These include Rs.1.103 million (2018: Rs.0.858 million) and Rs.1.917 million (2018 : Rs.1.611 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

### 30 ADMINISTRATIVE EXPENSES

Salaries, allowances and benefits	30.1	189,687	173,668
Rent, rates and taxes		20,870	18,815
Insurance		1,267	1,380
Repairs and maintenance		4,099	4,722
Travelling		2,553	2,970
Communications		2,746	2,844
Legal & professional fees		8,930	5,224
Utilities		4,236	4,223
Printing and stationery		1,732	1,459
Transportation		7,534	4,661
Sundry		10,478	9,751
Depreciation	5.2	5,836	5,620
		<u>259,968</u>	<u>235,337</u>

**30.1** These include Rs.7.387 million (2018: Rs.6.801 million) and Rs.21.625 million (2018 : Rs.16.507 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

		(Rupees in Thousand)	
	Note	2019	2018
<b>31 OTHER OPERATING EXPENSES</b>			
Loss on disposal of property, plant and equipment	5.3.1	521	-
Loss on scrapped items of property, plant and equipment	5.3.1	24,341	11,923
Provision of allowance for ECL - net	11.5	-	1,842
Provision for slow moving stores, spare parts and loose tools - net	9.1	10,865	7,513
Exchange loss - net		109,231	63,050
Provision for sales tax		-	37,935
Corporate social responsibility	31.1	14,850	12,388
Workers' Profit Participation Fund	22.5	52,637	34,562
Workers' Welfare Fund	22.6	16,260	17,542
Auditors' remuneration	31.2	2,094	1,933
		<u>230,799</u>	<u>188,688</u>
<b>31.1</b>	These represents donations of Rs.8.800 million (2018: Rs.7.388 million) to a related party Messrs. Gatron Foundation in which Chief Executive and three directors of the Parent Company are governors and Rs.5.200 million to Messrs. The Citizen Foundation (2018: Rs.5 million 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.		
<b>31.2 Auditors' remuneration</b>			
Audit fee - Annual financial statements			
Parent Company - Gatron (Industries) Limited		1,250	1,250
Subsidiary Company - Gatro Power (Private) Limited		100	100
Subsidiary Company - Global Synthetics Limited		23	23
Subsidiary Company - G-Pac Energy (Private) Limited		23	-
Limited review, audit of consolidated financial statements,			
Provident funds and certification fee		450	285
Sindh Sales Tax on services		146	132
Out of pocket expenses		102	143
		<u>2,094</u>	<u>1,933</u>
<b>32 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Reversal of provision of allowance for ECL - net	11.5	1,972	-
Profit on deposits		37	50
		<u>2,009</u>	<u>50</u>
<b>Income from non - financial assets &amp; others</b>			
Gain on disposal of property, plant and equipment	5.3.1	7,909	15,020
Liabilities no more payable written back		3,160	2,508
Insurance claim received	32.1	1,557	15,944
Miscellaneous income		250	232
		<u>12,876</u>	<u>33,704</u>
		<u>14,885</u>	<u>33,754</u>



- 32.1** This represents amount received by Subsidiary Company Messrs. Gatro Power (Private) Limited, on account of Business Interruption covered under Comprehensive Machinery Insurance Policy.

	Note	(Rupees in Thousand)	
		2019	2018
<b>33 FINANCE COSTS</b>			
Mark up on long term financing		388	6,718
Mark up on short term borrowings		15,011	6,088
Interest on Workers' Profit Participation Fund	22.5	298	-
Bank charges and guarantee commission		2,440	2,008
	33.1	<u>18,137</u>	<u>14,814</u>

- 33.1** It include markup under Shariah Complaint arrangement amounting to Rs.0.498 million (2018: Rs.0.319 million).

