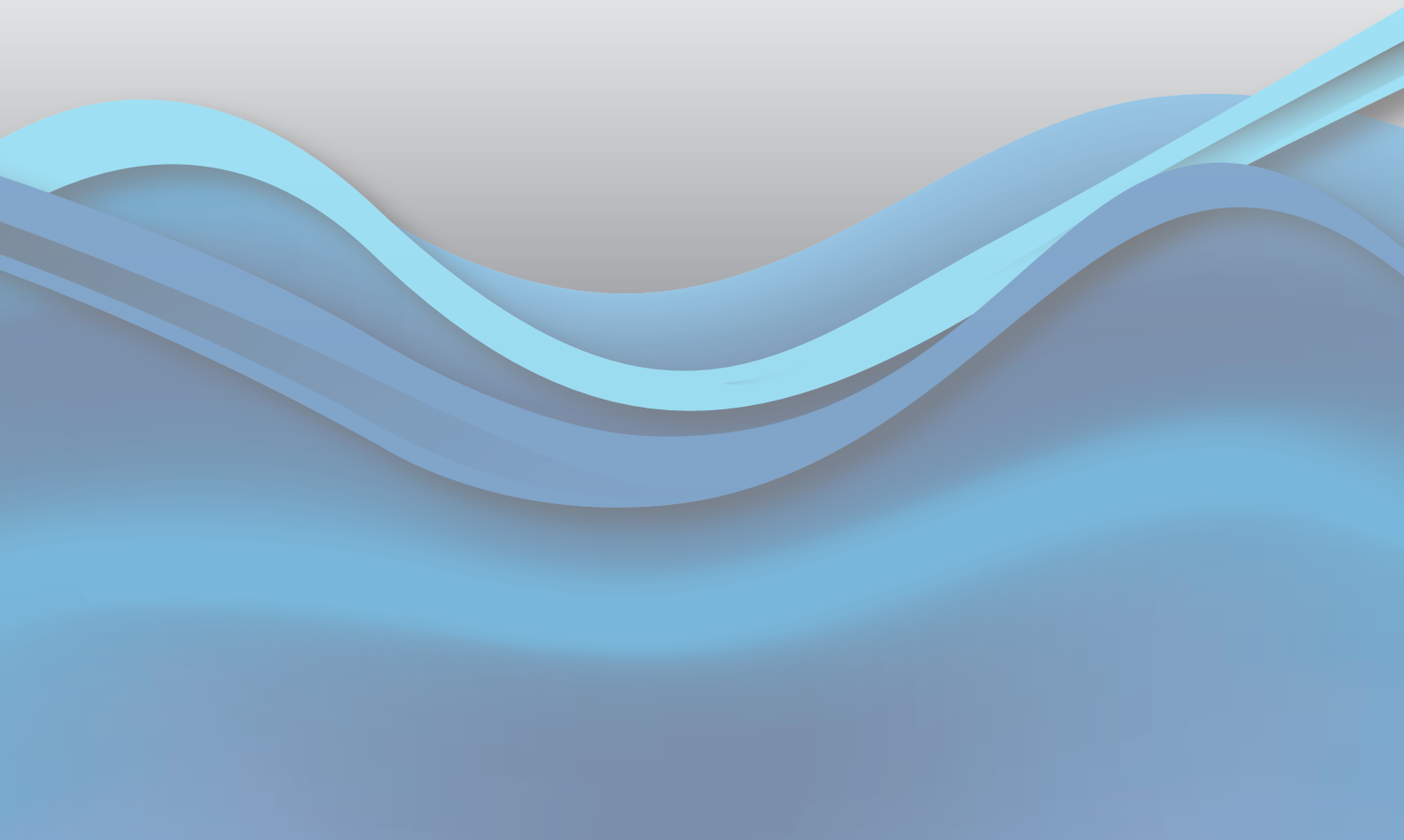




**GATRON (INDUSTRIES) LIMITED**

# **annual** **report** 2020





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# CORPORATE INFORMATION

## **Board of Director**

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**

Muhammad Yasin Bilwani

## **Chief Financial Officer**

Mustufa Bilwani

## **Auditor**

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

## **Legal Advisor**

Naeem Ahmed Khan  
Advocates  
Quetta.

**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

**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

**Plant**

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

**Registered Office**

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

**Liaison/Correspondence Office**

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

**Email**

headoffice@gatron.com

**Website**

www.gatron.com

# VISION

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

To achieve corporate success while achieving this vision.

# MISSION

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

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

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

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

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

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

# Notice Of Annual General Meeting

Notice is hereby given that the Fortieth Annual General Meeting of Gatron (Industries) Limited will be held on Monday, October 26, 2020 at 11.00 a.m., at Quetta Serena Hotel, Quetta to transact the following business:

## Ordinary Business:

1. To confirm the minutes of the Thirty-ninth Annual General Meeting of the company held on October 21, 2019.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2020 together with the Auditors' Report thereon and Directors' Report for the year then ended.
3. To approve already paid interim cash dividend of Rs.12.50 per share (125%) for the year ended June 30, 2020.
4. To appoint company's auditors for the year ending June 30, 2021 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 12, 2020

## Notes:

1. The Share Transfer Books of the company will remain closed from October 17, 2020 to October 26, 2020 (both days inclusive). Transfers received in order at the office of the Shares Registrar before the close of business on October 16, 2020 will be considered in time for the purpose of attendance in the Annual General Meeting.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received at the office of the company not less than 48 hours before the time of holding the meeting. Proxy form is annexed.

3. In case of corporate entity, the Board of Directors resolution/Power of Attorney with specimen signature and attested copy of valid CNIC of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted along with 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, 2020 are being made available on the company's website.
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.



## سالانہ اجلاس عام کی اطلاع

بذریعہ ہذا اطلاع دی جاتی ہے کہ گیلٹرون (انڈسٹریز) لمیٹڈ کا سالانہ چالیسواں اجلاس عام درج ذیل کارروائی کی انجام دہی کیلئے بروز پیر 26 اکتوبر 2020ء دن 11:00 بجے بمقام کونسل سیرینا ہوٹل کوئٹہ میں منعقد ہوگا۔

### عمومی کارروائی

- 1 کمپنی کا انتالیسواں سالانہ اجلاس عام منعقدہ 21 اکتوبر 2019ء کی کارروائی کی توثیق۔
- 2 30 جون 2020ء کو اختتام پذیر ہونے والے سال کیلئے کمپنی کے آڈٹ شدہ حسابات مع اس وقت ختم شدہ سال کیلئے ان پراڈیٹرز کی رپورٹ اور ڈائریکٹرز کی رپورٹ کی وصولی، غور و خوض اور منظوری۔
- 3 30 جون 2020ء کو اختتام پذیر ہونے والے سال کے لئے پہلے ہی ادا کئے گئے 12.50 روپے فی شیئر (125%) عبوری نقد منافع منقسمہ کی ادائیگی کی منظوری دینا۔
- 4 30 جون 2021ء کو اختتام پذیر ہونے والے سال کیلئے کمپنی آڈیٹرز کا تقرر اور ان کے مشاہرہ کا تعین کرنا۔
- 5 صدر اجلاس کی اجازت سے دیگر عمومی امور انجام دینا۔

حسب الحکم بورڈ

کراچی:

مورخہ: 12 ستمبر 2020ء

محمد یاسین بلوانی

کمپنی سیکریٹری

### نوٹس

- 1 کمپنی کی شیئرز ٹرانسفر بکس 17 اکتوبر 2020ء سے 26 اکتوبر 2020ء تک دونوں دن شامل ہیں) بند رہیں گی۔ شیئرز رجسٹرار کے دفتر میں جو منتقلیاں 16 اکتوبر 2020ء کو کاروباری اوقات کے اختتام سے قبل موصول ہو جائیں گی وہ سالانہ اجلاس عام میں شرکت کے مقصد کیلئے بروقت سمجھی جائیں گی۔
- 2 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 پر کسی مقرر کر سکتا/کر سکتی ہے۔ پراکسیز کے موثر ہونے کے لئے ضروری ہے کہ وہ اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل کمپنی کے آفس میں وصول ہو جائیں۔ مختار نامہ اس رپورٹ کے ہمراہ منسلک ہے۔
- 3 کارپوریٹ ادارہ کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی مع 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۔
- 4 کوئی بھی ممبر جس 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 پائڈ پیسٹ ID نمبر اور اکاؤنٹ/سب اکاؤنٹ نمبر لازماً ساتھ لائیں۔
- 5 ممبرز کو ہدایت کی جاتی ہے کہ وہ اپنے پتوں میں جس بھی قسم کی تبدیلی سے متعلق کمپنی کے شیئرز رجسٹرار کو مطلع کریں۔
- 6 30 جون 2020ء کو ختم شدہ سال کیلئے کمپنی کے آڈٹ شدہ مالیاتی گوشوارے کمپنی کی ویب سائٹ پر فراہم کر دیئے گئے ہیں۔
- 7 اگر کمپنی کو اجلاس کی تاریخ سے کم از کم 10 روز قبل بذریعہ ویڈیو کانفرنس اجلاس میں شرکت کرنے کیلئے ان ممبران سے رضامندی وصول ہوتی ہے جو مجموعی طور پر 10% یا زائد شیئرز ہولڈنگ کے حامل ہوں اور جو گرافیکل لوکیشن پر ہائش 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 سہولت کے مقام سے متعلق ایسے شیئرز ہولڈرز کو مکمل ضروری معلومات کے ساتھ مطلع کرے گی تاکہ وہ ایسی سہولت تک رسائی حاصل کر سکیں۔
- 8 ممبران پولنگ کے مطالبہ کے سلسلے میں اپنا حق استعمال کر سکتے ہیں جیکبیز ایکٹ 2017ء کی دفعہ 143 اوپنیشن (پوشل بیلٹ) ریگولیشنز 2018ء کے قابل اطلاع شتوں کی شرائط پر پورا اترنے سے مشروط ہوگا۔



## Chairman's Review

As required under Section 192(4) of Companies Act, 2017 below is the review report for the year ended June 30, 2020 by the Chairman on overall performance and effectiveness of the board of Gatron (Industries) Limited in achieving its objectives.

The company has set its corporate governance standards that involves balancing the interests of a company's various stakeholders like shareholders, management, customers, suppliers, financiers, government and the community. These standards also provides the framework for attaining a company's objectives which encompasses every practical sphere of management from action plans and internal controls to performance measurement and corporate disclosure.

The Board has performed and discharged its duties as per provisions of Companies Act 2017, regulations under Code of Corporate Governance 2019 (Code), guidelines issued by Securities and Exchange Commission of Pakistan and regulatory compliance required for listed companies by Pakistan Stock Exchange. The Board has opted to carry out the evaluation process internally under the Regulation 10(3)(v) of the Code which showed that board has played an effective and active role in achieving its objectives.

The Board has well-established and effective structures, policies and processes in place that will ensure the Company's sustainability. The Board is quite determined in mitigating all types of risks by incorporating proper risk management policies on both financial and operational risk arenas.

The Board has an effective mechanism for communication with shareholders and deputed couple of individuals including company secretary to promptly resolve all the queries of shareholders. An effective website which also fulfilling in the regulatory compliance is a comprehensive medium to disseminate the information to the shareholders on issues related to notice of annual general meetings, date of elections, financial results and distribution of dividends etc.

The directors regularly attended the board and committee meetings to discuss the financial statements or any specific agenda.

September 12, 2020

**Haroon Bilwani**  
Chairman

## چیمبر مین کی جائزہ رپورٹ

کمپنی کے بورڈ آف ڈائریکٹرز کی مجموعی کارکردگی اور موثر اقدامات جو کمپنی کے مقاصد کے حصول کیلئے 30 کئے گئے پر جون، 2020ء کو اختتام پزیر ہونے والی سالانہ جائزہ رپورٹ پیش کرتے ہوئے مسرت محسوس کر رہا ہوں۔ جو کمپنیز ایکٹ، 2017ء کے سیکشن (4) 192 کے تحت پیش کی جا رہی ہے۔

کمپنی نے اپنے کارپوریٹ گورننس کے معیارات طے کیے ہیں جس میں کمپنی کے مختلف اسٹیک ہولڈرز جیسے شیئرز، ہولڈرز، مینجمنٹ، صارفین، سپلائی کنندگان، مالی اعانت کار اور حکومت میں توازن شامل ہے۔ یہ معیارات کمپنی کے مقاصد کو حاصل کرنے کا فریم ورک فراہم کرتے ہیں جس میں عملی منصوبوں اور داخلی کنٹرول کی پیمائش اور کارپوریٹ Disclosures سے لے کر انتظامیہ کے ہر عملی شعبے کو شامل کیا جاتا ہے۔

بورڈ نے کمپنیز ایکٹ 2017ء، کوڈ آف کارپوریٹ گورننس، 2019ء (کوڈ) کے تحت قواعد و ضوابط، سیکوریٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ رہنما اصولوں اور پاکستان اسٹاک ایکسچینج کے ذریعہ درج کمپنیوں کے لئے درکار ریگولیٹری تعمیل کی دفعات کے مطابق اپنے فرائض سرانجام دیئے اور نبھائے۔ بورڈ نے (کوڈ) کے ضابطہ اخلاق 10 (3) (v) کے تحت داخلی طور پر تشخیص کے عمل کو انجام دینے کا انتخاب کیا ہے جس سے یہ ظاہر ہوتا ہے کہ بورڈ نے اپنے مقاصد کے حصول میں موثر اور فعال کردار ادا کیا ہے۔

بورڈ کے پاس اچھی طرح سے قائم اور موثر ڈھانچے، پالیسیاں اور طریقہ کار موجود ہیں جو کمپنی کی استحکام کو یقینی بنائیں گے۔ بورڈ مالی اور عملی طور پر کام کرنے والے معاملات پر مناسب رسک مینجمنٹ کی پالیسیاں لاگو کر کے ہر قسم کے خطرے کو کم کرنے میں کافی پر عزم ہے۔

حصص یافتگان کے ساتھ اچھے روابط کے لئے بورڈ کے پاس ایک موثر طریقہ کار موجود ہے۔ کمپنی کے سکریٹری اور انکے معاون شیئرز ہولڈرز کے تمام معاملات کو فوری طور پر حل کرتے ہیں۔ سالانہ عام اجلاس، انتخابات کی تاریخ، مالیاتی نتائج اور منافع کے تقسیم وغیرہ کے نوٹس سے متعلق امور پر حصص یافتگان کو معلومات فراہم کرنے کے لئے ایک موثر ویب سائٹ موجود ہے۔

مالی حسابات یا کسی خاص ایجنڈے پر تبادلہ خیال کرنے کے لئے ڈائریکٹرز باقاعدگی سے بورڈ اور کمیٹی کے اجلاسوں میں شرکت کرتے ہیں۔

بارون پلوانی  
چیمبر مین

12 ستمبر، 2020ء

# DIRECTORS' REPORT 2020









## 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, 2020.

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

- Net sales Rs.12,938 million,
- Operating profit Rs. 451 million,
- Investment income Rs.1,213 million,
- Profit before income tax Rs.1,458 million,
- Profit after income tax Rs. 1,061 million,
- Earnings per share Rs. 27.65

Revenue of the Company decreased by 27% as compared to last corresponding year mainly due to 30% decrease in the sale quantity of Polyester Filament Yarn (PFY), part of which was due to extreme dumping/budget related issues (imposition of 17% sales tax on textile versus zero rating earlier) affecting market in July to December 2019 period but major part (two thirds) of this sales loss was in the COVID period of March to June 2020. The July to December 2019 loss in sales was compensated by Inventory gains arising out of devaluation of Pak Rupee from average exchange rate of Rs.148 during April to June 2019 to average exchange rate of Rs.157 during July to December 2019. However, the January to June 2020 loss in sales affected the result negatively which was further compounded by 66 days zero production (full shutdown) of the yarn plant and inventory losses on account of sharp reduction of raw material prices (prompted by WTI crude oil price fall from above \$:60 to below \$:40). As we are all aware that on March 11, 2020 the World Health Organization declared the Coronavirus disease (COVID-19) a pandemic, followed by lockdown by the Government and resultant overall economic slowdown and disruptions to various businesses. After the full 66 days shutdown the yarn plant was started on 15th June, 2020 and was slowly ramped up as demand increased. The production was also controlled in the initial period of restart to control the stock levels as the demand increase was uncertain. The demand of beverages and consequently the production and sale of Preforms did not get its full summer volume and was down by 22% during the lockdown quarter of April to June 2020 compared to corresponding summer quarter of last year.

As noted above, in last two quarters, there was a sharp declining trend in raw materials prices due to the



crash of international oil prices. PTA and MEG prices in December 2019 were \$:645 per MT & \$:560 per MT respectively while they fell down to \$:475 per MT & \$:410 per MT respectively by June 2020. Which meant that raw material was purchased at higher prices, and by the time it was converted in to finished good, the prices of the raw material and finished goods had dropped. This resulted in inventory losses as well a dynamic loss throughout that period.

The Company commissioned its PFY project expansion of 9800 MT per annum in end of January 2020, just before COVID. Unfortunately, the same remained shutdown from March to July 2020 due to COVID. However now it has been restarted.

As noted above, while the sale quantum of preforms went down by 11% the overall sales in monetary terms reduced by 15% due to the drop in prices in the upstream value chain. Your Company took the opportunity of lower volume this year, to overhaul some of its preform machines some of which are now over 15 years old and much lower in efficiency than newer machines. However, more of an issue are the molds which are for neck size and preforms weight which are now less and less in demand. Replacing them with new molds for updated preforms is a major expense which is nearly 45% of the cost of a new machine and in fact equal to value of the old machines. Moreover, some of these molds have run over 7 million cycles and need to be refurbished which costs nearly half the price of a new mold. As such in the coming years, your Company will have to make a strategic decision whether to spend its capex on Yarn expansion (further to the 75,000 tons as noted below) or on Preforms segment, in view of anti-dumping duties and government support through restoration/continuation of regulatory duty to compensate for the lower anti-dumping duties. The inclination at the moment is to go ahead for the Yarn expansion (main product of the Company) during the period of anti-dumping duties and regulatory duty.



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. The taxation figure includes the withholding tax on Investment income.

On the Balance Sheet front as compared to June 30, 2019 stocks decreased by Rs.446 million to reach amounting to Rs.2,395 million. However, Debtors increased by Rs.701 million to reach Rs.2,230 million. The trade payables decreased by Rs.455 million to reach Rs.1,578 million. On account of these changes, the short-term borrowings from banks increased by Rs. 807 million.





## CHALLENGES FACED AND FUTURE OUTLOOK

- An important development was that in the recent budget regulatory duty (which was at 5% in December 2018 reduced to 2.50% until it was removed in June 2019) was restored at 2.50% on imported Polyester Filament Yarn (PFY) w.e.f. 1st July 2020. The Company appreciates this restoration as the regulatory duty has helped the Company to compete against dumped imported product and expand its production from 36,000 tons in year 2017 to hopefully above 60,000 tons in 2020-21. In view of the regulatory duty restoration the Company is therefore going ahead with its further expansion (which it earlier had put on hold) which Insha Allah will come into production in June 2021, to take the annual production to 75,000 tons in year 2021-22
- Since long, imported yarn is dumped at a very low delta over the main raw material since major foreign producers sell over 80% of their capacity within their country while exporting to Pakistan at below total cost that is only sell at variable costs plus some recovery of fixed costs. The Anti-Dumping Duty of 3.25% to 4.97% imposed by Pakistan on three big Chinese producers is much lower than Anti-Dumping Duties imposed by Turkey minimum 16% or \$:250/ton and India minimum 23% on the same producers. Recently the USA also imposed Anti-Subsidy Duties against Chinese Filament Yarn producers @ 32.04% to 459.98%.
- Recent imposition of regulatory duty along with effective implementation of Anti-Dumping duties will provide much needed breathing support to the local industry. In view of this regulatory duty, your Company is considering further expansions to come on stream by January 2022, beyond the 75,000 tons noted above. These expansions on the back of regulatory duty on competing imported yarn as well as continuation of Anti-Dumping Duties beyond the year 2022, can take the indigenous production of PFY to a level which will meet above 70% of local demand by 2023-24 compared to only 33% in 2017. Besides import substitution this expansion will also increase local employment beyond the jobs already provided by the industry.
- Due to the limited size of cotton crop, the aim of the country should be to provide clothe/kapra to 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.
- Recent decision of The Supreme Court of Pakistan on GIDC for 2011 to 2020, may require Company to settle its liability which will hurt its liquidity position significantly, however Company is in touch with its legal counsel to consider legal remedies available (including a review petition) and for reducing the impact on the Company in view of not passing on the GIDC impact to its customer and the GIDC Act, 2015 clearly state that the GIDC is not applicable on Industrial category for the years before 2015.

- The Company's significant funds are stuck in Income Tax refunds, which unnecessarily affecting liquidity of the Company.
- The reduction in markup rates due to reduction in policy rates by SBP will help to control the Finance Costs.

#### OTHER MATTERS

- During the last 2 quarters, operations of Wholly Owned Subsidiary Messrs. Gatro Power (Private) Limited remained disturbed due to COVID-19 as the Parent Company power demand reduced owing to low production. During the year, this Subsidiary Company paid cash dividends amounting to Rs.135 million.
- During the year, Wholly Owned Subsidiary Company Messrs. G-Pac Energy (Private) Limited has issued 24,998,998 shares of Rs.10 each at par to the Parent Company i.e. Gatron (Industries) Limited. The principal business of this Subsidiary Company is to generate and sell electric power. The operations of this Subsidiary Company are expected to be commenced soon.
- During the year, an associated company i.e. Messrs. Novatex Limited has paid Rs.1,077 million cash dividend.
- A project of Digital Upgradation through SAP has been started in the Company to implement the best international practices for better utilization of resources in an efficient manner. This is not just a technological upgrade but a transformation which requires re-imagining business processes, organizational realignment and upscaling of human resource. On successful implementation its aim is to provide a competitive edge through timely and better-informed decisions.

#### APPROPRIATION

The Board of Directors of the company has not recommended any final dividend for the year ended June 30, 2020. Interim cash dividend of Rs.12.50 per share i.e., 125% for the year ended June 30, 2020 already paid.

#### EARNINGS PER SHARE

The earnings per share of the Company for the year ended on June 30, 2020 is Rs 27.65.

#### 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 reappointment as auditors of the Company for the year 2020-21.

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, auditors' report and director 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, 2020 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 departures there from, if any 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, directors of the company gifted/traded shares of the company and such holdings have been disclosed in the 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, 2020 was Rs. 490 million;
- During the year 06 Board meetings, 05 Audit committee meetings and 04 HR & remuneration committee meetings were held. Attendance by each director / member were as follows:

**Board of Directors****Number of meetings attended**

1) Haroon Bilwani	4
2) Pir Muhammad Diwan	6
3) Abdul Razak Diwan	6
4) Zakaria Bilwani	6
5) Usman Habib Bilwani	6
6) Muhammad Iqbal Bilwani	6
7) Shabbir Diwan	6
8) Muhammad Taufiq Bilwani	5
9) Muhammad Waseem	6

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

**Audit Committee****Number of meetings attended**

1) Muhammad Waseem	5
2) Haroon Bilwani	5
3) Usman Habib Bilwani	5
4) Muhammad Iqbal Bilwani	5

**HR & Remuneration Committee****Number of meetings attended**

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 Company has opted to conduct evaluation process of the board internally in compliance of the Code for assessing the board performance. A comprehensive review has been carried out entailing statutory documents, the minutes of board and committee meetings, policies currently in place and other ancillary documents, questionnaires, interactions with the board and committee 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.

### **ACKNOWLEDGMENT**

The Board of Directors of your company take this opportunity to express their deep sense of gratitude for all the stakeholders for their encouragement and continued support and look forward for continued collaboration with the Company as we move forward to meet and execute our targets together.

Further, we appreciate the Company's management and supporting staff for their satisfactory performance and devotion to duty and we are grateful to all Government Institutions, Auditors, the SECP, the PSX and banks for their valuable support and cooperation throughout the year.

**PIR MUHAMMAD DIWAN**  
CHIEF EXECUTIVE OFFICER

**MUHAMMAD IQBAL BILWANI**  
DIRECTOR

September 12, 2020



تعداد اجلاس میں حاضری

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ایچ آر اینڈری میونریشن کمیٹی

جناب محمد وسیم

جناب محمد اقبال بلوانی

جناب عثمان بلوانی

بورڈ آف ڈائریکٹرز:

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

بورڈ کی اپنی کارکردگی کی تشخیص:

کمپنی نے بورڈ کی کارکردگی کی تشخیص کے لئے اندرون خانہ ایک مؤثر نظام کا نفاذ کیا جو لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019ء کے عین مطابق ہے۔ اسی کے ساتھ بورڈ نے اپنی کمیٹیوں اور بورڈ کے اجلاسوں کی روداد، موجودہ طرز عمل اور دیگر ذیلی دستاویزات، سوالنامے، بورڈ اور کمیٹی کے ممبران کے درمیان روابط کا تفصیلی جائزہ شامل ہے۔

کوڈ آف کارپوریٹ گورننس کے بہترین معمولات 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 مؤثر تعمیل کیلئے ذیلی کمیٹیوں کو اختیار دیا گیا ہے۔ بورڈ اچھے کارپوریٹ گورننس کے اعلیٰ معیار کو برقرار رکھنے کیلئے پُر عزم ہے۔

اظہار تشکر:

ہم بورڈ آف ڈائریکٹرز کی جانب سے اپنے تمام اسٹیک ہولڈرز کا شکریہ ادا کرنا چاہتے ہیں جنہوں نے ہم پر اعتماد کیا۔ ساتھ ہی اپنی مینجمنٹ ٹیم کی پر خلوص محنت پر ان کے تہہ دل سے مشکور ہیں۔ بورڈ آف ڈائریکٹرز کی جانب سے مسلسل رہنمائی پر ان کے متمنی ہیں اور اپنے تمام متعلقہ افراد بشمول سرکاری ادارے، آڈیٹرز، ایس ای سی پی، پی ایس ایکس اور بینکرز کے شکر گزار ہیں جنہوں نے گیسٹرون کی ترقی میں اپنا کردار بخوبی نبھایا۔

محمد اقبال بلوانی  
ڈائریکٹر

پیر محمد دیوان  
افسر اعلیٰ

12 ستمبر، 2020ء



- ☆ 30 جون 2020ء کو اختتام پذیر ہونے والے سال کیلئے کمپنی ہذا کی انتظامیہ کے تیار کردہ مالیاتی گورنر شوارے، 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 قیاسیات پر مبنی ہیں۔
- ☆ مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈز ملحوظ خاطر رکھے گئے ہیں اور اگر کسی جگہ ان سے انحراف کیا گیا ہے تو اسے مناسب طور پر وجوہات کے ساتھ واضح کیا گیا ہے۔
- ☆ اندرونی نگہداری کا نظام مضبوط بنیادوں پر استوار ہے اور اس کا نفاذ موثر طور سے کیا گیا ہے اور اس پر نظر بھی رکھی جا رہی ہے۔
- ☆ گزشتہ برس کے آپریشنز کے 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 وشبہ نہیں۔
- ☆ کارپوریٹ گورننس کے بہترین معمولات جیسا کہ ریگولیشنز میں تفصیلاً مذکور ہیں سے کوئی اہم انحراف نہیں کیا گیا۔
- ☆ دوران سال ڈائریکٹرز نے جو کمپنی کے حصص میں تجارت کی معلومات تفصیلاً شیئر ہولڈنگ کی ترتیب میں بیان کی گئی ہیں۔
- ☆ گزشتہ 6 سال کا اہم آپریشنز اور فنانشل ڈیٹا اس رپورٹ میں منسلک ہے۔
- ☆ 30 جون 2020ء کو پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر مبلغ 490 ملین روپے تھی۔
- ☆ دوران سال 6 بورڈ، 5 آڈٹ کمیٹی اور 14 ایچ آر اینڈ ری میونریشن کمیٹی کے اجلاس کا انعقاد کیا گیا۔ جس میں ڈائریکٹرز اور ممبران کی حاضری درج ذیل رہی:

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

بورڈ کے اجلاس میں حاضر نہ ہو سکنے والے ڈائریکٹرز کو رخصت عطا کی گئی۔

تعداد اجلاس میں حاضری	آڈٹ کمیٹی
5	جناب محمد وسیم
5	حاجی ہارون پلوانی
5	جناب عثمان پلوانی
5	جناب محمد اقبال پلوانی

SAP کے ذریعے (Digital-Upgradation) ڈیجیٹل اپ گریڈیشن کا پروجیکٹ شروع کیا گیا ہے، تاکہ وسائل کے بہتر استعمال اور موثر انداز میں بہترین بین الاقوامی طریقوں کو عمل میں لایا جاسکے۔ یہ صرف Technological Upgrade نہیں ہے بلکہ ایسی تبدیلی ہے جس میں Business processes، تنظیم سازی کی بحالی اور انسانی وسائل کو اعلیٰ درجہ پر لانا شامل ہے۔ اس کی کامیابی تکمیل کا مقصد بروقت اور باخبر فیصلوں کے ذریعے مسابقتی برتری کی فراہمی ہے۔

