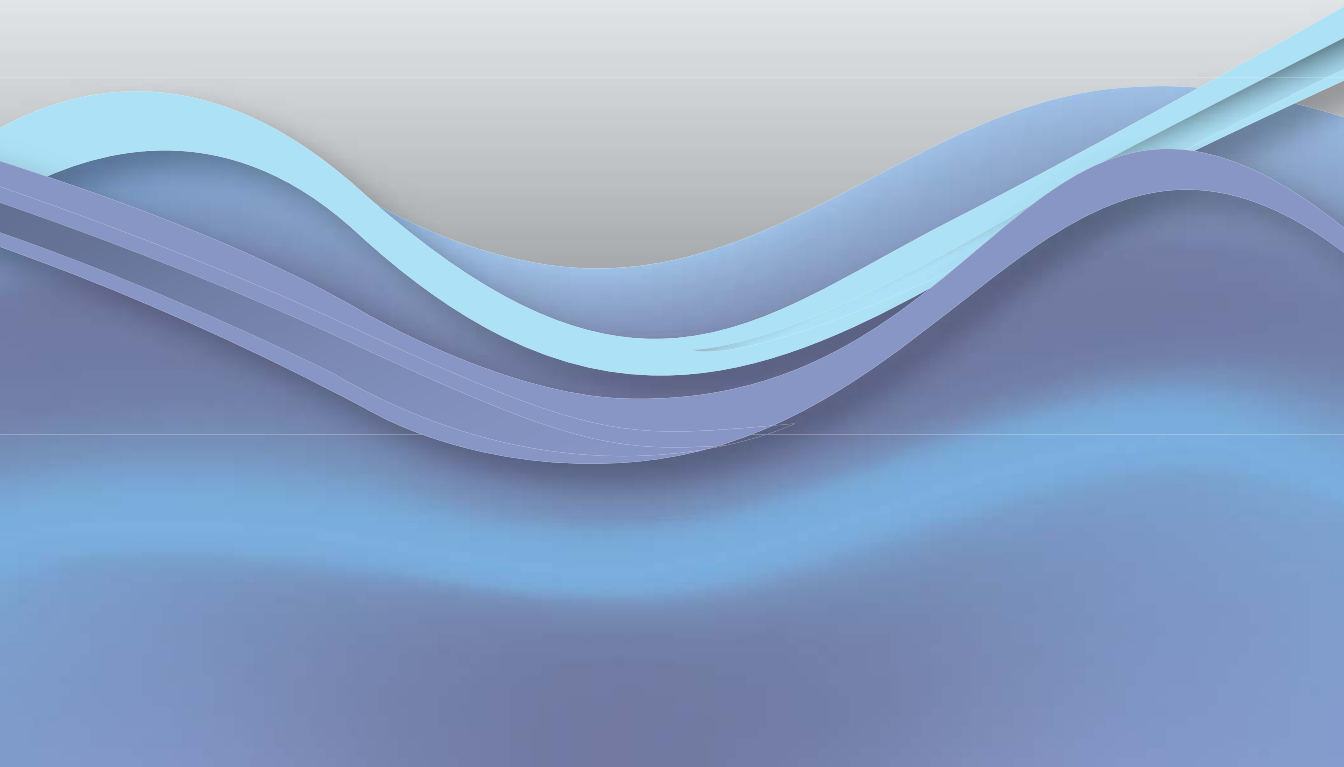




GATRON (INDUSTRIES) LIMITED

quarterly **report**

September 30, 2020





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Corporate Information

Board of Directors

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

Audit Committee Members

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

HR & Remuneration Committee Members

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

Chief Financial Officer

Mustufa Bilwani

Company Secretary

Muhammad Yasin Bilwani

Auditors

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

Legal Advisor

Naeem Ahmed Khan
Advocates
Quetta.

Share Registrar

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

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

Directors' Report

Dear Shareholders,

The Directors of Gatron (Industries) Limited are pleased to present the un-audited financial statements, for the period ended September 30, 2020.

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

- Net sales Rs.3,748 million,
- Operating profit Rs. 283 million,
- Investment income Rs. Nil,
- Profit before income tax Rs.262 million,
- Profit after income tax Rs. 212million,
- Earnings per share Rs. 5.52

After a challenging last quarter of previous financial year where your company suffered greatly due to the impacts of Covid-19, it has managed to improve its performance in the current quarter after the removal of the nationwide lockdown and subsequent increase in consumer demand which trickled down the entire polyester chain. Since the imports (which are mostly at dumped levels) had drastically gone down due to Covid-19, that also helped the operating results. However the production and sale level this quarter still do not reflect full capacity utilization of operation. Moreover it was the first time since July 2018 that the prices of PTA/MEG (main raw material) did not decrease on a quarter to quarter basis since the July-Sept 2018 quarter. The PTA/MEG which was average \$860 /\$890 in July 2018 dropped every quarter thereafter to reach \$475/\$410 in Jun 2020 and thereafter in July to Sept 2020 (reporting quarter) it has been around this level with MEG in fact slightly increasing in Sept 2020. While exchange rate remained stable between 166 to 168 during July to Sept 2020 that meant that producing and selling cycle did not result in raw material losses during the reporting quarter to give full margin benefit of sales over costs, particularly in the preform business.

While comparing to the corresponding quarter last year the revenue of the Company increased by 9% due to an increase in the sale quantity of Polyester Filament Yarn (PFY) It was mainly since Q1 of last year was a disappointing quarter in terms of sale due to the drastic policy changes in the budget of 17% sales tax on textile sector and across the board condition of CNIC on unregistered buyers.

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

On the Balance Sheet front as compared to June 30, 2020 stocks in trade is maintained at almost same level since the company continued to maintain lower stocks of raw material which adopted/achieved during the Covid-19 period. However, Debtors increased by Rs.183 million to reach Rs.2,413 million. The trade payables increased by Rs. 473 million to reach Rs. 2,051 million. On account of these changes, the short-term borrowings from banks decreased by Rs. 325 million.

CHALLENGES FACED AND FUTURE OUTLOOK

- An important development was that in the last budget regulatory duty (which 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. As already informed in the earlier Director report, that in view of the regulatory duty restoration the Company is 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.
- The competing imported yarn from China and Far east 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 they sell at only 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 quite low to cover this actual dumping and is much lower than Anti-Dumping Duties imposed by Turkey minimum 16% or \$:250/ton and India minimum 23% on the same producers, as such the Regulatory duty is needed. Recently the USA also imposed Anti-Subsidy Duties against Chinese Filament Yarn producers @ 32% to 459%

- Recent imposition of regulatory duty along with effective implementation of Anti-Dumping duties has started to 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 as well expansions by other Filament yarn producers in Pakistan, 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. The Company has filed a review petition of the judgment in the Honorable Supreme Court of Pakistan. The Company has also filed a Constitution Petition in the Honorable Sindh High Court against the GIDC monthly installments charged with monthly bills. The Honorable Sindh High Court has granted stay order to the Company and restrained the Sui Southern Gas Company Limited.
- There was severe gas pressure drop and load shedding in the HUB industrial area during the current quarter. Which meant that the company had to resort to using higher priced HFO to produce power and hence led to higher costs. If this gas load shedding continues in the HUB industrial area than the performance of the company will suffer not only due to higher power generation costs but also due to production loss due to unavailability of gas.
- 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.
- The recent rainfall rose the water level of Hub Dam to its maximum capacity of 340 feet but also damaged the walls of the Hub Canal bunds. This has resulted in a water shortage to the Company adding cost to arrange supply from alternate sources. The local government must look at this issue as without water the industry cannot survive.
- 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.

OTHER MATTERS

- During the period, operations of Wholly Owned Subsidiary Messrs. Gatro Power (Private) Limited remained disturbed due to shortage of gas supply and use of alternate sources to supply power to parent company, resulting in increased power cost.
- The principal business of Wholly Owned Subsidiary Company Messrs. G-Pac Energy (Private) Limited is to generate and sell electric power. The operations of this Subsidiary Company are expected to be commenced soon.

- Wholly Owned Subsidiary Company Messrs. Global Synthetics Limited has not yet started its operation.
- The Honorable High Court of Balochistan at Quetta has sanctioned on 21 September 2020, the Scheme of Arrangement duly approved by the BOD on 30 September 2019. Your Company is in the process of necessary compliance and procedures in line with the order of the Honorable High Court of Balochistan.

APPROPRIATION

The Board of Directors of the company has not recommended any interim dividend for the period ended September 30, 2020.

EARNINGS PER SHARE

The earnings per share of the Company for the period ended on September 30, 2020 is Rs 5.52.

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.

INTERNAL FINANCIAL CONTROLS

The system of internal controls is sound in design and has been effectively implemented and monitored.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The un-audited condensed interim consolidated financial statements of the Group along with notes and director report there to have also been included in this report.