### 34 INCOME TAX

For the current year		307,913	185,231
For the prior year		3,833	77
		311,746	185,308
Deferred	34.1	366,648	123,332
		<u>678,394</u>	<u>308,640</u>

#### Relationship between income tax and profit before income tax :

Profit before income tax	4,379,924	2,376,449
Income tax rate	29%	30%
Income tax on profit before income tax	1,270,178	712,935

#### Tax effect of:

minimum tax	-	162,130
brought forward minimum tax and loss adjusted	(84,961)	(251,325)
tax credits	(42,267)	(35,322)
super tax	43,821	38,925
income assessed under final tax regime - export sales	91	(1,077)
change in statutory tax rate	-	(88)
provision of prior year income tax	3,833	77
deferred tax effect on un-realised share of profit in associated company Messrs. Novatex Limited	369,206	196,452
income exempt from subsidiary company Messrs. Gatro Power (Private) Limited	(105,659)	(85,862)
loss from subsidiary company Messrs. Global Synthetics Limited	7	8
loss from subsidiary company Messrs. G-Pac Energy (Private) Limited	14	-
dividend income and share of profit in associated company Messrs. Novatex Limited	(794,816)	(416,197)
others	18,947	(12,016)
Income tax for the year	<u>678,394</u>	<u>308,640</u>

- 34.1** It include amounting to Rs.369.206 million (2018: Rs.196.452 million) pertains to deferred tax provided during the year on un-realized share of profit in associated company Messrs. Novatex Limited.
- 34.2** The Parent Company has already paid sufficient cash dividend for the year ended June 30, 2019 (refer note 44) 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, 2019.
- 34.3** 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)		
	2018	2017	2016
Tax provision	185,231	97,329	64,175
Tax assessed	150,139	97,406	63,705

	Note	(Rupees in Thousand)	
		2019	2018
<b>35 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Profit after income tax		3,701,530	2,067,809
		( 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		96.48	53.90

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

		( Rupees in Thousand )	
<b>36 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	16	1,381,563	1,377,617
Short term borrowings	24	(864,718)	(580,017)
		516,845	797,600

	Note	(Rupees in Thousand)	
		2019	2018
<b>37 FINANCIAL INSTRUMENTS</b>			
<b>Financial assets as per statement of financial position</b>			
<b>- Measured at amortised cost</b>			
Loans and advances		3,415	6,036
Deposits		67,576	36,773
Trade debts		1,528,561	1,128,940
Other receivables		103,184	105,833
Cash and bank balances		1,381,563	1,377,617
		<u>3,084,299</u>	<u>2,655,199</u>
<b>Financial liabilities as per statement of financial position</b>			
<b>- Measured at amortised cost</b>			
Long term financing		126,540	-
Trade and other payables		1,398,646	1,184,341
Unclaimed dividend		16,393	11,238
Accrued mark up		8,584	142
Short term borrowings		864,718	580,017
		<u>2,414,881</u>	<u>1,775,738</u>

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

### 37.1 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 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.

## 37.2 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.

### 37.2.1 Market Risk

#### A 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 USD, Euro, AED, JPY and CHF. The Group's exposure to foreign currency risk is as follows:

	<b>(Rupees in Thousand)</b>	
	<b>2019</b>	<b>2018</b>
Bills Payable	420,652	447,416
Creditors for capital expenditure	6,704	9,047
	<b>427,356</b>	456,463
Trade Debts	-	(2,271)
Receivable from suppliers	(87,198)	(76,757)
Cash at bank in foreign currency accounts	(5,900)	(2,348)
	<b>(93,098)</b>	(81,376)
	<b>334,258</b>	375,087
Commitments - Outstanding letters of credit	2,037,165	1,029,400
Net exposure	<b>2,371,423</b>	1,404,487

The following significant exchange rates have been applied:

	Average rate				Reporting date rate			
	2019		2018		2019		2018	
	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling
USD to PKR	135.81	136.18	109.41	109.61	164.00	164.50	121.40	121.60
Euro to PKR	154.89	155.29	131.03	131.28	186.37	186.99	141.33	141.57
AED to PKR	36.96	37.07	29.70	29.84	44.54	44.80	33.05	33.10
JPY to PKR	1.22	1.23	-	-	1.52	1.53	-	-
CHF to PKR	136.50	136.87	-	-	168.03	168.61	-	-