تصرف:

کمپنی کے بورڈ آف ڈائریکٹرز نے 30 جون 2020ء کے اختتام پذیر ہونے والے سال کیلئے حتمی منافع منقسمہ نہ دینے کی تجویز پیش کی ہے۔ البتہ منافع مبلغ 12.50 روپے (125 فیصد) فی حصہ کی شرح سے عبوری منافع منقسمہ پہلے ہی ادا کیا جا چکا ہے۔

آمدن فی حصہ:

30 جون 2020ء کو اختتام پذیر ہونے والے سال کے لئے منافع فی حصہ 27.65 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۔

چیئرمین کا جائزہ:

چیئرمین کا جائزہ اس سالانہ رپورٹ میں منسلک کیا 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 2020-21 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۔

شیئرز ہولڈنگ کی ترتیب:

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

مجموعی مالیاتی گوشوارے:

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

کارپوریٹ اور فنانشل رپورٹنگ کا فریم ورک:

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

☆ ایٹمی ڈمپنگ ڈیوٹیوں (ADDs) کے موثر نفاذ کے ساتھ ساتھ ریگولیٹری ڈیوٹی کا حالیہ نفاذ مقامی صنعت کو بحال ہونے میں بہت زیادہ مدد فراہم کرے گا۔ اس ریگولیٹری ڈیوٹی کے پیش نظر، آپ کی کمپنی مذکورہ بالا 75,000 ٹن سے بھی زیادہ جنوری 2022ء تک مزید توسیع پر غور کر رہی ہے۔ سال 2022ء کے دوران درآمد شدہ یارن کا مقابلہ کرنے کے ساتھ ساتھ ایٹمی ڈمپنگ ڈیوٹیوں (ADDs) کے تسلسل اور ریگولیٹری ڈیوٹی کی Back-up پر یہ توسیع PFY کی مقامی پیداوار کو ایک سطح تک لے جاسکتی ہے جو سال 2023-24 تک مقامی طلب کے 70 فیصد سے زیادہ کو پورا کر سکتی ہے جو سال 2017ء میں صرف 33 فیصد تھا۔ درآمدی متبادل کے علاوہ اس سے صنعت میں پہلے سے فراہم کردہ ملازمتوں سے کہیں زیادہ مقامی ملازمت میں اضافہ ہوگا۔

☆ کاٹن کی فصل کم کاشت کی جانے کی وجہ سے یہ ضروری ہے کہ 200 ملین سے زیادہ مقامی آبادی مقامی خام مال سے تیار شدہ ٹیکسٹائل مصنوعات استعمال کرے۔ یہاں یہ بتانا بھی ضروری ہے کہ فلامنٹ یارن میں استعمال ہونے والا PTA جیسا اہم خام مال پاکستان میں بنایا جاتا ہے اور اب جبکہ سعودی ریفا سازی کا قیام عمل میں لایا جا رہا ہے تو PTA کا اہم خام مال PARAXYLENE گیمیکل 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 ملبوسات تک کی پوری Chain ملک میں ہی بنے گی۔

☆ جی آئی ڈی سی (GIDC) کے متعلق 2011ء سے 2020ء تک سپریم کورٹ آف پاکستان کے حالیہ فیصلے کے تحت، کمپنی کو اپنی Liability ادا کرنے کی ضرورت ہے جس سے کمپنی کی Liquidity نمایاں طور پر متاثر ہوگی، تاہم، کمپنی اپنے قانونی مشیر سے رابطے میں ہے کہ وہ اس سلسلے میں موجودہ قانونی حل پر غور کرنے (جس میں نظر ثانی کی درخواست بھی شامل ہے) اور کمپنی پراس کے اثرات کو کم کرنے، جبکہ کمپنی نے GIDC کو صارفین سے وصول نہیں کیا اور خاص طور پر 2015 GIDC Act میں واضح ہے کہ 2015 سے پہلے کا GIDC کا اطلاق صنعتی Category پر نہیں ہوگا۔

☆ کمپنی کی خطرہ رقم نکلنے کی شرح میں پھنسی ہوئی ہے جو Liquidity پر اثر انداز ہو رہی ہے۔

☆ اسٹیٹ بینک (SBP) کی جانب سے مارک اپ کی شرحوں میں کمی مالی اخراجات کو کنٹرول کرنے میں معاون ثابت ہوگی۔

دیگر امور:

پچھلے 2 سہ ماہی کے دوران، مکمل ملکیتی ماتحت ادارہ میسرز گیٹر واپار (پرائیوٹ) لمیٹڈ کے آپریشنز COVID-19 کے باعث متاثر ہوئے کیونکہ پیرنٹ کمپنی (جو کے واحد صارف ہے) کی بجلی کی طلب کم پیداوار کی وجہ سے کم رہی۔ اس ادارے نے سال کے دوران 135 ملین روپے کے نقد منافع منقسمہ کی ادائیگی کی۔

زیر جائزہ مدت کے دوران مکمل ملکیتی ماتحت ادارہ میسرز جی پیک انرجی (پرائیوٹ) لمیٹڈ نے پیرنٹ کمپنی یعنی گیٹر واپار (انڈسٹریز) لمیٹڈ کو 10 روپے کے حساب سے 24,998,998 شیئرز جاری کیے۔ اس ادارے 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 نووا ٹیکس لمیٹڈ نے 1,077 ملین روپے کے نقد منافع منقسمہ کی ادائیگی کی۔

کمپنی نے COVID سے کچھ عرصہ پہلے جنوری 2020ء کے آخر میں PFY کا 9800 ٹن سالانہ توسیعی پروجیکٹ شروع کیا۔ جو بدقسمتی سے، مارچ تا جولائی 2020ء تک COVID کی وجہ سے بند رہا۔ تاہم اب اسے دوبارہ شروع کر دیا گیا ہے۔

جیسا کہ اوپر لکھا گیا کہ، اگرچہ پری فارمز کی مجموعی فروخت کی مقدار میں 11 فیصد کمی واقع ہوئی ہے جبکہ مالیاتی اعتبار سے مجموعی فروخت میں 15 فیصد کمی واقع ہوئی جس کی وجہ قیمتوں کی Upstream Value Chain میں کمی ہے۔ آپ کی کمپنی نے اس سال کم حجم کے موقع کا فائدہ اٹھاتے ہوئے کچھ پری فارمز مشینوں کو Overhaul کیا جن میں سے کچھ 15 سال سے زیادہ پرانی ہیں اور ان کی کارکردگی نئی مشینوں کے مقابلے میں بہت کم ہے۔ تاہم زیادہ مسئلہ Molds (جن کی Neck کی سائز اور Preforms کا وزن) کا ہے جن کی مانگ آج کل کم ہے ان Molds کو حالیہ ضرورت کے پری فارمز میں تبدیل کرنے کا خرچ تقریباً نئے مشینوں کی لاگت کے 45 فیصد ہے یا پرانے مشینوں کی قیمت کے برابر ہے۔ مزید یہ کہ ان Molds کے 70 لاکھ Cycles چلائے جا چکے ہیں اور ان کو Overhaul کرانے کی ضرورت ہے جس کی لاگت نئے Molds کے مقابلہ میں آدھی ہے۔ اس لئے آنے والے سالوں میں آپ کی کمپنی کو کوئی ٹھوس حکمت عملی طے کرنی پڑے گی آیا کہ مزید سرمایہ کاری یارن کی توسیع کو 75,000 ٹن جیسا کہ نیچے بتایا گیا ہے کی جائے یا پری فارمز کے شعبے میں سرمایہ کاری کی جائے، اس کیلئے کم اینٹی ڈمپنگ ڈیوٹی کے پیش نظر ریگولیٹری ڈیوٹی کی بحالی/تسلسل کے حالیہ حکومتی اقدام کو مد نظر رکھنا ہوگا۔ ہمارا رجحان یہ ہے کہ اینٹی ڈمپنگ ڈیوٹی اور ریگولیٹری ڈیوٹی کے دورانیہ میں یارن کی توسیع (جو کمپنی کی اصل Product ہے) کی جائے۔

انتظامی، تقسیم اور فروخت کے اخراجات قابو میں رہے اور گذشتہ سال کے مقابلے میں اس میں کوئی نمایاں تبدیلی واقع نہیں ہوئی۔ تاہم، ہم توقع کرتے ہیں کہ آنے والے سالوں میں روپے کی قدر میں کمی کے نتیجے میں ان میں نمایاں اضافہ ہوگا۔ ٹیکس کے اعداد و شمار میں سرمایہ کاری کی آمدنی پر Withholding ٹیکس شامل ہے۔

30 جون 2019ء کے مقابلے میں اسٹاک کی مالیت میں 446 ملین روپے کی کمی ہوئی جو 2,395 ملین روپے تک پہنچ گئی۔ قابل وصول قرضوں کی مالیت 701 ملین روپے سے بڑھ کر 2,230 ملین روپے تک پہنچ گئی۔ تجارتی ادائیگیوں میں 455 ملین روپے کی کمی ہوئی جو 1,578 ملین روپے پہنچ گئی۔ ان تبدیلیوں کی وجہ سے، بینکوں سے مختصر مدت کے ادھار میں 807 ملین روپے کا اضافہ ہوا۔

درپیش چیلنجز اور مستقبل پر ایک نظر:

☆ ایک اہم پیشرفت یہ تھی کہ حالیہ بجٹ میں درآمد شدہ پالیسٹر فلیسمنٹ یارن (PFY) پر ریگولیٹری ڈیوٹی (جو دسمبر 2018ء میں 5 فیصد تھی جو 2.50 فیصد تک کم کر دی گئی اور جون 2019ء میں ہٹا دی گئی) کو یکم جولائی 2020ء سے 2.50 فیصد سے بحال کی گئی۔ کمپنی اس بحالی کی قدر دانی کرتی ہے کیونکہ اس ریگولیٹری ڈیوٹی نے کمپنی کو Dumped Imported مصنوعات کا مقابلہ کرنے میں مدد ملی اور کمپنی کی پیداواری صلاحیت کو سال 2017ء میں 36,000 ٹن سے بڑھا کر سال 2020-21 تک امید ہے کہ 60,000 ٹن سے بھی زیادہ ہو جائے۔ ریگولیٹری ڈیوٹی کی بحالی کے پیش نظر کمپنی اپنی پیداواری صلاحیت میں مزید توسیع (جو پہلے روک دی گئی تھی) کے ساتھ آگے بڑھ رہی ہے، جسے انشاء اللہ جون 2021ء میں شروع کر دی جائیگی اور سال 2021-22 تک 75,000 ٹن سالانہ ہو جائیگی۔

☆ چونکہ طویل عرصے سے، درآمد شدہ یارن اہم خام مال کے مقابلے میں انتہائی کم ڈیٹا پر Dumped کیا جاتا ہے کیونکہ یہ تمام غیر ملکی پروڈیوسر اپنی صلاحیت کا 80 فیصد سے زیادہ مال اپنے ملک میں فروخت کرتے ہیں جبکہ کل لاگت سے کم قیمت پر پاکستان برآمد کرتے ہیں جس میں Variable قیمت اور کچھ Fixed Cost شامل ہوتی ہے۔ پاکستان نے تین بڑے چینی پروڈیوسروں پر 3.25 فیصد سے 4.97 فیصد تک کی اینٹی ڈمپنگ ڈیوٹی عائد کی جو کے ترکی کی طرف سے عائد کی جانے والی اینٹی ڈمپنگ ڈیوٹی کم سے کم 16 فیصد یا \$250 فی ٹن اور ہندوستان نے کم سے کم 23 فیصد یا پروڈیوسرز پر عائد کی۔ حال ہی میں امریکہ نے بھی چینی فلیسمنٹ یارن پر پروڈیوسر پر 32.04 فیصد سے 459.98 فیصد تک اینٹی سبسڈی ڈیوٹی عائد کی ہے۔



## بورڈ آف ڈائریکٹرز کی رپورٹ

معزز ممبران،

گیٹرون (انڈسٹریز) لمیٹڈ کے ڈائریکٹرز 30 جون 2020ء کو اختتام پذیر ہونے والے سال کی رپورٹ اور آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے دلی مسرت محسوس کر رہے ہیں۔

زیر جائزہ مدت کا مالیاتی خلاصہ درج ذیل ہے:

☆	خالص فروخت 12,938 ملین روپے۔
☆	آپریٹنگ منافع 451 ملین روپے۔
☆	آمدنی بذریعہ سرمایہ کاری 1,213 ملین روپے۔
☆	منافع قبل از انکم ٹیکس 1,458 ملین روپے۔
☆	منافع بعد از انکم ٹیکس 1,061 ملین روپے۔
☆	آمدنی فی حصہ 27.65 روپے۔

کمپنی کی مجموعی فروخت میں گزشتہ سال کے مقابلے میں 27 فیصد کمی واقع ہوئی جس کی بنیادی وجہ پالیسٹر فیلامنٹ یارن (PFY) کی فروخت کی مقدار میں 30 فیصد کمی ہے، جس کا ایک حصہ انتہائی ڈمپنگ/ بجٹ سے متعلق امور کی وجہ سے (ٹیکسٹائل مصنوعات پر 17 فیصد سیلز ٹیکس کا اطلاق جو اس سے پہلے صفر تھا) جولائی تا دسمبر 2019ء تک مارکیٹ پر منفی اثر پڑا لیکن اس فروخت میں ہونے والی کمی کا ایک اہم (دو تہائی) حصہ مارچ سے جون 2020ء کے COVID دورانیے میں رہا۔ جولائی تا دسمبر 2019ء میں ہونے والے نقصان کی کچھ تلافی اپریل سے جون 2019ء کے دوران ڈالر کے مقابلے میں 148 روپے کی اوسط شرح زرتبادلہ سے بڑھ کر جولائی تا دسمبر 2019ء کے دوران 157 روپے تک پہنچی جس کی وجہ سے Inventory gain ہوا۔ تاہم، جنوری سے جون 2020ء تک فروخت میں ہونے والے نقصان نے اس نتیجہ کو منفی طور پر متاثر کیا۔ یارن پلانٹ کی 66 دن کی صفر پیداوار (مکمل شٹ ڈاؤن کی وجہ سے) اور خام مال کی قیمتوں میں تیزی سے کمی سے WTI Inventory loss کے خام تیل کی قیمت میں کمی \$: 60 سے زائد سے \$: 40 سے کم ہو گئیں) بڑھ گئے۔ جیسا کہ ہم سب جانتے ہیں کہ 11 مارچ، 2020ء کو عالمی ادارہ صحت نے کورونا وائرس بیماری (COVID-19) کو وبائی بیماری قرار دیا، جس کے بعد حکومت کی طرف سے لاک ڈاؤن اور اس کے نتیجے میں مجموعی معاشی سست روی اور مختلف کاروباروں میں رکاوٹ پیدا ہوئی۔ پورے 66 دن کی بندش کے بعد یارن پلانٹ کی پیداوار 15 جون 2020ء کو دوبارہ شروع کی اور طلب بڑھنے پر یارن کی پیداوار کو آہستہ آہستہ بڑھا یا گیا۔ Inventory کی سطح کا کنٹرول رکھنے کے لئے پیداوار کو دوبارہ شروع کرنے کے ابتدائی دور میں کنٹرول کیا گیا کیونکہ طلب میں اضافہ غیر یقینی تھا۔ مشروبات کی طلب میں کمی اور اس کے نتیجے میں پری فارمز کی تیاری اور فروخت کا موسم گرما کا پورا حجم نہیں ملا اور اپریل تا جون 2020ء والی لاک ڈاؤن سے مابقی کے دوران گزشتہ سال کی اسی مدت کے مقابلے میں فروخت 22 فیصد کم رہی۔

جیسا کہ اوپر لکھا گیا ہے کہ پچھلی ۲ سہ ماہی کے دوران تیل کی بین الاقوامی قیمتوں میں کمی کے سبب خام مال کی قیمتوں میں تیزی سے گراوٹ کا رجحان رہا۔ دسمبر 2019ء میں PTA اور MEG کی قیمتیں \$: 645 فی MT اور \$: 560 فی MT تھیں، جبکہ جون 2020ء تک بل ترتیب \$: 475 فی MT اور \$: 410 فی MT ہو گئیں۔ جس کی وجہ سے زیادہ قیمتوں پر خریدے ہوئے خام مال سے تیار شدہ مال (Finished Goods) میں تبدیل کر کے فروخت کے وقت خام مال اور تیار مال کی قیمتیں گر گئیں جس کے نتیجے میں Inventory میں خاطر خواہ نقصانات ہوئے۔

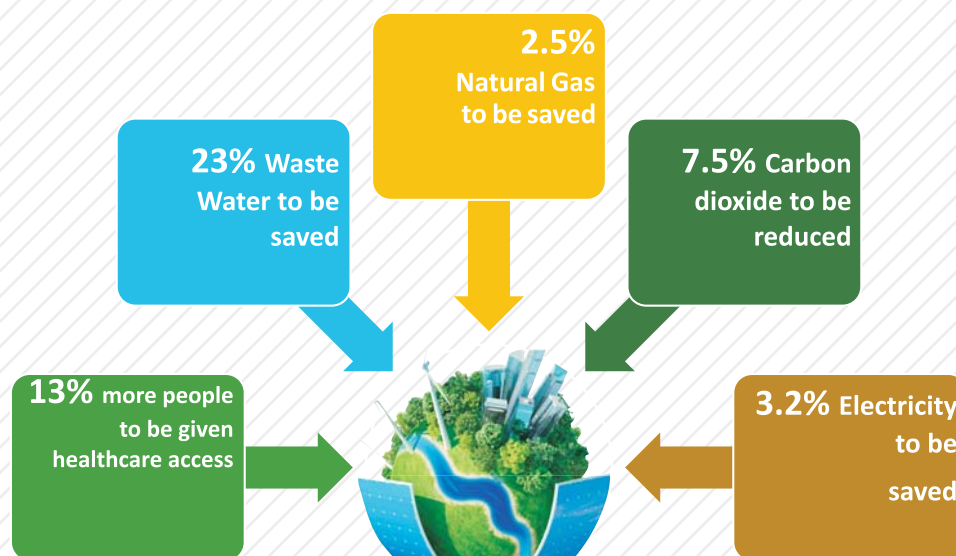
The background is a solid teal color. It features several large, semi-transparent circles and a central star-like shape formed by overlapping lines, creating a modern, abstract geometric pattern.

# **SUSTAINABILITY REPORT**



# Sustainability Report

PEOPLE. PLANET. PROSPERITY.



Our philosophy for Sustainability is in line with the principles set by UNDP in their Sustainable Development Goals. Here at Gatron (Industries) Limited, we believe in generating Prosperity for People while upholding the best Planetary-Friendly practices to give back to the community. We do this by providing positive social value, instilling and inspiring philanthropy and becoming responsible companions of our society.

Onwards and Upwards till we achieve our goals, is the philosophy behind the ambition to realize our Sustainability Goals. Gatron and its employees are motivated to go above and beyond to achieve sustainability in all aspects of our business and dealings for further fortifying the trust of our stakeholders and society.

Our Sustainability Goals for next year are as follows:

1. To improve our health care and outreach to 30,000 people by the end of FY 2020-21.
2. To allocate a budget which can benefit 14,000 people by the end of FY 2020-21 for early warnings, risk reduction and management of pandemics like COVID-19.
3. To save 26 Million Imperial Gallons of waste water in FY 2020-21.
4. To save 985,000 cubic meter of Natural Gas in FY 2020-21.
5. To reduce CO<sub>2</sub> Emissions by 6,790 Tons in FY 2020-21.
6. To save 4,381,000 kWh of Electricity in FY 2020-21.



## Good Health And Well-Being

	Achieved	Targets		
	By end of FY 2020	By end of FY 2021	By end of FY 2023	By end of FY 2025
<b>Health Care No. of People Impacted</b>	<b>27,000</b>	<b>30,000</b>	<b>35,000</b>	<b>45,000</b>
<b>Management of Global health risk/ Pandemics No. of People Impacted</b>	<b>12,000</b>	<b>14,000</b>	<b>16,000</b>	<b>18,000</b>
<b>Overall Achieved/Targets No. of People Impacted</b>	<b>39,000</b>	<b>44,000</b>	<b>51,000</b>	<b>63,000</b>

Gatron holds the health and quality of life of people in the highest regard. In the last year, we have invested in the Health Sector to improve basic health facilities of our local communities. During the Global Pandemic of COVID-19 we were able to successfully introduce and implement precautionary measures. For the future, we have set realistic targets for us to achieve.

During FY 2019-20 our investment helped improve the quality of life for 27,000 individuals. Some of our various initiatives in this regard are listed below. We aim to increase investment in the health sector to reach 63,000 people by June 2025.

Some in our society lack basic needs and we aim to increase the provision of food and clothes to the people of Hub. In the future we are aiming to reach more people so that we can play our part to achieve the UNDP goal of "Zero Hunger".

For the community, we have established three Eye Care Clinics serving 20,000 people a year. Our Eye Care Clinics are located in:

- Landhi - Karachi, Sindh
- Ghulam Qadir Khan Hospital - Hub, Balochistan
- Uthal Hospital - Uthal, Balochistan

All expenses of our Eye Care Clinics are being provided through Gatron Foundation.



In FY 2019-20, 877 cataract eye surgeries were carried out under the umbrella of Gatron Foundation. Additionally, we donated 47 blood bags to Indus Hospital through a blood donation drive carried out at our premises.



**Blood Donation Drive**

Besides the above Gatron Foundation has constructed buildings at Al Ibrahim Eye Hospital, Memon Goth Karachi as well as the Chest Ward in JPMC Karachi, which are being used by these organisations to provide low cost or totally free health care in their speciality. Gatron Foundation also provides/arranges maintenance funding and Zakat funding for medicines in these location.

### **COVID -19 - The Pandemic that is reshaping the world**

During FY 2019-20, our World was struck by COVID-19. It has turned the World upside down. Everything has been impacted. How we live and interact with each other, how we work and communicate, how we move around and travel. Every aspect of our lives has been affected during this pandemic. Gatron was adversely affected by the pandemic as it had a prolonged shutdown of its Polyester Filament Yarn plant - one that we have never seen before. During the lockdown and restart we have prioritized the health and safety of our employees as well as the community around us.

For this pandemic, we donated millions of rupees and facilitated more than 12,000 people by providing them with basic PPE's, food and medical supplies through the Lasbela Chamber of Commerce & Industry and the provincial governments of Sindh and Balochistan. Further more, Free Face shields were provided to the DG Health Quetta as well as certain hospitals in Karachi.

We have introduced and implemented measures and procedures at our Factory and Head Office for containing the spread of COVID-19. The measures and procedures are listed as following:

1. Weekly screening of Employees for detection of COVID-19 spread through Antibody Testing.
2. PCR testing of Employees identified at risk of being a carrier of Covid through this Antibody test screening as well as through contact tracing of personnel infected with COVID-19.
3. Raising COVID-19 awareness through sessions and posters.
4. Installation of Infrared Thermal Camera and provision of Infrared Thermal Guns at entrance gates for monitoring body temperature of all employees.

5. Markings painted to maintain Social Distancing at Entrance Gates, Canteen, Mess and Ibadat-Gah.
6. Installation of Hand Sanitizers at various places and entrances of different units, offices, workshops, workers colony and Ibadat-Gah.
7. Formation and Implementation of Health Care checklist for detection of employees exhibiting COVID-19 symptoms.
8. Designated table and chair allocated to all Staff in Mess during Lunch timings.
9. Staggered lunch timings introduced to cater all employees maintaining social distancing.
10. Face Masks provided to employees on weekly basis.
11. Face Shields provided to personnel who have increased interaction with people like Security Guards at Entrance Gate and Control Room Operators and Engineers.
12. Special Biohazard suits provided to HSE Staff for dealing with suspected COVID-19 cases.
13. Disinfection of all Transportation Vehicles for Staff (Management/Workers) thrice every 8 hours at the end of each shift on daily basis.
14. Randomized screening of department personnel by Technical Audit.



Wearing Face Shields in Confined Rooms with multiple people sitting



Infrared Thermal Camera for testing body temperature



Awareness Posters and Hand Sanitizers put up at various locations



## Clean Water and Sanitation

	Achieved	Targets		
	By end of FY 2020	By end of FY 2021	By end of FY 2023	By end of FY 2025
Water Savings IG/Year	6.5 Million	26 Million	47 Million	59 Million

Water is vital for Industry just as it is for all of God's creation throughout our world.

Gatron has already invested in recycling of Coding Tower Water as well as Vacuum Pyrolysis and additional Reverse Osmosis Plant for Water Conservation in this fiscal year. We have committed to retrofit our Effluent Treatment Plant for the combined savings of 60,000 IG/day for FY 2020-2021. These water savings will contribute to positive environmental impact and will help for reduction of our water consumption as well.

Alongside ETP, we are installing a DAF System for reducing the Reject Water from our reverse osmosis plants to save water amounting to 53,000 IG a day.

Our target will be to save **26 Million Imperial Gallons of Water** by the end of Fiscal Year 2020-21 through per ETP and DAF System commissioning in January 2021. Beside this our selection of process and plant equipment is based on minimizing water consumption in the plant as well as its cooling process.

These water savings will contribute directly towards conservation of water and indirectly towards CO<sub>2</sub> emissions by reducing Water Tankers movement to our factory.





## Affordable and Clean Energy

	Targets		
	By end of FY 2021	By end of FY 2023	By end of FY 2025
Natural Gas Savings m3/Year	985,000	2,195,000	2,195,000

Our stalwart aspiration is to increase our reliance on Solar and Wind Power to produce economical power that helps to ensure a clean and healthy planet for future generations to come.

Gatron's journey for Affordable and Clean Energy has led to the working and installation of the following projects which are to be commissioned in Fiscal Year 2020-2021:

1. **1135 kW Renewable Solar Energy** plant installation which would result in yearly savings of 610,000 m3 of Natural Gas, thus making our Process more Energy Efficient.
2. Future investments in Solar Energy to increase output of **Renewable Energy to 1978 kW** resulting in Savings of 1,060,000 m3 of Natural Gas per Year.
3. Alternative **Preheating source of Heat Transfer Media** through Gas Turbine waste Exhaust resulting in yearly savings of 1,360,000 m3 further enhancing our Energy Efficiency.
4. Addition of **Higher Efficiency Engines** and **replacement of old Electrical Chillers** with poor performance with new Electrical Chillers with 120 percent improved performance.



Solar Plant Installation at Gatron (Industries) Limited



## Climate Action

	Achieved	Targets		
	By end of FY 2020	By end of FY 2021	By end of FY 2023	By end of FY 2025
<b>Reduction in CO<sub>2</sub> Emissions Tons/Year</b>	<b>930</b>	<b>6,790</b>	<b>7,930</b>	<b>11,430</b>

Climate change is a formidable challenge of mankind's own making. Gatron has irrevocably set its course for achieving sustainability in natural resource management.

Gatron's milestones for adaptation of environment friendly practices involves Reduction of CO<sub>2</sub> emissions by **6,790 Tons/Year** through Recycling Waste PET bottles, Utilization of Renewable Energy, More Efficient Waste Heat Recovery, Procuring Higher Efficiency Equipment.

In January 2020, we successfully installed and commissioned a Plant for Recycling of post consumer PET bottles waste into polyester filament yarn and launched our recycled yarn brand "**Ecoron**".

This project has reduced the impact of waste by decreasing our CO<sub>2</sub> footprint by 1,185 ton/year, reduced the load on the landfills and increased biodiversity by recycling 14 millions plastic bottles every month.

During the Karachi Eat Festival in January 2020 we carried out a collection drive for plastic bottles that were then recycled into Ecoron yarn. During the event, awareness was raised about the benefits and uses of recycling waste in addition to collection of waste.





## Responsible Consumption And Production

	Achieved	Targets		
	By end of FY 2020	By end of FY 2021	By end of FY 2023	By end of FY 2025
<b>Electrical Savings* kWh/Year</b>	<b>534,000</b>	<b>4,381,000</b>	<b>4,740,000</b>	<b>4,740,000</b>

Gatron (Industries) Limited believes in establishing competitive superiority as we believe we have a critical role to play in moving business and society forward. Our long term and sustainable growth comes only through focusing on benefits that we can offer to the people, community and environment in which we operate.

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

Keeping in line with the responsible consumption and production theme, we have invested multi-million dollars for capacity & quality enhancement, energy efficient and environment friendly projects.

We follow energy conservation in letter and in spirit by continuously engaging ourselves in collective efforts to improve energy performance and efficiency, in this area another milestone was achieved in February 2020 by successfully installing and running a **new Barmag e-Save POY spinning line** equipped with the most energy efficient Evo-quench and drawing system and addition of new **Barmag e-Save state-of-the-art texturing machines** which further added to the production capacity with substantially reduced energy consumption.