BOARD OF DIRECTORS

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

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.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

October 24, 2020

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۔

اندرونی مالیاتی کنٹرول:

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۔

مجموعی مالیاتی گوشوارے:

زیر نظر سہ ماہی رپورٹ میں گروپ ہذا کے غیر آڈٹ شدہ مختصر جامع مالیاتی گوشوارے (Condensed Consolidated Financial Statements) ہمارا ڈائریکٹرز رپورٹ منسلک ہیں۔

بورڈ آف ڈائریکٹرز:

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

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 اور اپنے تمام متعلقہ افراد بشمول سرکاری ادارے، آڈیٹرز، ایس ای سی پی، پی ایس ایکس اور بینکرز کے شکر گزار ہیں جنہوں نے گیسٹروں کی ترقی میں اپنا کردار بخوبی نبھایا۔

محمد اقبال یلوانی
ڈائریکٹر

پیر محمد یلوان
افسر اعلیٰ

24 اکتوبر، 2020ء

☆ زیر جائزہ سہ ماہی کے دوران HUB کے صنعتی علاقے میں گیس پر پٹرک کی شدید کمی اور لوڈ شیڈنگ کی وجہ سے کمپنی کو بجلی پیدا کرنے کے لئے مہنگی قیمت والے HFO کا استعمال کرنا پڑا اور اس وجہ سے بجلی کی پیداواری قیمت زیادہ ہو گئی۔ اگر یہ گیس لوڈ شیڈنگ HUB کے صنعتی علاقے میں جاری رہی تو اس سے کمپنی کی کارکردگی نہ صرف بجلی کی پیداوار کے زیادہ اخراجات کی وجہ سے متاثر ہوگی بلکہ گیس کی عدم دستیابی کی وجہ سے پیداواری نقصان بھی ہوگا۔

☆ کمپنی کی خطیر رقم انکم ٹیکس ری فنڈ 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۔

☆ حالیہ بارش نے HUB DAM کی آبی سطح اپنی مکمل صلاحیت (CAPACITY) 340 فٹ تک بڑھ گئی لیکن HUB CANAL کے بندوں کی دیواروں کو نقصان پہنچایا۔ اس کے نتیجے میں کمپنی کو پانی کی فراہمی متاثر ہوئی اور متبادل ذرائع سے مہنگے داموں سے فراہمی کا بندوبست کرنا پڑا۔ مقامی حکومت کو اس مسئلے کو دیکھنا چاہئے کیونکہ پانی کے بغیر انڈسٹری زندہ نہیں رہ سکتی۔

☆ SAP کے ذریعے (Digital-Upgradation) ڈیجیٹل اپ گریڈیشن کا پروجیکٹ شروع کیا گیا ہے، تاکہ وسائل کو 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۔

دیگر امور:

☆ زیر جائزہ مدت کے دوران مکمل ملکیتی ماتحت ادارہ میسرز گیٹر و پاور (پرائیویٹ) لمیٹڈ کی عملی کارکردگی گیس کی فراہمی میں قلت اور پیرنٹ کمپنی کو متبادل ذرائع سے تیار شدہ مہنگی بجلی کی فراہمی کے نتیجے میں متاثر رہی۔

☆ میسرز جی پیک انرجی (پرائیویٹ) لمیٹڈ کا اصل کاروبار بجلی پیدا کرنا اور فروخت کرنا ہے۔ اس کمپنی کے آپریشنز جلد شروع کئے جانے کی توقع ہے۔

☆ مکمل ملکیتی ماتحت ادارہ میسرز گلوبل سینتھلیک لمیٹڈ نے اب تک اپنے آپریشنز شروع نہیں کئے۔

☆ معزز ہائیکورٹ آف بلوچستان، کوئٹہ نے 21 ستمبر 2020ء کو Scheme of Arrangement کی منظوری دی جس کو بورڈ آف ڈائریکٹرز کی 30 ستمبر 2019ء میٹنگ میں منظور کیا گیا تھا۔ آپ کی کمپنی معزز ہائیکورٹ آف بلوچستان کے حکم کے مطابق ضروری تعمیل اور طریقہ کار کے عمل پیرا ہے۔

تصرف:

☆ حالیہ سہ ماہی کے دوران بورڈ آف ڈائریکٹرز نے کسی عبوری منافع منقسمہ کی تجویز پیش نہیں کی۔

آمدنی فی حصہ:

☆ 30 ستمبر 2020ء کو اختتام پذیر ہونے والی سہ ماہی مدت میں منافع فی حصہ مبلغ 5.52 روپے رہا۔



درپیش چیلنجز اور مستقبل کا منظر نامہ:

☆ ایک اہم پیشرفت یہ تھی کہ پچھلے بجٹ میں درآمد شدہ پالیسٹر فیمینٹ یارن (PFY) پر ریگولیٹری ڈیوٹی (جو کہ جون 2019ء میں ہٹادی گئی تھی) 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 سال 2017ء میں 36,000 ٹن سے بڑھا کر سال 2020-21 تک امید ہے کہ 60,000 ٹن سے بھی زیادہ ہو جائے۔ جیسا کہ پچھلی ڈائریکٹرز کی رپورٹ میں بھی واضح کیا گیا کہ 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 کردی جائیگی اور سال 2021-22 تک 75,000 ٹن سالانہ ہو جائیگی۔

☆ طویل عرصے سے، چین اور مشرق بعید سے درآمد شدہ یارن اہم خام مال کے مقابلے میں انتہائی کم ڈیپلاٹ 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 لاگت سے کم قیمت پر پاکستان درآمد کرتے ہیں جس میں صرف 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 کہ Actual Dumping کی نسبت بہت کم ہے اور 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 ان پروڈیوسروں پر عائد کی، ایسی ہی ریگولیٹری ڈیوٹی کی ضرورت ہے۔ حال ہی میں امریکہ نے بھی چینی فلیکسمنٹ یارن پروڈیوسر پر 32 فیصد سے 459 فیصد تک اینٹی سبسڈی ڈیوٹی عائد کی ہے۔

☆ اینٹی ڈمپنگ ڈیوٹیوں (ADDs) کے موثر نفاذ کے ساتھ ساتھ ریگولیٹری ڈیوٹی کا حالیہ نفاذ مقامی صنعت کو بحال ہونے میں بہت زیادہ مدد فراہم کر رہا ہے۔ 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 اینٹی ڈمپنگ ڈیوٹیوں (ADDs) کے تسلسل اور ریگولیٹری ڈیوٹی کی Back-up پر یہ توسیع اور پاکستان میں دوسرے Filament Yarn کے پروڈیوسروں کی 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۔ اس توسیع کی وجہ سے 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 ریفرنری کا قیام عمل میں لایا جا رہا ہے تو PTA کا اہم خام مال PARAXYLENE کیپیکل 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 20 اگست، 2020ء کے فیصلے کی وجہ سے کمپنی کو اپنی Liability ادا کرنی پڑے جس سے کمپنی کی Liquidity نمایاں طور پر متاثر ہوگی، آپ کی کمپنی نے اس فیصلے پہ نظر ثانی کی درخواست معزز سپریم کورٹ آف پاکستان میں دائر کردی ہے۔ مزید یہ کہ گیس کمپنی کی جانب سے حالیہ ماہانہ بلوں (BILLS) میں GIDC کے اقساط وصولی کے خلاف معزز ہائے کورٹ آف سندھ میں CONSTITUTIONAL PETITION بھی دائر کی ہے۔ معزز ہائے کورٹ آف سندھ نے اس کیلئے STAY ORDER کمپنی کے حق میں جاری کر دیا ہے۔

بورڈ آف ڈائریکٹرز کی رپورٹ

معزز ممبران،

گیٹرون (انڈسٹریز) لمیٹڈ کے ڈائریکٹرز 30 ستمبر 2020ء کو اختتام پذیر ہونے والی سہ ماہی مدت کے غیر آڈٹ شدہ مختصر مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

زیر جائزہ مدت کا مالیاتی خلاصہ درج ذیل ہے:

خالص فروخت 3,748 ملین روپے
آپریٹنگ منافع 283 ملین روپے
آمدنی بذریعہ سرمایہ کاری NIL روپے
منافع قبل از ٹیکس 262 ملین روپے
منافع بعد از ٹیکس 212 ملین روپے
آمدنی فی حصہ بشمول آمدنی بذریعہ سرمایہ کاری 5.52 روپے

پچھلے مالی سال کی آخری سہ ماہ میں COVID-19 کی وجہ سے پوری پالیسٹر چین کو بہت نقصان اٹھانا پڑا، لیکن ملک بھر میں Lockdown ختم ہونے کے بعد صارفین کی طلب میں اضافے نے موجودہ سہ ماہی میں کمپنی کو اپنی کارکردگی بہتر بنانے میں کامیابی ہوئی۔ درآمدات (جو زیادہ تر Dumped والی سطح پر ہیں) COVID-19 کی وجہ سے بہت کم ہو گئیں تھیں جس سے آپریٹنگ نتائج میں بہتری ہوئی۔ تاہم اس سہ ماہی میں پیداوار اور فروخت کی سطح اب بھی آپریشن کے مکمل صلاحیت کے استعمال کی عکاسی نہیں کرتی۔ مزید یہ کہ جولائی 2018ء کے بعد پہلا موقع تھا کہ PTA/MEG کی قیمتیں (بنیادی خام مال) جولائی تا ستمبر 2018ء کی سہ ماہی سے سہ ماہی سہ ماہی کی بنیاد پر کم نہیں ہوئیں۔ PTA/MEG کی قیمتیں جو جولائی 2018ء میں اوسط \$860/\$890 تھیں لیکن اس کے بعد سہ ماہی میں کم ہو گئیں اور اس کے بعد جون 2020ء میں \$475/\$410 تک پہنچ گئیں اور اس کے بعد جولائی تا ستمبر 2020ء (رپورٹنگ کوارٹر) میں بھی اسی سطح کے آس پاس رہیں بلکہ MEG کی قیمتوں میں ستمبر 2020ء میں تھوڑا سا اضافہ دیکھا گیا۔ جولائی تا ستمبر 2020ء کے دوران تبادلہ زر کی شرح 166 سے 168 کے درمیان مستحکم رہی اس کا مطلب یہ کہ اس سہ ماہی کے دوران پیداوار اور فروخت کی CYCLE میں خام مال کو نقصان نہیں ہوا، جس کی وجہ سے فروخت کی قیمتوں میں مارجن کا فائدہ ہوا، خاص طور پر PREFORMS کے کاروبار میں۔

کمپنی کی مجموعی فروخت میں گزشتہ اسی مدت کے مقابلے میں پولیسٹر یارن کی مقدار میں اضافہ کی وجہ سے 9 فیصد اضافہ ہوا۔ پچھلے سال کی اسی سہ ماہی میں ٹیکسٹائل سیلکٹر پر 17 فیصد سیلکٹس اور غیر رجسٹرڈ خریداروں پر سی این آئی سی جیسی سخت شرائط کی وجہ سے مجموعی فروخت میں کمی تھی۔

انتظامی، تقسیم اور فروخت کے اخراجات قابو میں رہے اور گزشتہ 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۔

30 جون 2020ء کے مقابلے میں اسٹاک کی مالیت تقریباً اسی سطح پر رہی چونکہ کمپنی نے خام مال کے اسٹاک کو نجلی سطح پر جاری رکھا ہوا ہے جولانحہ عمل COVID-19 کی مدت کے دوران طے کیا گیا تھا۔ قابل وصول قرضوں کی مالیت 183 ملین روپے سے بڑھ کر 2,413 ملین روپے تک پہنچ گئی۔ تجارتی ادائیگیوں کی مالیت 473 ملین روپے اضافے سے بڑھ کر 2,051 ملین روپے تک پہنچ گئی۔ ان تبدیلیوں کی وجہ سے، بینکوں سے مختصر مدت کے قرضہ جات میں 325 ملین روپے کی کمی ہوئی۔