### Sensitivity Analysis

At reporting date, if the PKR had strengthened/weakened by 10% against the USD, Euro, AED, JPY and CHF 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	
	2019	2018	2019	2018
	(Rupees in Thousand)			
Effect on consolidated statement of profit or loss				
USD to PKR	128,844	86,984	155,641	96,498
Euro to PKR	65,564	40,967	78,949	44,178
AED to PKR	26	(204)	32	(227)
JPY to PKR	330	-	411	-
CHF to PKR	1,713	-	2,110	-
	<u>196,477</u>	<u>127,747</u>	<u>237,143</u>	<u>140,449</u>

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

### B 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.

### C 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:

	2019	2018	(Rupees in Thousand)	
	Effective rate (in %)		2019	2018
<b>Financial Assets</b>			<b>Carrying amount</b>	
<b>Variable rate instruments</b>				
Bank balance	2.46	2.15	1,435	1,750
<b>Financial Liabilities</b>				
<b>Variable rate instruments</b>				
Short term borrowings	10.77-11.85	5.61-7.14	<u>(864,718)</u>	<u>(580,017)</u>
			<u>(863,283)</u>	<u>(578,267)</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 2018.

	Statement of profit or loss before tax	
	100 bp Increase	100 bp decrease
As at June 30, 2019		
Cash flow sensitivity - Variable rate	<u>(8,633)</u>	<u>8,633</u>
As at June 30, 2018		
Cash flow sensitivity - Variable rate	<u>(5,783)</u>	<u>5,783</u>

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

### 37.2.2 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 interalia 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.3,084.299 million (2018 : Rs.2,655.199 million), amounted to Rs.3,082.995 million (2018: Rs.2,653.565 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)	
	2019	2018
Loans and advances	3,415	6,036
Deposits	67,576	36,773
Trade debts	1,528,561	1,128,940
Other receivables	103,184	105,833
	1,631,745	1,234,773
Bank balances	1,380,259	1,375,983
	<u>3,082,995</u>	<u>2,653,565</u>

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

Not past due	1,257,722	912,061
Past due 1-30 days	148,674	194,167
Past due 31-90 days	188,923	98,960
Past due 91-180 days	40,693	6,495
Past due 180 days	69,030	98,979
	<u>1,705,042</u>	<u>1,310,662</u>
Allowance for ECL - local	(73,297)	(75,889)
	<u>1,631,745</u>	<u>1,234,773</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	2019	2018
Bank Al-Falah Limited	PACRA	A-1+	AA+	15,469	11,452
Bank Al-Habib Limited	PACRA	A-1+	AA+	501,234	365
Citibank N.A.	Moody's	P-1	Aa3	66	65
Dubai Islamic Bank Pakistan Limited	VIS	A-1+	AA	1,867	1,913
Faysal Bank Limited	PACRA	A-1+	AA	447	217
Habib Bank Limited	VIS	A-1+	AAA	179,694	916
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+	508,142	1,348,025
MCB Bank Limited	PACRA	A-1+	AAA	945	1,402
Meezan Bank Limited	VIS	A-1+	AA+	159,228	4,718
National Bank of Pakistan	PACRA	A-1+	AAA	12,701	6,410
Samba Bank Limited	VIS	A-1	AA	56	151
Standard Chartered Bank (Pakistan) Limited	PACRA	A-1+	AAA	402	238
United Bank Limited	VIS	A-1+	AAA	8	111
				<u>1,380,259</u>	<u>1,375,983</u>

Above rating updated as of July 16, 2019 and available on State Bank of Pakistan website.