Keeping in the track, Gatron (Industries) Limited has made future investment in capacity increase projects: **A new POY spinning line with latest DIO and cross-flow quench air technology.**

Ordering of **latest state of the art WINGS Winders** Integrated Godet System in Spinning for replacement of old winders to increase the production, quality improvement at reduce production cost in energy efficient way.

Ordering of **new Texturing Machines** with the eFK e-Save technology to produce consistently high yarn quality and greater productivity, along with lower energy consumption.

Besides this the new bigger and efficient Air Compressors are beigh installed to replace old smaller compressors to reduce the over all electric consumption for the same amount of compressed air.

**HSE****Occupational Health and Safety**

	Achieved	Targets		
	By end of FY 2020	By end of FY 2021	By end of FY 2023	By end of FY 2025
<b>Fatalities: employees</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>LTI - Lost Time Injury</b>	<b>7</b>	<b>5</b>	<b>3</b>	<b>2</b>
<b>MTI - Medical Treatment Injury</b>	<b>14</b>	<b>12</b>	<b>10</b>	<b>8</b>

Health and safety are of highest value to Gatron (Industries) Ltd. Our approach towards health and safety is primarily preventive in nature and focused on enhancement of the occupational health and safety culture across the company. This includes all of our operational sites and manufacturing facilities. This health and safety structure is designed for minimizing occupational incidents, illnesses and major adverse effects.

The Safety Operation Committee, consisting of senior management, has been formed for this purpose. They conduct safety operation committee meeting on quarterly basis. They also convene on a monthly basis to review accidents or incidents through HSE department via root cause analysis reports and advise as well as provide resource mitigation.

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

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

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/incident statistics gap analysis and also issue stop card through email to the concerned department for corrective

action. Additionally we conduct comprehensive Occupational Health and Safety Training sessions including practical live fire fighting mock drills, so as in case of any emergency available staff could handle the situation.

Emergency evacuation drills conducted on biannual basis. Furthermore, annually refresher trainings are also being conduct of all employees, including 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

We have implemented procedures based on nationally and internationally recognized laws and customers' code of conduct, covering occupational environment, safety and health.

By the Grace of Almighty Allah, since the beginning of its operation, there has been no fatality at Gatron Industries limited and we take every precaution to keep it at "Zero". Our aim for the years to come is "Zero". We have set our objective to reduce our Lost Time Injury cases by "30%" in the year 2020-21 and "70%" by June 2025. Which means that 5 injuries in the year 2021 and 2 injuries by the year 2025.

There were 14 medical treatment injuries and we aim to decrease them to 12 in the year 2020-21 and eventually reduce them to 8 by the June 2025. Gatron Industries is striving to make its premises accident and incident free.





The background is a solid teal color. It features several overlapping circles of varying sizes and some thin, light teal lines that create a geometric, abstract pattern. The circles are semi-transparent, allowing the teal background to show through. The lines are thin and intersect at various points, forming a network-like structure.

**HUMAN RESOURCE MANAGEMENT  
RISK MANAGEMENT  
INFORMATION TECHNOLOGY**

## HUMAN RESOURCE MANAGEMENT

Continuous development and improvement of our employees is at the core of all HR initiatives at Gatron (Industries) Ltd. Thus, building on previous year's competency framework project, HR department's primary objective this year was to minimize the existing gap in employees' skills level by providing them training and development opportunities.



To accomplish the aforesaid, instead of randomly conducting training sessions, trainings were organized on the basis of behavioral competencies identified for various positions at Head office. This made the whole training and development activity data driven instead of a routine exercise, hence making it a win-win scenario for both the employees and the organization.

Another major achievement during the course of the year was to initiate an organization wide digital transformation journey. In this regard, our Top Management proactively decided to implement world's leading SAP enterprise application software. Over the next couple of years, the HR department will be involved in implementing SAP's on premise Human Capital Management module and SAP's cloud based Success Factors module throughout the organization. Digitalizing HR will reduce time consuming tasks of operational nature and allow more time for value adding activities. SAP Success Factors will enable HR to drive the organization forward by providing valuable workforce data. This powerful visualization tool will allow decision makers to gain insight into their workforce and make informed or even predictive decisions, thereby improving productivity, revenue, and employee satisfaction. With these benefits, the SAP HCM and Success Factor modules will come across as a real value booster for our organization's HR functions.

## RISK MANAGEMENT

Risk Management refers to the process of planning, organizing and controlling the activities of an organization in order to minimize the impact of adverse events on an organization's capital and earnings. At Gatron risk management is viewed as integral to the creation and protection of business by managing risks that may potentially hinder our corporate goals and objectives. Our efforts focus on ensuring sound and sustainable growth while protecting the tangible and intangible assets. The Company has incorporated a structured approach to managing risks, which is broadly based on following steps:

- Identifying risks
- Assessing and comparing risks with the risk appetite
- Deciding the extent to which risks are managed
- Taking appropriate action
- Reporting and reviewing actions taken

We have in place a sound mechanism for identification of risks, assigning priority and devising mitigation measures, in line with overall objectives, which are regularly monitored by the management across all major functions. All functions are responsible for risk recognition, assessment and development of controls in their respective areas of operation while Risk Management function, with adequate support from such functions, is responsible for collating the results of such exercises and presenting to relevant authorities from time to time.

Furthermore, the Company also has a comprehensive insurance programme that is designed to reduce the uncertainty of large business losses along with ensuring business continuity. These losses may include damage to our property or other physical assets in factories, warehouses and in transit. Risk department ensures implementation of security standards, by conducting regular inspections, as per Company SoPs and surveyor recommendations.

We remain diligent towards emerging risks due to Covid-19 and subsequent lockdowns which continue to impact our business and operations. We have taken steps to counter the impact of such risks and will continue to monitor the situation to further strengthen our resilience in future.

### Risk Management





## INFORMATION TECHNOLOGY

Business as usual is no more. Good enough is being replaced by sustainable enough. Recent COVID 19 Pandemic has changed the way we interact, socialize and do business. Hyper collaboration is the new normal. Future is no more just an extension of the past. The pace of innovation has increased phenomenally. The sustainability of the enterprises of future will depend on how well they can leverage the Megashifts. As explained by Futurist Mr. Gerd Leonhard, "Megashifts are much more than paradigm shifts, which usually affect only one sphere of human activity. Megashifts radically reconfigure the age-old relationship between our past, present and future."

During 2019-20, Gatron with EY made the strategic decision to embark on the Digital Transformation journey. Current state assessment was performed to identify the gaps. A comprehensive portfolio of software and services were selected to truly transform Gatron to a digital enterprise over next 3 year.

The value proposition of the Digital Transformation program is to deliver unmatched experience to our employees, customer, suppliers and most importantly to our shareholders. Employee experience will be enriched through redefined HR policies and procedure benchmarked on global leading practices delivered through SAP Success Factors and HCM modules of SAP S/4 HANA. This experience is to be delivered even before a perspective employee actually begins his journey with Gatron to the point where his final settlement is done with Gatron. Customer experience will be delivered by utilizing leading business processes and a comprehensive suite of on premise software like SAP S/4 Sales and Distribution module and cloud products like SAP CX on C4HANA. For supplier experience, Gatron will be utilizing Ariba, worlds largest B2B network. Real time integration with 3rd party systems will further enrich the experiences of our stakeholders. The increased efficiency and transparency brought through leading business processes, streamlined HR and multiple touch points for stakeholders will deliver improved experience to our shareholders.

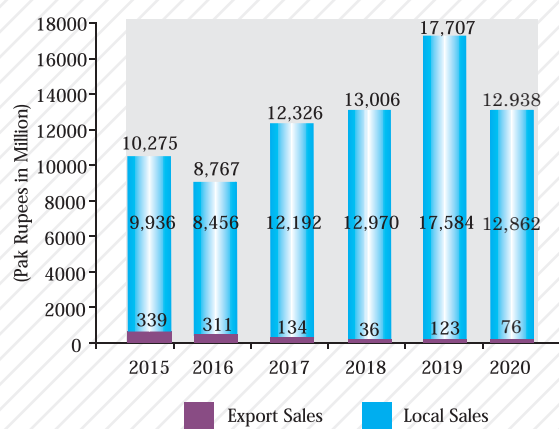
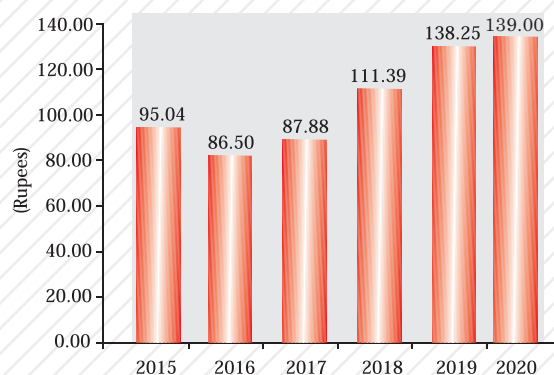
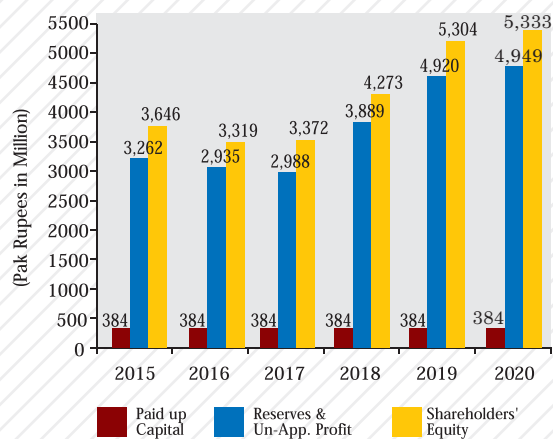
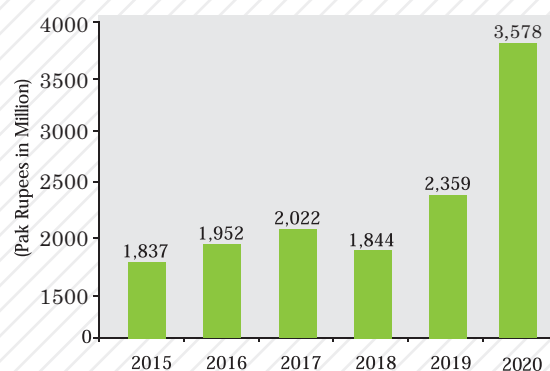
SAP SAC and Digital Boardroom will be utilized to provide deeper insights to support better decision making, considering both current and historical data available through SAP BW/4 HANA. Cutting edge technologies like RPA and Blockchain will be utilized in an integrated way to truly transform Gatron to the Digital enterprise of the future. At the end of this program, in next 3 years we target Gatron to be a more fluid and sustainable business inspiring trust at both our internal and external stakeholders.



# Financial Highlights

Particulars	2019	2018	2017	2016	2015	2014
<b>Operating Results</b>						
<b>Pak Rupees in Thousands</b>						
Sales	17,707,325	13,006,437	12,325,651	8,766,903	10,275,281	11,763,699
Gross Profit/(loss)	1,655,654	1,247,390	261,944	(228,271)	36,265	580,635
Operating Profit/(loss)	1,001,225	653,512	(164,314)	(697,887)	(451,346)	55,601
Profit/(loss) after taxation	1,794,735	981,856	57,464	(254,495)	88,911	145,756
<b>Percentage</b>						
Dividend - Final	265.00	102.50	0.00	0.00	35.00	55.00
<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	4,920,353	3,889,724	2,987,893	2,935,022	3,262,345	3,393,211
Property, Plant & Equipment	2,359,404	1,843,643	2,022,061	1,952,288	1,837,233	1,797,791
Current Assets	5,784,987	5,059,281	4,921,715	3,958,822	4,233,600	4,394,362
Current Liabilities	2,946,343	2,891,778	3,655,306	2,767,766	2,620,345	2,614,420
Net Current Assets	2,838,644	2,167,503	1,266,409	1,191,056	1,613,255	1,779,942
Long Term Liabilities	126,540	-	136,034	-	-	-
Deferred Liabilities	373,162	337,260	394,508	425,204	404,613	400,528
<b>Financial Ratios &amp; Percentages</b>						
<b>Percentages</b>						
Gross Profit/(Loss) Ratio	9.35	9.59	2.13	(2.60)	0.35	4.94
Return on Capital Employed	39.03	25.90	1.02	(4.76)	4.48	7.40
Return on Equity	33.84	22.98	1.70	(7.67)	2.44	3.86
<b>Number of Times</b>						
Inventory Turnover	5.76	4.77	5.72	3.97	4.24	4.51
Debtors Turnover	13.33	9.45	10.39	11.56	11.07	10.48
Total Assets Turnover	2.18	1.73	1.75	1.33	1.53	1.74
Fixed Assets Turnover	8.43	6.73	6.20	4.63	5.65	6.69
Interest Cover	137.63	86.43	1.20	(2.79)	1.58	2.39
<b>Ratio</b>						
Debt-Equity	2 : 98	0 : 100	4 : 96	0 : 100	0 : 100	0 : 100
Current Ratio	1.96 : 1	1.75 : 1	1.35 : 1	1.43 : 1	1.62 : 1	1.68 : 1
<b>Per Share Results and Returns</b>						
<b>Pak Rupees</b>						
Break-up Value	138.25	111.39	87.88	86.50	95.04	98.45
Earnings per Share – Basic and diluted	46.78	25.59	1.50	(6.63)	2.32	3.80
Dividend per Share	26.50	10.25	0.00	0.00	3.50	5.50
<b>Percentages</b>						
Dividend Yield	9.37	4.61	0.00	0.00	2.48	3.24
Dividend Pay Out	56.65	40.05	0.00	0.00	150.86	144.74
<b>Number of Times</b>						
Price Earning Ratio – Year end price	6.04	8.70	58.33	(14.93)	60.78	44.74
<b>Share Performance</b>						
<b>Pak Rupees</b>						
Highest	360.00	280.00	117.64	141.00	175.00	200.37
Lowest	211.00	80.00	84.05	99.00	139.00	165.03
At year end	282.78	222.56	87.50	99.00	141.00	170.00

# 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, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of Gatron (Industries) Limited (the company) for the year ended June 30, 2020 in accordance with the requirements of regulation 36 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. 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.

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, 2020.

**Kreston Hyder Bhimji & Co.**  
Chartered Accountants  
Karachi: September 12, 2020

# Statement Of Compliance With Listed Companies (Code Of Corporate Governance) Regulations, 2019

**Name of company :** Gatron (Industries) Limited

**Year ending:** June 30, 2020

The company has complied with the requirements of the CCG Regulations, 2019 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    | Muhammad Waseem *   |
| b) 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.

The current term of the Board will expire on December 23, 2020. Therefore, requirement related to number of independent directors and female director will be complied with effect from the date of next election of directors which is expected to be held on or before December 23, 2020.]

3. The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
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. The Board has ensured that complete record of particulars of significant policies along with their date of approval or updating is maintained by the company.
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 Act, and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Out of nine directors, seven directors of the Company, having required experience and qualification, are exempt from attending Directors' Training program. One director has already obtained certificate for Directors' Training program and one director will attend the Directors' Training program within due course of time.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration in terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer 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 Committee:	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:	05 meetings
b) HR and Remuneration Committee:	04 meetings





15. The Board has set up an effective internal audit function which comprises of personnel 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 and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP and that they and the partners of the firm involved in the Audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of Regulations have been complied with.

**Pir Muhammad Diwan**

Chief Executive Officer

**Muhammad Iqbal Bilwani**

Director

September 12, 2020

**INDEPENDENT AUDITOR'S 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, 2020, 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, 2020 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>Stock in Trade:</b></p> <p>The Company has significant levels of inventory amounting to Rs. 2.395 billion as at the reporting date, being 23% 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>➤ Attended the year end stock take to gain comfort over the existence and condition of inventories and internal controls designed by the company.</li> <li>➤ Obtained the final valuation sheets of the inventories, traced quantities from working papers of observation of physical stock taking and examination of computation of average costs.</li> <li>➤ Obtained understanding of internal controls designed by the Company over recording of purchases and valuation of the inventories, and tested their operating effectiveness on sample basis.</li> <li>➤ Assessed historical costs recorded in the inventory valuation by performing test of details on purchases.</li> <li>➤ Assessed the management's determination of the net realizable values including testing of sales prices fetched by the Company before and after year end on sample basis.</li> <li>➤ Performed analytical and other relevant audit procedures.</li> <li>➤ Evaluated 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 in respect of various matters including Gas Infrastructure Developments Cess (GIDC) and other miscellaneous cases including that of taxes as disclosed in note 26 of the accompanying financial statements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>➤ Assessed management's processes to identify new possible obligations and changes in existing obligations through inquiries from the management and review of the minutes of meetings of the Board of Directors and Audit Committee.</li> <li>➤ Reviewed 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>➤ Obtained 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>➤ Evaluated legal and professional expenses to confirm that all pending legal matters are identified and disclosed.</li> <li>➤ Re-computed the amounts of obligations based on available underlying information and confronted parameters.</li> <li>➤ Assessed 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.

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.



- 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: September 12, 2020

# Un-Consolidated Statement of Financial Position

AS AT JUNE 30, 2020

		(Rupees in Thousand)	
ASSETS	Note	2020	2019
<b>Non - Current Assets</b>			
Property, plant and equipment	4	3,577,722	2,359,404
Intangible assets	5	17,614	-
Long term investments	6	875,097	602,830
Long term loans	7	111,718	99
Long term deposits	8	3,229	2,723
		<b>4,585,380</b>	<b>2,965,056</b>
<b>Current Assets</b>			
Stores, spare parts and loose tools	9	762,932	692,348
Stock in trade	10	2,394,758	2,840,779
Trade debts	11	2,230,264	1,528,561
Loans and advances	12	65,654	74,742
Trade deposits and short term prepayments	13	42,746	65,153
Other receivables	14	130,754	254,439
Advance income tax		-	116,273
Sales tax refund due from Federal Government	15	8,634	142,375
Cash and bank balances	16	64,157	70,317
		<b>5,699,899</b>	<b>5,784,987</b>
<b>TOTAL ASSETS</b>		<b>10,285,279</b>	<b>8,750,043</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	3,250,000	3,250,000
Unappropriated profit		1,315,439	1,286,708
		<b>5,332,729</b>	<b>5,303,998</b>
<b>LIABILITIES</b>			
<b>Non - Current Liabilities</b>			
Long term financing	20	1,174,783	126,540
Deferred liabilities	21	415,372	373,162
		<b>1,590,155</b>	<b>499,702</b>
<b>Current Liabilities</b>			
Trade and other payables	22	1,577,633	2,032,547
Unclaimed dividend		21,544	16,393
Accrued mark up	23	53,469	8,584
Short term borrowings	24	1,671,941	864,718
Current portion of long term financing	20	3,170	-
Provision for income tax less payments	25	34,638	24,101
		<b>3,362,395</b>	<b>2,946,343</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	26		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,285,279</b>	<b>8,750,043</b>

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

**PIR MUHAMMAD DIWAN**  
Chief Executive

**MUHAMMAD IQBAL BILWANI**  
Director

**MUSTUFA BILWANI**  
Chief Financial Officer

Buying/Selling closing conversion rates were 1 US\$ = Rs. 168.25/168.75, 1 Euro € = Rs. 189.11/189.73 and 1 Pound £ = Rs.207.05/207.68

# Un-consolidated Statement of Profit or Loss

FOR THE YEAR ENDED JUNE 30, 2020

		( Rupees in Thousand )	
	Note	2020	2019
Sales	27	12,938,377	17,707,325
Cost of sales	28	11,993,325	16,051,671
<b>Gross profit</b>		<b>945,052</b>	<b>1,655,654</b>
Distribution and selling costs	29	172,446	187,631
Administrative expenses	30	290,659	256,259
Other operating expenses	31	113,158	223,272
		<b>576,263</b>	<b>667,162</b>
		<b>368,789</b>	<b>988,492</b>
Other income	32	82,461	12,733
<b>Operating profit</b>		<b>451,250</b>	<b>1,001,225</b>
Finance costs	33	205,681	17,390
		<b>245,569</b>	<b>983,835</b>
Investment income - Dividend	34	1,212,750	1,120,088
<b>Profit before income tax</b>		<b>1,458,319</b>	<b>2,103,923</b>
Income tax - Current & prior		<b>389,740</b>	<b>311,746</b>
- Deferred		<b>7,946</b>	<b>(2,558)</b>
	35	<b>397,686</b>	<b>309,188</b>
<b>Profit after income tax</b>		<b>1,060,633</b>	<b>1,794,735</b>
<b>Earnings per share - Basic and diluted ( Rupees )</b>	36	<b>27.65</b>	<b>46.78</b>

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

## Un-Consolidated Statement of Comprehensive Income

### FOR THE YEAR ENDED JUNE 30, 2020

		( Rupees in Thousand )	
	Note	2020	2019
Profit after income tax		1,060,633	1,794,735
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Gain/(loss) on remeasurement of defined benefit plan having nil tax impact	21.2	23,121	(6,407)
Total comprehensive income		<u>1,083,754</u>	<u>1,788,328</u>

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

## Un-Consolidated Statement of Changes in Equity

### FOR THE YEAR ENDED JUNE 30, 2020

	Share Capital	Capital reserve Share Premium	General reserve	Unappropriated profit	Total
	( Rupees in Thousand )				
Balances as at July 01, 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)
Balances as at June 30, 2019	383,645	383,645	3,250,000	1,286,708	5,303,998
Total comprehensive income for the year ended June 30, 2020	-	-	-	1,083,754	1,083,754
<b>Transactions with owners</b>					
Final cash dividend for the year ended June 30, 2019 at Rs.15.00 per share i.e. @150%	-	-	-	(575,467)	(575,467)
Interim cash dividend for the year ended June 30, 2020 at Rs.12.50 per share i.e. @125%	-	-	-	(479,556)	(479,556)
	-	-	-	(1,055,023)	(1,055,023)
<b>Balances as at June 30, 2020</b>	<b>383,645</b>	<b>383,645</b>	<b>3,250,000</b>	<b>1,315,439</b>	<b>5,332,729</b>

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



## Un-Consolidated Statement of Cash Flows

### FOR THE YEAR ENDED JUNE 30, 2020

		( Rupees in Thousand )	
	Note	2020	2019
<b>Cash Flows (towards)/from Operating Activities</b>			
Profit before income tax		1,458,319	2,103,923
Adjustments for:			
Depreciation	4.2	405,405	317,002
Impairment of operating fixed assets	4.1	-	103,842
Provision for defined benefit plan	21.2	63,556	41,517
Gain on disposal of property, plant and equipment	32	(70,473)	(7,909)
Loss on disposal of property, plant and equipment	31	900	521
Loss on scrapped items of property, plant and equipment	31	-	24,341
Impairment in long term investments	31	14,559	72
Provision/(reversal) of allowance for ECL - net		45,499	(1,972)
Provision for slow moving stores, spare parts and loose tools - net	31	8,242	7,449
Investment income - Dividend	34	(1,212,750)	(1,120,088)
Finance costs	33	205,681	17,390
		(539,381)	(617,835)
		918,938	1,486,088
(Increase)/decrease in current assets:			
Stores, spare parts and loose tools		(78,826)	(159,974)
Stock in trade		446,021	(106,024)
Trade debts		(747,202)	(397,649)
Loans and advances		8,798	23,739
Trade deposits and short term prepayments		22,407	(29,143)
Other receivables		123,685	(117,115)
Sales tax refund due from Federal Government		133,741	-
		(91,376)	(786,166)
Decrease in Trade and other payables		(450,532)	(167,373)
Cash flows from operations before following		377,030	532,549
(Payments for)/receipts of:			
Long term loans		(111,329)	1,286
Long term deposits		(506)	(891)
Defined benefit plan	21.2	(6,171)	(9,464)
Finance costs		(160,796)	(8,948)
Income tax		(283,275)	(311,608)
Group taxation impact - Payment to Gatro Power (Private) Limited		(28)	(24)
Net cash flows (towards)/from operating activities		(185,075)	202,900
<b>Cash Flows (towards)/from Investing Activities</b>			
Additions in property, plant and equipment		(1,657,082)	(971,505)
Proceeds from disposal of property, plant and equipment	4.3	118,923	18,077
Additions in intangible assets		(17,614)	-
Long term investment made		(286,826)	(5,339)
Dividend received	34	1,212,750	1,120,088
Net cash flows (towards)/from investing activities		(629,849)	161,321
<b>Cash Flows from/(towards) Financing Activities</b>			
Long term financing - proceed		1,051,413	126,540
Dividend paid		(1,049,872)	(752,544)
Net cash flows from/(towards) financing activities		1,541	(626,004)
<b>Net decrease in cash and cash equivalents</b>		<b>(813,383)</b>	<b>(261,783)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>(794,401)</b>	<b>(532,618)</b>
<b>Cash and cash equivalents at the end of the year</b>	37	<b>(1,607,784)</b>	<b>(794,401)</b>

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

# Notes to the Un-Consolidated Financial Statements

## FOR THE YEAR ENDED JUNE 30, 2020

### 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. 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 wholly 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.

**1.3** The Board of Directors of the Company in its meeting held on September 30, 2019 has approved the draft Scheme of Arrangement under Sections 279 to 283 and 285 of the Companies Act, 2017 in respect of shares owned by the Company in associated company Messrs. Novatex Limited. The members of the Company has approved the Scheme in the Extra Ordinary General Meeting held on February 12, 2020. In term of the scheme, all 56.7 million Ordinary Shares of Messrs. Novatex Limited held by the Company shall be cancelled and in lieu of such cancellation new shares in Messrs. Novatex Limited will be issued to the shareholders of the Company, held by the respective shareholder as of the book closure date. Petition has been filed before the Honorable Balochistan High Court for sanction of the scheme. Moreover, as per our legal counsel, the matter is expected to be decided by the Honorable Court shortly

**1.4** The pandemic of COVID-19, that has rapidly spread all across the world, had been declared a public health emergency of international concern by the World Health Organization ("WHO"). This has not only endangered human lives but has also adversely affected the global economy. During the month of March 2020, Provincial Governments of Pakistan announced a lock down for certain weeks as a measure to control the outbreak and to combat the effects of COVID-19 Coronavirus Pandemic. In order to comply with the directives issued by Government of Sindh and other provinces of Pakistan and administration authorities falling under their control, the Company in the wider national interest temporarily closed its Polyester Filament Yarn (PFY) production facilities.

Subsequently after some weeks, lockdown was relaxed for certain industries including textile sector and the Company after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity.

The lockdown caused disruptions in supply chain including supply to the customers resulting in a decline in sales as whole and specifically decrease in local sales and in realization of other trade receivables. The Company is still monitoring the COVID-19 situation and development throughout the world and has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- Realization of Receivables and expected credit losses under IFRS 9, 'Financial Instruments';
- Impairment of tangible and intangible assets under IAS 36, 'Impairment of non financial assets';
- Net realisable value of inventory under IAS 2, 'Inventories';
- Provisions and contingent liabilities under IAS 37, including onerous contracts; and

- Going concern assumption used for the preparation of these financial statements

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements. The Management believes that the going concern assumption of the Company is appropriate.

## **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, 2020**

#### **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, 2020. These standards, interpretations and 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.

		<b>Effective from accounting period beginning on or after:</b>
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 11	Joint Arrangements: Previously held interest in a joint operation.	January 01, 2019
IFRS 14	Regulatory Deferral Accounts.	July 01, 2019
IFRS 16	Leases.	January 01, 2019
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

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

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
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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.

## 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 7	"Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform."	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2023
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 16	"Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification."	January 01, 2020
IAS 1 & IAS 8	'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of materiality and classification of liabilities.	January 01, 2020

IFRS 16 'Leases' replaced existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. Lessee recognize a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of amendment is not likely to have an impact on Company's financial statements.

Amendments to references to the conceptual framework in IFRS Standards	January 01, 2020
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The above standards, amendments and improvements are not expected to have any material impact on the Company's un-consolidated financial statements in the period of initial application.

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 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 3.3 & 3.7, 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 3.9.2 and 21.2. 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 3.11.

### 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 (Rupees), 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, 2019. The principal accounting policies applied in the preparation of these un-consolidated financial statements are set out below:

### 3.1 Property, plant and equipment

#### 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 period. 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 disposal of property, plant and equipment, if any, is taken to statement of profit or loss.

**3.2 Intangible Assets**

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Costs directly associated with identifiable software that will have probable economic benefits exceeding, beyond one year, are recognised as an intangible asset.

These are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are amortised on straight line basis over its estimated useful life(s). Amortisation on additions during the financial year is charged from month in which the asset is intended to use, whereas no amortisation is charged from the month the asset is disposed-off.

**3.3 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 expects 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 un-consolidated statement of profit or loss.

