Annual Report 2012

Gatron (Industries) Limited

CONTENTS

VISION

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

To achieve corporate success while achieving this vision.

MISSION

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

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

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

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

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

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

Corporate Information

Board of Directors

Haji Haroon Bilwani
Chairman

Peer Mohammad Diwan
Chief Executive

Abdul Razak Diwan
Zakaria Bilwani
Usman Bilwani
Iqbal Bilwani
Muhammed Arif Bilwani
Shabbir Diwan

Audit Committee Members
Iqbal Bilwani
Chairman

Haji Haroon Bilwani
Zakaria Bilwani
Muhammed Arif Bilwani

HR & Remuneration Committee Members
Usman Bilwani
Chairman

Iqbal Bilwani
Shabbir Diwan

Chief Financial Officer
Rizwan Diwan

Company Secretary
Mohammad Yasin Bilwani

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

Legal Advisor
Naeem Ahmed Khan
Advocates
Quetta.

Bankers

Bank Alfalah Limited
Barclays Bank PLC, Pakistan
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

Plant
Plot No.M-2, Sec. M. H.I.T.E,
Main R.C.D. Highway,
Hub Chowki, Lasbella Distt.,
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.
U.A.N. 021-111-71-71-71
Fax: 021-35659516

Email
headoffice@gatron.com

Website
www.gatron.com

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

Notice Of Annual General Meeting

Notice is hereby given that the Thirty Second Annual General Meeting of Gatron (Industries) Limited will be held on Friday, October 19, 2012 at 10:00 a.m., at Plot No.M-2, Sec. 'M', H.I.T.E., Main R.C.D. Highway, Hub Chowki, Lasbella Distt., Balochistan to transact the following business:

1. To confirm the minutes of the Thirty First Annual General Meeting of the Company held on October 24, 2011.

2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2012 together with the Auditors' Report thereon and Directors' Report for the year then ended.

3. To approve payment of final cash dividend at Rs. 4.50 per share (45%) as recommended by the Board of Directors and also the interim cash dividend at Rs.5.00 per share (50%) already paid, making a total of Rs.9.50 per share (95%) for the year ended June 30, 2012.

4. To appoint company's auditors for the year ending June 30, 2013 and fix their remuneration.

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

By Order of the Board

Mohammad Yasin Bilwani
Company Secretary

September 08, 2012

Notes:

1. The Share Transfer Books of the Company will remain closed from October 12, 2012 to October 19, 2012 (both days inclusive). Transfers received in order at the office of our Share Registrar, M/s. C&K Management Associates (Private) Limited, Karachi, before the close of business on October 11, 2012 will be considered in time for the purpose of entitlement of final cash dividend.

2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received at the liaison office of the company not less than 48 hours before the time of holding the meeting. Proxy form is annexed.

3. A member, who has deposited his/her shares into Central Depository Company of Pakistan Limited, must bring his/her Participant ID number and account/sub account number along with original computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.

4. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of attending the meeting.

5. Members (whose shares are in physical form) are requested to provide by mail, email or fax, photocopy of their Computerized National Identity Card [CNIC] enabling the Company to comply with relevant laws.

6. The shareholders are advised to notify to the company's share registrar of any change in their addresses.

Directors' Report

Dear Shareholders,

The Directors of the Company are pleased to present the annual report of the Company together with the audited financial statements for the year ended June 30, 2012.

The financial performance for the year under review is as follows:

	(Rupees in million)
Net Sales	11,199
Operating Profit	644
Financial Charges	23
Net profit before investment income	621
Investment income	241
Profit before income tax	862
Profit after income tax	652

ALHAMDULILLAH, results of the Company are better as compared to the corresponding year. Net sales for the year increased by 4% to reach Rs. 11.199 billion from Rs. 10.781 billion of last year. Inflationary pressure and escalating prices of the raw materials led to the unit value increase and the resultant revenue growth.

Overall, the after tax profit contributed by operations is Rs. 411 million which is 11 % return on total equity of the company. The preform operations were very good this year, particularly the summer and Eid seasons, contributing to the overall good results. With the anti-dumping review on the yarn also taking place this year, the foreign suppliers were also careful in their pricing of exports to Pakistan. Taking advantage of the current year results and to prepare for tough times to come, the Company paid off its long term loans before maturity. Accordingly, gearing ratio improved to 1 % as compared to 13% of last year and Financial Charges declined significantly to Rs. 23.083 million from Rs. 66.508 million of last year and may also remain low next year.

Other operating expenses however, increased on the back of exchange loss suffered due to volatility and devaluation of Pak Rupee against US$. Rising fuel and gas charges have also resulted in increase in unit price of electric power used by the Company vis-à-vis rise in electric power prices in the country. Consequently, average power cost has increased by about 12% during the period.

Stock in trade has increased by Rs. 213.871 million due to increase in stocks of yarn. Trade debts on the other hand, have decreased by Rs. 391.021 million and come down to Rs. 800.947 million, from the peak of Rs. 1,191.968 million at previous year end.

PTA and MEG prices remained high with some periods of dips and subsequent recovery during the year. PTA hovered between $1050 to $1200 and MEG between $1300 to $1450. This was in the back drop of WTI crude oil prices remaining between $88 to $102 but mostly above $95. Though in July 2012 oil prices dropped to $88.

The Company is conducting business in a complex and challenging environment including gas load shedding and is therefore exposed to a number of challenges, for which the management is continuously trying to come up with the best possible and practical solutions e.g. including consideration of a coal based HTM Oven as a back up, other equipment for efficient use of energy and new & efficient machinery to replace old ones.

The challenges faced are:

- Inflationary pressures, pushing up the salaries and wages and other conversion costs.
- Rising energy cost on account of continuous increase in fuel and power prices.
- Escalating transportation cost due to continuous increase in petrol and diesel prices.
- Increase in auxiliary and packing material costs.
- Devaluation of Pak Rupee against US $.

Other Matters

The overall performance of 100% owned subsidiary M/s Gatro Power (Pvt) Limited supplying power to the Company, is satisfactory and the Board of Directors of Gatro Power (Pvt) Limited has proposed for payment of final cash dividend of Rs. 4 per share (40%) for the year 2011-12. This is in addition of interim dividend of Rs 12 per share (120%) already paid, accumulating to a total dividend for the year of Rs. 16 per share (160%).

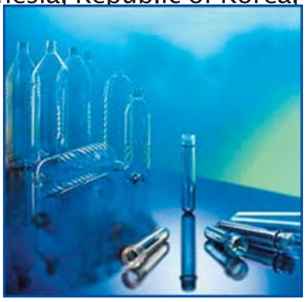
Capital Expenditures

- During the year under consideration, the Company has made capital expenditure amounting to Rs. 141.482 million.

- Your Company is in the process of updating the electronic systems on many of the equipment running in the Company from the 1980's and early 1990's, some of which were already done in the previous couple of years. Many Cost saving projects like replacement of medium size screw air compressors with more power efficient and larger centrifugal compressors have been completed. This has also allowed to increase the production of more value added intermingled yarn, contributing to the bottom line.

Future Outlook

- In response to an application to the National Tariff Commission (the "Commission") to initiate a Sunset Review of the Anti-dumping measures and continue the same for another period of five years against dumped imports of Polyester Filament Yarn (PFY) from Republic of Indonesia, Republic of Korea, Malaysia and the Kingdom of Thailand, the Commission finally decided to continue the imposition of definitive anti-dumping duties on dumped imports ranging from 0% (zero) to 8.41% (compared to 0% (zero) to 29.68% previously) for a further period of three years (unlike the traditional 5 years) with effect from December 04, 2010 along with withdrawal of Price Undertakings with effect from January 17, 2012. While this review was taking place it did make the foreign suppliers careful in their export pricing. However the result of review meant that 3 major suppliers who are supplying three fourth of the product coming from these countries are having zero percent anti dumping duty. It is surprising since the CFR prices at which these suppliers export their product to Pakistan when compared to cost of Production in Pakistan only covers the raw material, auxiliary/packing material, power/fuel costs and spare parts cost. The other costs like salaries/wages, depreciation, interest etc are covered by your company mainly due to the 10% import duty on the Polyester Filament Yarn and by inventory gains.



- The countries subject to the above mentioned anti-dumping review account for only around 35% on the yarn imported in Pakistan, while balance 65% is mainly imported from China. In China massive expansions of Polyester Filament Yarn (launched 2 years ago when high cotton prices had supported the synthetic fiber/yarn industry) are now coming on stream in the end of the year 2012 and the whole of the year 2013. This is far above the growth of demand in China and the growth of demand in the world. This means that the next 3 to 4 years would be of massive oversupply with foreign suppliers competing hard to sell their products and may be selling at prices below their total costs as long as their variable costs are covered. On the other hand, production costs in Pakistan are increasing due to gas load shedding (which resulting in use of expensive furnace oil/coal fuel and also reducing operating efficiency), increased cost of transportation, security and repair & maintenance etc.

- The overall inflationary trend prevailing in the country (expected to continue due to deficit financing), are also likely to affect future profitability of the Company.

Human Resources Development

We believe that people are our most valued resource and it is through people the company has achieved its success. This is why Human Resources Management is at the center of our business activities. Human Resources department plays a vital part in ensuring our success as a Company, by finding and developing the right people. The development of human resources is a priority issue for the Company and we have taken major initiatives for developing our people and also providing a safe and healthy working environment. Recently, we have shifted our liaison office to new premises, thus offering better working environment to our employees. We truly believe that if our people grow, then only we as a Company will move forward, thus enabling us to further enhance the value and quality of our offerings for our customers.

Good Governance

The Board of Directors throughout the year, complied with the "Code of Corporate Governance" contained in the listing requirements of the Stock Exchanges and the "Corporate and Financial Reporting Framework" of the Securities and Exchange Commission of Pakistan.

The Board believes in transparency of information to shareholders and investors. This means accuracy and reliability of financial and other reporting framework, effective internal control principles including risk management, setting of targets, planning and monitoring of company's operations and performance under direct and indirect supervision through delegated authorities.

This is considered necessary to achieve the Board's objective and encourage effective participation of the shareholders in general meetings.

Information and Communication Technology

The Information Technology department caters to the company's information technology requirements with a high focus on institutionalization and optimization of business processes. The department provides requisite leverage to the company in boosting its performance by providing a strong network of communication infrastructure, which coherently helps in managing its geographically dispersed business operations and at the same time dealing with its local and international parties for exploiting business opportunities.

The policies and procedures of information technology as well as its annual objectives are carefully developed in line with the industry's best practices together with keeping in view the technological trend, to ensure continuity of current and future business operation of the company while maintaining its leadership position in the marketplace at the same time.

Risk Management

The management of risk with efficiency and efficacy can be the difference between profitability and decline for a corporate entity. What separates companies that survive from those that do not is their capacity to handle risk.

Company has developed systems to successfully identify key risks and ensure that they are within the risk appetite of the Company. Risk management activities are well integrated with strategic planning, ensuring that strategy and risk mindsets are compatible with each other. This seeks to maximize value by finding an optimal balance between performance goals and targets and related risks.

An important part of Company's risk management activities is insurance of physical assets against unfortunate events. We continuously strive to find the right balance between insurance coverage and associated premium costs.

Risk is a dynamic concept and with every passing minute a new challenge is faced. The key is to identify such challenges and minimize the risk that they carry in order to maximize returns and ensure a smooth running of the company.

The management of Company is fully abreast of the market situation and is proactive in managing the impact of emerging challenges with the help of well integrated strategies.

The Company has also identified key areas in which productivity can be improved with many initiatives, cost reduction and marketing activities.

Key risks that the company is continuously exposed to in current time include the following:

- Financial risk
- Market risk
- Operational risk

Health, Safety Environment (HSE)

Your Company has a Health, Safety, & Environment (HSE) Department which is lead by qualified and certified Team Leaders. The Company has made objective based efforts for reducing unsafe and unhealthy work practices/conditions. A review of hazards identification and risk assessment is regularly carried out. Incident/accident analysis and follow up for corrective/preventive measures are taken to reduce accidents.

Comprehensive Training sessions are provided to our all employees in the area of Occupational Health and Safety including Fire Fighting.

The Company has complete Fixed Fire Fighting System as well as Fire Tenders equipped with all the facilities to cope with the Fire hazards.

The Company recognizes the importance of a healthy workforce and safe workplaces, as well as medical arrangements/measures are being taken accordingly.

Corporate Social Responsibility (CSR)

Your Company fully understands its corporate responsibility towards the society and fulfills it by engaging in philanthropy, by providing financial support to under privileged members of the society and its deserving employees, contributing considerable amounts to the National exchequer, applying solutions for energy conservation and environment protection. During the year, your Company contributed a huge amount to the National Exchequer by way of payment of various duties, levies and taxes.

During the period Company has made donations amounting to Rs. 23.991 million which includes:

1. Donation of Rs. 7.214 million to Gatron Foundation (related party). Your Company through the Gatron Foundation contributed towards flood relief activities and provided food and water to flood hit areas. Further regular contribution to The Citizen Foundation (TCF) to give equal and respectable education opportunities to needy and unprivileged part of the society.