Condensed Interim Un-consolidated Statement of Financial Position

AS AT SEPTEMBER 30, 2020

| | | (Rupees in Thousand) | |
|--|--------|-----------------------------------|---------------------------|
| | Note | September 2020 (Un-audited) | June 2020 (Audited) |
| ASSETS | | | |
| Non - Current Assets | | | |
| Property, plant and equipment | 5 | 3,918,972 | 3,577,722 |
| Intangible assets | | 22,814 | 17,614 |
| Long term investments | | 879,732 | 875,097 |
| Long term loans | | 142,875 | 111,718 |
| Long term deposits | | 3,078 | 3,229 |
| | | 4,967,471 | 4,585,380 |
| Current Assets | | | |
| Stores, spare parts and loose tools | | 818,331 | 762,932 |
| Stock in trade | 6 | 2,366,089 | 2,394,758 |
| Trade debts | 14 | 2,413,092 | 2,230,264 |
| Loans and advances | | 58,733 | 65,654 |
| Trade deposits and short term prepayments | | 59,400 | 42,746 |
| Other receivables | 14 | 172,490 | 130,754 |
| Sales tax refund due from Federal Government | | 8,634 | 8,634 |
| Cash and bank balances | | 91,325 | 64,157 |
| | | 5,988,094 | 5,699,899 |
| TOTAL ASSETS | | 10,955,565 | 10,285,279 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 7 | 383,645 | 383,645 |
| Capital reserve - share premium | | 383,645 | 383,645 |
| General reserve | | 3,250,000 | 3,250,000 |
| Unappropriated profit | | 1,527,082 | 1,315,439 |
| | | 5,544,372 | 5,332,729 |
| LIABILITIES | | | |
| Non - Current Liabilities | | | |
| Long term financing | | 1,493,275 | 1,174,783 |
| Deferred liabilities | 8 | 417,621 | 415,372 |
| | | 1,910,896 | 1,590,155 |
| Current Liabilities | | | |
| Trade and other payables | 9 & 14 | 2,050,846 | 1,577,633 |
| Unclaimed dividend | | 21,508 | 21,544 |
| Accrued mark up | | 56,382 | 53,469 |
| Short term borrowings | | 1,346,555 | 1,671,941 |
| Current portion of long term financing | | 5,139 | 3,170 |
| Provision for income tax less payments | | 19,867 | 34,638 |
| | | 3,500,297 | 3,362,395 |
| CONTINGENCIES AND COMMITMENTS | 10 | | |
| TOTAL EQUITY AND LIABILITIES | | 10,955,565 | 10,285,279 |

The notes 1 to 17 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Condensed Interim Un-consolidated Statement of Profit or Loss (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

| (Rupees in Thousand) | | |
|--|----------------------------|----------------------------|
| | Jul-2020 to Sep-2020 | Jul-2019 to Sep-2019 |
| Note | | |
| Sales | 3,747,555 | 3,425,975 |
| Cost of sales | 3,332,560 | 3,186,996 |
| Gross profit | 414,995 | 238,979 |
| Distribution and selling costs | 49,327 | 41,801 |
| Administrative expenses | 65,091 | 68,200 |
| Other operating expenses | 25,883 | 14,725 |
| | 140,301 | 124,726 |
| | 274,694 | 114,253 |
| Other income | 8,162 | 21,308 |
| Operating profit | 282,856 | 135,561 |
| Finance costs | 20,798 | 19,614 |
| | 262,058 | 115,947 |
| Investment income - Dividend | 11 | - |
| | 262,058 | 512,847 |
| Profit before income tax | 55,852 | 110,559 |
| Income tax - Current | (5,437) | - |
| - Deferred | 50,415 | 110,559 |
| Profit after income tax | 211,643 | 402,288 |
| Earnings per share - Basic and diluted (Rupees) | 5.52 | 10.49 |

The notes 1 to 17 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer

Condensed Interim Un-consolidated Statement of Comprehensive Income (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

| | (Rupees in Thousand) | |
|----------------------------|----------------------------|----------------------------|
| | Jul-2020 to Sep-2020 | Jul-2019 to Sep-2019 |
| Profit after income tax | 211,643 | 402,288 |
| Other comprehensive income | - | - |
| Total comprehensive income | <u>211,643</u> | <u>402,288</u> |

The notes 1 to 17 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Condensed Interim Un-consolidated Statement of Changes in Equity (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

| | Share Capital | Capital reserve Share Premium | General reserve | Unappropriated profit | Total |
|---|----------------|-------------------------------|------------------|-----------------------|------------------|
| (Rupees in Thousand) | | | | | |
| Balances as at July 01, 2019 | 383,645 | 383,645 | 3,250,000 | 1,286,708 | 5,303,998 |
| Total comprehensive income for the quarter ended September 30, 2019 | - | - | - | 402,288 | 402,288 |
| Balances as at September 30, 2019 | 383,645 | 383,645 | 3,250,000 | 1,688,996 | 5,706,286 |
| Total comprehensive income for the nine months ended June 30, 2020 | - | - | - | 681,466 | 681,466 |
| Transactions with owners | | | | | |
| 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) |
| Balances as at June 30, 2020 | 383,645 | 383,645 | 3,250,000 | 1,315,439 | 5,332,729 |
| Total comprehensive income for the quarter ended September 30, 2020 | - | - | - | 211,643 | 211,643 |
| Balances as at September 30, 2020 | 383,645 | 383,645 | 3,250,000 | 1,527,082 | 5,544,372 |

The notes 1 to 17 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer

Condensed Interim Un-consolidated Statement of Cash Flows (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

| | (Rupees in Thousand) | |
|---|----------------------------|----------------------------|
| | Jul-2020 to Sep-2020 | Jul-2019 to Sep-2019 |
| Cash Flows from/(towards) Operating Activities | | |
| Profit before income tax | 262,058 | 512,847 |
| Adjustments for: | | |
| Depreciation | 123,083 | 84,443 |
| Provision for defined benefit plan | 10,503 | 13,927 |
| Gain on disposal of property, plant and equipment | (360) | (2,494) |
| Loss on disposal of property, plant and equipment | 13 | - |
| Impairment in long term investments | 2,892 | 207 |
| Provision of allowance for ECL - net | 8,386 | 4,728 |
| Provision for slow moving stores, spare parts and loose tools - net | 69 | 656 |
| Investment income - Dividend | - | (396,900) |
| Finance costs | 20,798 | 19,614 |
| | <u>165,384</u> | <u>(275,819)</u> |
| (Increase)/decrease in current assets: | 427,442 | 237,028 |
| Stores, spare parts and loose tools | (55,468) | (883) |
| Stock in trade | 28,669 | (324,263) |
| Trade debts | (191,214) | (472,658) |
| Loans and advances | 7,164 | (34,711) |
| Trade deposits and short term prepayments | (16,654) | (64,300) |
| Other receivables | (41,736) | (119,740) |
| Sales tax refund due from Federal Government | - | 30,957 |
| | <u>(269,239)</u> | <u>(985,598)</u> |
| Increase/(decrease) in Trade and other payables | 464,714 | (30,523) |
| Cash flows from/(towards) operations before following | <u>622,917</u> | <u>(779,093)</u> |
| (Payments for)/receipts of: | | |
| Long term loans | (31,400) | (1,272) |
| Long term deposits | 151 | (606) |
| Defined benefit plan | (2,817) | (2,334) |
| Finance costs | (17,885) | (9,320) |
| Income tax | (70,623) | (125,780) |
| Net cash flows from/(towards) operating activities | <u>500,343</u> | <u>(918,405)</u> |
| Cash Flows (towards)/from Investing Activities | | |
| Additions in property, plant and equipment | (456,334) | (1,134,570) |
| Proceeds from disposal of property, plant and equipment | 847 | 4,466 |
| Additions in intangible assets | (5,200) | - |
| Long term investment made | (7,527) | (64,200) |
| Dividend received | - | 396,900 |
| Net cash flows towards investing activities | <u>(468,214)</u> | <u>(797,404)</u> |
| Cash Flows from/(towards) Financing Activities | | |
| Long term financing - proceeds | 320,461 | 905,058 |
| Dividend paid | (36) | (201) |
| Net cash flows from financing activities | <u>320,425</u> | <u>904,857</u> |
| Net increase/(decrease) in cash and cash equivalents | <u>352,554</u> | <u>(810,952)</u> |
| Cash and cash equivalents at the beginning of the period | <u>(1,607,784)</u> | <u>(794,401)</u> |
| Cash and cash equivalents at the end of the period | <u><u>(1,255,230)</u></u> | <u><u>(1,605,353)</u></u> |
| CASH AND CASH EQUIVALENTS COMPRISE OF : | | |
| Cash and bank balances | 91,325 | 91,910 |
| Short term borrowings | (1,346,555) | (1,697,263) |
| | <u><u>(1,255,230)</u></u> | <u><u>(1,605,353)</u></u> |

The notes 1 to 17 annexed herewith form an integral part of these condensed interim un-consolidated financial statement:

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer

Notes To The Condensed Interim Un-consolidated Financial Statements (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 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 the 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 plant of the Company is situated at Plot No 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District 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 Following are the wholly own subsidiaries of the Company:

- 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. On September 21, 2020, the Honorable Balochistan High Court has sanctioned the Scheme of Arrangement. The Company is in the process of necessary compliance and procedures in line with the order of the Honorable Balochistan High Court.

2 BASIS OF PREPARATION

2.1 These condensed interim un-consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprises of International Accounting Standards (IAS) 34, interim financial reporting, issued by International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim un-consolidated financial statements are the separate condensed interim un-consolidated financial statements of the Company in which investments in subsidiaries and associate have been accounted for at cost less accumulated impairment losses, if any.

2.3 These condensed interim un-consolidated financial statements are unaudited and do not include all the information and disclosures of the annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2020.