### **3.4 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'.

### **3.5 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.

### **3.6 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.

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

These are classified at amortised cost and are initially recognised when they are originated and measured at fair value of consideration receivable. Export debtors are translated into Rupee at the rate prevailing on the reporting date. An expected credit loss 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. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

### **3.8 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.

### **3.9 Employees' post employment benefits**

#### **3.9.1 Defined contribution plan**

The Company provides provident fund benefits to all its eligible employees. Equal contributions are made, both by the Company and the employees and the same is charged to the statement of profit or loss.

#### **3.9.2 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, 2020.

### **3.10 Compensated unavailed leaves**

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

### **3.11 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 u/s 113 and alternate corporate tax u/s 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 read with section 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 period 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.

### **3.12 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.

### 3.13 Provision

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

### 3.14 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.

### 3.15 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.

### 3.16 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.

### 3.17 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.

### 3.18 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.

**3.19 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.

**3.20 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.

**3.21 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 40.

### 3.22 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.

		( Rupees in Thousand )	
	Note	2020	2019
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	4.1	3,265,235	2,163,271
Capital work in progress	4.5	312,487	196,133
		<u>3,577,722</u>	<u>2,359,404</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, 2020												
Net book value (NBV) as at 01 <sup>st</sup> July	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
Additions	-	-	-	-	-	55,614	-	19,794	-	95,948	-	171,356
Transfer from capital work in progress	-	-	-	296,045	-	1,089,318	-	-	-	-	-	1,385,363
Transfer at NBV	-	-	-	-	-	1,076	-	-	-	-	(1,076)	-
Disposal at NBV	-	-	-	-	-	36,586	-	-	53	12,711	-	49,350
Depreciation	-	-	59	13,653	311	348,156	637	8,818	3,583	29,656	532	405,405
Net book value as at 30 <sup>th</sup> June	25,320	13,348	535	390,264	2,796	2,612,998	2,548	43,057	9,796	161,556	3,017	3,265,235
Gross carrying value At June 30, 2020												
Cost	25,320	13,348	14,248	776,143	9,902	8,091,265	9,950	97,525	30,215	279,402	10,419	9,357,737
Accumulated depreciation	-	-	13,713	385,879	7,106	5,478,267	7,402	54,468	20,419	117,846	7,402	6,092,502
Net book value	25,320	13,348	535	390,264	2,796	2,612,998	2,548	43,057	9,796	161,556	3,017	3,265,235
Net carrying value Year ended June 30, 2019												
Net book value (NBV) as at 01 <sup>st</sup> 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 30 <sup>th</sup> 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

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 )	
		2020	2019
Cost of sales	28	393,595	308,777
Distribution and selling costs	29	3,039	2,568
Administrative expenses	30	8,771	5,657
		<u>405,405</u>	<u>317,002</u>

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

( Rupees in Thousand )						
Description	Cost	Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Buyers
<b>PLANT &amp; MACHINERY</b>						
Screw Air Compressor	13,754	1,209	350	(859)	Negotiation	<b>Sardar Amir Shahzad Mottla</b> Mohalla Islam Park, Faisalabad.
Injection Moulding machine with accessories	69,478	35,377	94,754	59,377	Negotiation	<b>Machine Point Consultants</b> Parque Technologico De Boecillo C/Andres-Lagua, 9-11, E-47151, Boecillo (Espana)
<b>Sub Total</b>	<b>83,232</b>	<b>36,586</b>	<b>95,104</b>	<b>58,518</b>		
<b>OFFICE EQUIPMENT</b>						
Items having book value upto Rs.500 thousand each	140	53	12	(41)	Various	<b>Various</b>
<b>Sub Total</b>	<b>140</b>	<b>53</b>	<b>12</b>	<b>(41)</b>		
<b>MOTOR VEHICLES</b>						
Toyota Altis	1,863	974	1,293	319	Company Policy	<b>Mr. Abdul Rauf</b> Employee of the company
BGJ-122					-- do --	<b>Mr. Abdul Wahab</b> Employee of the company
Toyota Corolla	1,828	629	823	194	-- do --	<b>Mr. Rehan Kaleem</b> Employee of the company
BCS-228					-- do --	<b>Mr. Jalees</b> Employee of the company
Suzuki Swift	1,511	943	1,360	417	-- do --	<b>Mr. Farrukh Iqbal</b> Employee of the company
BLA-109					-- do --	<b>M/s. EFU General Insurance</b> Karachi.
Honda City Aspire	2,219	1,862	2,219	357	-- do --	<b>Various</b>
BPZ-721					-- do --	
Honda Civic	2,687	2,057	2,553	496	-- do --	
BPA-426					-- do --	
Toyota Grande	2,382	1,123	2,139	1,016	Insurance Claim	
BGU-552					Various	
Items having book value upto Rs.500 thousand each	20,233	5,123	13,420	8,297		
<b>Sub Total</b>	<b>32,723</b>	<b>12,711</b>	<b>23,807</b>	<b>11,096</b>		
<b>Total - 2020</b>	<b>116,095</b>	<b>49,350</b>	<b>118,923</b>	<b>69,573</b>		
<b>Total - 2019</b>	<b>564,168</b>	<b>35,030</b>	<b>18,077</b>	<b>(16,953)</b>		

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

	Note	( Rupees in Thousand )	
		2020	2019
Gain on disposal of property, plant & equipment	32	70,473	7,909
Loss on disposal of property, plant & equipment	31	(900)	(521)
Loss on scrapped items of property, plant & equipment	31	-	(24,341)
		<u>69,573</u>	<u>(16,953)</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	10 Acres
Freehold	Manghopir, Gadap Town, Karachi	13 Acres
Freehold	Landhi, Karachi	4 Acres
Leasehold	H.I.T.E., Hub Chowki, Distt. Lasbela	31 Acres
<b>Building</b>		
On Freehold land	H.I.T.E., Hub Chowki, Distt. Lasbela	5,500 Sq. Meters
On Leasehold land	H.I.T.E., Hub Chowki, Distt. Lasbela	124,000 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, 2019	Additions	Transfer to Operating fixed assets
Factory building on lease hold land under construction	171,781	175,049	(296,045)
Plant and machinery under erection	24,352	1,326,668	(1,089,318)
	196,133	1,501,717	(1,385,363)
	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)
	156,577	833,152	(793,596)

## 5 INTANGIBLE ASSETS

	Note	( Rupees in Thousand ) 2020	2019
Capital work in progress - SAP ERP System		17,614	-

## 6 LONG TERM INVESTMENTS

## Wholly Owned Subsidiary Companies

22.575 million (2019: 22.575 million) shares including 7.525 million bonus shares in Messrs. Gatro Power (Private) Limited	6.1	150,500	150,500
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25,000 (2019: 25,000) shares in Messrs. Global Synthetics Limited			
- Unquoted	6.2	250	250
Impairment loss	6.3	(250)	(212)
		-	38

25,000,000 (2019: 1,002) shares in Messrs. G-Pac Energy (Private) Limited	6.4	250,000	10
Present value discounting impact of interest free long term loan to Messrs. G-Pac Energy (Private) Limited	6.5	42,165	-
Impairment loss	6.6	(14,568)	(47)
		277,597	(37)
Subscriptions money against further issuance of shares	6.7	-	5,329
		428,097	155,830

## Associated Company

56.7 million (2019: 56.7 million) shares including 12 million bonus shares in Messrs. Novatex Limited - Unquoted	6.8	447,000	447,000
		875,097	602,830

**6.1** The value of investment on the basis of the net assets, as reported in its audited financial statements as at June 30, 2020 amounted to Rs.758.019 million (2019: Rs.777.379 million).

**6.2** The value of the investment on the basis of the net assets, as reported in its audited financial statements as at June 30, 2020 amounted to Rs.-0.012 million (2019: Rs.0.038 million).

	Note	( Rupees in Thousand )	
		2020	2019
<b>6.3 Impairment loss</b>			
Balance as at start of the year		212	187
Charge for the year		38	25
Balance as at end of the year		<u>250</u>	<u>212</u>

**6.4** The value of the investment on the basis of the net assets, as reported in its audited financial statements as at June 30, 2020 amounted to Rs.277.597 million (2019: Rs.-0.037 million).

**6.5** This represents difference between receipt value and present value discounting at relevant risk free rate of interest free loan given to Subsidiary Company.

<b>6.6 Impairment loss</b>			
Balance as at start of the year		47	-
Charge for the year		14,521	47
Balance as at end of the year		<u>14,568</u>	<u>47</u>

**6.7** This represents amount paid to Subsidiary Company M/s. G-Pac Energy (Private) Limited against further issuance of shares.

**6.8** The value of 56.7 million (2019: 56.7 million) shares being 36.83% (2019: 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, 2020 amounted to Rs.8,903.623 million (March 2019: Rs.8,432.060 million).

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

To subsidiary company - M/s. G-Pac Energy (Private) Limited	7.1	145,745	-
Present value adjustment taken to long term investments	6.5	(42,165)	-
Amortization of long term loan	32	8,119	-
		<u>111,699</u>	<u>-</u>
To employees other than Chief Executive & Directors	7.2 & 7.3	2,598	2,968
Amount due in twelve months shown under current assets	12	(2,579)	(2,869)
Recoverable within three years		<u>19</u>	<u>99</u>
		<u>111,718</u>	<u>99</u>

**7.1** This represents interest free long term loan given to Subsidiary Company Messrs. G-Pac (Private) Limited for likely period of three years and to be repaid from normal operations of the Subsidiary Company in due course of time.

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

**7.3** 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 )	
		2020	2019
<b>8 LONG TERM DEPOSITS</b>			
Security deposits for utilities and others		3,229	2,723
<b>9 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
In hand:			
Stores		133,404	130,035
Spare parts		685,583	599,428
Loose tools		5,257	4,323
		824,244	733,786
Provision for slow moving stores, spare parts and loose tools	9.1	(61,312)	(53,070)
		762,932	680,716
In transit		-	11,632
		762,932	692,348
<b>9.1 Provision for slow moving stores, spare parts and loose tools</b>			
Balance as at start of the year		53,070	45,621
Charge for the year		8,623	8,495
Reversals due to consumption		(381)	(1,046)
	31	8,242	7,449
Balance as at end of the year		61,312	53,070
<b>10 STOCK IN TRADE</b>			
Raw material		606,218	972,626
Raw material in transit		41,781	199,525
Goods in process		589,548	484,446
Finished goods		1,157,211	1,184,182
	10.1	2,394,758	2,840,779
<b>10.1</b> These include items costing Rs.1,343.485 million (2019: Rs.132.461 million) valued at net realisable value of Rs.1,193.240 million (2019: Rs.88.900 million).			
<b>11 TRADE DEBTS</b>			
<b>Considered good</b>			
Secured			
Local		10,295	78,629
Export	11.1	5,209	-
	11.2	15,504	78,629
Unsecured - local	11.3, 11.4 & 11.5	2,214,760	1,449,932
		2,230,264	1,528,561
<b>Allowance for ECL - local</b>			
Unsecured - local		118,796	73,297
Allowance for ECL - local	11.6	(118,796)	(73,297)
		-	-
		2,230,264	1,528,561

**11.1** These represent balances of US\$ 0.031 million (2019: US\$ Nil).

**11.2** These are secured against letters of credit issued by banks in favour of the Company.

**11.3** These include Rs.97.287 million (2019: Rs.Nil) due from an associated company Messrs. Novatex 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.201.354 million (2019: Rs.Nil).

- 11.4** These include Rs.239.176 million (2019: Rs.87.212 million) due from a related party Messrs. Krystalite Products (Private) Limited. The maximum aggregate amount due at any month end during the year was Rs.293.378 million (2019: Rs.455.744 million).

	Note	( Rupees in Thousand ) 2020	2019
<b>11.4.1</b> Not past due		144,342	87,212
Past due 1-30 days		94,834	-
		<u>239,176</u>	<u>87,212</u>

- 11.5** These include Rs.12.673 million (2019: Rs.24.633 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.36.128 million (2019: Rs.52.021 million).

<b>11.5.1</b> Not past due	9,813	10,153
Past due 1-30 days	2,860	8,849
Past due 31-90 days	-	5,631
	<u>12,673</u>	<u>24,633</u>

**11.6 Allowance for ECL - local**

Balance as at start of the year	73,297	75,889
Charge for the year	57,202	12,523
Reversals since recovered	(11,703)	(14,495)
	45,499	(1,972)
Written off during the year	-	(620)
Balance as at end of the year	<u>118,796</u>	<u>73,297</u>

**12 LOANS AND ADVANCES - Considered good**

**Secured**

Amount recoverable in twelve months from employees	7	2,579	2,869
Advances to employees	12.1	696	447
		<u>3,275</u>	<u>3,316</u>

**Unsecured**

Advances:			
to suppliers and contractors	12.2	46,998	71,261
Against purchase of land		10,000	-
for imports		5,381	165
		<u>62,379</u>	<u>71,426</u>
		<u>65,654</u>	<u>74,742</u>

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

- 12.2** These include advances against purchase of vehicles Rs.3.205 million (2019: Rs.1.359 million).

**13 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS**

Shipping guarantees - deposits	13.1	-	14,340
Margins held by banks	13.2	40,222	50,038
Security deposits		100	150
Prepayments		2,424	625
		<u>42,746</u>	<u>65,153</u>

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

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

	Note	( Rupees in Thousand )	
		2020	2019
<b>14 OTHER RECEIVABLES - Considered good</b>			
Receivable from suppliers	14.1	77,386	87,198
Claims receivable from suppliers		879	500
Sales tax		-	115,904
Receivable from Federal Government			
- Sales tax	26.1.4	28,000	28,000
Receivable from Federal Government			
- Income tax	26.1.5 & 26.1.6	6,366	6,366
Others	14.2, 14.3, 14.4 & 14.5	18,123	16,471
		<u>130,754</u>	<u>254,439</u>

**14.1** This represents balances receivable in foreign currency of US\$ 0.460 million (2019: US\$ 0.532 million).

**14.2** These include Rs.3.059 million (2019: Rs.3.071 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.6.276 million (2019: Rs.6.467 million).

**14.3** These include Rs.0.099 million (2019: Rs.Nil) receivable from a subsidiary company Messrs. G-Pac Energy (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.0.099 million (2019: Rs.Nil).

**14.4** These include Rs.13.214 million (2019: Rs.11.961 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.30.121 million (2019: Rs.20.735 million).

**14.5** These include Rs.Nil (2019: Rs.0.087 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.0.087 million (2019: Rs.0.663 million).

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

Sales tax	<u>8,634</u>	<u>142,375</u>
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#### **16 CASH AND BANK BALANCES**

Cash in hand		1,200	1,146
Cash at banks			
In current accounts : Local currency		52,819	61,836
In saving account : Local currency	16.1	1,903	1,435
In current accounts : Foreign currency	16.2	8,235	5,900
	16.3	62,957	69,171
		<u>64,157</u>	<u>70,317</u>

**16.1** This represents security deposits received from contractors, refer note 22.6.

**16.2** These represent balances of US\$ 48,239.25 and Euro € 629.98 (2019 : US\$ 35,262.46 and Euro € 629.98).

**16.3** Balance in bank accounts includes an amount of Rs.12.118 million (2019: Rs.13.536 million) kept with Shariah compliant banks.

## **17 SHARE CAPITAL**

	<b>( Number of Shares )</b>			<b>( Rupees in Thousand )</b>	
	<b>2020</b>	<b>2019</b>		<b>2020</b>	<b>2019</b>
<b>17.1 Authorised capital</b>					
	<b>95,000,000</b>	95,000,000	Ordinary shares of Rs.10 each	<b>950,000</b>	950,000
<b>17.2 Issued, subscribed and paid up capital</b>					
	<b>30,136,080</b>	30,136,080	Ordinary shares of Rs.10 each allotted for consideration paid in cash	<b>301,361</b>	301,361
	<b>8,228,400</b>	8,228,400	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	<b>82,284</b>	82,284
	<b>38,364,480</b>	38,364,480		<b>383,645</b>	383,645

These include 1,620,387 (2019 : 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 Company only for the purposes specified in section 81 of the Companies Act 2017.

<b>19 GENERAL RESERVE</b>	<b>3,250,000</b>	3,250,000
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This represents reserve created from accumulation of past years' profit, to meet future exigencies.

## **20 LONG TERM FINANCING - Secured**

from banking companies Under Shariah compliant

Meezan Bank Limited	<b>20.1</b>	<b>1,133,129</b>	126,540
Dubai Islamic Bank	<b>20.2</b>	<b>44,824</b>	-
		<b>1,177,953</b>	126,540
Current maturity shown under current liabilities		<b>(3,170)</b>	-
		<b>1,174,783</b>	126,540

**20.1** This represents Diminishing Musharakah under ILTFF loan facility amounting to Rs.2,500 million out of which Rs.1,133.129 million (2019: Rs.126.540 million) obtained during June 2019 to January 2020 for purchase of plant and machinery. Principal is payable alongwith profit in 16 equal half yearly installments, commencing after a grace period of two years and expiring during May 2029 to December 2029 on their respective maturities. The applicable rate of return is relevant SBP rate i.e. 2% + 2% bank profit equal to 4% per annum. The outstanding principal sum and accrued profit thereon are secured by way of exclusive hypothecation charge over specific diminishing musharakah assets.

- 20.2** This represents Diminishing Musharakah under IFRE loan facility amounting to Rs.120 million out of which Rs.44.824 million (2019: Rs.Nil) obtained during February 2020 to June 2020 for procurement of solar panels/solar plant. Principal is payable alongwith profit in 20 equal half yearly installments, commencing after a grace period of three months and expiring during March 2030 to July 2030 on their respective maturities. The applicable rate of return is relevant SBP rate i.e 2% + 1.50% bank profit equal to 3.50% per annum. IFRE facility is currently secured against the hypothecation charge over stock in trade and book debts as an interim arrangement. Upon acquisition of plant and machinery, facility will be secured against the hypothecation charge over specific plant and machinery.

	Note	( Rupees in Thousand )	
		2020	2019
<b>21 DEFERRED LIABILITIES</b>			
Income tax - net	21.1	7,946	-
Defined benefit plan	21.2	407,426	373,162
		<u>415,372</u>	<u>373,162</u>
<b>21.1</b> This comprises of the following major timing differences:			
<b>Taxable temporary difference arising due to:</b>			
tax depreciation allowances		60,164	23,515
<b>Deductible temporary difference arising due to:</b>			
Provision of allowance for ECL		(34,451)	(21,256)
Provision for slow moving stores, spare parts and loose tools		(17,767)	(15,390)
		<u>7,946</u>	<u>(13,131)</u>
Deferred tax assets of taxable temporary difference not recognised		-	13,131
		<u>7,946</u>	<u>-</u>

At the reporting date, deferred tax asset amounting to Rs.461.381 million (2019: Rs.318.495 million) has not been recognised considering chances of reversal are remote.

- 21.2** Actuarial valuation of the plan was carried out as at June 30, 2020. The calculation for provision of defined benefit plan is as under:

<b>Movement of the present value of defined benefit obligation (PVDBO)</b>			
Balance as at start of the year		373,162	334,702
Expense	21.2.1	63,556	41,517
Remeasurement (gain)/loss		(23,121)	6,407
Payments		(6,171)	(9,464)
Balance as at end of the year		<u>407,426</u>	<u>373,162</u>
<b>21.2.1 Expense</b>			
Service cost		20,670	17,787
Interest cost		42,886	23,730
		<u>63,556</u>	<u>41,517</u>
<b>Allocation are as follows:</b>			
Cost of Sales		27,768	18,058
Distribution and selling costs		2,984	1,917
Administrative expenses		32,804	21,542
		<u>63,556</u>	<u>41,517</u>





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

	2020	2019
Discount rate	8.50%	14.25%
Future salary increase rate	8.50%	14.25%
Withdrawal Rate	High	Moderate
Mortality	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005

**Sensitivity Analysis**

	2020		2019	
	PVDBO (Rupees in Thousand)	Percentage Change	PVDBO (Rupees in Thousand)	Percentage Change
Current Liability	407,426	-	373,162	-
+ 1% Discount Rate	392,088	(3.76%)	359,394	(3.69%)
- 1% Discount Rate	424,897	4.29%	388,722	4.17%
+ 1% Salary Increase Rate	426,271	4.63%	389,963	4.50%
- 1% Salary Increase Rate	390,548	(4.14%)	358,018	(4.06%)
+ 10% Withdrawal Rates	407,420	(0.00%)	373,158	(0.00%)
- 10% Withdrawal Rates	407,432	0.00%	373,166	0.00%
1 Year Mortality age set back	407,426	0.00%	373,162	0.00%
1 Year Mortality age set forward	407,426	0.00%	373,162	0.00%

**Maturity profile**

	( Rupees in Thousand )	
	2020	2019
	Undiscounted payments	
Year 1	153,022	101,992
Year 2	22,838	59,582
Year 3	15,610	23,824
Year 4	24,884	18,654
Year 5	22,103	30,010
Year 6 to 10	83,877	118,926
Year 11 and above	291,139	708,619

**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.

		( Rupees in Thousand )	
	Note	2020	2019
<b>22</b>	<b>TRADE AND OTHER PAYABLES</b>		
Trade creditors	22.1	241,659	599,201
Creditors for capital expenditures		16,121	130
Bills payable	22.2	290,488	420,652
Accrued expenses	22.3, 22.4 & 22.5	244,299	245,059
Advance payments from customers - unsecured		219,406	203,821
Sales tax payable		1,645	-
Security deposits from contractors	22.6	1,903	1,435
Workers' Profit Participation Fund	22.7	13,113	52,637
Workers' Welfare Fund	22.8	786	17,586
Provisions	22.9	486,302	430,535
Withholding taxes		8,404	9,446
Payable to Provident Fund Trusts		4,416	4,247
Other liabilities	22.10	49,091	47,798
		<u>1,577,633</u>	<u>2,032,547</u>
<b>22.1</b>	These include Rs. Nil (2019: Rs.0.051 million) payable to an associated company Messrs. Novatex Limited.		
<b>22.2</b>	These include balances payable in foreign currency of US\$ 0.249 million (2019: US\$ 2.557 million).		
<b>22.3</b>	These include Rs.93.539 million (2019: Rs.37.951) payable to a subsidiary company Messrs. Gatro Power (Private) Limited on account of purchase of power		
<b>22.4</b>	These include Rs. 20.121 million (2019: Rs.Nil) payable to an associated company Messrs. Novatex Limited.		
<b>22.5</b>	These include Rs.0.482 million (2019: Rs.0.909 million) payable to a related party Messrs. Gani & Tayub (Private) Limited.		
<b>22.6</b>	This represents return-free security deposits from contractors held in separate bank account, refer note 16.1.		
<b>22.7</b>	<b>Workers' Profit Participation Fund</b>		
Balance as at start of the year		52,637	34,562
Interest on funds utilised in the Company's business	33	-	298
Allocation	31	13,113	52,637
Payments		(52,637)	(34,860)
Balance as at end of the year		<u>13,113</u>	<u>52,637</u>
<b>22.8</b>	<b>Workers' Welfare Fund</b>		
Balance as at start of the year		17,586	17,542
Provision		786	17,586
Provision/(reversal) of provision - prior year		2,787	(1,326)
	31	3,573	16,260
Adjustment through income tax refund	25	(20,373)	(16,216)
Balance as at end of the year		<u>786</u>	<u>17,586</u>
<b>22.9</b>	<b>Provisions for:</b>		
Gas Infrastructure Development Cess	26.1.2	122,149	106,216
Enhanced gas rate	22.9.1 & 22.9.2	56,171	56,171
Sindh Sales Tax on rent	22.9.3	5,998	5,369
Infrastructure Cess on imports	22.9.4	190,267	167,926
Sales tax	22.9.5 & 22.9.6	102,237	86,544
Others	22.9.7	9,480	8,309
		<u>486,302</u>	<u>430,535</u>

**22.9.1** 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 was 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. M/s. Sui Southern Gas Company Limited (SSGCL) then have filed appeal and pending before Honorable Supreme Court of Pakistan. 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 amounting to Rs.47.667 million (2019: Rs.47.667 million). As an abundant precaution, the Company has made total provision of Rs.40.194 million (2019: Rs.40.194 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.

**22.9.2** 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 22.9.1). As an abundant precaution, the Company has made provision of Rs.15.977 million (2019: Rs.15.977 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. In February, 2020, the Honorable Single Bench of Sindh High Court has decided the case in favor of Petitioners. Till date, the defendants has not filed appeal against the decision.

**22.9.3** 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.

	( Rupees in Thousand )	
	2020	2019
<b>22.9.4</b> Balance as at start of the year	167,926	140,689
Provision made during the year	44,681	54,474
Payments made during the year	(22,340)	(27,237)
Balance as at end of the year	<u>190,267</u>	<u>167,926</u>

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.198.365 million (2019: Rs.178.365 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 Company. However, full provision after December 27, 2006 has been made in these un-consolidated financial statements as an abundant precaution.

- 22.9.5** 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 till June 30, 2018, as after that it was allowed for input tax adjustment.

- 22.9.6** 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.36.485 million (2019: Rs.20.792 million).

- 22.9.7** This represents provision of Gas Infrastructure Development Cess Rs.7.417 million (2019: Rs.6.591 million) and rate difference of gas tariff Rs.2.063 million (2019: Rs.1.718 million) on account of common expenses payable by the Company to an associated company Messrs. Novatex Limited.

- 22.10** These include Rs.39.305 million (2019: Rs.39.047 million) received from employees under Company car policy.

		( Rupees in Thousand )	
	Note	2020	2019
<b>23 ACCRUED MARK UP</b>			
Profit on long term financing		38,509	388
Mark up/profit on short term borrowings		14,960	8,196
	<b>23.1</b>	<b>53,469</b>	<b>8,584</b>
<b>23.1</b> This includes accrued profit of Rs. 43.468 million (2019: Rs.0.388 million) under shariah compliant arrangements.			
<b>24 SHORT TERM BORROWINGS - Secured</b>			
From banking companies under mark up arrangements			
Running finance			
Running finance - Under Conventional		1,180,106	864,718
Under Shariah compliant		305,000	-
		<b>1,485,106</b>	<b>864,718</b>
Finance under F.E. Circular No.25 of SBP			
-Foreign currency	<b>24.2</b>	166,835	-
Export re-finance - Under Shariah compliant		20,000	-
		<b>1,671,941</b>	<b>864,718</b>

- 24.1** The Company has aggregate facilities of short term borrowings amounting to Rs.5,755 million (2019: Rs.4,755 million) from various commercial banks (as listed in Note 24.4) out of which Rs.4,083 million (2019: Rs.3,890 million) remained unutilised at the year end. The above facilities includes limit of Rs.1,000 million (2019: Rs.1,000 million) swinging facility with an associated company Messrs. Novatex Limited, out of which Rs.6 million (2019: Rs.237 million) has been utilized by the



Company at the year end. The mark up rates during the year for running finance and Musharakah ranged between 8.43% to 14.86%, for short term finance 8.46% to 14.05%, for finance under F.E. Circular No.25 of SBP was LIBOR+Spread i.e. 3.00% to 3.50% & for export refinance 2.25% to 3.00% per annum. These facilities are renewable annually at respective maturities.

- 24.2** This represents balances payable in foreign currency of US\$ 0.989 million (2019: US\$ Nil).
- 24.3** These arrangements are secured against pari passu hypothecation charge on the stock and book debts of the Company.
- 24.4** The finances have been obtained or are available from Bank Al-Falah Limited, Bank Al-Habib Limited, Faysal Bank Limited, Habib Bank Limited, Habib Metropolitan Bank Limited, MCB Bank Limited, Meezan Bank Limited, Standard Chartered Bank (Pakistan) Limited and United Bank Limited.

25	PROVISION FOR INCOME TAX LESS PAYMENTS	Note	( Rupees in Thousand )	
			2020	2019
	Balance as at start of the year		24,101	84,375
	Provision - Current		355,086	307,913
	Prior		34,654	3,833
			389,740	311,746
			413,841	396,121
	Payments including adjustment of advance tax of carried forward		(399,548)	(225,335)
			-	(162,877)
	Income tax refundable transferred			
	Adjustment of Workers' Welfare Fund	22.8	20,373	16,216
	Adjustment of group taxation		(28)	(24)
			(379,203)	(372,020)
	Balance as at end of the year		34,638	24,101

## 26 CONTINGENCIES AND COMMITMENTS

### 26.1 Contingencies

- 26.1.1** FBR initiated action against few buyers 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.

- 26.1.2** In May 2015, the Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 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, in May 2020, Defendants have filed appeal before the Double Bench of Sindh High Court. On August 13, 2020, the Honorable Supreme Court of Pakistan finally in the appeals filed by the industries of Khyber Pakhtunkhwa, passed a judgment in favor of government declaring the GIDC Act 2015 intra vires and directed all the Petitioners/Appellants (including industries of all over Pakistan) for payment of Cess liability accrued till July 31, 2020 in 24 equal monthly installments. The Company is in process for filing of review of the judgment in the Honorable Supreme Court of Pakistan.