2. Donation of Rs. 14 million to IBA for development of infrastructure as well as the faculty and teaching method.

3. Donation of Rs. 2.5 million to HANDS for flood relief activities.

Appropriations

The Board of Directors' in their meeting held on September 8, 2012 has proposed a final cash dividend at Rs. 4.5 per share i.e. @ 45% to the shareholders of the Company for the year ended June 30, 2012. This is in addition to the interim cash dividend at Rs.5.00 per share i.e. @ 50%, making a total distribution of Rs. 9.5 per share i.e. @ 95%. The approval of the members for the dividend shall be obtained in the 32nd Annual General Meeting of the members of the Company. These financial statements do not include the effect of this proposed final cash dividend.

Contribution to the Economy

The Company contributed Rs. 627.142 million to the national ex-chequer in the form of sales tax, income tax, imports duties and other statutory levies, not including the significant amount of withholding tax deducted by the Company from employees, suppliers and contractors and submitted to Government treasury.

Material Changes and Commitments

No material changes and commitments affecting the financial position of the Company have occurred between the end of the financial year of the Company to which the balance sheet relates and the date of the report.

Auditors

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

DIRECTORS' REPORT

As suggested by the Audit Committee, the Board recommends the appointment of M/s. Hyder Bhimji & Co., Chartered Accountants, as auditors of the Company for the year ending June 30, 2013.

Financial Statements

The auditors, of the Company, M/s. Hyder Bhimji & Co., Chartered Accountants, audited the financial statements of the Company and have issued an unqualified report to the members.

Consolidated Financial Statements

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

Statement on Corporate and Financial Reporting Framework

- The financial statements for the year ended June 30, 2012, prepared by the Management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of account of the company have been maintained;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There are no significant doubts upon the company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- Key operating and financial data of last six years in summarized form is annexed;
- The fair value of the provident Funds investments as at June 30, 2012 was Rs. 273.563 million;
- During the year five board meetings and four Audit Committee Meetings were held. Attendance by each director / members was as follows:

	Board Meetings Attendance
Haji Haroon Bilwani	4
Mr. Peer Mohammad Diwan	4
Mr. Abdul Razak Diwan	4
Mr. Zakaria Bilwani	5
Mr. Usman Bilwani	5
Mr. Iqbal Bilwani	5
Mr. Muhammed Arif Bilwani	5
Mr. Shabbir Diwan	5

Leave of absence was granted to the directors, who could not attend the meetings.

	Audit Committee Mettings Attendance
Haji Haroon Bilwani	3
Mr. Zakaria Bilwani	4
Mr. Iqbal Bilwani	4
Mr. Muhammed Arif Bilwani	4

Pattern of Shareholding

A statement showing pattern of shareholding of the Company and additional information as at June 30, 2012 is included in the report.

Delivery of Unclaimed Shares

Members of the Company are requested to contract at the Liaison Office of the Company or the Company's Share Registrar, M/s. C&K Management Associates (Private) Limited for collection of their shares which they have not received due to any reasons.

Board of Directors

During the year under report, there was no change in your Board of Directors.

Acknowledgment

We would like to take this opportunity to thank our employees, customers, banks, financial institutions, and strategic partners for their support and commitment towards helping us achieve new heights of success and commendable results. The Board also places on record its gratitude to its esteemed shareholders, Government of Pakistan and regulatory bodies for their continued support.

On behalf of the Board

PEER MOHAMMAD DIWAN
Chief Executive

September 08, 2012

Focus On Sustainability

The Management of Gatron (Industries) Limited is responsible for business sustainability and managing the triple bottom line - a process by which firms manage their financial, social and environmental risks, obligations and opportunities. These three impacts are sometimes referred to as profits, people and planet.

In recent past, sustainability has climbed the ladder on the agenda items for many organizations. We at Gatron too, are continuously making efforts to align sustainability objectives to deliver quality products while adhering to the best practices.

Stakeholder Engagement

Our capacity to work with our stakeholders at the various levels of the business is a key in maintaining and succeeding in today's economic and social environment. Regular engagement helps us learn about their concerns, and provides us with an opportunity to better address them.

Our stakeholders include our shareholders, employees, local communities, suppliers, regulators, customers, civil society and intergovernmental organizations.

Some of our engagements with stakeholders are listed below:

Investors and Owners

We connect with investors and shareowners in regular meetings, keeping them abreast on all issues, including those relating to sustainability and social activities. They are increasingly interested in how we conduct our businesses. We try to give them:

- Good returns
- Strong growth
- Stability
- Increased adherence to corporate governance

Employees

We try and make sure our workplace is diverse. We listen carefully to our employees' views, using their broad and diverse insights to develop and improve our culture; providing them with equal opportunities. Our approach includes:

- Satisfactory compensation and benefits
- Pleasant work environment
- Job satisfaction
- Professional growth and development
- Safe and secure working conditions

Local Communities

We try and work with the communities in which we operate to help build a prosperous, educated and healthy society. Our approach is to ensure:

- Health support
- Education support
- Employment generation
- Infrastructure development

Suppliers

We work with our supply chain partners on a regular basis to have sustainable supplier portfolio. With respect to suppliers we believe in:

- Regular orders
- Timely payments
- Recognition and feedback
- Performance evaluation
- Long term association

Government

We work with government at local and national levels, adhering with laws and regulations in every field of our business. Our approach is:

- Compliance with Laws and Regulations.
- Adherence to Corporate governance guidelines
- Contribution towards direct and indirect taxation

Customers

We try and understand our customer needs, and the end use of our product to be in a position to cater our customers even better. This process helps us underpin new product developments and enhances their satisfaction levels. Accordingly we ensure:

- Product availability
- Increased quality
- Competitive price
- Customer service

Economic Performance & Contribution

Economic performance is a key indicator of Company's contribution towards country prosperity and welfare. Our economic contribution includes direct and indirect employment, buying from local, regional and global suppliers, the distribution of our products, and contribution to the national exchequer via direct and indirect taxes.

In 2011-12, Gatron generated over Rupees 23,416 million of economic value, of which the majority was distributed through the course of our business to our employees, shareholders and investors, suppliers and governments as well as to local communities through our Corporate Social Investment activities.

Economic Contribution in 2011-12

Pak Rupee in Thousand

Revenues Revenue plus dividend receipts and proceeds of sales of assets.	11,445,953
Operating Costs Cost of materials, services and facilities.	10,081,790
Employee wages and benefits Cost of employees' salaries and benefits.	698,523
Payments to providers of Capital All financial payments made to the providers of the Company's capital	434,852
Payments to Governments Tax paid, including remittance taxes and excise taxes and withholding taxes	730,443
Community Investments Voluntary contributions and investment of funds in the broader community	23,991
Economic Contribution	23,415,552

SUSTAINABILITY

We aim to pay the right and correct amount of tax according to the laws of the Country. During the year Gatron has contributed in excess of Rs. 627.142 million to the national exchequer through various taxes and duties

Environment

Environment friendly business practices and responsibility to conserve the environment has always been on the forefront at Gatron. The management recognizes its responsibility for the sustainable consumption of raw materials, energy and water resources.

Gatron is committed to preserve the environment and prevent generation of pollution from its activities and operations and to protect employees and workplaces from hazards of pollution. We consistently endeavor to control hazards and environmental risks that could harm people, property and causes loss to business or Company's image.

Keeping in view the impact of rising carbon emissions on the environment, we at Gatron are working to better manage our environmental impact. We are continually working to improve the environmental profile of our operations by focusing on a reduction in energy usage, streamlined business processes and disposal and reuse of generated waste and water treatment.

For business sustainability purposes, the Company regularly conducts technical evaluations of its vendors and contractors in order to rationalize its operations in a more efficient and effective manner.

Resource Conservation

Our productivity strategy is based on optimal use of resources, contributing to conservation of resources and reduction of environmental impact. We maximize our resource utilization by recovering and reusing most of our non-product outputs, reducing our requirement for fresh materials. Reuse of paper tubes, cartons, chips bagging materials and wooden cases are a few examples.

The waste generated, is either recycled within the plant or disposed off in an environment friendly way. As part of water conservation plan and reduction in effluents, water from various streams are being either recycled or used for horticulture purposes.

We take adequate safety measures and strive to avoid significant spills by monitoring our production sites. We try to contain spill and recover it. This year, we had no significant spills or leaks.

Environmental Management Systems

- These systems provide the structures and processes that help embed environmental efficiency into a firm's culture and mitigate risks.
- An environment friendly business practice; to conserve the environment has always been on the forefront at Gatron.
- A major glory available at Company's profile is ISO 14001 certification, proves Gatron is eco-friendly Company which satisfies all the international Environmental standards.
- We monitor our gaseous emissions (SOx, NOx & CO) and suspended particulate matter (SPM), as per regulatory norms.
- Septic tank project is going on for collecting chemical effluents for safe disposal.

Sustainability

Social / People

Social Engagement

Your Company fully understands its corporate responsibility towards the society and fulfills it by engaging in philanthropy, by providing financial support to under privileged members of the society and its deserving employees, contributing considerable amounts to the National exchequer, applying solutions for energy conservation and environment protection.

In 2011-2012 the Company has invested substantially in health, education and community development programmes throughout the country, especially in rural areas. In pursuit of these goals, Gatron has provided funds for eye treatment of under privileged people in Balochistan amongst others.

During the period Company has made donation amounting to Rs. 23.991 million which includes:

1. Donation of Rs. 7.214 million to Gatron Foundation (related party). Your Company through the Gatron Foundation contributed towards flood relief activities and provided food and water to flood hit areas. Further regular contribution to The Citizen Foundation (TCF) to give equal and respectable education opportunities to needy and unprivileged part of the society.
2. Donation of Rs. 14 million to IBA for development of infrastructure as well as the faculty and teaching method.
3. Donation of Rs. 2.5 million to HANDS for flood relief activities.

People Developement

We view learning and development as a shared responsibility between the Company and our individual employees, with the Company providing the resources and individuals providing the essential motivation and commitment.

Our team members are provided a supportive environment, one that encourages open communications within the workforce, and one which helps in the sharing and development of new ideas. New recruits are provided on job training to help them settled. In particular, the Trainee Engineer Programme has become a popular learning platform for young engineering graduates, where they can learn and earn at the same time.

Facilities and Support

At Gatron, activities are carried out to create a comfortable and friendly environment, far from the monotony of constant work, without compromising on discipline and productivity. Team members are provided with several facilities in return for their tremendous efforts to excel in corporate as well as social work.

Security

At Gatron, security is an integrated business function which manages a range of risks to our people, our property, our information and our reputation.

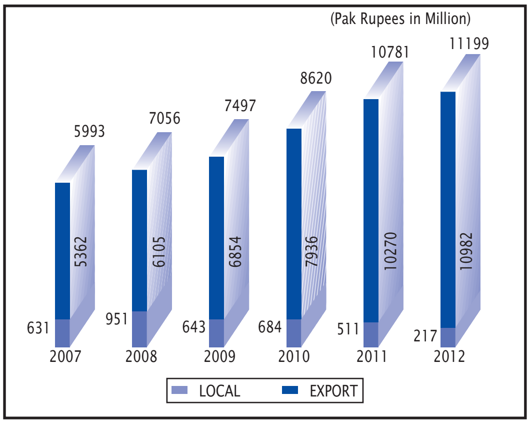
Financial Highlights

Particulars	2011	2010	2009	2008	2007	2006
Operating Results						
Pak Rupees in Thousand						
Sales	10,780,531	8,620,045	7,497,075	7,056,483	5,992,937	4,711,067
Gross Profit	871,698	566,874	567,999	785,307	543,368	351,842
Operating Profit	*553,148	295,505	264,323	384,320	352,292	270,508
Profit after taxation	*626,444	410,975	379,320	156,644	137,220	123,342
Percentage						
Dividend	50.00	20.00	15.00	15.00	15.00	15.00
Financial Position						
Pak Rupees in Thousands						
Paid up Capital	383,645	383,645	383,645	383,645	383,645	383,645
Reserves & unappropriated profit	*3,123,345	2,573,630	2,220,202	1,898,429	1,799,332	1,719,659
Property, Plant & Equipment	2,047,881	2,357,159	2,429,297	2,447,092	2,477,898	2,487,650
Current Assets	3,713,325	2,671,278	3,102,234	3,119,717	2,465,399	2,451,539
Current Liabilities	*2,013,047	1,603,698	2,396,989	2,652,657	2,147,458	2,272,536
Net Current Assets	*1,700,278	1,067,580	705,245	467,060	317,941	179,003
Long Term Liabilities	79,158	298,815	337,472	415,405	458,836	461,013
Deferred Liabilities	463,770	470,731	495,241	518,703	455,897	404,289
Financial Ratios & Percentages						
Percentages						
Gross Profit Ratio	8.09	6.58	7.58	11.13	9.07	7.47
Return on Capital Employed	*22.49	14.24	16.26	10.98	8.35	6.85
Return on Equity	*17.86	13.90	14.57	6.86	6.29	5.86
Number of Times						
Inventory Turnover	5.96	4.81	3.77	3.91	3.46	2.82
Debtors Turnover	12.57	16.15	12.62	12.05	13.96	11.49
Total Assets Turnover	1.89	1.54	1.28	1.27	1.14	0.93
Fixed Assets Turnover	4.89	3.60	3.07	2.87	2.41	1.97
Interest Cover	8.53	1.71	1.03	2.55	2.06	2.15
Ratio						
Debt-Equity	02 : 98	09 : 91	11 : 89	15 : 85	17 : 83	18 : 82
Current Ratio	*1.84 : 1	1.67 : 1	1.29 : 1	1.18 : 1	1.15 : 1	1.08 : 1
Per Share Results and Returns						
Pak Rupees						
Break-up Value	*91.41	77.08	67.87	59.48	56.90	54.82
Earnings per Share - Basic and diluted	*16.33	10.71	9.89	4.08	3.58	3.21
Dividend per Share	5.00	2.00	1.50	1.50	1.50	1.50
Percentages						
Dividend Yield	9.51	4.76	2.48	1.83	0.89	0.83
Dividend Pay Out	*30.62	18.67	15.17	36.76	41.90	46.73
Number of Times						
Price Earning Ratio - Year end price	*3.22	3.92	6.12	20.14	47.30	56.23
Share Performance						
Pak Rupees						
Highest	58.80	77.00	81.72	186.65	186.65	183.00
Lowest	36.80	35.77	32.50	75.05	80.00	91.00
At year end	52.60	42.00	60.50	82.17	169.35	180.50