### 37.2.3 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, 2019, 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.3,127 million in addition to balances at banks of Rs.1,380 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)						
<b>2019</b>							
Long term financing	126,540	157,147	2,551	2,524	5,062	59,610	87,400
Trade and other payables	1,398,646	1,398,646	1,398,646	-	-	-	-
Unclaimed dividend	16,393	16,393	16,393	-	-	-	-
Accrued mark up	8,584	8,584	8,584	-	-	-	-
Short term borrowings	864,718	864,718	864,718	-	-	-	-
	<b>2,414,881</b>	<b>2,445,488</b>	<b>2,290,892</b>	<b>2,524</b>	<b>5,062</b>	<b>59,610</b>	<b>87,400</b>
<b>2018</b>							
Trade and other payables	1,184,341	1,184,341	1,184,341	-	-	-	-
Unclaimed dividend	11,238	11,238	11,238	-	-	-	-
Accrued mark up	142	142	142	-	-	-	-
Short term borrowings	580,017	580,017	580,017	-	-	-	-
	<b>1,775,738</b>	<b>1,775,738</b>	<b>1,775,738</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 37.3 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, 2019 and 2018 were as follows:

	(Rupees in Thousand)	
	2019	2018
Total borrowings	991,258	580,017
Cash and bank balances	(1,381,563)	(1,377,617)
Net debt	(390,305)	(797,600)
Total equity	12,728,774	9,797,052
Total capital	12,728,774	9,797,052
Gearing ratio	0%	0%

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.

### 38 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	
	2019	2018	2019	2018	2019	2018	2019	2018
Managerial remuneration	19,842	18,869	34,004	32,127	95,367	74,713	149,213	125,709
Post Employment benefits	7,111	5,792	5,614	4,583	11,972	7,517	24,697	17,892
Utilities	91	79	32	23	61	52	184	154
Other benefits	-	-	3,127	2,146	58,440	33,773	61,567	35,919
Reimbursement	-	-	-	-	1,189	940	1,189	940
	27,044	24,740	42,777	38,879	167,029	116,995	236,850	180,614

Number of persons  
for remuneration

1 1 3 3 31 23 35 27

**38.1** Aggregate amount of meeting fee to Chairman and 4 non-executive directors (2018: Chairman and 4 non-executive Directors) was Rs.1.400 million (2018: Rs.0.145 million).

**38.2** 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.

**38.3** An associated company Messrs. Novatex Limited reimbursed Rs.54.367 million (2018: Rs.45.385 million) to the Parent Company in respect of services provided by certain directors and executives during the year.

### 39 SEGMENT REPORTING

#### 39.1 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 Companies Messrs. Gatro Power (Private) Limited and Messrs. G-Pac Energy (Private) Limited.

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

### 39.2 Segment results:

The segment information for the reportable segments for the year ended June 30, 2019 is as follows:

(Rupees in Thousand)										
	2019					2018				
	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	13,335,178	4,372,147	17,707,325	1,881,348	19,588,673	8,424,979	4,581,458	13,006,437	1,621,017	14,627,454
Segment result before depreciation and impairment	1,118,631	513,976	1,632,607	477,909	2,110,516	510,669	738,197	1,248,866	345,138	1,594,004
Less: Depreciation and impairment	(319,195)	(101,649)	(420,844)	(109,716)	(530,560)	(297,355)	(131,411)	(428,766)	(70,641)	(499,407)
Segment result after depreciation and impairment	799,436	412,327	1,211,763	368,193	1,579,956	213,314	606,786	820,100	274,497	1,094,597
Reconciliation of segment sales & results with sales & profit before income tax:										
Total sales for reportable segments					19,588,673					14,627,454
Elimination of inter-segment sales from subsidiary company Messrs. Gatro Power (Private) Limited					(1,881,348)					(1,621,017)
Sales					17,707,325					13,006,437
Total results for reportable segments			1,211,763	368,193	1,579,956			820,100	274,497	1,094,597
Other operating expenses			(223,296)	(7,575)	(230,871)			(184,892)	(3,822)	(188,714)
Other income			12,733	4,422	17,155			18,278	15,965	34,243
Finance costs			(17,390)	(747)	(18,137)			(14,381)	(433)	(14,814)
Investment income - Dividend			1,120,088	-	1,120,088			454,913	-	454,913
Share of profit after income tax in associated company Messrs. Novatex Limited					3,034,019					1,451,111
			2,103,898	364,293	5,502,210			1,094,018	286,207	2,831,336
Elimination of intra group transactions					(1,122,286)					(454,887)
Profit before income tax					4,379,924					2,376,449
Segment assets	4,280,373	2,702,764	6,983,137	2,497,710	9,480,847	3,927,058	2,015,523	5,942,581	2,339,113	8,281,694
Segment liabilities	723,986	510,655	1,234,641	1,715,039	2,949,680	711,383	676,687	1,388,070	1,372,932	2,761,002
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				9,480,847	2,949,680				8,281,694	2,761,002
Unallocated				9,752,028	3,391,187				7,083,602	2,651,545
Elimination of intra group balances				(214,305)	(51,071)				(158,896)	(3,199)
Total as per consolidated statement of financial position				19,018,570	6,289,796				15,206,400	5,409,348
Other segment information is as follows:										
Depreciation and impairment	319,195	101,649	420,844	109,716	530,560	297,355	131,411	428,766	70,641	499,407
Capital expenditures incurred during the year	877,269	82,357	959,626	249,681	1,209,307	261,225	33,895	295,120	229,661	524,781
Unallocated capital expenditure incurred during the year					11,879					9,054
Total					1,221,186					533,835

**39.3** All non - current assets of the Group as at June 30, 2019 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.

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

	Note	(Metric Tones)	
		2019	2018
<b>40 PLANT CAPACITY AND ACTUAL PRODUCTION</b>			
<b>40.1 Polyester Filament Yarn</b>	<b>40.1.1</b>		
Annual capacity		<b>32,502</b>	29,074
Actual production		<b>49,390</b>	41,751
<b>40.2 Polyester PET Preforms</b>	<b>40.2.1</b>		
Annual capacity		<b>50,222</b>	50,222
Actual production		<b>20,612</b>	23,838
<b>40.3 Electric Power</b>	<b>40.3.1</b>	( KWH in Thousand )	
Annual capacity		<b>233,731</b>	251,492
Actual production		<b>160,695</b>	142,783

**40.1.1** The capacity is determined based on 75 denier and 24 filaments. Actual production represents production of various deniers.

**40.2.1** 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 season time shortening since demand surge for Eid is now moving from lean months to normal peak demand months as well as more rainy days in current season. Export demand also nearly finished due to increase in duty in importing countries as well as neck/grammage change in certain countries. The actual production of preforms (various grammage) in pieces was 693.506 million (2018: 779.510 million) against annual capacity (based on 43.66 gms) of 1,150 million pieces.

**40.3.1** Reduction in annual capacity reflects downfall in operating efficiency of generator due to aging. 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 .

#### 41 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	(Rupees in Thousand)	
				2019	2018
Novatex Limited	Associated Company	Common directorship	Rendering of services	-	1,044
			Obtaining of services	<b>623,001</b>	452,602
			Purchase of raw material	<b>100</b>	1,431
			Purchase of property, plant & equipment	-	10,300
			Receipt of dividend	<b>567,000</b>	127,575
			Rent	<b>18,484</b>	18,484
			Reimbursement of expenses	<b>152,659</b>	134,960
Krystalite Product (Private) Limited	Related Party	Common management	Sale of goods	<b>629,900</b>	457,449
			Reimbursement of expenses	<b>292</b>	488
Mushtaq & Company (Private) Limited	Related Party	Common management	Sale of goods	<b>81,444</b>	86,925
Gani & Tayub (Private) Limited	Related Party	Common directorship	Payment of dividend	<b>32,003</b>	3,241
			Charges on account of handling	<b>8,917</b>	7,501

Name	Nature of relationship	Basis of relationship	Nature of transaction	(Rupees in Thousand)	
				2019	2018
Gatron Foundation	Related Party	Common directorship	Payment of donation	8,800	7,388
Gatron (Ind) Limited Staff Provident Fund	Retirement benefit fund	Employees fund	Contribution made	21,983	19,901
Gatron (Ind) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Contribution made	3,892	3,839

- 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 38 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.