2.4 Changes in accounting standards, interpretations and amendments to published approved accounting standards**2.4.1 Amendments to published approved accounting standards which are effective during the quarter ended September 30, 2020:**

There are certain amendments and interpretations to approved accounting and reporting standards which are mandatory for the Company's annual accounting period beginning on July 1, 2020; however, these do not have any significant impact on these condensed interim un-consolidated financial statements, hence not detailed.

2.4.2 Standards and amendments to published approved accounting standards that are not yet effective:

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2021. However, these amendments will not have any significant impact on the financial reporting of the Company, therefore, have not been disclosed in these condensed interim un-consolidated financial statements.

2.5 Functional and reporting currency

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

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these condensed interim un-consolidated financial statements were the same as those applied to the audited financial statements as at and for the year ended June 30, 2020.

4 SIGNIFICANT ACCOUNTING POLICIES

These condensed interim un-consolidated financial statements have been prepared, following the same accounting policies as were applied in the preparation of the audited financial statements as at and for the year ended June 30, 2020.

| | Note | (Rupees in Thousand) | |
|--|------|--------------------------------|------------------------|
| | | September 2020 (Un-audited) | June 2020 (Audited) |
| 5 PROPERTY, PLANT AND EQUIPMENT | | | |
| Operating fixed assets | 5.1 | 3,241,723 | 3,265,235 |
| Capital work in progress | 5.2 | 677,249 | 312,487 |
| | | <u>3,918,972</u> | <u>3,577,722</u> |

5.1 Following are the cost of additions and net book value (NBV) of assets disposed off during the period:

Additions at cost during the period including transfer from Capital work in progress

| | Quarter ended September 2020 | Quarter ended September 2019 |
|------------------------------------|---------------------------------|---------------------------------|
| Leasehold land | 32,226 | - |
| Building on leasehold land | 4,958 | - |
| Plant and machinery | 51,166 | 27,605 |
| Factory equipment | 6,547 | 6,011 |
| Motor vehicles | 5,174 | 17,486 |
| | <u>100,071</u> | <u>51,102</u> |
| Disposals at NBV during the period | | |
| Office equipment | 2 | 9 |
| Motor vehicles | 498 | 1,963 |
| | <u>500</u> | <u>1,972</u> |

| | Quarter ended September 2020 | Quarter ended September 2019 |
|-------------------------------------|------------------------------------|------------------------------------|
| 5.2 Capital work in progress | | |
| Balance as at start of the period | 312,487 | 196,133 |
| Additions | 409,283 | 1,083,379 |
| Transfer to operating fixed assets | (44,521) | - |
| Balance as at end of the period | <u>677,249</u> | <u>1,279,512</u> |

6 STOCK IN TRADE

These include finished goods costing Rs. 224.918 million (June 2020: Rs.1,343.485 million) valued at net realisable value of Rs. 158.778 million (June 2020: Rs.1,193.240 million).

7 SHARE CAPITAL

| | (Number of Shares) | | September 2020 (Un-audited) | June 2020 (Audited) |
|---|--------------------|---|-----------------------------------|---------------------------|
| 7.1 Authorised capital | | | | |
| 95,000,000 | 95,000,000 | Ordinary shares of Rs. 10 each | <u>950,000</u> | <u>950,000</u> |
| 7.2 Issued, subscribed and paid up capital | | | | |
| 30,136,080 | 30,136,080 | Ordinary shares of Rs.10 each allotted for consideration paid in cash | 301,361 | 301,361 |
| 8,228,400 | 8,228,400 | Ordinary shares of Rs.10 each allotted as fully paid bonus shares | 82,284 | 82,284 |
| <u>38,364,480</u> | <u>38,364,480</u> | | <u>383,645</u> | <u>383,645</u> |

8 DEFERRED LIABILITIES

| | | |
|----------------------|----------------|----------------|
| Income tax - net | 2,509 | 7,946 |
| Defined benefit plan | <u>415,112</u> | <u>407,426</u> |
| | <u>417,621</u> | <u>415,372</u> |

9 TRADE AND OTHER PAYABLES

Trade and other payables includes provision in respect of following:

- 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, on January 19, 2017, the Company alongwith others filed a suit in the Sindh High Court 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 (June 2020: Rs.47.667 million). As an abundant precaution, the Company has made total provision of Rs.40.194 million (June 2020: 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.

- 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. On December 21, 2015, the Company alongwith several other companies filed suit in the Sindh High Court 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, on January 19, 2017, the Company alongwith others filed a suit in the Sindh High Court 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 9.1). As an abundant precaution, the Company has made provision of Rs.15.977 million (June 2020: 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. SSGCL has filed appeal before Double Bench of Sindh High Court against the decision and is pending for adjudication.
- 9.3** Provision of Sindh Sales Tax on rent payable to an associated company Messrs. Novatex Limited amounted to Rs.6.147 million (June 2020: Rs.5.998 million). 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.
- 9.4** 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.208.365 million (June 2020: Rs.198.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006 (refer note 10.2). Based on the legal advice, 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 condensed interim un-consolidated financial statements as an abundant precaution.
- 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. On January 16, 2017, the Company had challenged the disallowance of input tax adjustment on packing material in the Sindh High Court 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.

- 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. On December 21, 2015, the Company had challenged the restriction so placed before the Islamabad High Court 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.40.649 million (June 2020: Rs.36.485 million).

- 9.7** Provision of Gas Infrastructure Development Cess Rs.7.689 million (June 2020: Rs.7.417 million) and rate difference of gas tariff Rs.2.228 million (June 2020: Rs.2.063 million) on account of common expenses payable to an associated company Messrs. Novatex Limited.

10 CONTINGENCIES AND COMMITMENTS

The detail of contingencies and commitments as at reporting date are as follows:

10.1 Contingencies

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

However, on December 23, 2013, the Company had challenged the action before the Honorable Sindh High Court 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.

- 10.1.2** In May 2015, the Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015, which seeks to impose GIDC levy since 2011. On July 16, 2015, the Company alongwith several other companies filed suit in the Sindh High Court 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 has filed a review of the judgment in the Honorable Supreme Court of Pakistan as well as a Constitution Petition against the GIDC monthly installments charged with monthly bills. The



Honorable Sindh High Court has granted stay order to the Company and restrained the SSGCL from charging the Cess.

Total amount of enhanced GIDC upto July 31, 2020 worked out at Rs.162.479 million (June 2020: Rs.161.487 million), however the Company make a provision of liability for Rs.123.141 million (June 2020: Rs.122.149 million) pertaining to the period of July 2014 to July 2020 for Captive Power and June 2015 to July 2020 for Industrial as an abundant precaution, so that current ratio will not materially disturbed in case of payment.

- 10.1.3** 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.25.641 million (June 2020: Rs.24.882 million) has been made in these condensed interim un-consolidated financial statements as the Company is confident for the favorable outcome of the Petition.
- 10.1.4** 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. 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 condensed interim un-consolidated financial statements as the Company is confident that the matter will be decided in favour by the appellate authorities.
- 10.1.5** 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. 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. The Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of the CIR(A) 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.
- 10.1.6** 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. Appeal was filed before the CIR(A) and the CIR(A) has decided partially in favour of the 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 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.

- 10.1.7** 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 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 Company.
- 10.1.8** 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.
- 10.1.9** 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 (June 2020: Rs.15.209 million), refer note 10.2. Moreover, through Finance Act, 2020 this levy has been withdrawn from manufacturer w.e.f. July 01, 2020.
- 10.1.10** 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.
- 10.1.11** 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.
- 10.1.12** The Company had filed a petition before Honorable Sindh High Court wherein the Company had challenged the notice requiring to pay super tax for tax year 2018 Rs.28.187 million and 2019 Rs.35.679 million respectively. The Sindh High Court has decided the matter against the Company. Based on the judgement of the Sindh High Court, the DCIR has also passed orders under section 4B of the Income Tax Ordinance, 2001. The Company has filed petition before the Honorable Supreme Court of Pakistan against the judgement of the Honorable Sindh High Court as well as against recovery proceedings by the tax department, hearing of which is pending at the moment.
- 10.1.13** 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 CIR(A), 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.

10.2 Guarantees

| | (Rupees in Thousand) | |
|--|-----------------------------------|---------------------------|
| | September 2020 (Un-audited) | June 2020 (Audited) |
| Bank Guarantees in favour of: | | |
| The Director Excise and Taxation, Karachi | 208,365 | 198,365 |
| 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 | 15,209 | 15,209 |
| Letters of Credit in favour of: | | |
| Sui Southern Gas Company Limited for Gas | 32,592 | 32,592 |
| | <u>307,736</u> | <u>297,736</u> |

10.3 Commitments

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

Foreign currency:

| | | |
|-------------------------------|------------------|------------------|
| Property, plant and equipment | 1,117,141 | 1,446,353 |
| Raw material | 482,203 | 208,634 |
| Spare parts and others | 22,877 | 62,712 |
| | <u>1,622,221</u> | <u>1,717,699</u> |

Local currency:

| | | |
|-------------------------------|------------------|------------------|
| Property, plant and equipment | 39,830 | 52,956 |
| Raw material | 107,358 | 96,866 |
| | <u>147,188</u> | <u>149,822</u> |
| | <u>1,769,409</u> | <u>1,867,521</u> |

11 INVESTMENT INCOME - DIVIDEND

| | Quarter ended September 2020 | Quarter ended September 2019 |
|---|------------------------------------|------------------------------------|
| From associated company - Messrs. Novatex Limited | - | 396,900 |

12 MEASUREMENT OF FAIR VALUE

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.

13 SEGMENT REPORTING

13.1 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.