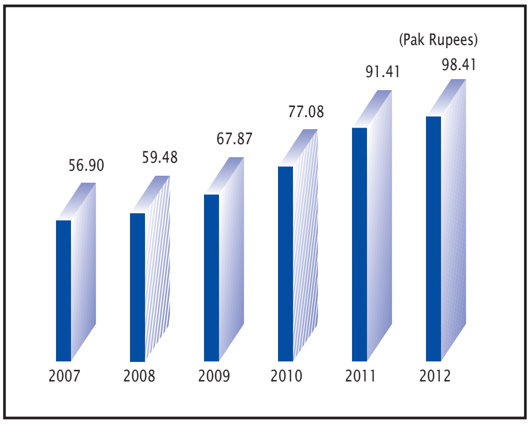
* Based on restated amounts

Graphical Presentation

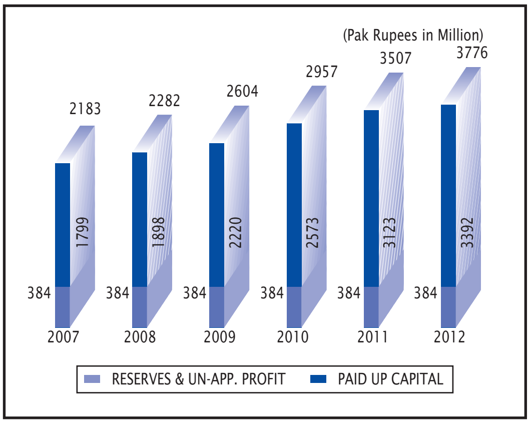
SALES



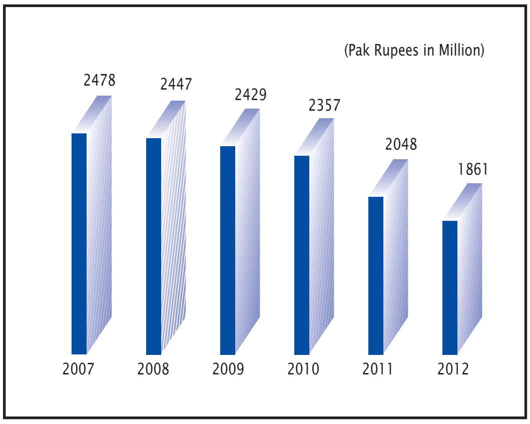
BREAK UP VALUE OF SHARE



SHAREHOLDERS' EQUITY



PROPERTY, PLANT AND EQUIPMENT



HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

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Review Report to the Members
On the Statement of Compliance with Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2012 prepared by the Board of Directors of **Gatron (Industries) Limited** to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, The Listing Regulations requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance applicable to the company for the year ended June 30, 2012.

HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Hyder Ali Bhimji

Karachi: 08 SEP 2012

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Statement Of Compliance With The Code Of Corporate Governance

Name of the Company: **Gatron (Industries) Limited**
Year Ended: **June 30, 2012**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No.35 of listing regulations of The Karachi Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	**Names**
Independent Directors	None
Executive Directors	Mr. Peer Mohammad Diwan, Chief Executive Mr. Abdul Razak Diwan Mr. Zakaria Bilwani Mr. Shabbir Diwan
Non-Executive Directors	Haji Haroon Bilwani, Chairman Mr. Usman Bilwani Mr. Iqbal Bilwani Mr. Muhammed Arif Bilwani

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. During the year no casual vacancy occurred on the Board.

5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive(s) and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board has been provided with detailed in-house briefing and information package to acquaint them with the Code, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the Company. Majority of Directors are exempted from the requirement of directors' training program. In future, arrangement will also be made for a director for acquiring certification under the directors training program.

10. The board has already ratified appointments of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises 04 members, of whom 03 are non-executive directors including the Chairman of the committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed an HR and Remuneration Committee. It comprises 03 members, of whom 02 are non-executive directors and the Chairman of the committee is a non-executive director.

18. The board has set up an effective internal audit function and personnel involved are considered suitable, qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on full time basis.

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board of Directors

Peer Mohammad Diwan
Chief Executive

September 08, 2012

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **GATRON (INDUSTRIES) LIMITED** ("the Company') as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant statements made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after verification, we report that:

a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b. in our opinion :

i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii. the expenditure incurred during the year was for the purpose of the Company's business; and

ii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required, and respectively give a true and fair view of the state of the company's affairs as at June 30, 2012 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and

d. in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Company and deposited in the central zakat fund established under section 7 of that Ordinance.

Emphasis of matter paragraph

We draw attention to the contents of notes 21.2 and 25.1 (a) of the annexed financial statements relating to the manner of determining the provision for WPPF, the ultimate outcome whereof cannot be presently ascertained, and no provision for further liability, that may arise, has been made in the annexed Financial Statements. Our opinion is not qualified in respect of this matter.

HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Hyder Ali Bhimji

Karachi: 08 SEP 2012

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BALANCE SHEET

AS AT JUNE 30, 2012

	Notes	2012	2011 Restated
		(Pak Rupees in Thousand)	
ASSETS			
Non-current Assets			
Property, plant and equipment	4	1,860,764	2,047,881
Long term investments	5	300,750	300,515
Long term loans	6	561	241
Long term security deposits	7	1,019	1,003
		2,163,094	2,349,640
Current Assets			
Stores, spare parts and loose tools	8	366,610	319,019
Stock in trade	9	2,145,909	1,932,038
Trade debts	10	800,947	1,191,968
Loans and advances	11	25,645	14,220
Trade deposits and short term prepayments	12	1,942	4,495
Other receivables	13	214,090	135,163
Advance income tax		51,152	-
Taxes and duties refundable from Federal Government	14	934	48,438
Cash and bank balances	15	105,271	67,984
		3,712,500	3,713,325
TOTAL ASSETS		5,875,594	6,062,965
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorised capital			
44,000,000 Ordinary shares of Rs.10 each		440,000	440,000
Paid up capital	16	383,645	383,645
Capital reserves	17	458,645	458,645
General reserve	18	1,910,000	1,910,000
Unappropriated profit		1,023,348	754,700
		3,775,638	3,506,990
LIABILITIES			
Non-current Liabilities			
Long term financing	19	-	79,158
Deferred liabilities	20	437,417	463,770
		437,417	542,928
Current Liabilities			
Trade and other payables	21	1,396,285	1,340,067
Accrued mark up	22	11	6,826
Short term borrowings	23	156,514	393,493
Current portion of long term financing	19	-	104,157
Provision for income tax less payments	24	109,729	168,504
		1,662,539	2,013,047
CONTINGENCIES AND COMMITMENTS	25		
TOTAL EQUITY AND LIABILITIES		5,875,594	6,062,965

The notes 1 to 45 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Conversion rates as at June 30, 2012 were 1 US$ = Rs. 94.20, 1 Euro € = Rs. 118.50 and 1 Pound £ = Rs. 147.07

Profit And Loss Account

FOR THE YEAR ENDED JUNE 30, 2012

	Notes	2012	2011 Restated
		(Pak Rupees in Thousand)	
Sales	26	**11,199,270**	10,780,531
Cost of sales	27	**10,081,790**	9,908,833
Gross profit		**1,117,480**	871,698
Distribution and selling expenses	28	**209,737**	174,406
Administrative expenses	29	**148,671**	124,641
Other operating expenses	30	**118,862**	37,500
		477,270	336,547
		640,210	535,151
Other operating income	31	**4,280**	17,997
Operating profit		**644,490**	553,148
Finance cost	32	**23,083**	66,508
		621,407	486,640
Investment income - Dividend	33	**240,800**	301,000
Profit before income tax		**862,207**	787,640
Income tax	34	**209,914**	161,196
Profit after income tax		**652,293**	626,444
Earnings per share - Basic and diluted (Rupees)	35	**17.00**	16.33

(1) The Board of Directors has recommended final cash dividend for the year ended June 30, 2012 of Rs. 4.50 per share (i.e. 45%)

(2) The notes 1 to 45 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Statement Of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2012

	2012	2011 Restated
	(Pak Rupees in Thousand)	
Profit for the year	**652,293**	626,444
Other comprehensive income	-	-
Total comprehensive income for the year	**652,293**	626,444

The notes 1 to 45 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012	2011 Restated
		(Pak Rupees in Thousand)	
Cash Flow from / (towards) Operating Activities			
Profit before income tax		862,207	787,640
Adjustments for:			
Depreciation and impairment		311,678	381,969
Provision for defined benefit plan		25,691	15,784
Gain on disposal of property, plant and equipment		(2,760)	(13,688)
Loss on disposal of property, plant and equipment		34	11
Provision for / (reversal of) doubtful trade debts-net		8,602	(739)
Provision for / (reversal of) slow moving stores, spare parts and loose tools-net		7,550	(740)
Dividend income		(240,800)	(301,000)
Finance cost		23,083	66,508
		133,078	148,105
		995,285	935,745
Decrease / (increase) in current assets:			
Stores, spare parts and loose tools		(55,141)	14,396
Stock in trade		(213,871)	(539,801)
Trade debts		382,419	(667,620)
Loans and advances		(9,625)	13,641
Trade deposits and short term prepayments		2,553	15,104
Other receivables		(78,927)	27,414
Taxes and duties refundable from Federal Government		(934)	143,839
		26,474	(993,027)
Increase in Trade and other payables		96,346	357,625
Cash flow from operations		1,118,105	300,343
(Payments for) / receipts of :			
Defined benefit plan		(5,427)	(3,289)
Finance cost		(29,898)	(78,349)
Income tax		(318,020)	(64,811)
Dividend		(404,954)	(53,081)
Long term loans		(2,120)	4,567
Long term security deposits		(16)	73
Net cash flow from operating activities		357,670	105,453
Cash Flow from / (towards) Investing Activities			
Purchase of property, plant and equipment		(146,537)	(76,106)
Proceeds from disposal of property, plant and equipment		5,883	16,703
Investment in Subsidiary Company		(235)	(15)
Dividend received		240,800	301,000
Net cash flow from investing activities		99,911	241,582
Cash Flow (towards) / from Financing Activities			
Long term financing - repayments		(183,315)	(302,657)
Net cash flow towards financing activities		(183,315)	(302,657)
Net increase in cash and cash equivalents		274,266	44,378
Cash and cash equivalents at the beginning		(325,509)	(369,887)
Cash and cash equivalents at the end	36	(51,243)	(325,509)

The notes 1 to 45 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2012

(Pak Rupees in Thousand)

	Paid-up capital	Capital Reserves			General reserve	Unappropriated profit	Total
		Share premium	Others	Sub Total			
Balances as at June 30, 2010	383,645	383,645	75,000	458,645	1,210,000	904,985	2,957,275
Total comprehensive income for the year ended June 30, 2011 restated	-	-	-	-	-	626,444	626,444
Transactions with owners							
Final cash dividend for the year ended June 30, 2010 at Rs.2.00 per share i.e. @20%	-	-	-	-	-	(76,729)	(76,729)
Transfer to General reserve	-	-	-	-	700,000	(700,000)	-
Balances as at June 30, 2011 restated	383,645	383,645	75,000	458,645	1,910,000	754,700	3,506,990
Total comprehensive income for the year ended June 30, 2012	-	-	-	-	-	652,293	652,293
Transactions with owners							
Final cash dividend for the year ended June 30, 2011 at Rs.5.00 per share i.e. @50%	-	-	-	-	-	(191,822)	(191,822)
Interim cash dividend for the year ended June 30, 2012 at Rs.5.00 per share i.e. @50%	-	-	-	-	-	(191,823)	(191,823)
	-	-	-	-	-	(383,645)	(383,645)
Balances as at June 30, 2012	383,645	383,645	75,000	458,645	1,910,000	1,023,348	3,775,638

The notes 1 to 45 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

1 THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are being quoted at all the Stock Exchanges of Pakistan since 1992. The registered office of the Company is situated at Room No. 32, 1st floor , Ahmed Complex, Jinnah Road, Quetta. The principal business of the Company is manufacturing of Polyester Polymer and its various downstream products viz. Filament / Texturised Polyester Yarn and Polyester Chips Bottle Grade (P.E.T. Resin) converted into Polyester P.E.T. Preforms. The Company also owns wholly owned subsidiaries i.e. Messrs. Gatro Power (Private) Limited which is engaged in power generation and Messrs. GT Universal Limited, with objective to carry on diversified manufacturing activities in textile sector, has not commenced its operations till date.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case the requirements differ, the provisions or directives of the Companies Ordinance,1984 shall prevail.