Total amount of enhanced GIDC upto June 30, 2020 worked out at Rs.161.487 million (2019: Rs.145.554 million), however the Company make a provision of liability for Rs.122.149 million (2019: Rs.106.216 million) pertaining to the period of July 2014 to June 2020 for Captive Power and June 2015 to June 2020 for Industrial as an abundant precaution, so that current ratio will not materially disturbed in case of payment, refer note 22.9.

- 26.1.3** 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.24.882 million (2019: Rs.21.726 million) has been made in these un-consolidated financial statements as the Company is confident for the favorable outcome of the Petition.
- 26.1.4** 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 persons. The Company has already deposited Rs.28 million under protest into the Government Treasury for stay against the full recovery (refer note 14). 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). The CIR(A) has decided the matter for tax periods July 2014 to June 2015 and July 2015 to December 2016 wherein the case has been partially decided in favour for the Company. However, the Company has filed appeals before the ATIR against orders 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.
- 26.1.5** 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 14). Appeal was filed before the CIR(A) and the CIR(A) had decided the case partially in favour of the Company whereas major issues were decided in favour 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 the case in favour of the Company. As of now, the tax department has not yet filed appeal against the said judgment of ATIR.
- 26.1.6** 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 14). Appeal was filed before the CIR(A) and the CIR(A) has decided partially in favour of the Company. Appeal effect in line with CIRA order has been issued by the tax department wherein an amount of Rs.3.791 million determined as refundable to the Company. Appeal has been filed by the Company as well as the tax department before ATIR, 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.
- 26.1.7** 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 Company has filed an appeal before CIR(A) 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. Moreover, the tax department has adjusted the impugned demand with sales tax refunds available with the Company. Appeal was decided in favours of the Company. Tax department has issued an appeal effect order in line with aforementioned CIRA order resulting in refund of Rs.1.828 million for which refund application has been filed. Tax Department has filed an appeal before ATIR against CIR(A) order. 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.

- 26.1.8** 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 (ADIR) against which the Company has moved rectification application against which rectified order was issued. Moreover, the Company has also filed an appeal before CIR(A) to secure its interest in case rectification application is rejected by the concerned tax officer. CIR(A) has decided the matter partially in favour of the Company. Considering that the matter decided against the Company has no material impact, therefore, the Company is not proceeding to file appeal before the ATIR. Tax Department has not filed an appeal in ATIR till date.

- 26.1.9** The Company had filed a petition in Sindh High Court on August 26, 2019 against 3% Minimum Value Addition Tax on import of machinery, which has been levied through Finance Act, 2019. Stay has been granted by the Honorable Sindh High Court against submission of bank guarantee in favor of Nazir of the Court. Till reporting date, the Company has provided 100% bank guarantee amounting to Rs.15.209 million (refer note 26.2). Moreover, through Finance Act, 2020 this levy has been withdrawn from manufacturer w.e.f. July 01, 2020
- 26.1.10** Through Finance Act, 2019, the Government has reduced tax credit available on new investment to 5% from 10% with retrospective effect. Consequently, the involving tax credit of Rs.42 million to the Company was disallowed. The Company has challenged the provision of Finance Act, 2019 before the Honorable Sindh High Court and has been granted interim relief whereby the Sindh High Court has allowed the Company to claim 10% tax credit on investment in Plant & Machinery. 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, hence has not considered the same as liability.
- 26.1.11** The Company had filed a petition before Honorable Sindh High Court wherein the Company had challenged the levy and collection of further sales tax on zero rated supplies imposed vide SRO 584(I)/2017 read with section 3(1A) and section 4 of the Sales Tax Act, 1990.
- 26.1.12** The Company had filed a petition before Honorable Sindh High Court wherein the Company had challenged the notice requiring the Company to pay super tax for tax year 2018 Rs.28.187 million and 2019 Rs.35.679 million respectively. Subsequent to the year end, the Sindh High Court has decided the matter against the Company. The Company has been filed petition in Honorable Supreme Court of Pakistan.
- 26.1.13** Income tax return for Tax Year 2019 has been amended by the DCIR vide order dated June 29, 2020 creating tax demand of Rs.1.594 million while abolishing refund of Rs.35.819 million as claimed in ITR 2019 against which the Company filed an appeal before the CIRA, which has not yet been concluded. Further the Company has also submitted an application to the tax department thereby requesting to adjust such tax demand against Company's available refunds.

		( Rupees in Thousand )	
	Note	2020	2019
<b>26.2</b>	<b>Guarantees</b>		
Bank Guarantees in favour of:			
The Director Excise & Taxation, Karachi	22.9.4	198,365	178,365
The Electric Inspector, President Licencing Board, Quetta		10	10
Pakistan State Oil Company Limited		40,000	40,000
K-Electric Limited		11,560	11,560
Nazir of the High Court of Sindh, Karachi	26.1.9	15,209	-
Letters of Credit in favour of:			
Sui Southern Gas Company Limited for Gas		32,592	30,992
		<u>297,736</u>	<u>260,927</u>

### 26.3 Commitments

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

	Note	( Rupees in Thousand )	
		2020	2019
Foreign currency:			
Property, plant and equipment		1,446,353	1,046,130
Raw material		208,634	346,064
Spare parts and others		62,712	91,457
		1,717,699	1,483,651
Local currency:			
Property, plant and equipment		52,956	-
Raw material		96,866	-
Spare parts and others		-	40,161
		149,822	40,161
		1,867,521	1,523,812
<b>27 SALES</b>			
Gross local sales		14,987,588	18,392,023
Third party processing charges		76,250	-
		15,063,838	18,392,023
Less: Sales tax	27.1	2,201,971	808,204
		12,861,867	17,583,819
Export sales		76,510	123,506
		12,938,377	17,707,325

27.1 These include local zero/reduced rate supplies.

### 28 COST OF SALES

Raw material consumed		7,639,264	11,176,689
Stores, spare parts and loose tools consumed		357,713	341,297
Outsource processing charges		609,189	623,001
Salaries, wages, allowances and benefits	28.1 & 28.2	976,086	1,030,648
Power, fuel and gas		1,779,498	2,131,075
Rent, rates and taxes		15,418	9,414
Insurance		35,557	27,792
Cartage & transportation		88,223	111,269
Repairs and maintenance		148,168	107,816
Communications & Computer		1,937	2,279
Water supply		6,028	40,551
Travelling		8,315	9,164
Sundry		26,468	46,003
Depreciation	4.2	393,595	308,777
Impairment of operating fixed assets	4.1	-	103,842
		12,085,459	16,069,617
Duty draw back		(204)	(136)
Scrap sales	28.3	(13,799)	(13,014)
		12,071,456	16,056,467
Opening stock of goods-in-process		484,446	482,041
Closing stock of goods-in-process		(589,548)	(484,446)
Cost of goods manufactured		11,966,354	16,054,062
Opening stock of finished goods		1,184,182	1,181,791
Closing stock of finished goods		(1,157,211)	(1,184,182)
		11,993,325	16,051,671



- 28.1** These include Rs.18.456 million (2019 : Rs.17.195 million) and Rs.27.768 million (2019 : Rs.18.058 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.
- 28.2** It is net off by Rs.36 million (2019: Rs.36 million) in respect of amount received from a subsidiary company Messrs. Gatro Power (Private) Limited against plant operation arrangement.
- 28.3** Net off sales tax amounting to Rs.2.729 million (2019: Rs.2.603 million).

		( Rupees in Thousand )	
	Note	2020	2019
<b>29 DISTRIBUTION AND SELLING COSTS</b>			
Salaries, allowances and benefits	29.1	37,520	34,106
Insurance		3,711	2,513
Rent, rates and taxes		2,263	2,586
Handling, freight and transportation		115,030	128,321
Advertisement and sales promotion		938	586
Communications		757	462
Travelling		312	142
Fee & subscriptions		236	630
Legal & professional fee		1,010	4,547
Sundry		7,630	11,170
Depreciation	4.2	3,039	2,568
		<u>172,446</u>	<u>187,631</u>

- 29.1** These include Rs.1.238 million (2019 : Rs.1.103 million) and Rs.2.984 million (2019 : Rs.1.917 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

### 30 ADMINISTRATIVE EXPENSES

Salaries, allowances and benefits	30.1	204,361	187,828
Rent, rates and taxes		21,387	20,827
Insurance		1,997	1,267
Repairs and maintenance		11,832	4,099
Travelling		2,593	2,553
Communications		2,712	2,746
Legal and professional fees		10,678	8,930
Utilities		5,440	4,236
Printing and stationery		1,386	1,732
Transportation		8,004	7,534
Sundry		11,498	8,850
Depreciation	4.2	8,771	5,657
		<u>290,659</u>	<u>256,259</u>

- 30.1** These include Rs.8.307 million (2019 : Rs.7.300 million) and Rs.32.804 million (2019 : Rs.21.542 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

		( Rupees in Thousand )	
	Note	2020	2019
<b>31 OTHER OPERATING EXPENSES</b>			
Loss on disposal of property, plant and equipment	4.3.1	900	521
Loss on scrapped items of property, plant and equipment	4.3.1	-	24,341
Provision of allowance for ECL - net	11.6	45,499	-
Provision for slow moving stores, spare parts and loose tools - net	9.1	8,242	7,449
Impairment in long term investments	6.3 & 6.6	14,559	72
Exchange loss - net		14,941	105,204
Corporate social responsibility	31.1	7,720	14,850
Workers' Profit Participation Fund	22.7	13,113	52,637
Workers' Welfare Fund	22.8	3,573	16,260
Auditors' remuneration	31.2	4,611	1,938
		<u>113,158</u>	<u>223,272</u>
<b>31.1</b>	These includes donations of Rs.7.470 million (2019: Rs.8.800 million) to a related party Messrs. Gatron Foundation in which Chief Executive and three directors of the Company are governors. 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		1,800	1,250
Audit fee - Supplementary financial statements		1,250	-
Limited review, audit of annual & supplementary consolidated financial statements and certification fee		1,125	450
Sindh Sales Tax on services		334	136
Out of pocket expenses		102	102
		<u>4,611</u>	<u>1,938</u>
<b>32 OTHER INCOME</b>			
<b>Income from financial assets</b>			
Reversal of provision of allowance for ECL - net	11.6	-	1,972
Profit on deposits		1,642	37
		<u>1,642</u>	<u>2,009</u>
<b>Income from non - financial assets &amp; others</b>			
Gain on disposal of property, plant and equipment	4.3.1	70,473	7,909
Liabilities no more payable written back		1,818	2,565
Amortisation of interest free long term loan to subsidiary company	7	8,119	-
Miscellaneous income		409	250
		<u>80,819</u>	<u>10,724</u>
		<u>82,461</u>	<u>12,733</u>
<b>33 FINANCE COSTS</b>			
Profit on long term financing		38,121	388
Mark up/profit on short term borrowings		165,724	15,011
Interest on Workers' Profit Participation Fund	22.7	-	298
Bank charges and guarantee commission		1,836	1,693
	33.1	<u>205,681</u>	<u>17,390</u>
<b>33.1</b>	It includes finance costs under Shariah Complaint arrangement amounting to Rs.43.214 million (2019: Rs.0.498 million).		



		( Rupees in Thousand )	
		2020	2019
<b>34</b>	<b>INVESTMENT INCOME - DIVIDEND</b>		
	Dividend income from subsidiary company - Messrs. Gatro Power (Private) Limited	135,450	553,088
	Dividend income from associated company - Messrs. Novatex Limited	1,077,300	567,000
		<u>1,212,750</u>	<u>1,120,088</u>
<b>35</b>	<b>INCOME TAX</b>		
	For the current year	355,086	307,913
	For the prior year	34,654	3,833
		389,740	311,746
	Deferred	7,946	(2,558)
		<u>397,686</u>	<u>309,188</u>
	<b>Relationship between income tax and profit before income tax :</b>		
	Profit before income tax	1,458,319	2,103,923
	Income tax rate	29%	29%
	Income tax on profit before income tax	422,913	610,138
	<b>Tax effect of:</b>		
	group taxation impact	(39,281)	(160,396)
	minimum tax	183,776	-
	brought forward minimum tax and loss adjusted	(33,060)	(84,961)
	tax credits	-	(42,267)
	super tax	-	43,821
	income assessed under final tax regime - export sales and dividend income	(149,888)	(79,289)
	provision of prior year income tax	34,654	3,833
	others	(21,428)	18,309
	Income tax for the year	<u>397,686</u>	<u>309,188</u>

- 35.1** 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 assessed for last three years are as follows:

		( Rupees in Thousand )		
		2019	2018	2017
	Tax provision	307,913	185,231	97,329
	Tax assessed	<u>256,479</u>	<u>150,139</u>	<u>97,406</u>

		( Rupees in Thousand )	
		2020	2019
<b>36</b>	<b>EARNINGS PER SHARE - Basic and diluted</b>		
	Profit after income tax	1,060,633	1,794,735
	Weighted average number of Ordinary Shares in issue during the year	38,364,480	38,364,480
		( Rupees )	
	Earnings per share - Basic and diluted	<u>27.65</u>	<u>46.78</u>
	There is no dilutive effect on the basic earnings per share of the Company.		

		( Rupees in Thousand )	
	Note	2020	2019
<b>37 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	16	64,157	70,317
Short term borrowings	24	(1,671,941)	(864,718)
		<u>(1,607,784)</u>	<u>(794,401)</u>
<b>38 FINANCIAL INSTRUMENTS</b>			
<b>Financial assets as per statement of financial position</b>			
<b>- Measured at amortised cost</b>			
Loans and advances		114,993	3,415
Deposits		43,551	67,251
Trade debts		2,230,264	1,528,561
Other receivables		95,509	103,669
Cash and bank balances		64,157	70,317
		<u>2,548,474</u>	<u>1,773,213</u>
<b>Financial liabilities as per statement of financial position</b>			
<b>- Measured at amortised cost</b>			
Long term financing		1,177,953	126,540
Trade and other payables		821,785	1,332,112
Unclaimed dividend		21,544	16,393
Accrued mark up		53,469	8,584
Short term borrowings		1,671,941	864,718
		<u>3,746,692</u>	<u>2,348,347</u>

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

### 38.1 MEASUREMENT OF FAIR VALUE

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The 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.

**38.2 FINANCIAL RISK MANAGEMENT OBJECTIVES**

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

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

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

	<b>(Rupees in Thousand)</b>	
	<b>2020</b>	<b>2019</b>
Bills Payable	41,981	420,652
Trade creditors	1,414	-
Creditors for capital expenditure	3,240	-
Finance under F.E. Circular No.25 of SBP-Foreign currency	166,835	-
	<b>213,470</b>	<b>420,652</b>
Trade Debts	(5,209)	-
Receivable from suppliers	(77,386)	(87,198)
Cash at bank in foreign currency accounts	(8,235)	(5,900)
	<b>(90,830)</b>	<b>(93,098)</b>
	<b>122,640</b>	<b>327,554</b>
Commitments - Outstanding letters of credit	1,717,699	1,483,651
<b>Net exposure</b>	<b>1,840,339</b>	<b>1,811,205</b>

The following significant exchange rates have been applied:

	<b>Average rate</b>				<b>Reporting date rate</b>			
	<b>2020</b>		<b>2019</b>		<b>Rupees 2020</b>		<b>2019</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	158.19	158.69	135.81	136.18	168.25	168.75	164.00	164.50
Euro to PKR	175.04	175.68	154.89	155.29	189.11	189.73	186.37	186.99
JPY to PKR	1.46	1.47	1.22	1.23	1.56	1.57	1.52	1.53
CHF to PKR	160.42	160.96	136.50	136.87	176.83	177.43	168.03	168.61
AED to PKR	-	-	36.96	37.07	-	-	44.54	44.80

**Sensitivity Analysis**

At reporting date, if the PKR had strengthened/weakened by 10% against the USD, Euro, JPY, CHF and AED with all other variables held constant, pre tax profit for the period 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.

	( Rupees in Thousand )			
	Average rate		Reporting date rate	
	2020	2019	2020	2019
<b>Effect on statement of profit or loss</b>				
USD to PKR	115,114	109,554	122,410	132,340
Euro to PKR	55,144	38,556	59,554	46,427
JPY to PKR	276	330	294	411
CHF to PKR	1,611	1,552	1,776	1,911
AED to PKR	-	26	-	32
	<u>172,145</u>	<u>150,018</u>	<u>184,034</u>	<u>181,121</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on profit for the period 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 )	
	2020	2019	2020	2019
<b>Financial Assets</b>				
<b>Variable rate instruments</b>				
Bank balance	10.05	2.46	1,903	1,435
<b>Financial Liabilities</b>				
<b>Variable rate instruments</b>				
Short term borrowings	2.25-14.86	6.91-13.79	(1,671,941)	(864,718)
			<u>(1,670,038)</u>	<u>(863,283)</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 June 2019.

( Rupees in Thousand )

**Statement of profit or loss  
before tax**

	<b>100 bp increase</b>	<b>100 bp decrease</b>
As at June 30, 2020		
Cash flow sensitivity - Variable rate	<u>(16,700)</u>	<u>16,700</u>
As at June 30, 2019		
Cash flow sensitivity - Variable rate	<u>(8,633)</u>	<u>8,633</u>

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

**38.2.2 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.2,548.474 million (2019 : Rs.1,773.213 million), financial assets of Rs.2,547.274 million (2019: Rs.1,772.067 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>2020</b>	<b>2019</b>
Loans and advances	114,993	3,415
Deposits	43,551	67,251
Trade debts	2,230,264	1,528,561
Other receivables	95,509	103,669
	<u>2,325,773</u>	<u>1,632,230</u>
Bank balances	62,957	69,171
	<u>2,547,274</u>	<u>1,772,067</u>

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

Not past due	1,434,398	1,258,207
Past due 1-30 days	316,740	148,674
Past due 31-90 days	416,316	188,923
Past due 91-180 days	165,739	40,693
Past due 180 days	111,376	69,030
	<u>2,444,569</u>	<u>1,705,527</u>
Allowance for ECL - local	(118,796)	(73,297)
	<u>2,325,773</u>	<u>1,632,230</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	2020	2019
Bank Al-Falah Limited	PACRA	A-1+	AA+	14,596	15,111
Bank Al-Habib Limited	PACRA	A-1+	AA+	80	296
Citibank N.A.	Moody's	P-1	Aa3	63	66
Dubai Islamic Bank Pakistan Limited	VIS	A-1+	AA	1,953	1,867
Faysal Bank Limited	PACRA	A-1+	AA	496	447
Habib Bank Limited	VIS	A-1+	AAA	4,908	343
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+	27,853	28,780
MCB Bank Limited	PACRA	A-1+	AAA	807	945
Meezan Bank Limited	VIS	A-1+	AA+	8,872	11,329
National Bank of Pakistan	PACRA	A-1+	AAA	2,837	9,521
Samba Bank Limited	VIS	A-1	AA	57	56
Standard Chartered Bank (Pakistan) Limited	PACRA	A-1+	AAA	334	402
United Bank Limited	VIS	A-1+	AAA	101	8
				<u>62,957</u>	<u>69,171</u>

Above rating updated as of July 16, 2020 and available on State Bank of Pakistan website.

### 38.2.3 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, 2020, the Company has Rs.5,755 million including 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.4,083 million in addition to balances at banks of Rs.63 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
<b>2020</b>							
Long term financing	1,177,953	1,428,964	10,770	25,884	137,475	546,073	708,762
Trade and other payables	821,785	821,785	821,785	-	-	-	-
Unclaimed dividend	21,544	21,544	21,544	-	-	-	-
Accrued mark up	53,469	53,469	53,469	-	-	-	-
Short term borrowings	1,671,941	1,674,327	1,674,327	-	-	-	-
	<u>3,746,692</u>	<u>4,000,089</u>	<u>2,581,895</u>	<u>25,884</u>	<u>137,475</u>	<u>546,073</u>	<u>708,762</u>
<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	-	-	-	-
	<u>2,348,347</u>	<u>2,378,954</u>	<u>2,224,358</u>	<u>2,524</u>	<u>5,062</u>	<u>59,610</u>	<u>87,400</u>

### 38.3 CAPITAL RISK MANAGEMENT

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



The gearing ratio as at June 30, 2020 and June 30, 2019 were as follows:

	(Rupees in Thousand)	
	2020	2019
Total borrowings	2,849,894	991,258
Cash and bank balances	(64,157)	(70,317)
Net debt	2,785,737	920,941
Total equity	5,332,729	5,303,998
Total capital	8,118,466	6,224,939
Gearing ratio	34%	15%

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

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

### 39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

	( Rupees in Thousand )							
Particulars	Chief Executive		Directors		Executives		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Managerial remuneration	20,836	19,842	36,008	34,004	127,219	92,579	184,063	146,425
Post employment benefits	11,199	7,111	8,699	5,614	19,045	11,972	38,943	24,697
Utilities	84	91	27	32	12	61	123	184
Other benefits	-	-	2,444	3,127	61,145	56,996	63,589	60,123
Reimbursement	-	-	-	-	1,569	658	1,569	658
<b>Total</b>	<b>32,119</b>	<b>27,044</b>	<b>47,178</b>	<b>42,777</b>	<b>208,990</b>	<b>162,266</b>	<b>288,287</b>	<b>232,087</b>

Number of persons for remuneration	1	1	3	3	39	30	43	34
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- 39.1** Aggregate amount of meeting fee to Chairman and 4 non-executive directors (2019: Chairman and 4 non-executive Directors) was Rs.1.400 million (2019: Rs.1.400 million).
- 39.2** In addition, the Chief Executive and working directors are provided with Company maintained car and certain executives are provided with household furniture and cars under Company policies, the monetary impact where of is not quantifiable.
- 39.3** During the year, an associated company Messrs. Novatex Limited reimbursed Rs.54.067 million (2019: Rs.54.367 million) in respect of shared resources of certain directors and executives.

## 40 SEGMENT REPORTING

### 40.1 Reportable segments

The Company's reportable segments are as follows:

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

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

### 40.2 Segment results:

The segment information for the reportable segments for the year ended June 30, 2020 is as follows:

	2020			2019		
	Polyester Filament Yarn	Polyester PET Preforms	Total	Polyester Filament Yarn	Polyester PET Preforms	Total
External sales	9,208,002	3,730,375	12,938,377	13,335,178	4,372,147	17,707,325
Segment result before depreciation and impairment	546,401	340,951	887,352	1,118,631	513,977	1,632,608
Less: Depreciation and impairment	(339,585)	(65,820)	(405,405)	(319,195)	(101,649)	(420,844)
Segment result after depreciation and impairment	206,816	275,131	481,947	799,436	412,328	1,211,764
Reconciliation of segment results with Profit before income tax:						
Total results for reportable segments			481,947			1,211,764
Other operating expenses			(113,158)			(223,272)
Other income			82,461			12,733
Finance costs			(205,681)			(17,390)
Investment income - Dividend			1,212,750			1,120,088
<b>Profit before income tax</b>			<b>1,458,319</b>			<b>2,103,923</b>
Assets and liabilities by segments are as follows:						
Segment assets	6,555,013	1,982,912	8,537,925	4,280,373	2,702,702	6,983,075
Segment liabilities	1,648,669	271,276	1,919,945	723,986	510,631	1,234,617
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	8,537,925	1,919,945		6,983,075	1,234,617	
Unallocated	1,747,354	3,032,605		1,766,968	2,211,428	
<b>Total as per un-consolidated statement of financial position</b>	<b>10,285,279</b>	<b>4,952,550</b>		<b>8,750,043</b>	<b>3,446,045</b>	
Other segment information is as follows:						
Depreciation and impairment	339,585	65,820	405,405	319,195	101,649	420,844
Capital expenditures incurred during the year	1,520,704	13,319	1,534,023	877,269	82,357	959,626
Unallocated capital expenditure incurred during the year		123,059				11,879
<b>Total</b>		<b>1,657,082</b>				<b>971,505</b>

40.3 99.41% (2019 : 99.30%) out of total sales of the Company relates to customers in Pakistan.

40.4 All non-current assets of the Company as at June 30, 2020 are located in Pakistan.

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

	Note	( Metric Tons )	
		2020	2019
<b>41 PLANT CAPACITY AND ACTUAL PRODUCTION</b>			
<b>Polyester Filament Yarn</b>	<b>41.1</b>		
Annual capacity		36,974	32,502
Actual production		37,092	49,390
<b>Polyester P.E.T. Preforms</b>	<b>41.2</b>		
Annual capacity		41,017	50,222
Actual production		15,370	20,612
<b>41.1</b>	The capacity is determined based on 75 denier and 24 filaments. Actual production represents production of various deniers. The actual production is lower due to plant shutdown for COVID-19, as communicated to Pakistan Stock Exchange vide letter dated: April 06, 2020.		
<b>41.2</b>	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 shortening domestic demand. 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 540.428 million (2019: 693.506 million) against annual capacity (based on 43.66 gms) of 939 million pieces.		

**42 TRANSACTIONS WITH RELATED PARTIES**

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

Name	Nature of relationship	Basis of relationship	Nature of transaction	( Rupees in Thousand )	
				2020	2019
Gatro Power (Private) Limited	Subsidiary Company	100% ownership	Purchase of power	1,585,841	1,881,348
			Receipt of dividend	135,450	553,088
			Plant operation arrangement	36,000	36,000
			Reimbursement of expenses	415	1,015
G-Pac Energy (Private) Limited	Subsidiary Company	100% ownership	Investment made	249,990	10
			Subscriptions money against issuance of shares	-	5,329
			Long term loan	145,745	-
Novatex Limited	Associated Company	Common directorship	Sale of goods	873,375	-
			Rendering of services	65,171	-
			Obtaining of services	608,156	623,001
			Purchase of raw material	38	100
			Receipt of dividend	1,077,300	567,000
			Rent	20,949	18,484
Krystalite Product (Private) Limited	Related Party	Common management	Reimbursement of expenses	163,775	152,659
			Sale of goods	386,162	629,900
			Purchase of raw material	455	-
			Reimbursement of expenses	-	292
Mushtaq & Company (Private) Limited	Related Party	Common management	Sale of goods	28,182	81,444
Gani & Tayub (Private) Limited	Related Party	Common directorship	Payment of dividend	44,561	32,003
			Charges on account of handling	5,875	8,917
Gatron Foundation	Related Party	Common directorship	Payment of donation	7,470	8,800

Name	Nature of relationship	Basis of relationship	Nature of transaction	( Rupees in Thousand )	
				2020	2019
Gatron (Ind) Limited Staff Provident Fund	Retirement benefit fund	Employees fund	Contribution made	24,197	21,706
Gatron (Ind) Limited Workers Provident Fund	Retirement benefit fund	Employees fund	Contribution made	3,804	3,892

- 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 note 39 of KMP. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Company considers its Chief Executive, Executive Directors and other executives to be KMP.

#### 43 PROVIDENT FUND RELATED DISCLOSURES

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

	( Rupees in Thousand ) 2020 (Un-audited)	2019 (audited)
Size of the Funds - Total Assets	494,284	432,152
Cost of Investments made	450,356	417,747
Fair value of investments	489,892	427,859
Percentage of investments made (Fair value to size of the fund)	99.11%	99.01%

	( Rupees in Thousand )			
	2020		2019	
	Amount	%	Amount	%
43.1 The Break-up of cost of investments is:				
Shares of Listed Companies	24,666	5.48%	17,495	4.19%
Government Securities	273,610	60.75%	290,511	69.54%
Debt Securities	119,911	26.63%	23,472	5.62%
Mutual Funds	11,567	2.57%	17,218	4.12%
Bank Deposits	20,602	4.57%	69,051	16.53%
	450,356	100.00%	417,747	100.00%

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

	(Number of employees)	
	2020	2019
44 NUMBER OF EMPLOYEES		
Total number of employees as at June 30	772	778
Average number of employees during the year	779	781



**45 CORRESPONDING FIGURES**

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

Reclassification from component	Reclassification to component	( Rupees in Thousand )
Cost of sales	Cost of sales	
Legal & professional fees	Sundry	305

**46 DATE OF AUTHORISATION FOR ISSUE**

These un-consolidated financial statements were authorised for issue on September 12, 2020 by the Board of Directors of the Company.