(Un-audited) (Audited)

## 42 PROVIDENT FUND RELATED DISCLOSURES

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

Size of the Funds - Total Assets	<u>432,114</u>	<u>401,613</u>
Cost of Investments made	<u>417,747</u>	<u>366,515</u>
Fair value of investments	<u>427,844</u>	<u>398,103</u>
Percentage of investments made (Fair value to size of the fund)	<u>99.01%</u>	<u>99.13%</u>

(Rupees in Thousand)			
2019		2018	
Amount	%	Amount	%

### 42.1 The Break-up of cost of investments is:

Shares of Listed Companies	17,495	4.19%	13,188	3.60%
Government Securities	290,511	69.54%	270,820	73.89%
Debt Securities	23,472	5.62%	31,950	8.72%
Mutual Funds	17,218	4.12%	49,455	13.49%
Bank Deposits	69,051	16.53%	1,102	0.30%
	<u>417,747</u>	<u>100.00%</u>	<u>366,515</u>	<u>100.00%</u>

### 42.2 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)	
	2019	2018
<b>43 NUMBER OF EMPLOYEES</b>		
Total number of employees as at June 30	<u>782</u>	<u>792</u>
Average number of employees during the year	<u>785</u>	<u>803</u>

#### 44 NON ADJUSTING EVENT AFTER CONSOLIDATED STATEMENT OF FINANCIAL POSITION DATE

The Board of Directors of the Parent Company, in its meeting held on September 13, 2019, has recommended final cash dividend of Rs.15.00 per share (2018: Rs.8.25 per share). This is in addition to interim cash dividend of Rs.11.50 per share (2018: Rs.2.00 per share) already paid. The approval of the members for the recommended 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, 2019 do not include the effect of the recommended final cash dividend.

#### 45 CORRESPONDING FIGURES

Prior year's figure have been reclassified for the purpose of better presentation. Changes made during the year is as follows:

Reclassification from component	Reclassification to component	(Rupees in Thousand)
Sales	Cost of sales	275,573
Sales tax	Power, fuel and gas	
Cost of sales	Cost of sales	
Sundry	Salaries, wages, allowances and benefits	36,000

#### 46 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on September 13, 2019 by the Board of Directors of the Parent Company.

#### 47 GENERAL

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

## Important Notes to the Members

### Submission of Computerized National Identity Cards

Smart National Identity Card (SNIC) Computerized National Identity Card (CNIC) or National Identity Card for Overseas Pakistanis (NICOP) of the shareholder is mandatory requirement for payment of dividend. Shareholders are therefore, requested to submit copies of their SNIC, CNIC or NICOP to the Shares Registrar of the Company. In case of non-receipt of valid SNIC, CNIC or NICOP, the Company will be constrained to withhold the payment of dividend of such shareholders. The shareholders while sending copies of SNIC, 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 is attached 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 such information.

### 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.

### 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 Pakistan 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 @ 30% 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 / Principal Shareholder Joint Shareholder(s)

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 11, 2019 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 11, 2019 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](http://www.gatron.com)

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## Proxy Form

### 39TH 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 39th Annual General Meeting of the Company to be held on Monday,  
October 21, 2019 and at any adjournment thereof.

Signed this \_\_\_\_\_ day of , \_\_\_\_\_ 2019.

#### 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)

۳۹ واں سالانہ اجلاس عام

میں/ہم

بجائیت رکن گیٹرون (انڈسٹریز) لمیٹڈ و حامل

عام حصص برطابق شیئرز رجسٹر فوئیونیر 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 پیر، مورخہ 21 اکتوبر، 2019ء، 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 موثر 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 شیئرز 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:

<b>(i) Shareholder's details:</b>	
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	
<b>(ii) Shareholder's Bank account details:</b>	
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