2.2 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

IAS 1 - 'Presentation of Financial Statements' (Amendment), is effective for the accounting periods beginning on or after January 01, 2011. This amendment requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The new amendment may extend the disclosures for any other comprehensive income in the Company's financial statements. However, it will have no material impact on the Company's financial statements.

IAS 24 (Revised) - 'Related Party Disclosures' (Amendment), is effective for the accounting periods beginning on or after January 01, 2011. It amends the definition of a related party and modifies certain related party disclosure requirements for the government related entities. The revised standard is not expected to have material impact on the Company's financial statements.

IFRS 7 - 'Financial Instrument: Disclosures' (Amendment), is effective for the accounting periods beginning on or after January 01, 2011. This amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent to risk associated with financial statements. The new amendment is not expected to materially affect the disclosures in the financial statements of the Company.

IFRIC 13 - 'Customer Loyalty Programmes' (Amendment), is effective for the accounting periods beginning on or after January 01, 2011. The amendment clarifies that the fair value of award credits take into account the amount of discount or incentive that otherwise would be offered to customers that have not earned the award credits. This amendment will have no impact on the Company's financial statements.

IFRIC 14 - 'IAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction' (Amendment), is effective for the accounting period on of after January 01, 2011. It remove the unidentified consequences of the existing standard that restricted the recognition of some voluntary prepayment for minimum funding contributions as an asset. The new amendment is not expected to have a material impact on the Company's financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 01, 2011 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore not detailed in these financial statements.

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

The following are the standards and interpretations which have been issued but are not yet effective.

		Effective for the periods beginning on or after
Revision/amendments to IFRSs and interpretations		
IFRS 7	Financial instruments: Disclosures (Amendment)	January 01, 2013 & January 01, 2015
IAS 1	Presentation of Financial Statements (Amendment)	July 01, 2012 & January 01, 2013
IAS 12	Income Taxes (Amendment)	January 01, 2012
IAS 19	Employees Benefits (revised)	January 01, 2013
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investment in Associates and Joint Ventures	January 01, 2013
IAS 32	Financial Instruments: Presentation (Amendment)	January 01, 2014
IFRIC 20	Striping Costs in the Production Phase of Surface Mine	January 01, 2013
Standards issued by IASB but not yet notified by SECP		
IFRS 9	Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of interests in other entities	January 01, 2013
IFRS 13	Fair value measurement	January 01, 2013

The Company expects that the adoption of the above new standards and revisions/ amendments to standards and interpretations will have no significant effect on the Company's financial statements in the period of initial application, except for IAS 19 Employees Benefits (revised).

2.3 Basis of measurement

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

2.4 Significant Accounting Estimates and Judgments

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

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

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

a) **Property, plant and equipment**
The Company's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment on each financial year end. The Company reviews the value of the assets for possible impairment on each financial year end. Any change in the estimate in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation, impairment and deferred tax.

b) **Trade debts**
The estimates of doubtful trade debts, are made, using and appropriately judging the relevant inputs and applying the parameters, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effect of variation is given as and when it takes place.

c) **Stock in trade**
The Company reviews the net realisable value of stock-in-trade to assess any diminution in the carrying values on each financial year end. Any change in the estimates in future years might affect the carrying amount of stock in trade with a corresponding affect on impairment. Net realisable value is determined with respect to estimated selling prices less estimated expenditure to make the sales.

d) **Stores, spare parts and loose tools**
The estimates of slow moving and obsolete stores, spare parts and loose tools, are made, using and appropriately judging the relevant inputs and applying the parameters, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effects of variation is given as and when it takes place.

e) **Defined benefit plan**
The actuarial valuations of defined benefit plan, have been premised on certain actuarial hypothesis, as disclosed in note 3.8 (b) to the financial statements. Changes in assumptions in future years may affect the liability under this scheme upto those years.

f) **Income tax**
In making the estimate for income tax liabilities, the management considers current income tax law and the decisions of appellate authorities.

2.5 Functional and reporting currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost. No amortisation is provided on leasehold land since the leases are renewable at the option of the lessee at nominal cost and their realisable values are expected to be higher than respective carrying values. Depreciation is charged on diminishing balance method at the rates mentioned in Note 4.1, whereby the depreciable amount of an asset is written off over its estimated useful life.

Depreciation on addition is charged from the month of the asset is available for use upto the month prior to disposal.

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

The Company has changed its estimate to account for its depreciation on certain items of plant and machinery from 10% to 15% on diminishing balance method. The change in accounting estimate has been applied prospectively in accordance with the treatment specified in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had this estimate not been changed, the value of Property, Plant and Equipment would have been higher by Rs.80.254 million and the profit after tax for the year would have been higher by Rs.45.159 million.

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

Gain or loss on disposal or loss on retirement of property, plant and equipment, if any, is taken to profit and loss account.

3.2 Impairment of assets

All Company's assets are reviewed at each financial year end to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated and carrying amounts are adjusted accordingly. Impairment losses are recognised in the profit and loss account .

3.3 Investments

Subsidiary and Associated Companies
Investment in Subsidiary and Associated Companies are stated at cost less impairment, if any.

The investment in associated company has not been accounted for using the equity method in these accounts as the company prepares Consolidated Financial Statements in accordance with IAS-27-Consolidated & Separate Financial Statements.

3.4 Stores, spare parts and loose tools

These are valued at monthly weighted average cost. Items in transit are valued at cost comprising of invoice value and other incidental charges incurred thereon till the balance sheet date. Adequate provision is made for slow moving and obsolete items based on parameter set out by the management.

3.5 Stock in trade

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

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

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

3.6 Trade debts

Trade debts are initially recognised at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debt is established when there is objective evidence that the Company will not be able to collect amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off .

3.7 Cash and cash equivalents

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

3.8 Employees' post employment benefits

a) Defined contribution plan
The Company and the eligible employees contribute equally to recognised Provident Funds.

b) Defined benefit plan
The Company operates an unfunded defined gratuity scheme, being not mandatory under the law, for its employees and working directors who attain the minimum qualification period. The obligation is determined through actuarial calculation and the latest actuarial valuation was conducted on the balances as at June 30, 2012.

The actuary has used the Projected Unit Credit Method of valuation. The valuation discount rate has been taken at 12.50% and salary increases assumed to average 10.50% per annum in the long term.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the plan assets or 10% of the defined benefit obligation are charged or credited to profit or loss account over the employees' expected average remaining working lives.

3.9 Compensated unavailed leaves

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

3.10 Income Tax

Current
Liability for current income tax is accounted for in accordance with income tax law. The income tax on profit and loss account represents current provision after adjustment, if any, to the provision for tax made in previous years, including those arising from assessments and amendments in assessments during the year, for such years.

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

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

3.11 Trade and other payables

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

3.12 Provision

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

3.13 Borrowings and their cost

Borrowings are recorded at the proceeds received.

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

3.14 Foreign currency transactions and translation

Foreign currency transactions are recorded into Pak Rupee using the prevailing exchange rates. As on balance sheet date, monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the prevailing exchange rates on the balance sheet date. Resultant exchange differences are taken to profit and loss account.

3.15 Revenue recognition

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

- Sale and processing services are recognised on dispatch of goods to customer.

- Post acquisition dividend income is recognised when the right of receipt is established. Pre acquisition dividend is adjusted against the purchase prices.

- Storage and handling income is recognised when the material is received in the storage tanks.

3.16 Dividend and appropriation to reserves

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

3.17 Financial instruments

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

3.18 Offsetting of financial assets and financial liabilities

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

(Pak Rupees in Thousand)

4 PROPERTY, PLANT AND EQUIPMENT

		2012	2011
Operating assets	4.1	**1,812,638**	1,985,991
Capital work in progress	4.4	**48,126**	34,726
Store and spares held for capital expenditure	4.5	**-**	3,854
Advances for capital expenditure	4.6	**-**	23,310
		1,860,764	2,047,881

4.1 Operating assets

PARTICULARS	Land		Building		Office premises	Plant and machinery	Furniture and fixture	Factory equipment	Office equipment	Motor vehicles	TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land							
	(Pak rupees in thousand)										
Net carrying value											
Year ended June 30, 2012											
Opening net book value	25,320	13,748	1,381	148,028	7,219	1,714,845	4,109	9,421	12,963	48,957	1,985,991
Additions at cost	-	-	-	-	-	2,334	517	940	1,767	15,179	20,737
Transfer from capital work in progress	-	-	-	6,212	-	110,539	412	27	3,555	-	120,745
Disposal at NBV	-	-	-	-	-	-	23	-	32	3,102	3,157
Depreciation	-	-	138	15,372	722	277,372	931	1,970	4,328	10,845	311,678
Closing net book value	**25,320**	**13,748**	**1,243**	**138,868**	**6,497**	**1,550,346**	**4,084**	**8,418**	**13,925**	**50,189**	**1,812,638**
Gross carrying value											
At June 30, 2012											
Cost	25,320	13,748	14,248	425,517	9,902	5,590,194	18,053	37,378	61,979	119,334	6,315,673
Accumulated depreciation	-	-	13,005	286,649	3,405	4,039,848	13,969	28,960	48,054	69,145	4,503,035
Net book value	**25,320**	**13,748**	**1,243**	**138,868**	**6,497**	**1,550,346**	**4,084**	**8,418**	**13,925**	**50,189**	**1,812,638**
Net carrying value											
Year ended June 30, 2011											
Opening net book value	25,543	13,748	1,534	148,615	8,021	2,048,138	4,605	8,986	15,677	54,703	2,329,570
Additions at cost	-	-	-	-	-	6,687	519	2,328	1,365	8,676	19,575
Transfer from capital work in progress	-	-	-	14,570	-	7,062	34	175	-	-	21,841
Disposal at NBV	223	-	-	-	-	-	77	-	21	2,705	3,026
Depreciation	-	-	153	15,157	802	236,142	972	2,068	4,058	11,717	271,069
Impairment	-	-	-	-	-	110,900	-	-	-	-	110,900
Closing net book value	**25,320**	**13,748**	**1,381**	**148,028**	**7,219**	**1,714,845**	**4,109**	**9,421**	**12,963**	**48,957**	**1,985,991**
Gross carrying value											
At June 30, 2011											
Cost	25,320	13,748	14,248	419,305	9,902	5,477,321	17,297	36,411	56,710	113,349	6,183,611
Accumulated depreciation	-	-	12,867	271,277	2,683	3,762,476	13,188	26,990	43,747	64,392	4,197,620
Net book value	**25,320**	**13,748**	**1,381**	**148,028**	**7,219**	**1,714,845**	**4,109**	**9,421**	**12,963**	**48,957**	**1,985,991**
Depreciation rate											
% per annum	-	-	10	10	10	10 to 25	20	20	20 to 30	20	

4.2 Depreciation and impairment for the year has been allocated as follows:-

(Pak Rupees in Thousand)

	2012	2011
Cost of sales [including Rs.Nil (2011 : Rs.110.900 million) being impairment loss]	**304,778**	374,546
Distribution and selling expenses	**1,172**	1,370
Administrative expenses	**5,728**	6,053
	311,678	381,969

4.3 Details of property, plant and equipment disposed off during the year are as follows :-

(Pak Rupees in Thousand)

Description	Cost	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyers
MOTOR VEHICLES					
Suzuki Liana RXI (CNG) AMC-341	849	273	300	Negotiation	**Mr. Jabir Bin Yousuf** House# A-19, Al Hilal Society, University Road, Karachi.
Toyota Corolla XLI AKA-408	879	211	915	--do--	**Mr. Salman Aamir** House # B-95, Sector 11-B, North Karachi, Karachi.
Toyota Corolla GLI AUN-334	1,479	1,133	1,125	Insurance Claim	**M/s. EFU General Insurance Ltd** Karachi.
Honda City AHH-640	877	188	475	Company Policy	**Syed Sarfraz Ahmed** Employee of the company
Honda Civic AKJ-671	1,043	255	759	--do--	**Mr. Muhammad Tufail** Employee of the company
Suzuki Cultus VXLMC ANQ-559	660	205	444	--do--	**Mr. Muharram Ali Deeshak** Employee of the company
Suzuki Cultus AMF-637	660	187	396	--do--	**Mr. Muhammad Shoaib** Employee of the company
Toyota Corolla XLI ANP-221	921	259	457	--do--	**Syed Aftab Alam** Employee of the company
Toyota Corolla XLI ALU-364	921	259	483	--do--	**Mr. Abid Raza** Employee of the company
Items having book value upto Rs.50 thousand each	905	132	500	Various	Various
Sub Total	**9,194**	**3,102**	**5,854**	--	--
FURNITURE, FIXTURE AND EQUIPMENT					
Items having book value upto Rs.50 thousand each	226	55	29	Negotiation	Various
Total	**9,420**	**3,157**	**5,883**	--	--
Total - 2011	**10,642**	**3,026**	**16,703**	--	--