**47 GENERAL**

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

# Pattern of Shareholding

As on June 30, 2020

No. of Shareholders	From	Shareholding To	Total Shares Held
301	1	100	16,700
614	101	500	282,458
211	501	1,000	134,329
60	1,001	5,000	128,286
4	5,001	10,000	26,873
1	10,001	15,000	14,300
2	15,001	20,000	32,600
1	45,001	70,000	46,000
1	65,001	105,000	70,000
1	100,001	115,000	101,000
1	110,001	130,000	115,000
1	125,001	135,000	126,000
1	175,001	180,000	176,545
1	190,001	195,000	190,504
1	195,001	220,000	200,000
1	215,001	230,000	217,320
1	225,001	290,000	229,880
1	240,001	295,000	240,195
1	285,001	355,000	287,750
1	290,001	370,000	294,045
5	350,001	475,000	1,770,465
1	365,001	495,000	369,093
1	395,001	510,000	400,000
1	435,001	575,000	439,821
1	490,001	585,000	491,033
2	495,001	590,000	1,000,000
1	500,001	635,000	500,500
1	505,001	710,000	509,093
1	510,001	975,000	514,838
2	570,001	1,175,000	1,144,612
1	585,001	1,330,000	587,558
1	630,001	1,395,000	630,320
1	670,001	1,525,000	672,422
1	1,045,001	1,050,000	1,046,349
1	1,325,001	1,330,000	1,327,932
1	1,390,001	1,395,000	1,393,067
1	1,500,001	1,505,000	1,504,100
1	1,520,001	1,525,000	1,520,565
1	1,545,001	1,550,000	1,547,048
1	1,615,001	1,620,000	1,619,624
1	1,620,001	1,625,000	1,620,387
1	1,650,001	1,655,000	1,650,414
1	1,725,001	1,730,000	1,727,446
1	2,470,001	2,475,000	2,470,117
1	2,705,001	2,710,000	2,706,451
1	2,805,001	2,810,000	2,808,070
1	3,460,001	3,465,000	3,463,370
<b>1,239</b>		<b>Total</b>	<b>38,364,480</b>



Categories of Shareholders	Share Held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children.	12,598,516	32.84
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.	6,271,930	16.35
Insurance Companies	200	0.00
Modarabas and Mutual Funds	Nil	Nil
Share holders holding 10% or more	Nil	Nil
General Public		
a. Local	16,979,658	44.26
b. Foreign	890,088	2.32
Others	651	0.00



# CONSOLIDATED FINANCIAL STATEMENTS



## DIRECTORS' REPORT

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, 2020.

### 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 second half of the financial year, operations of wholly owned subsidiary Messrs. Gatro Power (Private) Limited remained disturbed due to COVID-19 as the Parent Company power demand reduced owing to low production. During the year, the Subsidiary Company has paid cash dividend amounting to Rs.135.450 million.

M/s. Global Synthetics Limited has yet to commence its operations.

M/s. G-Pac Energy (Private) Limited has not yet commence its operations. The principal business is to generate and sell electric power. The operations of this Company are expected to be commenced in next financial year.

### Operating results for the year ended June 30, 2020

(Pak Rupees in  
Thousand)

Profit before share of profit in associated company	361,552
Share of profit after income tax in associated company	1,556,867
Profit before income tax	1,918,419
Income Tax	468,420
Profit after income tax	1,449,999
Un- appropriated Profit brought forward	8,426,484
Un- appropriated Profit carried forward	8,836,672

### State of Affairs as on June 30, 2020

Property, Plant and Equipment	5,215,939
Other non-current assets	8,924,485
Current assets	7,053,631
Total assets	21,194,055
Deduct:	
Non-current liabilities	2,842,408
Current liabilities	5,212,685
Total liabilities	8,055,093
Net assets financed by shareholders' equity	13,138,962

**Pir Muhammad Diwan**  
Chief Executive Officer

**Muhammad Iqbal Bilwani**  
Director

September 12, 2020



## 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 2020ء کو ختم شدہ سال کیلئے گروپ ہذا کے جامع مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

گروپ :

یہ گروپ میسز گیٹرون (انڈسٹریز) لمیٹڈ اور اس کے مکمل ماتحت اداروں میسز گیٹرون پاور (پرائیویٹ) لمیٹڈ، میسز گلوبل سینتھیک لمیٹڈ اور جی پیک ایجز جی (پرائیویٹ) لمیٹڈ پر مشتمل ہے۔

مالی سال کے دوسرے نصف حصے کے دوران، مکمل ملکیتی ماتحت ادارہ میسز گیٹرون پاور (پرائیویٹ) لمیٹڈ کے آپریشنز COVID-19 کے باعث متاثر ہوئے کیونکہ پیرنٹ کمپنی (جو کہ واحد صارف ہے) کی بجلی کی طلب کم پیداوار کی وجہ سے کم رہی۔ اس ادارے نے سال کے دوران 135.450 ملین روپے کے نقد منافع منقسمہ کی ادائیگی کی۔

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

کمپنی کے مکمل ملکیتی ماتحت ادارے میسز جی پیک ایجز جی (پرائیویٹ) لمیٹڈ نے ابھی تک اپنے آپریشنز کا آغاز نہیں کیا ہے۔ اس ادارے کا بنیادی کاروبار توانائی پیدا کرنا اور بیچنا ہے۔ اس کمپنی کے آپریشنز جلد شروع کئے جانے کی توقع ہے۔

جامع مالیات:

آپریٹنگ نتائج برائے سال ختم 30 جون 2020ء	(روپے 000)
منافع قبل از تعین منافع من منسلک کمپنیاں	361,552
منافع من منسلک کمپنیاں بعد از انکم ٹیکس	1,556,867
منافع قبل از انکم ٹیکس	1,918,419
انکم ٹیکس	468,420
منافع بعد از انکم ٹیکس	1,449,999
غیر متصرف منافع گزشتہ (Un-appropriated profit brought forward)	8,426,484
غیر متصرف منافع حالیہ (Un-appropriated profit brought forward)	8,836,672
<b>30 جون 2020ء تک معاملات کی صورتحال</b>	
املاک، پلائنٹ اور ایکویٹمنٹ	5,215,939
دیگر پائیدار اثاثہ جات	8,924,485
بدل پزیر اثاثہ جات	7,053,631
کل اثاثہ جات	21,194,055
کٹوتی:	
پائیدار واجبات	2,842,408
بدل پزیر واجبات	5,212,685
کل واجبات	8,055,093
خالص اثاثہ جات ادا شدہ منجانب ایکویٹی ہائپر حصص یافتگان	13,138,962

محمد اقبال بلوانی  
ڈائریکٹر

پیر محمد دیوان  
افسر اعلیٰ

12 ستمبر، 2020ء

**INDEPENDENT AUDITOR'S 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, 2020, 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, 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

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

**Emphasis of matter**

We draw attention to the contents of notes 27.1.1 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>Stock in Trade:</b></p> <p>The Group has significant levels of inventory amounting to Rs. 2.395 billion as at the reporting date, being 11% 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>➤ Attended the year end stock take to gain comfort over the existence and condition of inventories and internal controls designed by the Group.</li> <li>➤ Obtained the final valuation sheets of the inventories, traced quantities from working papers of observation of physical stock taking and examination of computation of average costs.</li> <li>➤ Obtained understanding of internal controls designed by the Group over recording of purchases and valuation of the inventories, and tested their operating effectiveness on sample basis.</li> <li>➤ Assessed historical costs recorded in the inventory valuation by performing test of details on purchases.</li> <li>➤ Assessed the management's determination of the net realizable values including testing of sales prices fetched by the Group before and after year end on sample basis.</li> <li>➤ Performed analytical and other relevant audit procedures.</li> <li>➤ Evaluated 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 including that of taxes as disclosed in note 27 of the</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>➤ Assessed management's processes to identify new possible obligations and changes in existing obligations through inquiries from the management and review of the minutes of meetings of the Board of Directors and Audit Committee.</li> </ul>



	<p>consolidated financial statements.</p> <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>	<ul style="list-style-type: none"> <li>➤ Reviewed of the relevant information including case proceedings and correspondences in respect of the ongoing litigations.</li> <li>➤ Obtained 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>➤ Evaluated legal and professional expenses to confirm that all pending legal matters are identified and disclosed.</li> <li>➤ Re-computed the amounts of obligations based on available underlying information and confronted parameters.</li> <li>➤ Assessed 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.

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: September 12, 2020

# Consolidated Statement of Financial Position

AS AT JUNE 30, 2020

		(Rupees in Thousand)	
ASSETS	Note	2020	2019
Non - Current Assets			
Property, plant and equipment	5	5,215,939	3,239,252
Intangible assets	6	17,614	-
Long term investment	7	8,903,623	8,432,060
Long term loans	8	19	99
Long term deposits	9	3,229	2,723
		14,140,424	11,674,134
Current Assets			
Stores, spare parts and loose tools	10	1,013,495	942,242
Stock in trade	11	2,394,758	2,840,779
Trade debts	12	2,230,264	1,528,561
Loans and advances	13	87,875	79,492
Trade deposits and short term prepayments	14	42,746	65,849
Other receivables	15	140,499	247,302
Advance income tax		-	116,273
Sales tax refund due from Federal Government	16	8,634	142,375
Cash and bank balances	17	1,135,360	1,381,563
		7,053,631	7,344,436
TOTAL ASSETS		21,194,055	19,018,570
EQUITY AND LIABILITIES			
EQUITY			
Share capital	18	383,645	383,645
Capital reserve	19	383,645	383,645
General reserve	20	3,535,000	3,535,000
Unappropriated profit		8,836,672	8,426,484
		13,138,962	12,728,774
LIABILITIES			
Non - Current Liabilities			
Long term financing	21	1,174,783	126,540
Deferred liabilities	22	1,667,625	1,554,370
		2,842,408	1,680,910
Current Liabilities			
Trade and other payables	23	3,434,092	3,698,476
Unclaimed dividend		21,544	16,393
Accrued mark up	24	53,469	8,584
Short term borrowings	25	1,671,941	864,718
Current portion of long term financing	21	3,170	-
Provision for income tax less payments	26	28,469	20,715
		5,212,685	4,608,886
CONTINGENCIES AND COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		21,194,055	19,018,570

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

**PIR MUHAMMAD DIWAN**  
Chief Executive

**MUHAMMAD IQBAL BILWANI**  
Director

**MUSTUFA BILWANI**  
Chief Financial Officer

Buying/Selling closing conversion rates were 1 US\$ = Rs. 168.25/168.75, 1 Euro € = Rs. 189.11/189.73 and 1 Pound £ = Rs.207.05/207.68



## Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED JUNE 30, 2020

		( Rupees in Thousand )	
	Note	2020	2019
Sales	28	12,938,377	17,707,325
Cost of sales	29	11,873,344	15,679,770
<b>Gross profit</b>		<b>1,065,033</b>	<b>2,027,555</b>
Distribution and selling costs	30	172,446	187,631
Administrative expenses	31	295,864	259,968
Other operating expenses	32	104,079	230,799
		<b>572,389</b>	<b>678,398</b>
		<b>492,644</b>	<b>1,349,157</b>
Other income	33	75,387	14,885
<b>Operating profit</b>		<b>568,031</b>	<b>1,364,042</b>
Finance costs	34	206,479	18,137
		<b>361,552</b>	<b>1,345,905</b>
Share of profit after income tax in associated company	7.1	1,556,867	3,034,019
<b>Profit before income tax</b>		<b>1,918,419</b>	<b>4,379,924</b>
Income tax - Current & prior		389,740	311,746
- Deferred		78,680	366,648
	35	<b>468,420</b>	<b>678,394</b>
<b>Profit after income tax</b>		<b>1,449,999</b>	<b>3,701,530</b>
<b>Earnings per share - Basic and diluted ( Rupees )</b>	36	<b>37.80</b>	<b>96.48</b>

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

## Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2020

	Note	( Rupees in Thousand ) 2020	2019
Profit after income tax		1,449,999	3,701,530
Other comprehensive income			
<i>Items that will never be reclassified to profit or loss</i>			
Gain/(loss) on remeasurement of defined benefit plan having nil tax impact	22.2	23,216	(6,461)
Share of other comprehensive loss of associate - net of tax		(2,919)	(2,768)
<i>Items that may be reclassified subsequently to profit or loss</i>			
Share of other comprehensive loss of associate - net of tax		(5,085)	(2,880)
		15,212	(12,109)
Total comprehensive income		1,465,211	3,689,421

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



## Consolidated Statement of Changes in Equity

### FOR THE YEAR ENDED JUNE 30, 2020

	Share capital	Capital reserve Share Premium	General reserve	Unappropriated profit	Total
	( Rupees in Thousand )				
Balances as at July 01, 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)
Balances as at June 30, 2019	383,645	383,645	3,535,000	8,426,484	12,728,774
Total comprehensive income for the year ended June 30, 2020	-	-	-	1,465,211	1,465,211
<b>Transactions with owners</b>					
Final cash dividend for the year ended June 30, 2019 at Rs.15.00 per share i.e. @150%	-	-	-	(575,467)	(575,467)
Interim cash dividend for the year ended June 30, 2020 at Rs.12.50 per share i.e. @125%	-	-	-	(479,556)	(479,556)
	-	-	-	(1,055,023)	(1,055,023)
<b>Balances as at June 30, 2020</b>	<b>383,645</b>	<b>383,645</b>	<b>3,535,000</b>	<b>8,836,672</b>	<b>13,138,962</b>

(1) Included in un-appropriated profit, is a sum of Rs.8,336.623 million, representing proportionate share in un-appropriated profit of an associated company Messrs. Novatex Limited upto March 31, 2020, which is not available for distribution to the shareholders of the parent company, until realized.

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



## Consolidated Statement of Cash Flows

### FOR THE YEAR ENDED JUNE 30, 2020

		( Rupees in Thousand )	
	Note	2020	2019
<b>Cash Flows from/(towards) Operating Activities</b>			
Profit before income tax		1,918,419	4,379,924
Adjustments for:			
Depreciation	5.2	523,094	426,718
Impairment of operating fixed assets	5.1	-	103,842
Provision for defined benefit plan	22.2	63,962	41,756
Gain on disposal of property, plant and equipment	33	(71,338)	(7,909)
Loss on disposal of property, plant and equipment	32	900	521
Loss on scrapped items of property, plant and equipment	32	-	24,341
Provision/(reversal) of allowance for ECL - net		45,499	(1,972)
Provision for slow moving stores, spare parts and loose tools - net	32	10,718	10,865
Share of profit after income tax in associated company	7.1	(1,556,867)	(3,034,019)
Finance costs	34	206,479	18,137
		<u>(777,553)</u>	<u>(2,417,720)</u>
		1,140,866	1,962,204
(Increase)/decrease in current assets:			
Stores, spare parts and loose tools		(81,971)	(173,852)
Stock in trade		446,021	(106,024)
Trade debts		(747,202)	(397,649)
Loans and advances		(8,673)	33,366
Trade deposits and short term prepayments		23,103	(29,586)
Other receivables		106,803	(112,466)
Sales tax refund due from Federal Government		133,741	-
		<u>(128,178)</u>	<u>(786,211)</u>
(Decrease)/increase in Trade and other payables		<u>(290,480)</u>	<u>133,357</u>
Cash flows from operations before following		722,208	1,309,350
(Payments for)/receipts of:			
Long term loans		370	1,286
Long term deposits		(506)	1,609
Defined benefit plan	22.2	(6,171)	(9,464)
Finance costs		(161,594)	(9,695)
Income tax		<u>(286,086)</u>	<u>(311,728)</u>
Net cash flows from operating activities		268,221	981,358
<b>Cash Flows (towards)/from Investing Activities</b>			
Additions in property, plant and equipment		(2,507,509)	(1,221,186)
Proceeds from disposal of property, plant and equipment	5.3	124,635	18,077
Additions in intangible assets		(17,614)	-
Dividend received from associated company	7	1,077,300	567,000
Net cash flows towards investing activities		<u>(1,323,188)</u>	<u>(636,109)</u>
<b>Cash Flows from/(towards) Financing Activities</b>			
Long term financing - proceed		1,051,413	126,540
Dividend paid		<u>(1,049,872)</u>	<u>(752,544)</u>
Net cash flows from/(towards) financing activities		1,541	(626,004)
<b>Net decrease in cash and cash equivalents</b>		<u>(1,053,426)</u>	<u>(280,755)</u>
<b>Cash and cash equivalents at the beginning of the year</b>		516,845	797,600
<b>Cash and cash equivalents at the end of the year</b>	37	<u>(536,581)</u>	<u>516,845</u>

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

## Notes to the Consolidated Financial Statements

### FOR THE YEAR ENDED JUNE 30, 2020

#### 1 THE GROUP AND ITS OPERATIONS

##### 1.1 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 Limited 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. The registered office of the Parent Company is situated at Room No. 32, 1st floor, Ahmed Complex, Jinnah Road, Quetta whereas the manufacturing facility of the Parent Company is situated at Plot No 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub Chowki, Distt Lasbela, Balochistan and Liaison office of the Parent Company is situated at 11th floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

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

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

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.

- 1.2** The pandemic of COVID-19, that has rapidly spread all across the world, had been declared a public health emergency of international concern by the World Health Organization ("WHO"). This has not only endangered human lives but has also adversely affected the global economy. During the month of March 2020, Provincial Governments of Pakistan announced a lock down for certain weeks as a measure to control the outbreak and to combat the effects of COVID-19 Coronavirus Pandemic. In order to comply with the directives issued by Government of Sindh and other provinces of Pakistan and administration authorities falling under their control, the Parent Company in the wider national interest temporarily closed its Polyester Filament Yarn (PFY) production facilities.

Subsequently after some weeks, lockdown was relaxed for certain industries including textile sector and the Group after implementing all the necessary Standard Operating Procedures (SOPs) to ensure safety of employees, resumed its operations and has taken all necessary steps to ensure smooth and adequate continuation of its business in order to maintain business performance despite slowed down economic activity.

The lockdown caused disruptions in supply chain including supply to the customers resulting in a decline in sales as whole and specifically decrease in local sales and in realization of other trade receivables. The Group is still monitoring the COVID-19 situation and development throughout the world and has assessed the accounting implications of these developments on these financial statements, including but not limited to the following areas:

- Realization of Receivables and expected credit losses under IFRS 9, 'Financial Instruments';
- Impairment of tangible and intangible assets under IAS 36, 'Impairment of non financial assets';
- Net realisable value of inventory under IAS 2, 'Inventories';
- Provisions and contingent liabilities under IAS 37, including onerous contracts; and
- Going concern assumption used for the preparation of these financial statements

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements. The Management believes that the going concern assumption of the Group is appropriate.

## 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, 2020

#### 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, 2020. These standards, interpretations and 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:
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 11	Joint Arrangements: Previously held interest in a joint operation.	January 01, 2019
IFRS 14	Regulatory Deferral Accounts.	July 01, 2019

		Effective from accounting period beginning on or after:
IFRS 16	Leases.	January 01, 2019
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

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.

### 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 Company's operations or are not expected to have significant impact on the Company's consolidated financial statements other than certain additional disclosures.

IFRS 3	'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
IFRS 7	Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform.	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2023
IFRS 10	'Consolidated Financial Statement' 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 16	Leases - Amendment to provide lessees with an exemption from assessing whether a Covid-19 related rent concession is a lease modification	January 01, 2020
IAS 1 & IAS 8	'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of materiality and classification of liabilities.	January 01, 2020

IFRS 16 'Leases' replaced existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduced a single, on-balance sheet lease accounting model for lessees. Lessee recognize a right-of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of amendment is not likely to have an impact on Company's financial statements.

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

Amendments to references to the conceptual framework in IFRS Standards

January 01, 2020

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.

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 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 4.3 & 4.7, 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 4.9.2 and 22.2. 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 4.11.

#### **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 (Rupees), 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, 2019. The principal accounting policies applied in the preparation of theses consolidated financial statements are set out below:

#### 4.1 Property, plant and equipment

##### Recognition & measurement:

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

##### Depreciation:

Depreciation is charged on diminishing balance method except overhauling of generators, which are depreciated at straight line method, at the rates mentioned in Note 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 period. 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 disposal of property, plant and equipment, if any, is taken to consolidated statement of profit or loss.

#### 4.2 Intangible Assets

An intangible asset is recognised as an asset if it is probable that future economic benefits attributable to the asset will flow to the entity and the cost of such asset can be measured reliably.

Costs directly associated with identifiable software that will have probable economic benefits exceeding, beyond one year, are recognised as an intangible asset.

These are stated at cost less accumulated amortisation and impairment, if any. Intangible assets are amortised on straight line basis over its estimated useful life(s). Amortisation on additions during the financial year is charged from month in which the asset is intended to use, whereas no amortisation is charged from the month the asset is disposed-off.

#### 4.3 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 respects to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects 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.

### **4.4 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.

#### 4.5 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.

#### 4.6 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.

#### 4.7 Trade debts, advances and other receivables

These are classified at amortised cost and are initially recognised when they are originated and measured at fair value of consideration receivable. Export debtors are translated into Rupee at the rate prevailing on the reporting date. An expected credit loss 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. These assets are written off when there is no reasonable expectation of recovery. Actual credit loss experience over past years is used to base the calculation of expected credit loss.

#### 4.8 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.

#### 4.9 Employees' post employment benefits

##### 4.9.1 Defined contribution plan

The Group provides provident fund benefits to all its eligible employees. Equal contributions are made, both by the Group and the employees and the same is charged to the statement of profit or loss.

##### 4.9.2 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, 2020.

#### 4.10 Compensated unavailed leaves

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

#### 4.11 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 u/s 113 and alternate corporate tax u/s 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 u/s 154 read with section 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 period 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.

#### **4.12 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.

#### **4.13 Provision**

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

#### **4.14 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.

#### **4.15 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.

#### **4.16 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.



#### 4.17 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.

#### 4.18 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.

#### 4.19 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.

#### 4.20 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.

#### 4.21 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 40.

#### 4.22 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 )	
		2020	2019
<b>5 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	5.1	4,256,888	2,973,233
Capital work in progress	5.5	959,051	266,019
		<u>5,215,939</u>	<u>3,239,252</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, 2020													
Net book value (NBV) as at 01 <sup>st</sup> July	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
Additions	-	-	-	-	-	55,614	-	19,794	-	95,948	-	-	171,356
Transfer from capital work in progress	-	-	-	296,045	-	1,203,779	-	-	-	-	189,766	-	1,689,590
Transfer at NBV	-	-	-	-	-	1,076	-	-	-	-	-	(1,076)	-
Disposal at NBV	-	-	-	-	-	40,954	-	-	53	13,190	-	-	54,197
Depreciation	-	-	59	13,687	311	427,409	681	9,357	3,605	29,863	37,519	603	523,094
Net book value as at 30 <sup>th</sup> June	25,320	15,039	535	390,573	2,796	3,351,981	2,725	45,212	9,852	162,128	247,073	3,654	4,256,888
Gross carrying value At June 30, 2020													
Cost	25,320	15,039	14,248	780,530	9,902	9,639,801	10,731	102,046	30,430	280,476	420,056	11,898	11,340,477
Accumulated depreciation	-	-	13,713	389,957	7,106	6,287,820	8,006	56,834	20,578	118,348	172,983	8,244	7,083,589
Net book value	25,320	15,039	535	390,573	2,796	3,351,981	2,725	45,212	9,852	162,128	247,073	3,654	4,256,888
Net carrying value Year ended June 30, 2019													
Net book value (NBV) as at 01 <sup>st</sup> 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 30 <sup>th</sup> 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

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 ) 2020	2019
Cost of sales	29	511,141	418,314
Distribution and selling costs	30	3,039	2,568
Administrative expenses	31	8,914	5,836
		<u>523,094</u>	<u>426,718</u>



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

( Rupees in Thousand )

Description	Cost	Book Value	Sale Proceeds	Gain / (Loss)	Mode of Disposal	Particulars of Buyers
<b>PLANT &amp; MACHINERY</b>						
Screw Air Compressor	13,754	1,209	350	(859)	Negotiation	<b>Sardar Amir Shahzad Mottla</b> Mohalla Islam Park, Faisalabad.
Injection Moulding machine with accessories	69,478	35,377	94,754	59,377	Negotiation	<b>Machine Point Consultants</b> Parque Technologico De Boecillo C/Andres-Lagua, 9-11, E-47151, Boecillo espana)
Heat Recovery Boiler	5,200	4,368	4,800	432	Negotiation	<b>M/s. Novatex Ltd-Related party</b> 117-83, Off Railway Siding, EPZ Road, Near Wgeat Godown, Landhi, Karachi
<b>Sub Total</b>	<b>88,432</b>	<b>40,954</b>	<b>99,904</b>	<b>58,950</b>		
<b>OFFICE EQUIPMENT</b>						
Items having book value upto Rs.500 thousand each	140	53	12	(41)	Various	<b>Various</b>
<b>Sub Total</b>	<b>140</b>	<b>53</b>	<b>12</b>	<b>(41)</b>		
<b>MOTOR VEHICLES</b>						
Toyota Altis	1,863	974	1,293	319	Company Policy	<b>Mr. Abdul Rauf</b> Employee of the company
BGJ-122					– do –	<b>Mr. Abdul Wahab</b> Employee of the company
Toyota Corolla	1,828	629	823	194	– do –	<b>Mr. Rehan Kaleem</b> Employee of the company
BCS-228					– do –	<b>Mr. Jalees</b> Employee of the company
Suzuki Swift	1,511	943	1,360	417	– do –	<b>Mr. Farrukh Iqbal</b> Employee of the company
BLA-109					– do –	<b>M/s. EFU General Insurance</b> Karachi.
Honda City Aspire	2,219	1,862	2,219	357	– do –	<b>Various</b>
BPZ-721					– do –	
Honda Civic	2,687	2,057	2,553	496	– do –	
BPA-426					Insurance Claim	
Toyota Grande	2,382	1,123	2,139	1,016	Various	
BGU-552						
Items having book value upto Rs.500 thousand each	21,945	5,602	14,332	8,730		
<b>Sub Total</b>	<b>34,435</b>	<b>13,190</b>	<b>24,719</b>	<b>11,529</b>		
<b>Total - 2020</b>	<b>123,007</b>	<b>54,197</b>	<b>124,635</b>	<b>70,438</b>		
Total - 2019	564,168	35,030	18,077	(16,953)		

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

( Rupees in Thousand )

	Note	2020	2019
Gain on disposal of property, plant & equipment	33	<b>71,338</b>	7,909
Loss on disposal of property, plant & equipment	32	<b>(900)</b>	(521)
Loss on Scrapped items of property, plant & equipment	32	<b>-</b>	(24,341)
		<b>70,438</b>	<b>(16,953)</b>

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

Particulars	Location	Approximate
<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	129,500 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, 2019	Additions	Transfer to Operating fixed assets
Factory building on lease hold land under construction	171,781	240,268	(296,045)
Plant and machinery under erection	94,238	1,952,588	(1,203,779)
Overhauling in progress	-	189,766	(189,766)
	<b>266,019</b>	<b>2,382,622</b>	<b>(1,689,590)</b>
	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)
	<b>187,829</b>	<b>1,078,271</b>	<b>(1,000,081)</b>

**6 INTANGIBLE ASSETS**

Capital work in progress - SAP ERP System

**17,614**

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**7 LONG TERM INVESTMENT****Associated company - Novatex Limited**

56.7 million (2019: 56.7 million) fully paid ordinary shares of Rs.10 each

Balance as at start of the year		<b>8,432,060</b>	5,970,689
Share of profit after income tax for the period	<b>7.1</b>	<b>1,548,863</b>	3,028,371
Dividend received		<b>(1,077,300)</b>	(567,000)
Balance as at end of the year	<b>7.2</b>	<b>8,903,623</b>	8,432,060

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. 4.4. 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, 2020.

**7.1 The Parent Company's share in profit or loss**

Sales	<b>25,518,899</b>	23,334,236
Cost of sales	<b>21,731,268</b>	18,969,783
Gross profit	<b>3,787,631</b>	4,364,453
Other expenses, income and taxes	<b>2,230,764</b>	1,330,434
Profit after taxation	<b>1,556,867</b>	3,034,019
Other comprehensive loss	<b>(8,004)</b>	(5,648)
Total comprehensive income	<b>1,548,863</b>	3,028,371



( Rupees in Thousand )

2020 2019

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

Property, plant and equipment	4,573,578	4,517,342
Other non - current assets	827,932	470,302
Current assets	14,550,593	11,248,183
	19,952,103	16,235,827
Long term liabilities	1,140,409	1,700,672
Current liabilities	9,227,671	5,989,695
	10,368,080	7,690,367
<b>Net assets</b>	<b>9,584,023</b>	<b>8,545,460</b>
Less: Dividend paid subsequently by associated company		
@120% i.e. Rs.12.00 per share (March 31, 2019 @ 20%		
i.e. Rs.2.00 per share)	680,400	113,400
	<b>8,903,623</b>	<b>8,432,060</b>

**7.3 The Parent Company's share in Contingencies & Commitment:****7.3.1 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 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 Company. No provision of the amount involved i.e. Rs.12.002 million (2019: Rs.9.852 million) has been made in these consolidated financial statements as the 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.30.253 million (2019: Rs.15.945 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) (CIR(A)), 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. The tax department has issued Refund Payment Order amounting to Rs.7.932 million in respect of the matters decided in favor of the associated company.
- d) The Deputy Commissioner Inland Revenue (DCIR) passed an order under section 122(1) of the Income Tax Ordinance, 2001 for the Tax Year 2017 whereby income tax demand of Rs.75.570 million was raised by making various additions in respect of expenses claimed by the associated company Messrs. Novatex Limited in the Income Tax Return. Demand of Rs.75.570 million has been paid by the associated company partly through payment and balance through adjustment from prior year's refunds under protest. The associated company has filed appeal before the CIR(A), which is pending at present.
- e) The Additional Commissioner Inland Revenue (ADCIR) had raised demand on non-payment of Minimum Tax under section 113 of the Income Tax Ordinance, 2001 (the Ordinance) along with some other issues amounting to Rs.33.037 million and Rs.93.844 million for tax year 2010 and 2012, respectively. The associated company Messrs. Novatex Limited filed an appeal before the CIR(A) and the same has been decided in favour of the associated company. Further, the tax department has filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against CIR(A)'s order, hearing of which is pending. Management is expecting a favourable decision in this regard.