13.2 Segment results:

The segment information for the reportable segments for the quarter ended September 30, 2020 is as follows:

| | September 2020 | | | September 2019 | | |
|--|-------------------------|------------------------|----------------|-------------------------|------------------------|----------------|
| | Polyester Filament Yarn | Polyester PET Preforms | Total | Polyester Filament Yarn | Polyester PET Preforms | Total |
| External sales | 2,629,575 | 1,117,980 | 3,747,555 | 2,455,737 | 970,238 | 3,425,975 |
| Segment result before depreciation | 259,860 | 163,800 | 423,660 | 138,052 | 75,369 | 213,421 |
| Less: Depreciation | (110,548) | (12,535) | (123,083) | (68,230) | (16,213) | (84,443) |
| Segment result after depreciation | 149,312 | 151,265 | 300,577 | 69,822 | 59,156 | 128,978 |
| Reconciliation of segment results with Profit before income tax: | | | | | | |
| Total results for reportable segments | | | 300,577 | | | 128,978 |
| Other operating expenses | | | (25,883) | | | (14,725) |
| Other income | | | 8,162 | | | 21,308 |
| Finance costs | | | (20,798) | | | (19,614) |
| Investment income - Dividend | | | - | | | 396,900 |
| Profit before income tax | | | 262,058 | | | 512,847 |

Assets and liabilities by segments are as follows:

| | September 2020 | | | June 2020 | | |
|--|-------------------|-----------|------------------|-------------------|-----------|------------------|
| | (Un-audited) | | | (Audited) | | |
| Segment assets | 7,532,989 | 1,662,157 | 9,195,146 | 6,555,013 | 1,982,912 | 8,537,925 |
| Segment liabilities | 2,148,048 | 399,502 | 2,547,550 | 1,648,669 | 271,276 | 1,919,945 |
| Reconciliation of segments assets and liabilities with total in the condensed interim un-consolidated statement of financial position is as follows: | | | | | | |
| | Assets | | Liabilities | Assets | | Liabilities |
| Total for reportable segments | 9,195,146 | | 2,547,550 | 8,537,925 | | 1,919,945 |
| Unallocated | 1,760,419 | | 2,863,643 | 1,747,354 | | 3,032,605 |
| Total as per condensed interim un-consolidated statement of financial position | 10,955,565 | | 5,411,193 | 10,285,279 | | 4,952,550 |



Other segment information is as follows:

| | September 2020 | | | September 2019 | | |
|--|----------------|--------|----------------|----------------|--------|------------------|
| Depreciation | 110,548 | 12,535 | 123,083 | 68,230 | 16,213 | 84,443 |
| Capital expenditures incurred during the period | 441,212 | - | 441,212 | 1,114,111 | 2,973 | 1,117,084 |
| Unallocated capital expenditure incurred during the period | | | 15,122 | | | 17,486 |
| Total | | | 456,334 | | | 1,134,570 |

13.3 98.84% (September 2019 : 99.29%) out of total sales of the Company relates to customers in Pakistan.

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

13.5 The Company have transaction with one major external customer, relates to both segments, which amounting to Rs.595.325 million i.e. more then 10 percent of the Company's revenue.

14 TRANSACTIONS WITH RELATED PARTIES

The related parties include Subsidiaries, Associate and Other Related Group Companies, Key Management Personnel and Defined Contribution Plans (Provident Funds). The Company continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. Contributions to defined contribution plan (Provident Funds) are made as per the terms of employment. Remuneration of Key Management Personnel is in accordance with their terms of engagements. Details of transactions with related parties are as follows:

| | | | | (Rupees in Thousand) | |
|--|-------------------------|-----------------------|--|------------------------------|------------------------------|
| Name | Nature of relationship | Basis of relationship | Nature of transaction | Quarter ended September 2020 | Quarter ended September 2019 |
| Gatro Power (Private) Limited | Subsidiary Company | 100% ownership | Purchase of power | 511,694 | 491,001 |
| | | | Plant operation arrangement | 9,000 | 9,000 |
| | | | Reimbursement of expenses | 6 | 44 |
| G-Pac Energy (Private) Limited | Subsidiary Company | 100% ownership | Subscriptions money against issuance of shares | - | 64,200 |
| | | | Long term loan | 35,750 | - |
| | | | Reimbursement of expenses | 4 | - |
| | | | | | |
| Novatex Limited | Associated Company | Common directorship | Sales of goods | 563,848 | 44,519 |
| | | | Rendering of services | 31,477 | - |
| | | | Acquisition of services | 224,045 | 152,541 |
| | | | Purchase of raw material | 115 | - |
| | | | Dividend income | - | 396,900 |
| | | | Rent | 4,988 | 5,237 |
| | | | Reimbursement of expenses | 34,791 | 44,871 |
| Krystalite Product (Private) Limited | Related Party | Common management | Sale of goods | 28,556 | 51,574 |
| | | | Purchase of other material | 174 | - |
| Mushtaq & Company (Private) Limited | Related Party | Common management | Sale of goods | 10,533 | 1,894 |
| Gani & Tayub (Private) Limited | Related Party | Common directorship | Charges on account of handling | 1,804 | 1,569 |
| Gatron Foundation | Related Party | Common directorship | Payment of donation | 585 | 2,430 |
| Gatron (Industries) Limited Staff Provident Fund | Retirement benefit fund | Employees fund | Provident fund contribution | 5,767 | 5,799 |
| Gatron (Industries) Limited Workers provident fund | Retirement benefit fund | Employees fund | Provident fund contribution | 949 | 948 |

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs.60.296 million (September 2019: Rs.66.629 million).

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

Outstanding balances, as at reporting date, are disclosed as follows:

| | (Rupees in Thousand) | |
|--|--|--|
| | As at September 30, 2020 (Un-audited) | As at June 30, 2020 (Audited) |
| Gatro Power (Private) Limited | | |
| Other receivables | 3,061 | 3,059 |
| Trade and other payables | 83,115 | 93,539 |
| G-Pac Energy (Private) Limited | | |
| Other receivables | 34 | 99 |
| Novatex Limited | | |
| Trade debts | 137,735 | 97,287 |
| Other receivables | 14,230 | 13,214 |
| Trade and other payables | 137,163 | 35,599 |
| Krystalite Product (Private) Limited | | |
| Trade debts | 77,040 | 239,176 |
| Trade and other payables | 204 | - |
| Mushtaq & Company (Private) Limited | | |
| Trade debts | 14,997 | 12,673 |
| Gani & Tayub (Private) Limited | | |
| Trade and other payables | 651 | 482 |
| Gatron (Industries) Limited Staff Provident Fund | | |
| Trade and other payables | 3,929 | 4,046 |
| Gatron (Industries) Limited Workers Provident Fund | | |
| Trade and other payables | 278 | 370 |

15 DATE OF AUTHORISATION

These condensed interim un-consolidated financial statements were authorised for issue on October 24, 2020 by the Board of Directors of the Company.

16 CORRESPONDING FIGURES

In order to comply with the requirements of IAS 34, the condensed interim un-consolidated statement of financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim un-consolidated statement of profit or loss, condensed interim un-consolidated statement of comprehensive income, condensed interim un-consolidated statement of changes in equity and condensed interim un-consolidated statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

17 GENERAL

17.1 Charge for Workers' Profit Participation Fund, Workers' Welfare Fund, Deferred Tax and Income Tax (where applicable) are interim and final liability will be determined on the basis of annual results.

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

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer



Condensed Interim Consolidated
Financial Statements
For the Quarter ended
September 30, 2020

Directors' Report

On behalf of the Board of Directors of M/s. Gatron (Industries) Limited, we are pleased to present the Un-audited Condensed Interim Consolidated Financial Statements of the Group for the quarter ended September 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 the period, operations of Wholly Owned Subsidiary Messrs. Gatro Power (Private) Limited remained disturbed due to shortage of gas supply and use of alternate sources to supply power to parent company, resulting in increased power cost.

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

M/s. G-Pac Energy (Private) Limited has yet to commence its operations. The principal business is to generate and sell electric power. The operations of the Company are expected to be commenced soon.

CONSOLIDATED FINANCIALS

(Pak Rupees in Thousand)

Operating results for the quarter ended September 30, 2020

| | |
|--|-----------|
| Profit before share of profit in associated company | 355,043 |
| Share of profit after income tax in associated company | 406,154 |
| Profit before income tax | 761,197 |
| Income Tax | 111,821 |
| Profit after income tax | 649,376 |
| Un- appropriated Profit brought forward | 8,836,672 |
| Un- appropriated Profit carried forward | 9,489,263 |
| Earnings per share - Basic and diluted (Rupees) | 16.93 |

State of Affairs as on September 30, 2020

| | |
|---|------------|
| Property, Plant and Equipment | 5,550,080 |
| Other non-current assets | 9,338,968 |
| Current assets | 7,499,288 |
| Total assets | 22,388,336 |
| Deduct: | |
| Non-current liabilities | 3,224,642 |
| Current liabilities | 5,372,141 |
| Total liabilities | 8,596,783 |
| Net assets financed by shareholders' equity | 13,791,553 |

MATERIAL CHANGES AND COMMITMENTS

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

INTERNAL FINANCIAL CONTROLS

The system of internal controls is sound in design and has been effectively implemented and monitored.

ACKNOWLEDGMENT

The Board of Directors 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 Group as we move forward to meet and execute our targets together.

Further, we appreciate the Group'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.