4.4 Capital Work-in-Progress

(Pak Rupees in Thousand)

	Balance as at July 1, 2011	Additions	Transfer to Operating assets	Adjustment	Balance as at June 30, 2012
Building on lease hold land	18,227	-	(6,212)	(12,015)	-
Plant and machinery	12,853	157,850	(110,539)	(12,038)	48,126
Furniture and fixture	105	307	(412)	-	-
Factory equipment	-	27	(27)	-	-
Office Equipment	3,541	14	(3,555)	-	-
	34,726	**158,198**	**(120,745)**	**(24,053)**	**48,126**

	Balance as at July 1, 2010	Additions	Transfer to Operating assets	Adjustment	Balance as at June 30, 2011
Building on lease hold land	4,904	27,893	(14,570)	-	18,227
Plant and machinery	6,346	13,569	(7,062)	-	12,853
Furniture and fixture	139	-	(34)	-	105
Factory equipment	61	114	(175)	-	-
Office Equipment	3,200	341	-	-	3,541
	14,650	**41,917**	**(21,841)**	-	**34,726**

(Pak Rupees in Thousand)

	Note	2012	2011
4.5 Store and spares held for capital expenditure			
Balance at beginning		**3,854**	8,815
Additions		-	55,020
Transfer to Stores, Spare parts & Loose tools		**(3,854)**	(59,981)
Balance at end		-	3,854
4.6 Advances for capital expenditure			
Balance at beginning		**23,310**	4,124
Additions		-	38,761
Transfer to Capital work in progress/Operating assets		**(22,223)**	(19,575)
Transfer to Loan and advances		**(87)**	-
Transfer to Other receivables		**(1,000)**	-
Balance at end		-	23,310
5 LONG TERM INVESTMENTS			
Related Parties			
In Wholly owned Subsidiary Company (Private Limited Company)	5.1	**150,500**	150,500
In Wholly owned Subsidiary Company (Unlisted Public Limited Company)	5.2	**250**	15
In Associated Company (Unlisted Public Limited Company)	5.3	**150,000**	150,000
		300,750	300,515

5.1 The value of the investment on the basis of the net assets of the Subsidiary Company, namely Messrs. Gatro Power (Private) limited, as disclosed in its audited balance sheet as at June 30, 2012 amounted to Rs.584.127 million (2011: Rs.586.473 million) .

5.2 The value of the investment on the basis of the net assets of the Subsidiary Company, namely Messrs. GT Universal Limited, as disclosed in its audited balance sheet as at June 30, 2012 amounted to Rs.0.158 million (2011: Rs. -0.041 million).

5.3 The value of 27 million shares including 12 million Bonus shares (2011: 15 million shares) being 36.83% holding of the total issued share capital of Associated Company, on the basis of the unaudited estimated net assets as on March 31, 2012 of the Associated Company, namely Messrs. Novatex Limited, as communicated by the Associated Company amounted to Rs.3,039.328 million (March 2011: Rs.2,535.638 million).

		(Pak Rupees in Thousand)	
		2012	2011
6 LONG TERM LOANS - Considered good			
Secured - Interest free			
To employees other than Chief Executive & Directors	6.2	4,340	2,220
Recoverable within one year		(3,779)	(1,979)
Recoverable within three years		561	241

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

6.2 It includes loans to executives and its reconciliations are here under:

	2012	2011
Balance at beginning	-	682
Disbursements	848	673
Repayments	(258)	(1,355)
Balance at end	590	-

6.2.1 The maximum aggregate amount of loan due from executives at any month end during the year was Rs.0.669 million (2011: Rs.1.295 million).

		2012	2011
7 LONG TERM SECURITY DEPOSITS			
For utilities and others		1,019	1,003
8 STORES, SPARE PARTS AND LOOSE TOOLS			
In hand:			
Stores		87,337	76,311
Spare parts		277,288	237,877
Loose tools		1,132	1,085
		365,757	315,273
Provision for slow moving stores, spare parts and loose tools	8.1	(12,775)	(5,225)
		352,982	310,048
In transit		13,628	8,971
		366,610	319,019

			(Pak Rupees in Thousand)	
			2012	2011
8.1	Provision for slow moving stores, spare parts and loose tools			
	Balance at beginning		5,225	5,965
	Charge for the year		7,555	1,576
	Reversals due to consumption		(5)	(2,316)
	Balance at end		12,775	5,225

9 STOCK IN TRADE

		2012	2011
Raw material		468,407	621,093
Raw material in transit		14,553	7,429
Goods in process		699,572	671,514
Finished goods		963,377	632,002
		2,145,909	1,932,038

10 TRADE DEBTS

	Note	2012	2011
Considered good			
Secured	10.1	57,864	71,908
Unsecured		743,083	1,120,060
		800,947	1,191,968
Considered doubtful			
Unsecured		14,101	5,499
Provision for doubtful debts	10.2	(14,101)	(5,499)
		-	-
		800,947	1,191,968

10.1 These are secured against irrevocable letters of credit & guarantee issued by banks in favour of the Company.

		2012	2011
10.2	Provision for doubtful debts		
	Balance at beginning	5,499	6,305
	Charge for the year	12,508	4,224
	Reversals since recovered	(3,906)	(4,963)
	Write offs	-	(67)
	Balance at end	14,101	5,499

11 LOANS AND ADVANCES - Considered good

	Note	2012	2011
Secured			
Loans recoverable within one year from employees and executives	6	3,779	1,979
Advances to employees	11.1	539	619
		4,318	2,598
Unsecured			
Advances:			
to suppliers and contractors		16,652	9,804
for imports		142	227
to others	11.2	4,533	1,591
		21,327	11,622
		25,645	14,220

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

11.2 These include Rs.0.274 million (2011: Rs.1.558 million), Nil (2011: 0.033 million) and Rs.4.259 million (2011: Nil) receivable from related parties i.e. Messrs. Gatro Power (Pvt) Limited, GT Universal Limited and Novatex Limited respectively. The maximum aggregate amount of advance due from Messrs. Gatro Power (Pvt) Limited, GT Universal Limited and Novatex Limited at any month end during the year was Rs.3.297 million (2011: Rs.7.194 million), Rs.0.056 million (2011: Rs.0.046 million) and Rs.4.259 million (2011: Nil) respectively.

		(Pak Rupees in Thousand) 2012	2011
12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		**1,220**	2,965
Prepayments		**722**	1,530
		1,942	4,495
13 OTHER RECEIVABLES - Considered good			
Receivable from suppliers		**210,725**	131,518
Claims receivable from suppliers		**1,371**	886
Claims receivable from Insurance Companies		**-**	1,538
Others		**1,994**	1,221
		214,090	135,163
14 TAXES AND DUTIES REFUNDABLE FROM FEDERAL GOVERNMENT			
Income tax		**-**	48,438
Sales tax refundable - net of FED		**934**	-
		934	48,438
15 CASH AND BANK BALANCES			
Cash :			
In hand		**1,345**	1,173
With banks in current accounts : Local currency		**102,369**	65,896
Foreign currency	15.1	**1,557**	915
		105,271	67,984

15.1 These represent balances of US$:15,141.72 and Euro €:1,129.98 (2011 : US$:8,881.00 and Euro €:1,228.98).

16 PAID UP CAPITAL

		2012	2011
30,136,080	Ordinary shares of Rs.10/-each allotted for consideration paid in cash	**301,361**	301,361
8,228,400	Ordinary shares of Rs.10/-each allotted fully paid bonus shares	**82,284**	82,284
38,364,480		**383,645**	383,645

These include 1,620,387 shares (2011 : 1,620,387 shares) held by a related party, Messrs. Gani & Tayub (Private) Limited.

17 CAPITAL RESERVES

		2012	2011
Share premium	17.1	**383,645**	383,645
Others	17.2	**75,000**	75,000
		458,645	458,645

17.1 This represents premium of Rs. 20 per share received on initial public issue of 17,438,400 shares in 1992 and premium of Rs. 10 per share received on right issue of 3,487,680 shares in 1998. This reserve can be utilised by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

17.2 This represents reserve for replacement of plant and machinery.

18 GENERAL RESERVE

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

		(Pak Rupees in Thousand) 2012	2011
19 LONG TERM FINANCING - Secured from banking companies			
National Bank of Pakistan		-	25,000
Habib Bank Limited		-	58,315
United Bank Limited		-	100,000
		-	183,315
Current maturities shown under current liability		-	(104,157)
Payable within five years		-	79,158

19.1 In view of better liquidity position, the Company paid all its long term financing before maturity.

20 DEFERRED LIABILITIES

		2012	2011
Income tax	20.1	**336,377**	382,994
Defined benefit plan	20.2	**101,040**	80,776
		437,417	463,770

20.1 This comprises of the following:

	2012	2011
Deferred tax liability arising in respect of tax depreciation allowances	**345,783**	386,748
Deferred tax asset arising in respect of :		
Provision for doubtful debts-net	**(4,935)**	(1,925)
Provision for slow moving stores, spare parts and loose tools-net	**(4,471)**	(1,829)
	336,377	382,994

20.2 Actuarial valuation of the plan was carried out as at June 30, 2012. The calculation for provision of defined benefit plan is as under:-

		2012	2011
Movement of the liability recognised in the balance sheet			
Balance at beginning		**80,776**	68,281
Expense	20.2.1	**25,691**	15,784
Payment		**(5,427)**	(3,289)
Balance at end		**101,040**	80,776
Reconciliation due to defined benefit plan			
Present value of defined benefit obligation		**133,980**	96,782
Unrecognised actuarial losses		**(32,940)**	(16,006)
Closing net liability		**101,040**	80,776

		(Pak Rupees in Thousand) 2012	2011
20.2.1 Expense			
Service cost		12,935	4,055
Interest cost		12,229	11,046
Recognition of actuarial losses		527	683
		25,691	15,784
Actuarial (losses)/gains to be recognised			
Corridor limit			
The limit of corridor as at beginning			
a) 10% of present value of obligation		9,678	8,497
b) 10% of fair value of plan assets		-	-
Higher of a) and b) above		9,678	8,497
Unrecognised net actuarial losses as at beginning		(16,006)	(16,689)
Excess		(6,328)	(8,192)
Average expected remaining working lives in years		12	12
Actuarial losses recognised		(527)	(683)

21 TRADE AND OTHER PAYABLES

		2012	2011
Trade creditors	21.1	329,350	277,097
Bills payable		575,411	632,090
Accrued expenses		141,310	111,549
Advance payments from customers		143,308	78,896
Creditors for capital expenditures		414	19,233
Sales tax & SED payable - net of FED		-	6,939
Deposits Payable		17,263	5,987
Workers' Profit Participation Fund	21.2	18,477	11,780
Workers' Welfare Fund	21.3	46,996	31,221
Infrastructure Cess on imports	21.4	89,481	111,356
Unclaimed dividend		8,965	30,274
Other liabilities	21.5	25,310	23,645
		1,396,285	1,340,067

21.1 These include Rs.6.645 million (2011: Rs.37.377 million) payable to a related party, Messrs. Novatex Limited.

21.2 Workers' Profit Participation Fund

	2012	2011
Balance at beginning	11,780	6,914
Interest on funds utilised in the Company's business	-	158
Allocation	18,477	11,780
Payments	(11,780)	(7,072)
Balance at end	18,477	11,780

The analogous amounts for the year 2010-2011, have been restated, to take care of reversal of the over provision, in that year, in line with, what has been stipulated in IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors".

The management is of the considered view, that the law on workers' participation in profits, necessitates participation of the workers, in the manner laid down in the law, from net profit [from which all the expenses, including cesses, levies and taxes, have been fully deducted] available for participation and attributable to workers role. The excess of amount earlier provided, over actual amount due and paid to Workers’ Profit Participation Fund, signifies the reversal referred to hereinbefore.

Had there been no change in the management's view, the position, in relation to the Workers’ Profit Participation Fund, along with its consequential effects would have stood as follows:

	(Pak Rupees in Thousand)	
	2012	2011
Workers' Profit Participation Fund	32,783	25,097
Income Tax	200,246	161,196
Profit after Income Tax	647,654	613,127

In comparison of the above, with restatements, it can be seen, that entire tax effect of the change has been incorporated in 2012.

21.3 Workers' Welfare Fund

The management, owing to numerous, constitutional, legal and other reasons, is fully confident and has unflinching conviction, that Workers' Welfare Fund is not payable by the company, since 2008-09 and intends impugning the charge, in the court of law with utmost vehemence. The provision is being carried only as an abundant precaution and does not signify acceptance, by the company, of the aforesaid Workers' Welfare Fund liability and it will be reversed, after the company succeeds in the court of competent jurisdiction.

21.4 Infrastructure Cess on imports

	2012	2011
Balance at beginning	111,356	93,015
Provision made during the year	22,875	19,547
Payment made during the year	(44,750)	(1,206)
Balance at end	89,481	111,356

The Company had filed a petition in the High Court of Sindh at Karachi challenging the levy of Infrastructure Cess on imports. The Divisional Bench announced Judgment adjudicating the levy collected upto December 27, 2006 as invalid and collection thereafter as valid. The Company and the respondent filed appeals before the Supreme Court of Pakistan challenging the partial judgment of the High Court of Sindh.