- f) The ADCIR had raised demand of Rs.43.092 million on various issues including apportionment of expenses, scrap sales and tax credit under section 65B and 65E of the Income Tax Ordinance, 2001 for the tax year 2013. Appeal was preferred before the CIR(A) and partially decided in favour of the associated company Messrs. Novatex Limited. The associated company has filed an appeal before ATIR on issues decided against the associated company, outcome of which is pending at present. Management is expecting a favourable decision in this regard.
- g) The ADCIR had raised various issues including provision for GIDC, scrap sales, WPPF, brought forward losses and tax credit under section 65B of the Income Tax Ordinance, 2001 for the tax year 2014, involving tax demand of Rs.112.702 million. Appeal was preferred before the CIR(A), which has been decided in favour of the associated company Messrs. Novatex Limited on major issues. However, the associated company intends to file an appeal before ATIR on the remaining issues.

### 7.3.2 Guarantees

Bank guarantees issued by banks on behalf of the associated company Messrs. Novatex Limited amounted to Rs.1,067.482 million (2019: Rs.889.076 million) for fuel, utilities and imports.

### 7.3.3 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 ) 2020	2019
Property, plant and equipment		-	54,366
Raw material	7.3.3 (a)	1,041,695	1,563,509
Stores and spare parts		71,338	28,092
		<u>1,113,033</u>	<u>1,645,967</u>

7.3.3 (a) These include Rs.Nil (2019: Rs.117.103 million) in respect of local letter of credit.

Post dated cheques issued by the associated company Messrs. Novatex Limited, to customer amounting to Rs.Nil (Inclusive of sales tax) (2019: Rs.907.298 million) against advance payments received.

## 8 LONG TERM LOANS - Considered good

### Secured - Interest free

To employees other than Chief Executive & Directors		2,598	2,968
Amount due in twelve months shown under current assets	13	(2,579)	(2,869)
Recoverable within three years		<u>19</u>	<u>99</u>

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

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

## 9 LONG TERM DEPOSITS

Security deposits for utilities and others		<u>3,229</u>	<u>2,723</u>
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		( Rupees in Thousand )	
	Note	2020	2019
<b>10 STORES, SPARE PARTS AND LOOSE TOOLS</b>			
In hand:			
Stores		176,993	166,537
Spare parts		906,233	824,180
Loose tools		7,028	5,934
Provision for slow moving stores, spare parts and loose tools	10.1	1,090,254 (76,759)	996,651 (66,041)
		1,013,495	930,610
In transit		-	11,632
		1,013,495	942,242
<b>10.1 Provision for slow moving stores, spare parts and loose tools</b>			
Balance as at start of the year		66,041	55,176
Charge for the year		11,105	11,914
Reversals due to consumption	32	(387)	(1,049)
		10,718	10,865
Balance as at end of the year		76,759	66,041
<b>11 STOCK IN TRADE</b>			
Raw material		606,218	972,626
Raw material in transit		41,781	199,525
Goods in process		589,548	484,446
Finished goods	11.1	1,157,211	1,184,182
		2,394,758	2,840,779
<b>11.1</b>			
These include items costing Rs.1,343.485 million (2019: Rs.132.461 million) valued at net realisable value of Rs.1,193.240 million (2019: Rs.88.900 million).			
<b>12 TRADE DEBTS</b>			
<b>Considered good</b>			
Secured			
Local	12.1	10,295	78,629
Export	12.2	5,209	-
		15,504	78,629
Unsecured - local	12.3, 12.4 & 12.5	2,214,760	1,449,932
		2,230,264	1,528,561
<b>Allowance for ECL - local</b>			
Unsecured - local	12.6	118,796	73,297
Allowance for ECL - local		(118,796)	(73,297)
		-	-
		2,230,264	1,528,561
<b>12.1</b>			
These represent balances of US\$ 0.031 million (2019 : US\$ Nil).			
<b>12.2</b>			
These are secured against letters of credit issued by banks in favour of the Parent Company.			
<b>12.3</b>			
These include Rs.97.287 million (2019: Rs.Nil) due from an associated company Messrs. Novatex 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.201.354 million (2019: Rs.Nil).			

- 12.4** These include Rs.239.176 million (2019: Rs.87.212 million) due from a related party Messrs. Krystalite Products (Private) Limited. The maximum aggregate amount due at any month end during the year was Rs.293.378 million (2019: Rs.455.744 million).

	Note	( Rupees in Thousand ) 2020	2019
<b>12.4.1</b> Not past due		144,342	87,212
Past due 1-30 days		94,834	-
		<u>239,176</u>	<u>87,212</u>

- 12.5** These include Rs.12.673 million (2019: Rs.24.633 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.36.128 million (2019: Rs.52.021 million).

<b>12.5.1</b> Not past due	9,813	10,153
Past due 1-30 days	2,860	8,849
Past due 31-90 days	-	5,631
	<u>12,673</u>	<u>24,633</u>

#### **12.6 Allowance for ECL - local**

Balance as at start of the year	73,297	75,889
Charge for the year	57,202	12,523
Reversals since recovered	(11,703)	(14,495)
	45,499	(1,972)
Written off during the year	-	(620)
Balance as at end of the year	<u>118,796</u>	<u>73,297</u>

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

#### **Secured**

Amount recoverable in twelve months from employees	8	2,579	2,869
Advances to employees	13.1	696	447
		<u>3,275</u>	<u>3,316</u>

#### **Unsecured**

Advances :			
to suppliers and contractors	13.2	69,192	76,004
Against purchase of land		10,000	-
for imports		5,408	172
		<u>84,600</u>	<u>76,176</u>
		<u>87,875</u>	<u>79,492</u>

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

- 13.2** These include advances against purchase of vehicles Rs.3.205 million (2019: Rs.1.359 million).

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

Shipping guarantees - deposits	14.1	-	14,340
Margins held by banks	14.2	40,222	50,038
Security deposits		100	475
Prepayments		2,424	996
		<u>42,746</u>	<u>65,849</u>

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

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

		( Rupees in Thousand )	
	Note	2020	2019
<b>15 OTHER RECEIVABLES - Considered good</b>			
Receivable from suppliers	15.1	77,386	87,198
Claims receivable from suppliers		879	500
Sales tax		12,870	109,241
Receivable from Federal Government - Sales tax	27.1.5 & 27.1.15	28,011	28,011
Receivable from Federal Government - Income tax	27.1.6 & 27.1.7	6,366	6,366
Others	15.2 & 15.3	14,987	15,986
		<u>140,499</u>	<u>247,302</u>

**15.1** This represents balances receivable in foreign currency of US\$ 0.460 million (2019: US\$ 0.532 million).

**15.2** These include Rs.13.214 million (2019: Rs.11.961 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.30.121 million (2019: Rs.20.735 million).

**15.3** These include Rs.Nil (2019: Rs.0.087 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.0.087 million (2019: Rs.0.663 million).

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

Sales tax	<u>8,634</u>	<u>142,375</u>
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#### **17 CASH AND BANK BALANCES**

Cash in hand		1,299	1,304
Cash at banks			
In current accounts : Local currency		1,123,923	1,372,924
In saving account : Local currency	17.1	1,903	1,435
In current accounts : Foreign currency	17.2	8,235	5,900
	17.3	1,134,061	1,380,259
		<u>1,135,360</u>	<u>1,381,563</u>

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

**17.2** These represent balances of US\$ 48,239.25 and Euro € 629.98 (2019 : US\$ 35,262.46 and Euro € 629.98).

**17.3** Balance in bank accounts includes an amount of Rs.94.556 million (2019: Rs.161.435 million) kept with Shariah compliant banks.

**18 SHARE CAPITAL**

	( Number of Shares )			( Rupees in Thousand )	
	2020	2019	Note	2020	2019
<b>18.1 Authorised capital</b>	<b>95,000,000</b>	95,000,000	Ordinary shares of Rs.10 each	<b>950,000</b>	950,000
<b>18.2 Issued, subscribed and paid up capital</b>					
	<b>30,136,080</b>	30,136,080	Ordinary shares of Rs.10 each allotted for consideration paid in cash	<b>301,361</b>	301,361
	<b>8,228,400</b>	8,228,400	Ordinary shares of Rs.10 each allotted as fully paid bonus shares	<b>82,284</b>	82,284
	<b>38,364,480</b>	38,364,480		<b>383,645</b>	383,645

These include 1,620,387 (2019 : 1,620,387) shares held by a related party, Messrs. Gani & Tayub (Private) Limited.

**19 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.

<b>20 GENERAL RESERVE</b>	<b>3,535,000</b>	3,535,000
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This represents reserve created from accumulation of past years' consolidated profit, to meet future exigencies.

**21 LONG TERM FINANCING - Secured**

from banking companies Under Shariah compliant

Meezan Bank Limited	<b>21.1</b>	<b>1,133,129</b>	126,540
Dubai Islamic Bank	<b>21.2</b>	<b>44,824</b>	-
		<b>1,177,953</b>	126,540
Current maturity shown under current liabilities		<b>(3,170)</b>	-
		<b>1,174,783</b>	126,540

**21.1** This represents Diminishing Musharakah under ILTF loan facility amounting to Rs.2,500 million out of which Rs.1,133.129 million (2019: Rs.126.540 million) obtained by the Parent Company during June 2019 to January 2020 for purchase of plant and machinery. Principal is payable alongwith profit in 16 equal half yearly installments, commencing after a grace period of two years and expiring during May 2029 to December 2029 on their respective maturities. The applicable rate of return is relevant SBP rate i.e. 2% + 2% bank profit equal to 4% per annum. The outstanding principal sum and accrued profit thereon are secured by way of exclusive hypothecation charge over specific diminishing musharakah assets.

**21.2** This represents Diminishing Musharakah under IFRE loan facility amounting to Rs.120 million out of which Rs.44.824 million (2019: Rs.Nil) obtained by the Parent Company during February 2020 to June 2020 for procurement of solar panels/solar plant. Principal is payable alongwith profit in 20 equal half yearly installments, commencing after a grace period of three months and expiring during March 2030 to July 2030 on their respective maturities. The applicable rate of return is relevant SBP rate i.e. 2% + 1.50% bank profit equal to 3.50% per annum. IFRE facility is currently secured against the hypothecation charge over stock in trade and book debts as an interim arrangement. Upon acquisition of plant and machinery, facility will be secured against the hypothecation charge over specific plant and machinery.



		( Rupees in Thousand )	
	Note	2020	2019
<b>22 DEFERRED LIABILITIES</b>			
Income tax - net	22.1	1,258,439	1,179,759
Defined benefit plan	22.2	409,186	374,611
		<u>1,667,625</u>	<u>1,554,370</u>
<b>22.1</b>	This comprises of the following major timing differences:		
	<b>Taxable temporary difference arising due to:</b>		
tax depreciation allowances		60,164	23,515
Deferred tax liability arising in respect of unrealised accumulated profit from an associated company Messrs. Novatex Limited		1,250,493	1,179,759
	<b>Deductible temporary difference arising due to :</b>		
Provision of allowance for ECL		(34,451)	(21,256)
Provision for slow moving stores, spare parts and loose tools		(17,767)	(15,390)
		<u>1,258,439</u>	<u>1,166,628</u>
Deferred tax assets of taxable temporary difference not recognised		-	13,131
		<u>1,258,439</u>	<u>1,179,759</u>
At the reporting date, deferred tax asset amounting to Rs.461.381 million (2019: Rs.318.495 million) has not been recognised by the Parent Company considering chances of reversal are remote.			
<b>22.2</b>	Actuarial valuation of the plan was carried out as at June 30, 2020. The calculation for provision of defined benefit plan is as under:		
	<b>Movement of the present value of defined benefit obligation (PVDBO)</b>		
Balance as at start of the year		374,611	335,858
Expense	22.2.1	63,962	41,756
Remeasurement (gain)/loss		(23,216)	6,461
Payments		(6,171)	(9,464)
Balance as at end of the year		<u>409,186</u>	<u>374,611</u>
<b>22.2.1 Expense</b>			
Service cost		20,870	17,922
Interest cost		43,092	23,834
		<u>63,962</u>	<u>41,756</u>
	<b>Allocation are as follows:</b>		
Cost of Sales		28,004	18,214
Distribution and selling costs		2,984	1,917
Administrative expenses		32,974	21,625
		<u>63,962</u>	<u>41,756</u>

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

	2020	2019
Discount rate	8.50%	14.25%
Future salary increase rate	8.50%	14.25%
Withdrawal Rate	High	Moderate
Mortality	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005

**Sensitivity Analysis**

	2020		2019	
	PVDBO (Rupees in Thousand)	Percentage Change	PVDBO (Rupees in Thousand)	Percentage Change
Current Liability	409,186	-	374,611	-
+ 1% Discount Rate	393,785	(3.76%)	360,785	(3.69%)
- 1% Discount Rate	426,727	4.29%	390,233	4.17%
+ 1% Salary Increase Rate	428,108	4.62%	391,480	4.50%
- 1% Salary Increase Rate	392,238	(4.14%)	359,402	(4.06%)
+ 10% Withdrawal Rates	409,180	(0.00%)	374,607	(0.00%)
- 10% Withdrawal Rates	409,193	0.00%	374,615	0.00%
1 Year Mortality age set back	409,186	0.00%	374,611	0.00%
1 Year Mortality age set forward	409,186	0.00%	374,611	0.00%

**( Rupees in Thousand )**

	2020	2019
<b>Maturity profile</b>	<b>Undiscounted payments</b>	
Year 1	153,729	102,020
Year 2	22,866	60,272
Year 3	16,105	23,850
Year 4	24,894	19,175
Year 5	22,113	30,019
Year 6 to 10	85,090	120,704
Year 11 and above	291,282	708,619

**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.



		( Rupees in Thousand )	
	Note	2020	2019
<b>23</b>	<b>TRADE AND OTHER PAYABLES</b>		
Trade creditors	23.1	312,221	681,858
Creditors for capital expenditures		54,538	8,069
Bills payable	23.2	290,488	420,652
Accrued expenses	23.3 & 23.4	152,240	220,996
Advance payments from customers - unsecured		219,406	203,821
Security deposits from contractors	23.5	1,903	1,435
Workers' Profit Participation Fund	23.6	13,113	52,637
Workers' Welfare Fund	23.7	786	17,586
Provisions	23.8	2,326,610	2,028,541
Withholding taxes		8,744	9,562
Payable to Provident Fund Trusts		4,416	4,247
Other liabilities	23.9	49,627	49,072
		<u>3,434,092</u>	<u>3,698,476</u>
<b>23.1</b>	These include Rs. Nil (2019: Rs.0.051 million) payable to an associated company Messrs. Novatex Limited.		
<b>23.2</b>	These include balances payable in foreign currency of US\$ 0.249 million (2019: US\$ 2.557 million).		
<b>23.3</b>	These include Rs.20.121 million (2019: Rs.Nil) payable to an associated company Messrs. Novatex Limited.		
<b>23.4</b>	These include Rs.0.482 million (2019: Rs.0.909 million) payable to a related party Messrs. Gani & Tayub (Private) Limited.		
<b>23.5</b>	This represents return-free security deposits from contractors held in separate bank account, refer note 17.1.		
<b>23.6</b>	<b>Workers' Profit Participation Fund</b>		
Balance as at start of the year		52,637	34,562
Interest on funds utilised in the Company's business	34	-	298
Allocation	32	13,113	52,637
Payments		(52,637)	(34,860)
Balance as at end of the year		<u>13,113</u>	<u>52,637</u>
<b>23.7</b>	<b>Workers' Welfare Fund</b>		
Balance as at start of the year		17,586	17,542
Provision		786	17,586
Provision/(reversal) of provision - prior year		2,787	(1,326)
	32	3,573	16,260
Adjustment through income tax refund	26	(20,373)	(16,216)
Balance as at end of the year		<u>786</u>	<u>17,586</u>
<b>23.8</b>	Provisions for:		
Gas Infrastructure Development Cess	27.1.3	1,564,813	1,311,227
Enhanced gas rate	23.8.1 & 23.8.2	447,171	447,171
Sindh Sales Tax on rent	23.8.3	5,998	5,369
Infrastructure Cess on imports	23.8.4	196,911	169,921
Sales tax	23.8.5 & 23.8.6	102,237	86,544
Others	23.8.7	9,480	8,309
		<u>2,326,610</u>	<u>2,028,541</u>

**23.8.1** 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 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 was 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. M/s. Sui Southern Gas Company Limited (SSGCL) then have filed appeal and pending before Honorable Supreme Court of Pakistan. 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 amounting to Rs.316.797 million (2019: Rs.316.797 million). As an abundant precaution, the Group has made total provision of Rs.159.264 million (2019: Rs.159.264 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.

**23.8.2** 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 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 23.8.1). As an abundant precaution, the Group has made provision of Rs.287.907 million (2019: Rs.287.907 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. In February, 2020, the Honorable Single Bench of Sindh High Court has decided the case in favor of Petitioners. Till date, the defendants has not filed appeal against the decision.

**23.8.3** 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.

	( Rupees in Thousand )	
	2020	2019
<b>23.8.4</b> Balance as at start of the year	169,921	140,925
Provision made during the year	53,979	57,992
Payments made during the year	(26,989)	(28,996)
Balance as at end of the year	<u>196,911</u>	<u>169,921</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.198.365 million (2019: Rs.178.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006 (refer note 27.2). 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 (2019: Rs.7.500 million) in favour of Excise and Taxation Department, in respect of consignments cleared after April 13, 2018 (refer note 27.2). Based on the legal advise, the management believes that the case will be decided in favour of the Subsidiary Company. However, full provision after April 13, 2018 has been made in these consolidated financial statements as an abundant precaution.

The Subsidiary Company Messrs. G-Pac Energy (Private) Limited has filed a petition in the Sindh High Court at Karachi on June 24, 2019 against Province of Sindh and others 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 Company has provided bank guarantee amounting to Rs.2.500 million (2019: Rs. Nil) in favour of Excise and Taxation Department, in respect of consignments cleared (refer note 27.2). Based on the legal advise, the management believes that the case will be decided in favour of the subsidiary Company. However, full provision has been made in these condensed interim consolidated financial statements as an abundant precaution.

- 23.8.5** 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 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 till June 30, 2018, as after that it was allowed for input tax adjustment.

- 23.8.6** 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 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.36.485 million (2019: Rs.20.792 million).

- 23.8.7** This represents provision of Gas Infrastructure Development Cess Rs.7.417 million (2019: Rs.6.591 million) and rate difference of gas tariff Rs.2.063 million (2019: Rs.1.718 million) on account of common expenses payable by the Parent Company to an associated company Messrs. Novatex Limited.

- 23.9** These include Rs.39.841 million (2019: Rs.40.320 million) received from employees under Group car policy.

		( Rupees in Thousand )	
	Note	2020	2019
<b>24 ACCRUED MARK UP</b>			
Profit on long term financing		38,509	388
Mark up/profit on short term borrowings		14,960	8,196
	<b>24.1</b>	<b>53,469</b>	<b>8,584</b>
<b>24.1</b>	This includes accrued profit of Rs.43.468 million (2019: Rs.0.388 million) under Shariah compliant arrangements.		
<b>25 SHORT TERM BORROWINGS - Secured</b>			
From banking companies under mark up arrangements			
Running finance			
Running finance - Under Conventional		1,180,106	864,718
- Under Shariah compliant		305,000	-
Finance under F.E. Circular No.25 of SBP		1,485,106	864,718
-Foreign currency	<b>25.2</b>	166,835	-
Export re-finance - Under Shariah compliant		20,000	-
		<b>1,671,941</b>	<b>864,718</b>
<b>25.1</b>	The Parent Company has aggregate facilities of short term borrowings amounting to Rs.5,755 million (2019: Rs.4,755 million) from various commercial banks (as listed in Note 25.4) out of which Rs.4,083 million (2019: Rs.3,890 million) remained unutilised at the year end. The above facilities includes limit of Rs.1,000 million (2019: Rs.1,000 million) swinging facility with an associated company Messrs. Novatex Limited, out of which Rs.6 million (2019: Rs.237 million) has been utilized by the Parent Company at the year end. The mark up rates during the year for running finance and Musharakah ranged between 8.43% to 14.86%, for short term finance 8.46% to 14.05%, for finance under F.E. Circular No.25 of SBP was LIBOR+spread i.e. 3.00% to 3.50% & for export refinance 2.25% to 3.00% per annum. These facilities are renewable annually at respective maturities.		
<b>25.2</b>	This represents balances payable in foreign currency of US\$ 0.989 million (2019: US\$ Nil).		
<b>25.3</b>	These arrangements are secured against pari passu hypothecation charge on the stock and book debts of the Parent Company.		
<b>25.4</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>26 PROVISION FOR INCOME TAX LESS PAYMENTS</b>			
Balance as at start of the year		20,715	84,351
Provision - Current		355,086	307,913
- Prior		34,654	3,833
		<b>389,740</b>	<b>311,746</b>
		<b>410,455</b>	<b>396,097</b>
Payments including adjustment of advance tax of carried forward		(402,451)	(225,455)
Income tax refundable transferred		-	(166,143)
Adjustment of Workers' Welfare Fund	<b>23.7</b>	20,373	16,216
Income tax refund received		92	-
		<b>(381,986)</b>	<b>(375,382)</b>
Balance as at end of the year		<b>28,469</b>	<b>20,715</b>



**27 CONTINGENCIES AND COMMITMENTS****27.1 Contingencies**

**27.1.1** 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.

**27.1.2** 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.

**27.1.3** In May 2015, the Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 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, in May 2020, Defendants have filed appeal before the Double Bench of Sindh High Court. On August 13, 2020, the Honorable Supreme Court of Pakistan finally in the appeals filed by industries of Khyber Pakhtunkhwa, passed a judgment in favor of government declaring the GIDC Act 2015 intra vires and directed all the Petitioners/Appellants (including industries of all over Pakistan) for payment of Cess liability accrued till July 31, 2020 in 24 equal monthly installments. The Group is in process for filing of review of the judgment in the Honorable Supreme Court of Pakistan.

Total amount of enhanced GIDC upto June 30, 2020 worked out at Rs.1,766.827 million (2019: Rs.1,513.241 million), however the Group make a provision of liability for Rs.1,564.813 million (2019: Rs.1,311.227 million) pertaining to the period of July 2014 to June 2020 for Captive Power and June 2015 to June 2020 for Industrial as an abundant precaution, so that current ratio will not materially disturbed in case of payment, refer note 23.8.

**27.1.4** 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.24.882 million (2019: Rs.21.726 million) has been made in these consolidated financial statements as the Parent Company is confident for the favorable outcome of the Petition.

**27.1.5** 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 persons. The Parent Company has already deposited Rs.28 million under protest into the Government Treasury for stay against the full recovery (refer note 15). 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). The CIR(A) has decided the matter for tax periods July 2014 to June 2015 and July 2015 to December 2016 wherein the case has been partially decided in favour for the Parent Company. However, the Parent Company has filed appeals before the ATIR against orders 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.

- 27.1.6** 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 15). Appeal was filed before the CIR(A) and the CIR(A) had decided the case partially in favour of the Parent Company whereas major issues were decided in favour 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 the case in favour of the Parent Company. As of now, the tax department has not yet filed appeal against the said judgment of ATIR.
- 27.1.7** 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 15). Appeal was filed before the CIR(A) and the CIR(A) has decided partially in favour of the Parent Company. Appeal effect in line with CIR(A) order has been issued by the tax department wherein an amount of Rs.3.791 million determined as refundable to the Parent Company. Appeal has been filed by the Parent Company as well as the tax department before ATIR, 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.
- 27.1.8** 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 Parent Company has filed an appeal before CIR(A) 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. Moreover, the tax department has adjusted the impugned demand with sales tax refunds available with the Parent Company. Appeal was decided in favours of the Parent Company. Tax department has issued an appeal effect order in line with aforementioned CIR(A) order resulting in refund of Rs.1.828 million for which refund application has been filed. Tax Department has filed an appeal before ATIR against CIR(A) order. 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.
- 27.1.9** 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 (ADIR) against which the Parent Company has moved rectification application against which rectified order was issued. Moreover, the Parent Company has also filed an appeal before CIR(A) to secure its interest in case rectification application is rejected by the concerned tax officer. CIR(A) has decided the matter partially in favour of the Parent Company. Considering that the matter decided against the Parent Company has no material impact, therefore, the Parent Company is not proceeding to file appeal before the ATIR. Tax Department has not filed an appeal in ATIR till date.
- 27.1.10** The Parent Company had filed a petition in Sindh High Court on August 26, 2019 against 3% Minimum Value Addition Tax on import of machinery, which has been levied through Finance Act, 2019. Stay has been granted by the Honorable Sindh High Court against submission of bank guarantee in favor of Nazir of the Court. Till reporting date, the Parent Company has provided 100% bank guarantee amounting to Rs.15.209 million (refer note 27.2). Moreover, through Finance Act, 2020 this levy has been withdrawn from manufacturer w.e.f. July 01, 2020.

- 27.1.11** Through Finance Act, 2019, the Government has reduced tax credit available on new investment to 5% from 10% with retrospective effect. Consequently, the involving tax credit of Rs.42 million to the Parent Company was disallowed. The Parent Company has challenged the provision of Finance Act, 2019 before the honorable Sindh High Court and has been granted interim relief whereby the Sindh High Court has allowed the Parent Company to claim 10% tax credit on investment in Plant & Machinery. 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, hence has not considered the same as liability.
- 27.1.12** The Parent Company had filed a petition before Honorable Sindh High Court wherein the Parent Company had challenged the levy and collection of further sales tax on zero rated supplies imposed vide SRO 584(I)/2017 read with section 3(1A) and section 4 of the Sales Tax Act, 1990.
- 27.1.13** The Parent Company had filed a petition before Honorable Sindh High Court wherein the Parent Company had challenged the notice requiring the Parent Company to pay super tax for tax year 2018 Rs.28.187 million and 2019 Rs.35.679 million respectively. Subsequent to the year end, the Sindh High Court has decided the matter against the Parent Company. The Parent Company has been filed petition in Honorable Supreme Court of Pakistan.
- 27.1.14** Income tax return for Tax Year 2019 has been amended by the DCIR vide order dated June 29, 2020 creating tax demand of Rs.1.594 million while abolishing refund of Rs.35.819 million as claimed in ITR 2019 against which the Parent Company filed an appeal before the CIR(A) which has not yet been concluded. Further the Parent Company has also submitted an application to the tax department thereby requesting to adjust such tax demand against Parent Company's available refunds.
- 27.1.15** The tax officer disallowed input sales tax amounting to Rs.0.042 and Rs.0.109 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. An appeal was filed against the said order before the CIR(A). The learned CIR(A) has decided the matter in favour of the Subsidiary Company in both cases. The tax department has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against aforementioned CIR(A) orders. No provision has been made as the management is hopeful for a favourable outcome.
- 27.1.16** Tax department initiated monitoring of withholding proceedings for tax year 2011 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 Messrs. Gatro Power (Private) Limited 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.
- 27.1.17** Tax department raised demand of Rs.14.101 million and Rs.103.346 million 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 Messrs. Gatro Power (Private) Limited. 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.
- 27.1.18** The Subsidiary Company Messrs. Gatro Power (Private) Limited had filed a petition before honorable Sindh High Court wherein the Subsidiary Company had challenged the show cause notice disallowing input tax amounting to Rs.14 million claimed by the Subsidiary Company on various invoices during July 2017 to September 2019, which is stated to be inadmissible under section 8(1) of the Sales tax Act, 1990 read with SRO 490(I)/2004 dated June 12, 2004. 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.