PIR MUHAMMAD DIWAN

Chief Executive

MUHAMMAD IQBAL BILWANI

Director

October 24, 2020

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۔

اندرونی مالیاتی کنٹرول:

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۔

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 اور اپنے تمام متعلقہ افراد بشمول سرکاری ادارے، آڈیٹرز، ایس ای سی پی، پی ایس ایکس اور پینکرز کے شکر گزار ہیں جنہوں نے گیٹرون کی ترقی میں اپنا کردار بخوبی نبھایا۔

محمد اقبال بلوانی
ڈائریکٹر

پیر محمد دیوان
افسر اعلیٰ

مورخہ : 24 اکتوبر، 2020ء

گروپ کے جامع مالیاتی گوشواروں پر ڈائریکٹرز رپورٹ

معزز ممبران،

میسرز گیٹرون (انڈسٹریز) لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 ستمبر 2020ء کو ختم شدہ سہ ماہی مدت کے گروپ ہلڈا کے غیر آڈٹ شدہ مختصر مالیاتی گوشوارے، بسرت پیش کر رہے ہیں۔

گروپ:

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

زیر جائزہ مدت کے دوران مکمل ملکیتی ماتحت ادارہ میسز گیٹرون پاور (پرائیویٹ) لمیٹڈ کی ملکی کارکردگی گیس کی فراہمی میں قلت اور پیرنٹ کمپنی کو متبادل ذرائع سے تیار شدہ ہنگی بجلی کی فراہمی کے نتیجے میں متاثر رہی۔

میسز گلوبل سینتھیک لمیٹڈ نے اب تک اپنے آپریشنز شروع نہیں کئے۔

میسز جی پیک انرجی (پرائیویٹ) لمیٹڈ نے اب تک اپنے آپریشنز شروع نہیں کئے۔ اس کمپنی کا اصل کاروبار بجلی پیدا کرنا اور فروخت کرنا ہے۔ اس کمپنی کے آپریشنز جلد شروع کئے جانے کی توقع ہے۔

جامع مالیات:

| آپریٹنگ نتائج برائے مدت سہ ماہی ختمہ 30 ستمبر 2020ء | (روپے 000) |
|---|------------|
| منافع قبل از تعین منافع من منسلکہ کمپنیاں | 355,043 |
| منافع من منسلکہ کمپنیاں بعد از انکم ٹیکس | 406,154 |
| منافع قبل از انکم ٹیکس | 761,197 |
| انکم ٹیکس | 111,821 |
| منافع بعد از انکم ٹیکس | 649,376 |
| غیر متصرف منافع گزشتہ (Un-appropriated profit brought forward) | 8,836,672 |
| غیر متصرف منافع عالیہ (Un-appropriated profit carried forward) | 9,489,263 |
| آمدنی فی شیئر بنیادی اور تقسیم شدہ (Rupees) Earning per share - Basic and Diluted | 16.93 |
| 30 ستمبر 2020ء تک کے معاملات کی صورتحال | |
| املاک، پلانٹ اور ایکویپمنٹ | 5,550,080 |
| دیگر پائیدار اثاثہ جات | 9,338,968 |
| بدل پذیر اثاثہ جات | 7,499,288 |
| کل اثاثہ جات | 22,388,336 |
| کٹوتی: | |
| پائیدار واجبات | 3,224,642 |
| بدل پذیر واجبات | 5,372,141 |
| کل واجبات | 8,596,783 |
| خالص اثاثہ جات ادا شدہ مخائب کیونکہ باقیہ حصص یافتگان | 13,791,553 |

Condensed Interim Consolidated Statement of Financial Position

AS AT SEPTEMBER 30, 2020

| | | (Rupees in Thousand) | |
|--|--------|-----------------------------------|---------------------------|
| | Note | September 2020 (Un-audited) | June 2020 (Audited) |
| ASSETS | | | |
| Non - Current Assets | | | |
| Property, plant and equipment | 5 | 5,550,080 | 5,215,939 |
| Intangible assets | | 22,814 | 17,614 |
| Long term investment | | 9,312,992 | 8,903,623 |
| Long term loans | | 84 | 19 |
| Long term deposits | | 3,078 | 3,229 |
| | | 14,889,048 | 14,140,424 |
| Current Assets | | | |
| Stores, spare parts and loose tools | | 1,097,077 | 1,013,495 |
| Stock in trade | 6 | 2,366,089 | 2,394,758 |
| Trade debts | 13 | 2,413,092 | 2,230,264 |
| Loans and advances | | 87,305 | 87,875 |
| Trade deposits and short term prepayments | | 71,773 | 42,746 |
| Other receivables | 13 | 169,547 | 140,499 |
| Sales tax refund due from Federal Government | | 8,634 | 8,634 |
| Cash and bank balances | | 1,285,771 | 1,135,360 |
| | | 7,499,288 | 7,053,631 |
| TOTAL ASSETS | | 22,388,336 | 21,194,055 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 7 | 383,645 | 383,645 |
| Capital reserve - share premium | | 383,645 | 383,645 |
| General reserve | | 3,535,000 | 3,535,000 |
| Unappropriated profit | | 9,489,263 | 8,836,672 |
| | | 13,791,553 | 13,138,962 |
| LIABILITIES | | | |
| Non - Current Liabilities | | | |
| Long term financing | | 1,493,275 | 1,174,783 |
| Deferred liabilities | 8 | 1,731,367 | 1,667,625 |
| | | 3,224,642 | 2,842,408 |
| Current Liabilities | | | |
| Trade and other payables | 9 & 13 | 3,930,310 | 3,434,092 |
| Unclaimed dividend | | 21,508 | 21,544 |
| Accrued mark up | | 56,382 | 53,469 |
| Short term borrowings | | 1,346,555 | 1,671,941 |
| Current portion of long term financing | | 5,139 | 3,170 |
| Provision for income tax less payments | | 12,247 | 28,469 |
| | | 5,372,141 | 5,212,685 |
| CONTINGENCIES AND COMMITMENTS | 10 | | |
| TOTAL EQUITY AND LIABILITIES | | 22,388,336 | 21,194,055 |

The notes 1 to 16 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer

Condensed Interim Consolidated Statement of Profit or Loss (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

| | (Rupees in Thousand) | |
|--|----------------------------|----------------------------|
| | Jul-2020 to Sep-2020 | Jul-2019 to Sep-2019 |
| Sales | 3,747,555 | 3,425,975 |
| Cost of sales | 3,238,159 | 3,122,619 |
| Gross profit | 509,396 | 303,356 |
| Distribution and selling costs | 49,327 | 41,801 |
| Administrative expenses | 67,008 | 68,923 |
| Other operating expenses | 23,468 | 14,869 |
| | 139,803 | 125,593 |
| | 369,593 | 177,763 |
| Other income | 6,249 | 22,332 |
| Operating profit | 375,842 | 200,095 |
| Finance costs | 20,799 | 19,832 |
| | 355,043 | 180,263 |
| Share of profit after income tax in associated company | 406,154 | 576,846 |
| Profit before income tax | 761,197 | 757,109 |
| Income tax - Current | 55,852 | 110,559 |
| - Deferred | 55,969 | 25,626 |
| | 111,821 | 136,185 |
| Profit after income tax | 649,376 | 620,924 |
| Earnings per share - Basic and diluted (Rupees) | 16.93 | 16.18 |

The notes 1 to 16 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Condensed Interim Consolidated Statement of Comprehensive Income (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

| | (Rupees in Thousand) | |
|--|----------------------------|----------------------------|
| | Jul-2020 to Sep-2020 | Jul-2019 to Sep-2019 |
| Profit after income tax | 649,376 | 620,924 |
| Other comprehensive income/(loss) | | |
| <i>Items that will never be reclassified to profit or loss</i> | | |
| Share of other comprehensive income/(loss) of associate - net of tax | | |
| Remeasurement gain/(loss) on defined benefit obligation | 4,623 | (2,919) |
| Unrealised loss on remeasurement of investments | (1,408) | (6,184) |
| | 3,215 | (9,103) |
| Total comprehensive income | 652,591 | 611,821 |

The notes 1 to 16 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTUFA BILWANI
Chief Financial Officer

Condensed Interim Consolidated Statement of Changes in Equity (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

| | Share capital | Capital reserve Share Premium | General reserve | Unappropriated profit | Total |
|---|------------------------|----------------------------------|------------------|-----------------------|-------------------|
| | (Rupees in Thousand) | | | | |
| Balances as at July 01, 2019 | 383,645 | 383,645 | 3,535,000 | 8,426,484 | 12,728,774 |
| Total comprehensive income for the quarter ended September 30, 2019 | - | - | - | 611,821 | 611,821 |
| Balances as at September 30, 2019 | 383,645 | 383,645 | 3,535,000 | 9,038,305 | 13,340,595 |
| Total comprehensive income for the nine months ended June 30, 2020 | - | - | - | 853,390 | 853,390 |
| Transactions with owners | | | | | |
| 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) |
| Balances as at June 30, 2020 | 383,645 | 383,645 | 3,535,000 | 8,836,672 | 13,138,962 |
| Total comprehensive income for the quarter ended September 30, 2020 | - | - | - | 652,591 | 652,591 |
| Balances as at September 30, 2020 | 383,645 | 383,645 | 3,535,000 | 9,489,263 | 13,791,553 |

(1) Included in un-appropriated profit, is a sum of Rs.8,745.992 million, representing proportionate share in un-appropriated profit of an associated company Messrs. Novatex Limited upto June 30, 2020, which is not available for distribution to the shareholder of the Parent Company, until realised.

(2) The notes 1 to 16 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer

Condensed Interim Consolidated Statement of Cash Flows (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

(Rupees in Thousand)

| | Jul-2020 to Sep-2020 | Jul-2019 to Sep-2019 |
|---|----------------------------|----------------------------|
| Cash Flows from/(towards) Operating Activities | | |
| Profit before income tax | 761,197 | 757,109 |
| Adjustments for: | | |
| Depreciation | 157,633 | 112,854 |
| Provision for defined benefit plan | 10,590 | 14,018 |
| Gain on disposal of property, plant and equipment | (360) | (2,494) |
| Loss on disposal of property, plant and equipment | 13 | - |
| Provision of allowance for ECL - net | 8,386 | 4,728 |
| Provision for slow moving stores, spare parts and loose tools - net | 546 | 1,007 |
| Share of profit after income tax in associated company | (406,154) | (576,846) |
| Finance costs | 20,799 | 19,832 |
| | <u>(208,547)</u> | <u>(426,901)</u> |
| | 552,650 | 330,208 |
| (Increase)/decrease in current assets: | | |
| Stores, spare parts and loose tools | (84,128) | (2,773) |
| Stock in trade | 28,669 | (324,263) |
| Trade debts | (191,214) | (472,658) |
| Loans and advances | 813 | (39,776) |
| Trade deposits and short term prepayments | (29,027) | (75,240) |
| Other receivables | (29,048) | (131,880) |
| Sales tax refund due from Federal Government | - | 30,957 |
| | <u>(303,935)</u> | <u>(1,015,633)</u> |
| | 519,521 | (493,272) |
| Increase/(decrease) in Trade and other payables | <u>519,521</u> | <u>(493,272)</u> |
| Cash flows from/(towards) operations before following | 768,236 | (1,178,697) |
| (Payments for)/receipts of: | | |
| Long term loans | (308) | (1,272) |
| Long term deposits | 151 | (606) |
| Defined benefit plan | (2,817) | (2,334) |
| Finance costs | (17,886) | (9,538) |
| Income tax | (72,074) | (125,788) |
| | <u>(98,930)</u> | <u>(239,538)</u> |
| Net cash flows from/(towards) operating activities | 675,302 | (1,318,235) |
| Cash Flows (towards)/from Investing Activities | | |
| Additions in property, plant and equipment | (515,577) | (1,211,387) |
| Proceeds from disposal of property, plant and equipment | 847 | 4,466 |
| Additions in intangible assets | (5,200) | - |
| Dividend received from associated company | - | 396,900 |
| Net cash flows towards investing activities | <u>(519,930)</u> | <u>(810,021)</u> |
| Cash Flows from/(towards) Financing Activities | | |
| Long term financing - proceeds | 320,461 | 905,058 |
| Dividend paid | (36) | (201) |
| Net cash flows from financing activities | <u>320,425</u> | <u>904,857</u> |
| Net increase/(decrease) in cash and cash equivalents | 475,797 | (1,223,399) |
| Cash and cash equivalents at the beginning of the period | <u>(536,581)</u> | <u>516,845</u> |
| Cash and cash equivalents at the end of the period | <u><u>(60,784)</u></u> | <u><u>(706,554)</u></u> |
| CASH AND CASH EQUIVALENTS COMPRISE OF: | | |
| Cash and bank balances | 1,285,771 | 990,709 |
| Short term borrowings | <u>(1,346,555)</u> | <u>(1,697,263)</u> |
| | <u><u>(60,784)</u></u> | <u><u>(706,554)</u></u> |