In due course of time, the Government of Sindh withdrew its petition from the Supreme Court. Later on the Supreme Court vide its order dated May 20, 2011 set aside the order passed by the High Court of Sindh. Consequently a new petition was filed by the Company in the High Court of Sindh. Through an interim order dated May 31, 2011, the High Court of Sindh 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. Till balance sheet date, the Company has provided bank guarantee amounting to Rs.48.365 million (2011: 113.500 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006. Based on the legal advise, the management believes that the case will be decided in favour of the Company. However, full provision has been made in the accounts as an abundant precaution.

21.5 These included Rs. 23.325 million (2011: Rs.21.095 million) received from employees under company car policy.

22 ACCRUED MARK UP

	2012	2011
Mark up on long term financing	-	2,759
Mark up on short term borrowings	11	4,067
	11	6,826

23 SHORT TERM BORROWINGS - Secured

From banking companies under mark up arrangements

	2012	2011
Running finance	156,514	90,739
Finance under F.E. Circular No.25 of SBP	-	62,754
Export re-finance	-	240,000
	156,514	393,493

23.1 The Company has aggregate facilities of short term borrowings amounting to Rs. 4,280 million including Rs. 325 million swinging facility with Associate Company (2011: Rs.4,280 million) from various commercial banks (as listed in Note 23.3) out of which Rs. 4,123 million (2011: Rs 3,887 million) remained unutilised at the year end. The mark up rates for running finance ranged between Rs.0.3400 to Rs.0.4189 per Rs.1000/- per day. These facilities are renewable annually at respective maturities.

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

23.3 The finances have been obtained or are available from Bank Al-Falah Limited, Barclays Bank PLC Pakistan, Citibank N.A., Faysal Bank Limited, Habib Bank Limited, Habib Metropolitan Bank Limited, HSBC Bank Middle East Limited, JS Bank Limited, MCB Bank Limited, Meezan Bank Limited, National Bank of Pakistan, NIB Bank Limited, Standard Chartered Bank (Pakistan) Limited, Samba Bank Limited and United Bank Limited.

(Pak Rupees in Thousand)

24 PROVISION FOR INCOME TAX LESS PAYMENTS	2012	2011
Payable at beginning	168,504	9,501
Provision for the year	256,531	180,652
	425,035	190,153
Less: Payments/adjustment during the year	(315,306)	(21,649)
Payable at end	109,729	168,504

25 CONTINGENCIES AND COMMITMENTS

25.1 Contigencies

a) The Company has made provision for Workers' Profit Participation Fund for the current and preceding year recorded based on the management's considered view that the law on workers' participation in profits, necessitates participation of the workers, in the manner laid down in the law, from net profit [from which all the expenses, including cesses, levies and taxes, are fully deducted] and which is available for participation and attributable to workers role which may be subject to interpretation by the relevant authority. The quantum of the differential amount involved is Rs. 27.623 million and no provision for that amount is considered in the financial statements as the management is confident that no further liability will arise on this account.

b) Bank guarantee issued by the bank on behalf of the Company amounted to Rs.0.010 million (2011:Rs.0.010 million).

25.2 Commitments

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

	2012	2011
Property, plant and equipment	26,465	74,161
Raw material	189,209	223,792
Spare parts and others	38,768	43,726
	254,442	341,679

26 SALES

	Note	2012	2011
Local sales, tax and duty	26.1	11,359,251	10,659,625
Third party processing charges		48,724	-
		11,407,975	10,659,625
Less: Sales tax		425,961	355,379
Special excise duty		-	34,589
		425,961	389,968
Local Sales		10,982,014	10,269,657
Export Sales		217,256	510,874
		11,199,270	10,780,531

26.1 These include local zero rated supplies.

27 COST OF SALES

	Note	2012	2011
Raw material consumed		7,752,309	7,539,294
Stores, spare parts and loose tools consumed		151,387	205,882
Outsource processing charges		136,163	144,199
Salaries, wages, allowances and benefits	27.1	573,102	524,856
Power, fuel and gas		1,316,663	1,178,974
Rent, rates and taxes		1,281	1,208
Insurance		32,581	32,614
Cartage & Transportation		95,797	81,475
Repairs and maintenance		86,048	40,524
Communications & Computer expenses		1,277	2,334
Water supply		1,601	1,829
Travelling		3,083	1,292
Legal, professional & subscription fees		2,409	2,861
Sales tax expense		-	4,039
Sundry		6,008	7,749
Depreciation and impairment	4.2	304,778	374,546
Duty draw back		(86)	(163)
Scrap sales		(23,178)	(19,570)
		10,441,223	10,123,943
Opening stock of goods-in-process		671,514	655,394
Closing stock of goods-in-process		(699,572)	(671,514)
Cost of goods manufactured		10,413,165	10,107,823
Opening stock of finished goods		632,002	433,012
Closing stock of finished goods		(963,377)	(632,002)
		10,081,790	9,908,833

27.1 These include Rs.12.194 million (2011:Rs.10.907 million) and Rs.8.458 million (2011:Rs.6.423 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

	Note	2012	2011
		(Pak Rupees in Thousand)	
28 DISTRIBUTION AND SELLING EXPENSES			
Salaries, allowances and benefits	28.1	**23,940**	20,197
Insurance		**4,442**	4,614
Rent, rates and taxes		**584**	432
Handling, freight and transportation		**171,218**	134,684
Advertisement and sales promotion		**1,563**	1,811
Communications		**581**	583
Travelling		**767**	633
Legal, professional & subscription fees		**1,103**	790
Sundry		**4,367**	9,292
Depreciation	4.2	**1,172**	1,370
		209,737	174,406

28.1 These include Rs.0.699 million (2011 : Rs.0.620 million) and Rs.3.344 million (2011 : Rs.1.792 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

	Note	2012	2011
29 ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits	29.1	**101,481**	84,482
Rent, rates and taxes		**4,597**	809
Insurance		**1,409**	1,188
Repairs and maintenance		**5,218**	3,620
Travelling		**5,237**	5,930
Communications		**3,518**	2,814
Legal, professional & subscription fees		**4,875**	4,625
Utilities		**6,672**	6,388
Printing and stationery		**1,703**	2,457
Transportation		**4,063**	3,608
Sundry		**4,170**	2,667
Depreciation	4.2	**5,728**	6,053
		148,671	124,641

29.1 These include Rs.3.670 million (2011 : Rs.3.240 million) and Rs.13.889 million (2011 : Rs.7.569 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

	Note	2012	2011
30 OTHER OPERATING EXPENSES			
Loss on disposal of property, plant and equipment		**34**	11
Provision for doubtful trade debts - net		**8,602**	-
Provision for slow moving stores, spare parts and loose tools - net		**7,550**	-
Exchange loss - net		**43,333**	-
Corporate social responsibilities	30.1	**23,991**	10,325
Workers' Profit Participation Fund		**18,477**	11,780
Workers' Welfare Fund		**15,775**	14,290
Auditors' remuneration	30.2	**1,100**	1,094
		118,862	37,500

30.1 These include donation of Rs.7.214 million (2011: Rs.6.423 million) to Messrs. Gatron Foundation in which Chief Executive and seven directors of the Company are governors. None of the directors or their spouses has any interest in any donee fund, in so far as other donations are concerned.

	2012	2011
	(Pak Rupees in Thousand)	
30.2 Auditors' remuneration		
Audit fee - Annual accounts	1,000	1,000
Limited review, audit of consolidated financial statements, provident funds and certification fee	55	63
Out of pocket expenses	45	31
	1,100	1,094

31 OTHER OPERATING INCOME

	2012	2011
Income from non -financial assets		
Storage and handling income	1,188	439
Gain on disposal of property, plant and equipment	2,760	13,688
	3,948	14,127
Others		
Liabilities no more payable written back	218	114
Reversal of provision for doubtful trade debts - net	-	739
Reversal of provision for slow moving store & spares - net	-	740
Exchange gain - net	-	2,193
Miscellaneous income	114	84
	332	3,870
	4,280	17,997

32 FINANCE COST

	2012	2011
Mark up on long term financing	8,503	42,255
Mark up on short term borrowings	11,981	22,194
Interest on Workers' Profit Participation Fund	-	158
Bank charges	2,599	1,901
	23,083	66,508

33 INVESTMENT INCOME

	2012	2011
Dividend income from wholly owned subsidiary - M/s. Gatro Power (Private) Limited	240,800	301,000

34 INCOME TAX

	2012	2011
For the current year	256,531	235,604
For the prior year	-	(54,952)
Deferred	(46,617)	(19,456)
	209,914	161,196

Relationship between income tax and profit before income tax :

	2012	2011
Profit before income tax	862,207	787,640
Income tax rate	35%	35%
Income tax on profit before income tax	301,772	275,674
Net income tax effect:		
on (upscaling) / downscaling of Tax WDV	(950)	35,577
in pertinence to exports under Final Tax Regime	(5,208)	(14,163)
in relation to (admissible) / inadmissible expenses-net, exempt income and tax credits	(85,700)	(103,527)
Deferred income tax debit on account of minimum tax	-	22,587
Prior year reversal for income tax	-	(54,952)
Income tax for the year	209,914	161,196

		(Pak Rupees in Thousand)	
35 EARNINGS PER SHARE - Basic and diluted		**2012**	**2011**
Profit after income tax		**652,293**	626,444
		(Number of Shares)	
Number of Ordinary shares		**38,364,480**	38,364,480
		Rupees	**Rupees**
Earnings per share - Basic and diluted		**17.00**	16.33

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

36 CASH AND CASH EQUIVALENTS

Cash and bank balances	15	**105,271**	67,984
Short term borrowings	23	**(156,514)**	(393,493)
		(51,243)	(325,509)

37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

FINANCIAL ASSETS AND LIABILITIES

(Pak Rupees in Thousand)

	Interest/mark-up bearing			Non-Interest/mark-up bearing				
	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	**2012 Total**	2011 Total
Financial Assets								
Long term investments	-	-	-	-	300,750	300,750	**300,750**	300,515
Loans and advances	-	-	-	4,592	561	5,153	**5,153**	4,397
Deposits	-	-	-	1,220	1,019	2,239	**2,239**	3,968
Trade debts	-	-	-	800,947	-	800,947	**800,947**	1,191,968
Other receivables	-	-	-	213,734	-	213,734	**213,734**	134,863
Cash and bank balances	-	-	-	105,271	-	105,271	**105,271**	67,984
	-	-	-	1,125,764	302,330	1,428,094	**1,428,094**	1,703,695
Financial Liabilities								
Long term financing	-	-	-	-	-	-	**-**	183,315
Trade and other payables	18,477	-	18,477	1,098,023	-	1,098,023	**1,116,500**	1,111,655
Accrued mark up	-	-	-	11	-	11	**11**	6,826
Short term borrowings	156,514	-	156,514	-	-	-	**156,514**	393,493
	174,991	-	174,991	1,098,034	-	1,098,034	**1,273,025**	1,695,289

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

37.1 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of all financial assets and liabilities reflected in the financial statements approximate at their fair value except Long Term Investments which are carried at cost.

37.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

A Market Risk

i Foreign exchange risk

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

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

	(Pak Rupees in Thousand)	
	2012	2011
Bills Payable	575,411	632,090
Creditors for capital expenditure	-	18,278
Finance under F.E. Circular No.25 of SBP	-	62,754
Trade Debts	(21,573)	(17,295)
Receivable from suppliers	(210,725)	(98,261)
Foreign currency bank accounts	(1,557)	(915)
	341,556	596,651
Commitments - Outstanding letters of credit	222,616	314,054
Net exposure	564,172	910,705

The following significant exchange rates have been applied

	Average rate		Reporting date rate	
	2012	2011	2012	2011
	Rupees			
USD to PKR	89.64	85.73	94.20	86.05
Euro to PKR	120.08	117.72	118.50	124.89
AED to PKR	24.41	-	25.65	-
JPY to PKR	-	1.04	-	1.07

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

	Average rate		Reporting date rate	
	2012	2011	2012	2011
	(Pak Rupees in Thousand)			
Effect on profit & loss account				
USD to PKR	53,623	89,312	56,400	89,672
Euro to PKR	145	1,030	142	1,093
AED to PKR	(120)	-	(125)	-
JPY to PKR	-	297	-	305
	53,648	90,639	56,417	91,070

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

ii Price risk

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

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

iii Interest / Markup rate risk

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

	2012	2011	2012	2011
	Effective rate (in %)		Carrying amount (Pak Rupees in Thousand)	
Financial Liabilities				
Variable rate instruments				
Long term financing	**14.63 - 14.90**	13.32 - 14.20	-	183,315
Short term borrowings	**2.35 - 13.58**	2.61 - 14.77	**156,514**	393,493
			156,514	576,808

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variable, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2011.