		( Rupees in Thousand )	
	Note	2020	2019
<b>27.2</b>	<b>Guarantees</b>		
Bank Guarantees in favour of:			
The Director Excise & Taxation, Karachi	23.8.4	208,365	185,865
The Electric Inspector, President Licencing Board, Quetta		10	10
Pakistan State Oil Company Limited		40,000	40,000
K-Electric Limited		11,560	11,560
Nazir of the High Court of Sindh, Karachi	27.1.10	15,209	-
Letters of Credit in favour of:			
Sui Southern Gas Company Limited for Gas		244,592	163,992
		<u>519,736</u>	<u>401,427</u>
<b>27.3</b>	<b>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		1,446,353	1,596,780
Raw material		208,634	346,064
Spare parts and others		115,384	94,321
		<u>1,770,371</u>	<u>2,037,165</u>
Local currency:			
Property, plant and equipment		52,956	-
Raw material		96,866	-
Spare parts and others		-	40,161
		<u>149,822</u>	<u>40,161</u>
		<u>1,920,193</u>	<u>2,077,326</u>
<b>28</b>	<b>SALES</b>		
Gross local sales		14,987,588	18,392,023
Third party processing charges		76,250	-
		<u>15,063,838</u>	<u>18,392,023</u>
Less: Sales tax	28.1	2,201,971	808,204
		<u>12,861,867</u>	<u>17,583,819</u>
Export sales		76,510	123,506
		<u>12,938,377</u>	<u>17,707,325</u>
<b>28.1</b>	These include local zero/reduced rate supplies.		



		( Rupees in Thousand )	
	Note	2020	2019
<b>29</b>	<b>COST OF SALES</b>		
Raw material consumed		7,639,264	11,176,689
Stores, spare parts and loose tools consumed		403,412	407,328
Outsource processing charges		609,189	623,001
Salaries, wages, allowances and benefits	29.1	1,018,807	1,074,427
Power, fuel and gas		1,408,404	1,503,818
Rent, rates and taxes		15,418	9,414
Insurance		51,106	41,265
Cartage & transportation		88,223	111,269
Repairs and maintenance		169,597	124,870
Communications & Computer		1,937	2,279
Water supply		6,028	40,551
Travelling		8,315	9,164
Sundry		34,666	51,559
Depreciation	5.2	511,141	418,314
Impairment of operating fixed assets	5.1	-	103,842
		<u>11,965,507</u>	<u>15,697,790</u>
Duty draw back		(204)	(136)
Scrap sales	29.2	<u>(13,828)</u>	<u>(13,088)</u>
		11,951,475	15,684,566
Opening stock of goods-in-process		484,446	482,041
Closing stock of goods-in-process		<u>(589,548)</u>	<u>(484,446)</u>
Cost of goods manufactured		11,846,373	15,682,161
Opening stock of finished goods		1,184,182	1,181,791
Closing stock of finished goods		<u>(1,157,211)</u>	<u>(1,184,182)</u>
		<u>11,873,344</u>	<u>15,679,770</u>
<b>29.1</b>	These include Rs.18.662 million (2019 : Rs.17.385 million) and Rs.28.004 million (2019 : Rs.18.214 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.		
<b>29.2</b>	Net off sales tax amounting to Rs.2.735 million (2019: Rs.2.618 million).		
<b>30</b>	<b>DISTRIBUTION AND SELLING COSTS</b>		
Salaries, allowances and benefits	30.1	37,520	34,106
Insurance		3,711	2,513
Rent, rates and taxes		2,263	2,586
Handling, freight and transportation		115,030	128,321
Advertisement and sales promotion		938	586
Communications		757	462
Travelling		312	142
Fee & subscriptions		236	630
Legal & professional fee		1,010	4,547
Sundry		7,630	11,170
Depreciation	5.2	3,039	2,568
		<u>172,446</u>	<u>187,631</u>
<b>30.1</b>	These include Rs.1.238 million (2019: Rs.1.103 million) and Rs.2.984 million (2019: Rs.1.917 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.		

		( Rupees in Thousand )	
	Note	2020	2019
<b>31 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and benefits	31.1	207,478	189,687
Rent, rates and taxes		22,597	20,870
Insurance		1,997	1,267
Repairs and maintenance		11,832	4,099
Travelling		2,593	2,553
Communications		2,712	2,746
Legal & professional fees		10,678	8,930
Utilities		5,440	4,236
Printing and stationery		1,386	1,732
Transportation		8,004	7,534
Sundry		12,233	10,478
Depreciation	5.2	8,914	5,836
		<u>295,864</u>	<u>259,968</u>
<b>31.1</b>	These include Rs.8.451 million (2019: Rs.7.387 million) and Rs.32.974 million (2019: Rs.21.625 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.		
<b>32 OTHER OPERATING EXPENSES</b>			
Loss on disposal of property, plant and equipment	5.3.1	900	521
Loss on scrapped items of property, plant and equipment	5.3.1	-	24,341
Provision of allowance for ECL - net	12.6	45,499	-
Provision for slow moving stores, spare parts and loose tools - net	10.1	10,718	10,865
Exchange loss - net		17,631	109,231
Corporate social responsibility	32.1	7,720	14,850
Workers' Profit Participation Fund	23.6	13,113	52,637
Workers' Welfare Fund	23.7	3,573	16,260
Auditors' remuneration	32.2	4,925	2,094
		<u>104,079</u>	<u>230,799</u>
<b>32.1</b>	These includes donations of Rs.7.470 million (2019: Rs.8.800 million) to a related party Messrs. Gatron Foundation in which Chief Executive and three directors of the Parent Company are governors. None of the directors or their spouses has any interest in any donee fund, so far as other donations are concerned.		
<b>32.2 Auditors' remuneration</b>			
Audit fee - Annual financial statements			
Parent Company - Gatron (Industries) Limited		1,800	1,250
Subsidiary Company - Gatro Power (Private) Limited		100	100
Subsidiary Company - Global Synthetics Limited		22	23
Subsidiary Company - G-Pac Energy (Private) Limited		22	23
Audit fee - Supplementary financial statements			
Parent Company - Gatron (Industries) Limited		1,250	-
Subsidiary Company - Gatro Power (Private) Limited		100	-
Subsidiary Company - Global Synthetics Limited		23	-
Subsidiary Company - G-Pac Energy (Private) Limited		23	-
Limited review, audit of supplementary consolidated statements and certification fee		1,125	450
Sindh Sales Tax on services		358	146
Out of pocket expenses		102	102
		<u>4,925</u>	<u>2,094</u>



		( Rupees in Thousand )	
		2020	2019
<b>33</b>	<b>OTHER INCOME</b>		
	<b>Income from financial assets</b>		
	Reversal of provision of allowance for ECL - net	-	1,972
	Profit on deposits	1,642	37
		<u>1,642</u>	<u>2,009</u>
	<b>Income from non - financial assets &amp; others</b>		
	Gain on disposal of property, plant and equipment	71,338	7,909
	Liabilities no more payable written back	1,998	3,160
	Insurance claim received	-	1,557
	Miscellaneous income	409	250
		<u>73,745</u>	<u>12,876</u>
		<u>75,387</u>	<u>14,885</u>
<b>34</b>	<b>FINANCE COSTS</b>		
	Profit on long term financing	38,121	388
	Mark up/profit on short term borrowings	165,724	15,011
	Interest on Workers' Profit Participation Fund	-	298
	Bank charges and guarantee commission	2,634	2,440
		<u>206,479</u>	<u>18,137</u>
<b>34.1</b>	It includes finance costs under Shariah Complaint arrangement amounting to Rs.43.214 million (2019: Rs. 0.498 million)		
<b>35</b>	<b>INCOME TAX</b>		
	For the current year	355,086	307,913
	For the prior year	34,654	3,833
		<u>389,740</u>	<u>311,746</u>
	Deferred	78,680	366,648
		<u>468,420</u>	<u>678,394</u>
	<b>Relationship between income tax and profit before income tax :</b>		
	Profit before income tax	1,918,419	4,379,924
	Income tax rate	29%	29%
	Income tax on profit before income tax	556,341	1,270,178
	<b>Tax effect of:</b>		
	minimum tax	183,776	-
	brought forward minimum tax and loss adjusted	(33,060)	(84,961)
	tax credits	-	(42,267)
	super tax	-	43,821
	income assessed under final tax regime - export sales	934	91
	provision of prior year income tax	34,654	3,833
	deferred tax effect on un-realised share of profit in associated company Messrs. Novatex Limited	70,734	369,206
	income exempt from subsidiary company Messrs. Gatro Power (Private) Limited	(33,639)	(105,659)
	loss from subsidiary company Messrs. Global Synthetics Limited	15	7
	loss from subsidiary company Messrs. G-Pac Energy (Private) Limited	4,211	14
	dividend income and share of profit in associated company Messrs. Novatex Limited	(289,896)	(794,816)
	others	(25,650)	18,947
	Income tax for the year	<u>468,420</u>	<u>678,394</u>

**35.1** It include amounting to Rs.70.734 million (2019: Rs.369.206 million) pertains to deferred tax provided during the year on un-realized share of profit in associated company Messrs. Novatex Limited.

**35.2** Sufficient provision for tax has been made in these consolidated financial statements taking into account the profit or loss for the period 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 )		
	2019	2018	2017
Tax provision	307,913	185,231	97,329
Tax assessed	256,479	150,139	97,406

	Note	( Rupees in Thousand )	
		2020	2019
<b>36 EARNINGS PER SHARE - BASIC AND DILUTED</b>			
Profit after income tax		1,449,999	3,701,530
		( Number of Shares )	
Weighted average number of Ordinary Shares in issue during the year		38,364,480	38,364,480

	( Rupees )	
	2020	2019
Earnings per share - Basic and diluted	37.80	96.48
There is no dilutive effect on the basic earnings per share of the Group.		

		( Rupees in Thousand )	
		2020	2019
<b>37 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	17	1,135,360	1,381,563
Short term borrowings	25	(1,671,941)	(864,718)
		(536,581)	516,845

### 38 FINANCIAL INSTRUMENTS

#### Financial assets as per statement of financial position

##### - Measured at amortised cost

Loans and advances	3,294	3,415
Deposits	43,551	67,576
Trade debts	2,230,264	1,528,561
Other receivables	92,373	103,184
Cash and bank balances	1,135,360	1,381,563
	3,504,842	3,084,299

#### Financial liabilities as per statement of financial position

##### - Measured at amortised cost

Long term financing	1,177,953	126,540
Trade and other payables	838,705	1,398,646
Unclaimed dividend	21,544	16,393
Accrued mark up	53,469	8,584
Short term borrowings	1,671,941	864,718
	3,763,612	2,414,881

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

**38.1 MEASUREMENT OF FAIR VALUE**

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

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

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

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

**38.2 FINANCIAL RISK MANAGEMENT OBJECTIVES**

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

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

**38.2.1 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, JPY, CHF and AED. The Group's exposure to foreign currency risk is as follows:

	( Rupees in Thousand )	
	2020	2019
Bills Payable	41,981	420,652
Trade creditors	4,139	-
Creditors for capital expenditure	35,421	6,704
Finance under F.E. Circular No.25 of SBP-Foreign currency	166,835	-
	<b>248,376</b>	427,356
Trade Debts	(5,209)	-
Receivable from suppliers	(77,386)	(87,198)
Cash at bank in foreign currency accounts	(8,235)	(5,900)
	<b>(90,830)</b>	(93,098)
	<b>157,546</b>	334,258
Commitments - Outstanding letters of credit	1,770,371	2,037,165
<b>Net exposure</b>	<b>1,927,917</b>	<b>2,371,423</b>

The following significant exchange rates have been applied:

	Average rate				Reporting date rate			
	2020		2019		2020		2019	
	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling
USD to PKR	158.19	158.69	135.81	136.18	168.25	168.75	164.00	164.50
Euro to PKR	175.04	175.68	154.89	155.29	189.11	189.73	186.37	186.99
JPY to PKR	1.46	1.47	1.22	1.23	1.56	1.57	1.52	1.53
CHF to PKR	160.42	160.96	136.50	136.87	176.83	177.43	168.03	168.61
AED to PKR	-	-	36.96	37.07	-	-	44.54	44.80

### Sensitivity Analysis

At reporting date, if the PKR had strengthened/weakened by 10% against the USD, Euro, JPY, CHF and AED with all other variables held constant, pre tax consolidated profit for the period 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.

	( Rupees in Thousand )			
	Average rate		Reporting date rate	
	2020	2019	2020	2019
<b>Effect on consolidated statement of profit or loss</b>				
USD to PKR	115,827	128,844	123,168	155,641
Euro to PKR	62,551	65,564	67,554	78,949
JPY to PKR	276	330	294	411
CHF to PKR	1,611	1,713	1,776	2,110
AED to PKR	-	26	-	32
	<b>180,265</b>	196,477	<b>192,792</b>	237,143

The sensitivity analysis prepared is not necessarily indicative of the effects on consolidated profit for the period 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:

			( Rupees in Thousand )	
	2020	2019	2020	2019
Financial Assets	Effective rate (in %)		Carrying amount	
<b>Variable rate instruments</b>				
Bank balance	10.05	2.46	1,903	1,435
<b>Financial Liabilities</b>				
<b>Variable rate instruments</b>				
Short term borrowings	2.25-14.86	6.91-13.79	(1,671,941)	(864,718)
			<u>(1,670,038)</u>	<u>(863,283)</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 June 2019.

	Statement of profit or loss before tax	
	100 bp increase	100 bp decrease
<b>As at June 30, 2020</b>		
Cash flow sensitivity - Variable rate	<u>(16,700)</u>	<u>16,700</u>
<b>As at June 30, 2019</b>		
Cash flow sensitivity - Variable rate	<u>(8,633)</u>	<u>8,633</u>

This sensitivity analysis prepared is not necessarily indicative of the effects on profit for the period and assets/liabilities of the parent company.

### 38.2.2 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 inter alia by setting credit limits in relation to individual customers and by obtaining advance against sales and also obtains collaterals, where considered necessary. Also the Parent Company does not have significant exposure in relation to individual customer. Consequently, the Group believes that it is not exposed to any major concentration of credit risk.

### Exposure to credit risk

The carrying amount of the financial assets represent the maximum credit exposure before any credit enhancements. Out of total financial assets of Rs.3,504.842 million (2019: Rs.3,084.299 million), financial assets of Rs.3,503.543 million (2019: Rs.3,082.995 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 )	
	2020	2019
Loans and advances	3,294	3,415
Deposits	43,551	67,576
Trade debts	2,230,264	1,528,561
Other receivables	92,373	103,184
	2,322,637	1,631,745
Bank balances	1,134,061	1,380,259
	3,503,543	3,082,995
The aging of trade debts and other receivables at the reporting date:		
Not past due	1,431,262	1,257,722
Past due 1-30 days	316,740	148,674
Past due 31-90 days	416,316	188,923
Past due 91-180 days	165,739	40,693
Past due 180 days	111,376	69,030
	2,441,433	1,705,042
Allowance for ECL - local	(118,796)	(73,297)
	2,322,637	1,631,745

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	2020	2019
Bank Al-Falah Limited	PACRA	A-1+	AA+	16,213	15,469
Bank Al-Habib Limited	PACRA	A-1+	AA+	600,113	501,234
Citibank N.A.	Moody's	P-1	Aa3	63	66
Dubai Islamic Bank Pakistan Limited	VIS	A-1+	AA	1,953	1,867
Faysal Bank Limited	PACRA	A-1+	AA	496	447
Habib Bank Limited	VIS	A-1+	AAA	5,247	179,694
Habib Metropolitan Bank Limited	PACRA	A-1+	AA+	411,184	508,142
MCB Bank Limited	PACRA	A-1+	AAA	807	945
Meezan Bank Limited	VIS	A-1+	AA+	91,310	159,228
National Bank of Pakistan	PACRA	A-1+	AAA	6,183	12,701
Samba Bank Limited	VIS	A-1	AA	57	56
Standard Chartered Bank (Pakistan) Limited	PACRA	A-1+	AAA	334	402
United Bank Limited	VIS	A-1+	AAA	101	8
				1,134,061	1,380,259

Above rating updated as of July 16, 2020 and available on State Bank of Pakistan website.

### 38.2.3 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, 2020, the Parent Company has Rs.5,755 million including 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.4,083 million in addition to balances at banks of Rs.1,134



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
<b>2020</b>			----- ( Rupees in Thousand ) -----				
Long term financing	1,177,953	1,428,964	10,770	25,884	137,475	546,073	708,762
Trade and other payables	838,705	838,705	838,705	-	-	-	-
Unclaimed dividend	21,544	21,544	21,544	-	-	-	-
Accrued mark up	53,469	53,469	53,469	-	-	-	-
Short term borrowings	1,671,941	1,674,327	1,674,327	-	-	-	-
	<b>3,763,612</b>	<b>4,017,009</b>	<b>2,598,815</b>	<b>25,884</b>	<b>137,475</b>	<b>546,073</b>	<b>708,762</b>
<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>

### 38.3 CAPITAL RISK MANAGEMENT

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

The gearing ratio as at June 30, 2020 and June 30, 2019 were as follows:

	( Rupees in Thousand )	
	2020	2019
Total borrowings	2,849,894	991,258
Cash and bank balances	(1,135,360)	(1,381,563)
Net debt	1,714,534	(390,305)
Total equity	13,138,962	12,728,774
Total capital	14,853,496	12,728,774
Gearing ratio	12%	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.

### 39 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

Particulars	( Rupees in Thousand )							
	Chief Executive		Directors		Executives		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Managerial remuneration	20,836	19,842	36,008	34,004	127,219	95,367	184,063	149,213
Post Employment benefits	11,199	7,111	8,699	5,614	19,045	11,972	38,943	24,697
Utilities	84	91	27	32	12	61	123	184
Other benefits	-	-	2,444	3,127	61,145	58,440	63,589	61,567
Reimbursement	-	-	-	-	1,569	1,189	1,569	1,189
	32,119	27,044	47,178	42,777	208,990	167,029	288,287	236,850

Number of persons for remuneration	1	1	3	3	39	31	43	35
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**39.1** Aggregate amount of meeting fee to Chairman and 4 non-executive directors (2019: Chairman and 4 non-executive Directors) was Rs.1.400 million (2019: Rs.1.400 million).

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

**39.3** During the year, an associated company Messrs. Novatex Limited reimbursed Rs.54.067 million (2019: Rs.54.367 million) to the Parent Company in respect of shared resources of certain directors and executives.

## 40 SEGMENT REPORTING

### 40.1 Reportable segments

The Group's reportable segments are as follows:

- Polyester Filament Yarn - it comprises manufacturing of Polyester Filament Yarn and its raw material.
- Polyester PET Preform - it comprises manufacturing of Polyester PET Preform and its raw material. This includes the results of Subsidiary Company Messrs. Global Synthetics Limited, which has not yet commenced its operations till date.
- Electric Power generation - it comprises operations of Subsidiary 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.

## 40.2 Segment results:

The segment information for the reportable segments for the year ended June 30, 2020 is as follows:

		(Rupees in Thousand)				
		2020				
		Polyester Filament Yarn	Polyester PET Preform	Total of Polyester Polymer	Power Generation	Group
Sales		9,208,002	3,730,375	12,938,377	1,585,841	14,524,218
Segment result before depreciation and impairment		546,401	340,950	887,351	232,466	1,119,817
Less: Depreciation and impairment		(339,585)	(65,820)	(405,405)	(117,689)	(523,094)
Segment result after depreciation and impairment		206,816	275,130	481,946	114,777	596,723
Reconciliation of segment sales and results with sales and profit before income tax:						
Total sales for reportable segments					14,524,218	19,588,673
Elimination of inter-segment sales from subsidiary company Messrs. Gatro Power (Private) Limited					(1,585,841)	(1,881,348)
<b>Sales</b>					<b>12,938,377</b>	<b>17,707,325</b>
Total results for reportable segments				481,946	114,777	596,723
Other operating expenses				(113,207)	(6,408)	(119,615)
Other income				82,461	2,022	84,483
Finance costs				(205,681)	(8,917)	(214,598)
Investment income - Dividend				1,212,750	-	1,212,750
Share of profit after income tax in associated company Messrs. Novatex Limited					1,556,867	3,034,019
				1,458,269	101,474	3,116,610
Elimination of intra group transaction					(1,198,191)	(1,122,286)
<b>Profit before income tax</b>					<b>1,918,419</b>	<b>4,379,924</b>
Assets and liabilities by segments are as follows:						
Segment assets		6,555,013	1,982,924	8,537,937	3,103,852	11,641,789
Segment liabilities		1,648,669	271,300	1,919,969	2,068,236	3,988,205
Reconciliation of segments assets and liabilities with total in the consolidated statement of financial position is as follows:						
				Assets	Liabilities	
Total for reportable segments				11,641,789	3,988,205	
Unallocated				10,203,977	4,283,098	
Elimination of intra group balances				(651,711)	(216,210)	
<b>Total as per consolidated statement of financial position</b>				<b>21,194,055</b>	<b>8,055,093</b>	
Other segment information is as follows:						
Depreciation and impairment		339,585	65,820	405,405	117,689	523,094
Capital expenditures incurred during the year		1,520,704	13,319	1,534,023	850,427	2,384,450
Unallocated capital expenditure incurred during the year					123,059	11,879
Total					2,507,509	1,221,186

**40.3** All non-current assets of the Group as at June 30, 2020 are located in Pakistan. Parent Company's local sales represents sales to various external customers in Pakistan whereas export sales represents sales to customers in various countries.

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

		(Metric Tons)	
	Note	2020	2019
<b>41 PLANT CAPACITY AND ACTUAL PRODUCTION</b>			
<b>Polyester Filament Yarn</b>	<b>41.1</b>		
Annual capacity		36,974	32,502
Actual production		37,092	49,390
<b>Polyester P.E.T. Preforms</b>	<b>41.2</b>		
Annual capacity		41,017	50,222
Actual production		15,370	20,612
		(KWH in Thousand)	
<b>Electric Power</b>	<b>41.3</b>		
Annual capacity		246,240	233,731
Actual production		129,931	160,695

- 41.1** The capacity is determined based on 75 denier and 24 filaments. Actual production represents production of various deniers. The actual production is lower due to plant shutdown for COVID-19, as communicated to Pakistan Stock Exchange vide letter dated: April 06, 2020.
- 41.2** 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 shortening domestic demand. 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 540.428 million (2019: 693.506 million) against annual capacity (based on 43.66 gms) of 939 million pieces.
- 41.3** During the year, annual capacity has been increased due to addition of new gas engines whereas downfall in operating efficiency of generators due to aging has been adjusted. 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. The actual production is lower due to lower demand from the parent company owing to plant shutdown for covid-19.

## 42 TRANSACTIONS WITH RELATED PARTIES

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

Name	Nature of relationship	Basis of relationship	Nature of transaction	( Rupees in Thousand )	
				2020	2019
Novatex Limited	Associated Company	Common directorship	Sale of goods	873,375	-
			Rendering of services	65,171	-
			Obtaining of services	608,156	623,001
			Purchase of raw material	38	100
			Sale of property, plant & equipment	4,800	-
			Receipt of dividend	1,077,300	567,000
			Rent	20,949	18,484
			Reimbursement of expenses	163,775	152,659
Krystalite Product (Private) Limited	Related Party	Common management	Sale of goods	386,162	629,900
			Purchase of raw material	455	-
			Reimbursement of expenses	-	292
Mushtaq & Company (Private) Limited	Related Party	Common management	Sale of goods	28,182	81,444
Gani & Tayub (Private) Limited	Related Party	Common directorship	Payment of dividend	44,561	32,003
			Charges on account of handling	5,875	8,917
Gatron Foundation	Related Party	Common directorship	Payment of donation	7,470	8,800
Gatron (Ind) Limited Staff Provident Fund	Retirement benefit fund	Employees Fund	Contribution made	24,547	21,983
Gatron (Ind) Limited Workers Provident Fund	Retirement benefit fund	Employees Fund	Contribution made	3,804	3,892

- The above figures are exclusive of sales tax, where applicable.

- Outstanding balances, as at reporting date, are disclosed in their respective notes.

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

43	<b>PROVIDENT FUND RELATED DISCLOSURES</b>	<b>( Rupees in Thousand )</b>	
		<b>2020</b> <b>(Un-audited)</b>	<b>2019</b> <b>(Audited)</b>
	The Following information is based on latest financial statements of the Funds.		
	Size of the Funds - Total Assets	<u>494,284</u>	<u>432,152</u>
	Cost of Investments made	<u>450,356</u>	<u>417,747</u>
	Fair value of investments	<u>489,892</u>	<u>427,859</u>
	Percentage of investments made (Fair value to size of the fund)	<u>99.11%</u>	<u>99.01%</u>

43.1		<b>( Rupees in Thousand )</b>			
		<b>2020</b> <b>Amount</b>	<b>%</b>	<b>2019</b> <b>Amount</b>	<b>%</b>
	The Break-up of cost of investments is:				
	Shares of Listed Companies	24,666	5.48%	17,495	4.19%
	Government Securities	273,610	60.75%	290,511	69.54%
	Debt Securities	119,911	26.63%	23,472	5.62%
	Mutual Funds	11,567	2.57%	17,218	4.12%
	Bank Deposits	20,602	4.57%	69,051	16.53%
		<u>450,356</u>	<u>100.00%</u>	<u>417,747</u>	<u>100.00%</u>

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

44	<b>NUMBER OF EMPLOYEES</b>	<b>(Number of employees)</b>	
		<b>2020</b>	<b>2019</b>
	Total number of employees as at June 30	<u>777</u>	<u>782</u>
	Average number of employees during the year	<u>784</u>	<u>785</u>

#### 45 CORRESPONDING FIGURES

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

<b>Reclassification from component</b>	<b>Reclassification to component</b>	<b>( Rupees in Thousand )</b>
Cost of sales	Cost of sales	
Legal & professional fees	Sundry	305

#### 46 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on September 12, 2020 by the Board of Directors of the Parent Company.

#### 47 GENERAL

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

# Notes to the Members

## **Submission of Computerized National Identity Cards**

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 CNIC or NICOP to the Shares Registrar of the Company. In case of non-receipt of valid CNIC or NICOP, the Company will be constrained to withhold the payment of dividend of such shareholders. The shareholders while sending copies of CNIC or NICOP must quote their respective folio number and name of the company (in case of corporate shareholders).

## **Unclaimed Shares/Dividends**

Shareholders 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.

## **Dissemination of Annual Audited Accounts for the year ended June 30, 2020 through CD/DVD/USB:**

The Securities and Exchange Commission of Pakistan vide SRO No. 470(I)/2016 dated May 31, 2016, has allowed listed companies to disseminate their Annual Audited Accounts (i.e. the Annual Balance Sheet and Profit and Loss Account, Auditors Report and Director's report) to its members through CD/DVD/USB at their registered address instead of sending them in hard copy.

Pursuant to the approval of shareholders, the Annual Audited Financial statements of the Company for the year ended June 30, 2020, are being circulated to the members through CD/DVD/USB. However, shareholder may request to provide a hard copy of Annual Accounts. 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. Relevant forms are available on the Company's website: [www.gatron.com](http://www.gatron.com)

**Placement of Financial Statements on Website:**

The Financial Statements of the Company for the year ended June 30, 2020 along with reports have been placed on the website of the Company at [www.gatron.com](http://www.gatron.com).

## Proxy Form

### 40TH 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 40th Annual General Meeting of the Company to be held on Monday,  
October 26, 2020 at 11:00 a.m., and at any adjournment thereof.

Signed this \_\_\_\_\_ day of , \_\_\_\_\_ 2020.

#### 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)

۴۰ واں سالانہ اجلاس عام

میں/ہم

بحیثیت رکن گیٹرون (انڈسٹریز) لمیٹڈ وحامل

عام حصص بمطابق شیئرز رجسٹر فوئیو نمبر \_\_\_\_\_ اور/یا سی ڈی سی کے شراکتی آئی ڈی نمبر \_\_\_\_\_

اور ذیلی کھاتہ نمبر \_\_\_\_\_ محترم/محترمه \_\_\_\_\_ ساکن \_\_\_\_\_

یا بصورت دیگر \_\_\_\_\_ ساکن \_\_\_\_\_

کواپنی/ہماری جگہ بروز پیر، مورخہ 26 اکتوبر، 2020ء، بجے 11:00 میں منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں شرکت، رائے دہندگی کے لیے اپنا نمائندہ مقرر کرتا/کرتی/کرتے ہوں/ہیں۔

دستخط مورخہ \_\_\_\_\_ برائے ماہ و سال \_\_\_\_\_ ثبت ہیں۔

گواہ:

5 روپے کارسیدی  
ٹکٹ یہاں چسپاں کر کے  
دستخط کریں

1 دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

سی این آئی سی نمبر \_\_\_\_\_

2 دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

سی این آئی سی نمبر \_\_\_\_\_

نوٹ:

(1) مختارنامہ (پراکسی فارم) کے مؤثر ہونے کے لیے ضروری ہے کہ وہ 5 روپے کے رسیدی ٹکٹ پر دستخط کے ساتھ اجلاس شروع ہونے سے 48 گھنٹے قبل کمپنی کو موصول ہو جائے۔

(2) مختار (پراکسی) کو کمپنی کا وکٹن (ممبر) ہونا ضروری ہے۔

(3) دستخط کمپنی کے پاس رجسٹرڈ کردہ نمونے کے مطابق ہونی چاہیئے۔

(4) سی ڈی سی شیئر 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۔



Gatron (Industries) Limited