The notes 1 to 16 annexed herewith form an integral part of these condensed interim consolidated financial statements.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer

Notes To The Condensed Interim Consolidated Financial Statements (Un-audited)

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

1 THE GROUP AND ITS OPERATIONS

The Group consists of :

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

The Parent Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are being quoted at the 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 plant of the Parent Company is situated at Plot No.441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District Lasbela, Balochistan and liaison office of the Parent Company is situated at 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi.

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

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

G-Pac Energy (Private) Limited is a wholly owned subsidiary of Gatron (Industries) Limited, which has yet to commence its operations. The principal business of the Subsidiary Company is to generate and sale electric power. The registered office of the Subsidiary Company is situated at Room No.32, 1st Floor, Ahmed Complex, Jinnah Road, Quetta and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, #18 Beaumont Road, Civil Lines-10, Karachi.

2 BASIS OF PREPARATION

2.1 These condensed interim consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprises of International Accounting Standards (IAS) 34, interim financial reporting, issued by International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 and provisions of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

2.2 These condensed interim consolidated financial statements are unaudited and do not include all the information and disclosures of the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended June 30, 2020.

2.3 Changes in accounting standards, interpretations and amendments to published approved accounting standards

2.3.1 Amendments to published approved accounting standards which are effective during the quarter ended September 30, 2020:

There are certain amendments and interpretations to approved accounting and reporting standards which are mandatory for the Group's annual accounting period beginning on July 1, 2020; however, these do not have any significant impact on these condensed interim consolidated financial statements, hence not detailed.

2.3.2 Standards and amendments to published approved accounting standards that are not yet effective:

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Group's annual accounting periods beginning on or after July 1, 2021. However, these amendments will not have any significant impact on the financial reporting of the Group, therefore, have not been disclosed in these condensed interim consolidated financial statements.

2.4 Functional and reporting currency

These condensed interim consolidated financial statements are presented in Pakistani Rupee (Rupees), which is the Group's functional currency.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these condensed interim consolidated financial statements were the same as those applied to the audited consolidated financial statements as at and for the year ended June 30, 2020.

4 SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared, following the same accounting policies as were applied in the preparation of the audited consolidated financial statements as at and for the year ended June 30, 2020.

| | | (Rupees in Thousand) | |
|--------------------------|--------------------------------------|-----------------------------------|---------------------------|
| | Note | September 2020 (Un-audited) | June 2020 (Audited) |
| 5 | PROPERTY, PLANT AND EQUIPMENT | | |
| Operating fixed assets | 5.1 | 4,198,826 | 4,256,888 |
| Capital work in progress | 5.2 | 1,351,254 | 959,051 |
| | | <u>5,550,080</u> | <u>5,215,939</u> |

5.1 Following are the cost of additions and net book value (NBV) of assets disposed off during the period:

Additions at cost during the period including transfer from Capital work in progress

| | Quarter ended September 2020 | Quarter ended September 2019 |
|-----------------------------|------------------------------------|------------------------------------|
| Leasehold land | 32,226 | - |
| Building on lease hold land | 4,958 | - |
| Plant and machinery | 51,166 | 94,866 |
| Factory equipment | 6,547 | 6,011 |
| Motor vehicles | 5,174 | 17,486 |
| | <u>100,071</u> | <u>118,363</u> |

(Rupees in Thousand)

| Quarter ended September 2020 | Quarter ended September 2019 |
|------------------------------------|------------------------------------|
|------------------------------------|------------------------------------|

Disposals at NBV during the period

Office equipment

Motor vehicles

| | |
|-----|-------|
| 2 | 9 |
| 498 | 1,963 |
| 500 | 1,972 |

5.2 Capital work in progress

Balance as at start of the period

Additions

Transfer to operating fixed assets

Balance as at end of the period

| | |
|-----------|-----------|
| 959,051 | 266,019 |
| 436,724 | 1,159,191 |
| (44,521) | (67,261) |
| 1,351,254 | 1,357,949 |

6 STOCK IN TRADE

These include items costing Rs. 224.918 million (June 2020: Rs.1,343.485 million) valued at net realisable value of Rs. 158.778 million (June 2020: Rs.1,193.240 million).

7 SHARE CAPITAL

(Number of Shares)

| September 2020 (Un-audited) | June 2020 (Audited) |
|-----------------------------------|---------------------------|
|-----------------------------------|---------------------------|

| September 2020 (Un-audited) | June 2020 (Audited) |
|-----------------------------------|---------------------------|
|-----------------------------------|---------------------------|

7.1 Authorised capital

95,000,000 95,000,000

Ordinary shares of Rs.10 each

950,000 950,000

7.2 Issued, subscribed and paid up capital

30,136,080 30,136,080

Ordinary shares of Rs.10 each allotted for consideration paid in cash

301,361 301,361

8,228,400 8,228,400

Ordinary shares of Rs.10 each allotted as fully paid bonus shares

82,284 82,284

38,364,480 38,364,480

383,645 383,645

8 DEFERRED LIABILITIES

Income tax - net

Defined benefit plan

1,314,408 1,258,439

416,959 409,186

1,731,367 1,667,625

9 TRADE AND OTHER PAYABLES

Trade and other payables includes provision in respect of following:

- 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 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, on January 19, 2017, the Group alongwith others filed a suit in the Sindh High Court 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 (June 2020: Rs.316.797 million). As an abundant precaution, the Group has made total provision of Rs.159.264 million (June 2020: 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.

- 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 Group with effect from September 2013. On December 21, 2015, the Group alongwith several other companies filed suit in the Sindh High Court 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, on January 19, 2017, the Group alongwith others filed a suit in the Sindh High Court 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 9.1). As an abundant precaution, the Group has made provision of Rs.287.907 million (June 2020: 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. SSGCL has filed appeal before the Double Bench of Sindh High Court against the decision and is pending for adjudication.
- 9.3** Provision of Sindh Sales Tax on rent payable by the Parent Company to an associated company Messrs. Novatex Limited amounted to Rs.6.147 million (June 2020: Rs.5.998 million). The associated company had file a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Single Bench of Sindh High Court decided the case in favour of the associated company. However, the Sindh Revenue Board filed an appeal against the decision before the Double Bench of Sindh High Court.
- 9.4** 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. On October 23, 2017, the Parent Company has also challenged the new Act in the Sindh High Court 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.208.365 million (June 2020: Rs.198.365 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006 (refer note 10.2). 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 condensed interim 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 (June 2020: Rs.7.500 million) in favour of Excise and Taxation Department, in respect of consignments cleared after April 13, 2018 (refer note 10.2). 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 condensed interim 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 (June 2020: Rs.2.500 million) in favour of Excise and Taxation Department, in respect of consignments cleared (refer note 10.2). 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.

- 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. On January 16, 2017, the Parent Company had challenged the disallowance of input tax adjustment on packing material in the Sindh High Court 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.

- 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. On December 21, 2015, the Parent Company had challenged the restriction so placed before the Islamabad High Court 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.40.649 million (June 2020: Rs.36.485 million).



- 9.7** Provision of Gas Infrastructure Development Cess Rs.7.689 million (June 2020: Rs.7.417 million) and rate difference of gas tariff Rs.2.228 million (June 2020: Rs.2.063 million) on account of common expenses payable by the Parent Company to an associated company Messrs. Novatex Limited.

10 CONTINGENCIES AND COMMITMENTS

The detail of contingencies and commitments as at reporting date are as follows:

10.1 Contingencies

- 10.1.1** 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.

- 10.1.2** 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.

However, the Parent Company had 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.

- 10.1.3** In May 2015, the Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015, which seeks to impose GIDC levy since 2011. On July 16, 2015, the Group alongwith several other companies filed suit in the Sindh High Court 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 has filed a review of the judgment in the Honorable Supreme Court of Pakistan as well as a Constitution Petition against the GIDC monthly installments charged with monthly bills. The Honorable Sindh High Court has granted stay order to the Group and restrained the SSGCL from charging the Cess.

Total amount of enhanced GIDC upto July 31, 2020 worked out at Rs.1,791.754 million (June 2020: Rs.1,766.827 million), however the Group make a provision of liability for Rs.1,589.740 million (June 2020: Rs.1,564.813 million) pertaining to the period of July 2014 to July 2020 for Captive Power and June 2015 to July 2020 for Industrial as an abundant precaution, so that current ratio will not materially disturbed in case of payment.

- 10.1.4** 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.25.641 million (June 2020: Rs.24.882 million) has been made in these condensed interim consolidated financial statements as the Parent Company is confident for the favorable outcome of the Petition.
- 10.1.5** 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. 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 condensed interim consolidated financial statements as the Parent Company is confident that the matter will be decided in favour by the appellate authorities.
- 10.1.6** 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. 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. The Parent Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against the order of the CIR(A) 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.
- 10.1.7** 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. 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.
- 10.1.8** 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.