	Profit and loss	
	100 bp increase	**100 bp** decrease
As at June 30, 2012		
Cash flow sensitivity - Variable rate financial liabilities	**(1,565)**	1,565
As at June 30, 2011		
Cash flow sensitivity - Variable rate financial liabilities	**(5,768)**	5,768

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

B Credit risk

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

Exposure to credit risk

The carrying amount of the financial assets represent the maximum credit exposure before any credit enhancements. Out of total financial assets of Rs.1,428.094 million (2011 : Rs.1,703.695 million), the financial assets which are subject to credit risk amounted to Rs.1,125.999 million (2011: Rs.1,402.007 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	(Pak Rupees in Thousand)	
	2012	2011
Loans and advances	5,153	4,397
Deposits	2,239	3,968
Trade debts	800,947	1,191,968
Other receivables	213,734	134,863
Bank balances	103,926	66,811
	1,125,999	1,402,007
The aging of trade and other receivables at the reporting date		
Not past due	913,015	1,163,856
Past due 1-30 days	21,348	86,252
Past due 31-90 days	43,585	57,514
Past due 91-180 days	25,312	11,800
Past due 180 days	25,522	12,908
	1,028,782	1,332,330
Provision for doubtful debts	(14,101)	(5,499)
	1,014,681	1,326,831

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

Bank	Rating Agency	Rating Short term	Rating Long term
Bank Al-Falah Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
Barclays Bank PLC Pakistan	S&P	A-1+	AA-
Citibank N.A	S&P	A-1	A+
Deutsche Bank AG	S&P	A-1	A+
Faysal Bank Limited	JCR-VIS	A-1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
HSBC Bank Middle East Ltd	Moody's	P-1	A1
JS Bank Limited	PACRA	A1	A
MCB Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	A-1+	AA-
National Bank of Pakistan	JCR-VIS	A-1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	A+
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-2	A
United Bank Limited	JCR-VIS	A-1+	AA+

C Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2012, the Company has Rs.4,280 million (including Rs.325 million swinging facility with Associate Company) available borrowing limit from financial institutions. The company has unutilised borrowing facilities of Rs.4,123 million in addition to balances at banks of Rs. 104 million. Based on the above, management believes the liquidity risk to be insignificant. The following are the contractual maturities of financial liabilities, including interest payments.

	Carrying Amount	Contractual Cash Flow	Six months or less	Six to twelve months	One to two years	Two to five years
	(Pak Rupees in Thousand)					
2012						
Long term financing	-	-	-	-	-	-
Trade and other payables	1,116,500	1,116,500	1,116,500	-	-	-
Accrued mark up	11	11	11	-	-	-
Short term borrowings	156,514	156,514	156,514	-	-	-
	1,273,025	1,273,025	1,273,025	-	-	-
2011						
Long term financing	183,315	211,676	75,430	48,330	87,916	-
Trade and other payables	1,111,655	1,111,655	1,111,655	-	-	-
Accrued mark up	6,826	6,826	6,826	-	-	-
Short term borrowings	393,493	394,484	394,484	-	-	-
	1,695,289	1,724,641	1,588,395	48,330	87,916	-

37.3 CAPITAL RISK MANAGEMENT

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

The gearing ratio as at June 30, 2012 and 2011 were as follows:

	2012	2011
	(Pak Rupees in Thousand)	
Total borrowings	**156,514**	576,808
Cash and bank balances	**(105,271)**	(67,984)
Net debt	**51,243**	508,824
Total equity	**3,775,638**	3,506,990
Total capital	**3,826,881**	4,015,814
Gearing ratio	**1%**	13%

The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including long term and short term finances as shown in the balance sheet) less cash and bank balances. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

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

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

(Pak Rupees in Thousand)

	Chief Executive		Directors		Executives		TOTAL	
	2012	2011	**2012**	2011 Restated	**2012**	2011 Restated	**2012**	2011 Restated
Managerial remuneration	**10,991**	9,555	**19,906**	17,312	**67,051**	50,195	**97,948**	77,062
Post employment benefits	**4,337**	3,640	**7,919**	6,670	**10,819**	9,054	**23,075**	19,364
Utilities	**70**	72	**152**	147	**61**	55	**283**	274
Other benefits	**-**	-	**885**	714	**32,700**	24,900	**33,585**	25,614
	15,398	13,267	**28,862**	24,843	**110,631**	84,204	**154,891**	122,314
Number of persons								
for remuneration	**1**	1	**3**	3	**45**	36	**49**	40

38.1 Aggregate amount of meeting fee to 4 non-executive Directors (2011: 4 non-executive Directors) was Rs.95 thousand (2011: Rs 65 thousand).

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

38.3 Comparative figures of directors and executives remuneration have been restated to rectify the effect of reimbursement of remuneration of directors and executives from Associate Company. The restatement has no effect on profit for the year ended June 30, 2011.

39 ENTITY-WIDE INFORMATION

39.1 The financial statements have been prepared on the basis of a single reportable segment.

39.2 Sales from Polyester Polymer and its various downstream products represents 100% (2011: 100%) of total revenue of the Company.

39.3 98.06% (2011: 95.26%) out of total sales of the Company relates to customers in Pakistan.

39.4 All non-current assets of the Company as at June 30, 2012 are located in Pakistan.

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

40 PLANT CAPACITY AND ACTUAL PRODUCTION
Polyester Polymer and its various products

	Note	2012 (Metric Tons)	2011 (Metric Tons)
Annual capacity (Based on 75 denier Yarn and 39 gms Preform)		**51,797**	51,797
Actual production	40.1	**55,168**	55,797

40.1 The production of 55,168 metric tons comprises 41,230 metric tons (2011: 41,278 metric tonnes) of Polyester Filament Yarn (various deniers) through Polymer / Polyester Chips and 13,938 metric tons (2011: 14,519 metric tons) of PET Preforms (various gms) through Polymer / PET Resin.

41 TRANSACTIONS WITH RELATED PARTIES

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

		(Pak Rupees in Thousand) 2012	2011
Subsidiary Companies	Purchase of power	**1,150,439**	1,063,889
	Investment in shares	**235**	15
	Receipt of dividend	**240,800**	301,000
	On account of rent/storage & handling and reimbursement of expenses	**19,895**	18,367
Associated Company	Purchase / sale of services	**178,166**	144,199
	On account of rent and reimbursement of expenses	**35,499**	28,335
Other Related Parties	Payment of dividend	**16,204**	3,241
	Charges on account of handling	**5,165**	5,313
	Sale of goods / fixed asset	**22,451**	26,599
	Payment of donation	**7,214**	6,423

Transactions and outstanding balances, as applicable in relation to Defined Contribution Plan (DCP), Workers' Profits Participation Fund (WPPF) and Key Management Personnel (KMP) have been disclosed in notes 27.1, 28.1, 29.1 of DCP; 21.2 of WPPF; 6.2 and 38 of KMP respectively. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Company considers its Chief Executive, Executive Directors and other executives to be KMP.

42 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors, in its meeting held on September 08, 2012, has recommended final cash dividend of Rs.4.50 per share (2011: Rs.5.00 per share cash dividend) for approval of the members at the Annual General Meeting scheduled to be held on October 19, 2012. Since it is a non adjusting event, the financial statements for the year ended June 30, 2012 do not include the effect of the recommended cash dividend.

43 CORRESPONDING FIGURES

Prior year's figures have been reclassified for the purpose of better presentation. Significant changes made during the year are as follows:

Reclassification from component	**Reclassification to component**	**(Pak Rupees in Thousand)**
Trade and other payables	Trade and other payables	
Accrued expenses	Deposits payable	5,987
Accrued expenses	Other Liabilities	21,095

Comparative figures have been restated in note 38, to rectify the effect of reimbursement of remuneration of directors and executives from Associate Company.

44 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 08, 2012 by the Board of Directors of the Company.

45 GENERAL

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

HAJI HAROON BILWANI Chairman	**PEER MOHAMMAD DIWAN** Chief Executive

Pattern Of Shareholding

AS ON JUNE 30, 2012

Sr. No.	No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
1	317	1	100	18,715
2	691	101	500	318,016
3	275	501	1,000	179,138
4	82	1,001	5,000	166,840
5	11	5,001	10,000	76,907
6	3	10,001	15,000	36,114
7	1	15,001	20,000	15,100
8	1	20,001	25,000	20,940
9	1	65,001	70,000	70,000
10	1	70,001	75,000	74,700
11	3	110,001	115,000	345,000
12	2	130,001	135,000	266,000
13	1	190,001	195,000	190,504
14	1	215,001	220,000	217,320
15	1	225,001	230,000	229,880
16	1	285,001	290,000	287,750
17	1	350,001	355,000	350,414
18	1	470,001	475,000	470,117
19	1	580,001	585,000	581,921
20	1	595,001	600,000	596,751
21	2	630,001	635,000	1,263,302
22	1	660,001	665,000	664,950
23	1	800,001	805,000	801,851
24	1	970,001	975,000	973,000
25	1	1,025,001	1,030,000	1,027,700
26	1	1,115,001	1,120,000	1,119,640
27	1	1,170,001	1,175,000	1,172,422
28	1	1,255,001	1,260,000	1,259,067
29	1	1,600,001	1,605,000	1,602,920
30	1	1,615,001	1,620,000	1,619,624
31	1	1,620,001	1,625,000	1,620,387
32	1	1,645,001	1,650,000	1,646,122
33	1	2,045,001	2,050,000	2,046,349
34	1	2,240,001	2,245,000	2,240,195
35	1	2,280,001	2,285,000	2,281,100
36	1	2,795,001	2,800,000	2,796,884
37	1	2,805,001	2,810,000	2,808,070
38	1	3,445,001	3,450,000	3,445,400
	1	3,460,001	3,465,000	3,463,370
Total	1416			38,364,480

Shareholders' Categories	No. of Shareholders	Shares Held	Holding Percentage
Individual	1,396	25,546,613	66.59
Joint Stock Companies	10	3,233,787	8.43
Financial Institutions	4	3,530	0.01
Insurance Companies	1	200	0.00
Investment Companies	4	9,580,240	24.97
Modaraba companies	1	110	0.00
Total	1,416	38,364,480	100.00

Detail Of Pattern Of Shareholding

AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE

	Shares Held
Associated Company	
M/s. Gani & Tayub (Private) Limited	1,620,387
NIT	3,050
Directors, CEO, their spouses and minor children	
Haji Haroon Bilwani	2,240,195
Mr. Peer Mohammad Diwan	2,796,884
Mr. Abdul Razak Diwan	3,445,400
Mr. Zakaria Bilwani	1,620,624
Mr. Usman Bilwani	1,647,122
Mr. Iqbal Bilwani	1,260,067
Mr. Muhammed Arif Bilwani	675,764
Mr. Shabbir Diwan	421,414
Mst. Majida Haroon	230,880
Bai Amina	287,750
Mst. Razia Ahmed	639,803
Executives	1,256,090
Public Sector Companies and Corporations	2,640,990
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Funds	8,553,240
Shareholders holding 10% or more	Nil

Trading in Shares	No. of Shares acquired
Mst. Razia Ahmed	8,483

Gatron (Industries) Limited and Subsidiary Companies

GATRON

Consolidated Financial Statements For the year ended June 30, 2012

Directors' Report

The Directors of your Company are pleased to present their report together with audited consolidated financial statements of the Group for the year ended June 30, 2012. The Group comprises of Gatron (Industries) Limited and its wholly owned subsidiaries i.e Messrs. Gatro Power (Private) Limited and Messrs. GT Universal Limited.

The thorough review on the performance of Gatron (Industries) Limited for the year ended June 30, 2012, has been presented separately.

SYNOPSIS OF FINANCIAL RESULTS:

The league results of operation in a condensed form, pertinent data as to profit and loss, appropriations and state of affairs of the Group are as follows:

Operating Results and Appropriations for the year ended June 30, 2012

	(Pak Rupees in Thousand)
Profit before income tax	859,825
Income tax	(209,914)
Share of profit after income tax in associated company	503,690
Profit after income tax	1,153,601
Un- appropriated Profit brought forward	3,286,121
Dividend	383,645
Un- appropriated Profit carried forward	4,056,077
State of Affairs as on June 30, 2012	
Property, Plant and Equipment	2,290,143
Other non-current assets	3,040,908
Current assets	3,998,225
Total assets	9,329,276
Deduct:	
Non-current liabilities	437,762
Current liabilities	1,798,147
Total liabilities	2,235,909
Net assets financed by shareholders' equity	7,093,367
Earning Per Share (Rupees)	30.07

The Board of Directors of the wholly owned subsidiary i.e. Gatro Power (Pvt) Limited proposed for payment of final cash dividend of Rs. 4 per share (40%) for the year 2011-2012. This is in addition of interim dividend of Rs. 12 per share (120%) already paid, resulting a total dividend for the year of Rs. 16 per share (160%).

The results of the power producing subsidiary of the Company are reflection of the time to time power and gas tariff changes in the country during the year.

Another subsidiary under the name and style 'GT Universal Limited' has not commenced its operations till date.

The sum of Rs. 238.454 million and 503.690 million being the profits attributable to the wholly owned subsidiary and the accretion in the value of shares in associated company respectively, have been included in the Group profit after income tax of Rs. 1,153.601 million as depicted above.