- 10.1.9** 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.
- 10.1.10** 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 (June 2020: Rs.15.209 million), refer note 10.2. Moreover, through Finance Act, 2020 this levy has been withdrawn from manufacturer w.e.f. July 01,2020.
- 10.1.11** 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.
- 10.1.12** 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.
- 10.1.13** The Parent Company had filed a petition before Honorable Sindh High Court wherein the Parent Company had challenged the notice requiring to pay super tax for tax year 2018 Rs.28.187 million and 2019 Rs.35.679 million respectively. The Sindh High Court has decided the matter against the Parent Company. Based on the judgement of the Sindh High Court, the DCIR has also passed orders under section 4B of the Income Tax Ordinance, 2001. The Parent Company has filed petition before the Honorable Supreme Court of Pakistan against the judgement of the Honorable Sindh High Court as well as against recovery proceedings by the tax department, hearing of which is pending at the moment.
- 10.1.14** 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.

10.1.15 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.

10.1.16 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.

10.1.17 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.

10.1.18 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) | |
|---------------------------------|---|-----------------------------------|---------------------------|
| | | September 2020 (Un-audited) | June 2020 (Audited) |
| 10.2 | Guarantees | | |
| Bank Guarantees in favour of: | | | |
| | The Director Excise and Taxation, Karachi | 218,365 | 208,365 |
| | 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 | 15,209 | 15,209 |
| Letters of Credit in favour of: | | | |
| | Sui Southern Gas Company Limited for Gas | 244,592 | 244,592 |
| | | <u>529,736</u> | <u>519,736</u> |

10.3 Commitments

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

| | (Rupees in Thousand) | |
|-------------------------------|-----------------------------------|---------------------------|
| | September 2020 (Un-audited) | June 2020 (Audited) |
| Foreign currency: | | |
| Property, plant and equipment | 1,117,141 | 1,446,353 |
| Raw material | 482,203 | 208,634 |
| Spare parts and others | 22,877 | 115,384 |
| | <u>1,622,221</u> | <u>1,770,371</u> |
| Local currency: | | |
| Property, plant and equipment | 39,830 | 52,956 |
| Raw material | 107,358 | 96,866 |
| | <u>147,188</u> | <u>149,822</u> |
| | <u>1,769,409</u> | <u>1,920,193</u> |

11 MEASUREMENT OF FAIR VALUE

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, leasehold 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.

12 SEGMENT REPORTING

12.1 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.

12.2

Segment results:

The segment information for the reportable segments for the quarter ended September 30, 2020 is as follows:

| | September 2020 | | | | September 2019 | | | |
|------------------------------------|-------------------------------|-----------------------------|----------------------------------|---------------------|----------------|-------------------------------|-----------------------------|----------------------------------|
| | Polyester Filament Yarn | Polyester PET Preform | Total of Polyester Polymer | Power Generation | Group | Polyester Filament Yarn | Polyester PET Preform | Total of Polyester Polymer |
| Sales | 2,629,575 | 1,117,980 | 3,747,555 | 511,694 | 4,259,249 | 2,455,737 | 970,238 | 3,425,975 |
| Segment result before depreciation | 259,860 | 143,800 | 423,660 | 127,034 | 550,694 | 138,052 | 75,369 | 213,421 |
| Less: Depreciation | (110,548) | (12,535) | (123,083) | (157,633) | (284,443) | (68,230) | (16,213) | (84,443) |
| Segment result after depreciation | 149,312 | 151,265 | 300,577 | 92,484 | 393,061 | 69,822 | 59,156 | 128,978 |

Reconciliation of segment sales and results with sales and profit before income tax:

Total sales for reportable segments
Elimination of inter-segment sales from subsidiary company Messrs. Gatro Power (Private) Limited

Sales

| | | | | | | | |
|--|----------|---------|----------|-----------|--------|-----------|-----------|
| Total results for reportable segments | 300,577 | 92,484 | 393,061 | 128,978 | 63,654 | 192,632 | 3,916,976 |
| Other operating expenses | (25,883) | (477) | (26,360) | (14,725) | (351) | (15,076) | (491,001) |
| Other income | 8,162 | 956 | 9,118 | 21,308 | 1,024 | 22,332 | 3,425,975 |
| Finance costs | (20,798) | (2,870) | (23,668) | (19,614) | (218) | (19,832) | |
| Investment Income - Dividend | - | - | - | 396,900 | - | 396,900 | |
| Share of profit after income tax in associated company Messrs. Novatex Limited | - | - | 406,154 | 57,686 | | 57,686 | |
| Elimination of intra group transaction | 262,058 | 90,093 | 758,305 | 512,847 | 64,109 | 1,153,802 | |
| Profit before income tax | 2,892 | 761,197 | 2,892 | (396,693) | | (396,693) | |

Assets and liabilities by segments are as follows:

| | September 2020 (Un-audited) | June 2020 (Audited) |
|---------------------|--------------------------------|------------------------|
| Segment assets | 7,532,989 | 8,537,937 |
| Segment liabilities | 2,148,048 | 2,068,236 |
| Total | 5,384,941 | 6,469,701 |

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

| | | |
|---|------------|------------|
| Total for reportable segments | 12,465,156 | 11,641,789 |
| Unallocated | 10,626,411 | 10,203,977 |
| Elimination of intra group balances | (703,231) | (651,711) |
| Total as per condensed interim consolidated statement of financial position | 22,388,336 | 21,194,055 |

Other segment information is as follows:

| | September 2020 | September 2019 |
|--|----------------|----------------|
| Depreciation | 110,548 | 68,230 |
| Capital expenditures incurred during the period | 441,212 | 1,114,111 |
| Unallocated capital expenditure incurred during the period | - | 2,973 |
| Total | 551,760 | 1,193,901 |

| | |
|-------------|------------|
| Assets | 11,641,789 |
| Liabilities | 3,988,205 |
| Total | 15,630,000 |

12.3 All non-current assets of the Group as at September 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.

12.4 The Group have transaction with one major external customer relates to both segments, which amounting to Rs.595.325 million i.e. more then 10 percent of the Group's revenue.

13 TRANSACTIONS WITH RELATED PARTIES

The related parties include Associate and Other Related Group Companies, Key Management Personnel and Defined Contribution Plans (Provident Funds). The Group continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. Contributions to defined contribution plan (Provident Funds) are made as per the terms of employment. Remuneration of Key Management Personnel is in accordance with their terms of engagements. Details of transactions with related parties are as follows:

| Name | Nature of relationship | Basis of relationship | Nature of transaction | (Rupees in Thousand) | |
|--|-------------------------|-----------------------|--------------------------------|------------------------------|------------------------------|
| | | | | Quarter ended September 2020 | Quarter ended September 2019 |
| Novatex Limited | Associated Company | Common directorship | Sales of goods | 563,848 | 44,519 |
| | | | Rendering of services | 31,477 | - |
| | | | Acquisition of services | 224,045 | 152,541 |
| | | | Purchase of raw material | 115 | - |
| | | | Dividend income | - | 396,900 |
| | | | Rent | 4,988 | 5,237 |
| | | | Reimbursement of expenses | 34,791 | 44,871 |
| Krystalite Product (Private) Limited | Related Party | Common management | Sale of goods | 28,556 | 51,574 |
| | | | Purchase of other material | 174 | - |
| Mushtaq & Company (Private) Limited | Related Party | Common management | Sale of goods | 10,533 | 1,894 |
| Gani & Tayub (Private) Limited | Related Party | Common directorship | Charges on account of handling | 1,804 | 1,569 |
| Gatron Foundation | Related Party | Common directorship | Payment of donation | 585 | 2,430 |
| Gatron (Industries) Limited Staff Provident Fund | Retirement benefit fund | Employees fund | Provident fund contribution | 5,875 | 5,870 |
| Gatron (Industries) Limited Workers Provident Fund | Retirement benefit fund | Employees fund | Provident fund contribution | 949 | 948 |

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs.60.296 million (September 2019: Rs.67.660 million).

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

Outstanding balances, as at reporting date, are disclosed as follows:

| | As at September 30, 2020 (Un-audited) | As at June 30, 2020 (Audited) |
|--|--|--|
| Novatex Limited | | |
| Trade debts | 137,735 | 97,287 |
| Other receivables | 14,230 | 13,214 |
| Trade and other payables | 137,163 | 35,599 |
| Krystalite Product (Private) Limited | | |
| Trade debts | 77,040 | 239,176 |
| Trade and other payables | 204 | - |
| Mushtaq & Company (Private) Limited | | |
| Trade debts | 14,997 | 12,673 |
| Gani & Tayub (Private) Limited | | |
| Trade and other payables | 651 | 482 |
| Gatron (Industries) Limited Staff Provident Fund | | |
| Trade and other payables | 3,929 | 4,046 |
| Gatron (Industries) Limited Workers Provident Fund | | |
| Trade and other payables | 278 | 370 |

14 DATE OF AUTHORISATION

These condensed interim consolidated financial statements were authorised for issue on October 24, 2020 by the Board of Directors of the Parent Company.

15 CORRESPONDING FIGURES

In order to comply with the requirements of IAS 34, the condensed interim consolidated statement of financial position has been compared with the balances of annual audited financial statements of preceding financial year, whereas, the condensed interim consolidated statement of profit or loss, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows have been compared with the balances of comparable period of immediately preceding financial year.

16 GENERAL

- 16.1** The latest available financial results of associate as on June 30, 2020, have been used for the purpose of application of equity method in valuation of long term investment.
- 16.2** Charge for Workers' Profit Participation Fund, Workers' Welfare Fund, Deferred Tax and Income Tax (where applicable) are interim and final liability will be determined on the basis of annual results.
- 16.3** Figures have been rounded off to the nearest thousand of Rupees.

PIR MUHAMMAD DIWAN
Chief Executive

MUHAMMAD IQBAL BILWANI
Director

MUSTAFA BILWANI
Chief Financial Officer

Notes for Members

Submission of Computerized National Identity Cards

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

Unclaimed Shares/Dividends

Members of the company are once again requested to contact office of the company or the company's Shares Registrar for collection of their shares/dividends which they have not yet received due to any reason.



Gatron (Industries) Limited