On behalf of the Board

September 08, 2012

PEER MOHAMMAD DIWAN
Chief Executive

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annexed Consolidated Financial statements comprising Consolidated Balance Sheet of GATRON (INDUSTRIES) LIMITED (The Holding Company) and its Subsidiary Companies Gatro Power (Private) Limited and GT Universal Limited as at June 30, 2012 and the related Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the Financial Statements of GATRON (INDUSTRIES) LIMITED and its Subsidiary Companies Gatro Power (Private) Limited and GT Universal Limited. These Financial Statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

Our audit was conducted in accordance with the international standards on auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the Consolidated Financial Statements present fairly the financial position of GATRON (INDUSTRIES) LIMITED and its Subsidiary Companies as at June 30, 2012 and the results of their operations for the year then ended.

Emphasis of matter paragraph

We draw attention to the contents of notes 22.2 and 26.1 (a) and (b) of the annexed consolidated financial statements relating to provision in respect of WPPF, the ultimate outcome whereof cannot be presently ascertained, and no provision for any liability, that may arise, has been made in the annexed Financial Statements, Our opinion is not qualified in respect of this matter.

HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Hyder Ali Bhimji

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CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2012

	Notes	2012	2011 Restated
		(Pak Rupees in Thousand)	
ASSETS			
Non-current Assets			
Property, plant and equipment	5	2,290,143	2,524,677
Long term investment	6	3,039,328	2,535,638
Long term loans	7	561	241
Long term security deposits	8	1,019	1,003
		5,331,051	5,061,559
Current Assets			
Stores, spare parts and loose tools	9	497,169	436,018
Stock in trade	10	2,145,909	1,932,038
Trade debts	11	800,947	1,191,968
Loans and advances	12	25,625	12,721
Trade deposits and short term prepayments	13	15,822	4,900
Other receivables	14	227,601	135,244
Advance income tax		51,152	-
Taxes and duties refundable from Federal Government	15	391	48,658
Cash and bank balances	16	233,609	164,125
		3,998,225	3,925,672
TOTAL ASSETS		9,329,276	8,987,231
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorised capital			
44,000,000 Ordinary shares of Rs.10 each		440,000	440,000
Paid up capital	17	383,645	383,645
Capital reserves	18	458,645	458,645
General reserve	19	2,195,000	2,195,000
Unappropriated profit		4,056,077	3,286,121
		7,093,367	6,323,411
LIABILITIES			
Non-current Liabilities			
Long term financing	20	-	79,158
Deferred liabilities	21	437,762	463,958
		437,762	543,116
Current Liabilities			
Trade and other payables	22	1,532,295	1,447,895
Accrued mark up	23	11	6,826
Short term borrowings	24	156,514	393,493
Current portion of long term financing	20	-	104,157
Provision for income tax less payments	25	109,327	168,333
		1,798,147	2,120,704
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		9,329,276	8,987,231

The notes 1 to 45 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Conversion rates as at June 30, 2012 were 1 US$ = Rs. 94.20, 1 Euro € = Rs. 118.50 and 1 Pound £ = Rs. 147.07

Consolidated Profit And Loss Account

FOR THE YEAR ENDED JUNE 30, 2012

	Notes	2012	2011 Restated
		(Pak Rupees in Thousand)	
Sales	27	**11,015,200**	10,599,670
Cost of sales	28	**9,652,229**	9,457,681
Gross profit		**1,362,971**	1,141,989
Distribution and selling expenses	29	**209,737**	174,406
Administrative expenses	30	**149,957**	125,956
Other operating expenses	31	**124,204**	44,425
		483,898	344,787
		879,073	797,202
Other operating income	32	**3,835**	17,374
Operating profit		**882,908**	814,576
Finance cost	33	**23,083**	66,508
Profit before income tax		**859,825**	748,068
Income tax	34	**(209,914)**	(161,196)
Share of profit after income tax in associated company		**503,690**	376,868
Profit after income tax		**1,153,601**	963,740
Earnings per share - Basic and diluted (Rupees)	35	**30.07**	25.12

(1) The Board of Directors of Parent Company has recommended final cash dividend for the year ended June 30, 2012 of Rs.4.50 per share (i.e. 45%)

(2) The notes 1 to 45 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Consolidated Statement Of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2012

	(Pak Rupees in Thousand)	
	2012	2011 Restated
Profit for the year	**1,153,601**	963,740
Other comprehensive income	-	-
Total comprehensive income for the year	**1,153,601**	963,740

The notes 1 to 45 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2012

(Pak Rupees in Thousand)

	Note	2012	2011 Restated
Cash Flow from / (towards) Operating Activities			
Profit before income tax		859,825	748,068
Adjustments for:			
Depreciation and impairment		359,220	460,673
Provision for defined benefit plan		25,848	15,861
Gain on disposal of property, plant and equipment		(2,760)	(13,751)
Loss on disposal of property, plant and equipment		34	11
Provision for / (reversal of) doubtful trade debts-net		8,602	(739)
Provision for / (reversal of) slow moving stores, spare parts and loose tools-net		7,061	(792)
Finance cost		23,083	66,508
		421,088	527,771
		1,280,913	1,275,839
(Increase) / decrease in current assets:			
Stores, spare parts and loose tools		(68,212)	11,966
Stock in trade		(213,871)	(539,801)
Trade debts		382,419	(667,620)
Loans and advances		(11,104)	14,405
Trade deposits and short term prepayments		(10,922)	17,678
Other receivables		(92,357)	27,674
Taxes and duties refundable from Federal Government		-	130,933
		(14,047)	(1,004,765)
Increase in Trade and other payables		124,528	353,130
Cash flow from operations		1,391,394	624,204
(Payments for) / receipts of :			
Defined benefit plan		(5,427)	(3,289)
Finance cost		(29,898)	(78,349)
Income tax		(318,422)	(64,982)
Dividend		(404,954)	(53,081)
Long term loans		(2,120)	4,571
Long term security deposits		(16)	73
Net cash flow from operating activities		630,557	429,147
Cash Flow (towards) / from Investing Activities			
Purchase of property, plant and equipment		(146,662)	(80,439)
Proceeds from disposal of property, plant and equipment		5,883	17,353
Net cash flow towards investing activities		(140,779)	(63,086)
Cash Flow (towards) / from Financing Activities			
Long term financing - repayments		(183,315)	(302,657)
Net cash flow towards financing activities		(183,315)	(302,657)
Net increase in cash and cash equivalents		306,463	63,404
Cash and cash equivalents at the beginning		(229,368)	(292,772)
Cash and cash equivalents at the end	36	77,095	(229,368)

The notes 1 to 45 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2012

(Pak Rupees in Thousand)

	Paid-up capital	Capital Reserves			General reserve	Unappropriated profit	Total
		Share premium	Others	Sub Total			
Balances as at June 30, 2010	383,645	383,645	75,000	458,645	1,495,000	3,099,110	5,436,400
Total comprehensive income for the year ended June 30, 2011 restated	-	-	-	-	-	963,740	963,740
Transactions with owners							
Final cash dividend for the year ended June 30, 2010 at Rs.2.00 per share i.e. @ 20%	-	-	-	-	-	(76,729)	(76,729)
Transfer to General reserve	-	-	-	-	700,000	(700,000)	-
Balances as at June 30, 2011 restated	383,645	383,645	75,000	458,645	2,195,000	3,286,121	6,323,411
Total comprehensive income for the year ended June 30, 2012	-	-	-	-	-	1,153,601	1,153,601
Transactions with owners							
Final cash dividend for the year ended June 30, 2011 at Rs.5.00 per share i.e. @ 50%	-	-	-	-	-	(191,822)	(191,822)
Interim cash dividend for the year ended June 30, 2012 at Rs.5.00 per share i.e. @50%	-	-	-	-	-	(191,823)	(191,823)
	-	-	-	-	-	(383,645)	(383,645)
Balances as at June 30, 2012	**383,645**	**383,645**	**75,000**	**458,645**	**2,195,000**	**4,056,077**	**7,093,367**

(1) Included in un-appropriated profit , is a sum of Rs 2,769.328 million, representing proportionate share in un-appropriated profits of associated company upto March 31, 2012, which is not available for distribution to the shareholder of the Parent Company, until realised.

(2) The notes 1 to 45 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Notes To The Consolidated Financial Statements

FOR THE YEAR ENDED JUNE 30, 2012

1 THE GROUP AND ITS OPERATIONS

The Group consists of :

Gatron (Industries) Limited
Gatro Power (Private) Limited
GT Universal Limited

Gatron (Industries) Limited was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are being quoted at all the Stock Exchanges of Pakistan since 1992. The registered office of the Company is situated at Room No. 32, 1st floor , Ahmed Complex, Jinnah Road, Quetta. The principal business of the Company is manufacturing of Polyester Polymer and its various downstream products viz. Filament / Texturised Polyester Yarn and Polyester Chips Bottle Grade (P.E.T. Resin) converted into Polyester P.E.T. Preforms.

Gatro Power (Private) Limited is a wholly owned Subsidiary of Gatron (Industries) Limited. The principal business of the Company is to generate electric power.

GT Universal Limited is a wholly owned Subsidiary of Gatron (Industries) Limited, with objective to carry on diversified manufacturing activities in textile sector, has not commenced its operations till date.

2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Gatron (Industries) Limited, Gatro Power (Private) Limited and GT Universal Limited. The financial statements of the parent and subsidiary companies are prepared upto the same reporting date using consistent accounting policies and are consolidated on a line by line basis. All intra Group balances and transactions are eliminated.

3 BASIS OF PREPARATION

3.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case the requirements differ, the provisions or directives of the Companies Ordinance,1984 shall prevail.

3.2 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

IAS 1 - 'Presentation of Financial Statements' (Amendment), is effective for the accounting periods beginning on or after January 01, 2011. This amendment requires an entity to present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The new amendment may extend the disclosures for any other comprehensive income in the Company's financial statements. However, it will have no material impact on the Company's financial statements.

IAS 24 (Revised) - 'Related Party Disclosures' (Amendment), is effective for the accounting periods beginning on or after January 01, 2011. It amends the definition of a related party and modifies certain related party disclosure requirements for the government related entities. The revised standard is not expected to have material impact on the Company's financial statements.

IFRS 7 - 'Financial Instrument: Disclosures' (Amendment), is effective for the accounting periods beginning on or after January 01, 2011. This amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent to risk associated with financial statements. The new amendment is not expected to materially affect the disclosures in the financial statements of the Company.

IFRIC 13 - 'Customer Loyalty Programmes' (Amendment), is effective for the accounting periods beginning on or after January 01, 2011. The amendment clarifies that the fair value of award credits take into account the amount of discount or incentive that otherwise would be offered to customers that have not earned the award credits. This amendment will have no impact on the Company's financial statements.

IFRIC 14 - 'IAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction' (Amendment), is effective for the accounting period on of after January 01, 2011. It remove the unidentified consequences of the existing standard that restricted the recognition of some voluntary prepayment for minimum funding contributions as an asset. The new amendment is not expected to have a material impact on the Company's financial statements.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 01, 2011 but are considered not to be relevant or do not have any significant effect on the Group's operations and therefore not detailed in these financial statements.

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

The following are the standards and interpretations which have been issued but are not yet effective.

Revision/amendments to IFRSs and interpretations		**Effective for the periods beginning on or after**
IFRS 7	Financial instruments: Disclosures (Amendment)	January 01, 2013 & January 01, 2015
IAS 1	Presentation of Financial Statements (Amendment)	July 01, 2012 & January 01, 2013
IAS 12	Income Taxes (Amendment)	January 01, 2012
IAS 19	Employees Benefits (revised)	January 01, 2013
IAS 27	Separate Financial Statements	January 01, 2013
IAS 28	Investment in Associates and Joint Ventures	January 01, 2013
IAS 32	Financial Instruments: Presentation (Amendment)	January 01, 2014
IFRIC 20	Striping Costs in the Production Phase of Surface Mine	January 01, 2013
Standards issued by IASB but not yet notified by SECP		
IFRS 9	Financial Instruments: Classification and Measurement	January 01, 2015
IFRS 10	Consolidated Financial Statements	January 01, 2013
IFRS 11	Joint Arrangements	January 01, 2013
IFRS 12	Disclosure of interests in other entities	January 01, 2013
IFRS 13	Fair value measurement	January 01, 2013

The Group expects that the adoption of the above new standards and revisions / amendments to standards and interpretations will have no significant effect on the Company's financial statements in the period of initial application except for IAS 19 Employees Benefits (revised)

3.3 Basis of measurement

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

3.4 Significant Accounting Estimates and Judgments

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

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

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

a) Property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment on each financial year end. The Group reviews the value of the assets for possible impairment on each financial year end. Any change in the estimate in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding effect on the depreciation, impairment and deferred tax.

b) Trade debts

The estimates of doubtful trade debts, are made, using and appropriately judging the relevant inputs and applying the parameters, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effect of variation is given as and when it takes place.

c) Stock in trade

The Group reviews the net realisable value of stock-in-trade to assess any diminution in the carrying values on each financial year end. Any change in the estimates in future years might affect the carrying amount of stock in trade with a corresponding affect on impairment. Net realisable value is determined with respect to estimated selling prices less estimated expenditure to make the sales.

d) Stores, spare parts and loose tools

The estimates of slow moving and obsolete stores, spare parts and loose tools, are made, using and appropriately judging the relevant inputs and applying the parameters, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effects of variation is given as and when it takes place.

e) Defined benefit plan

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

f) Income tax

In making the estimate for income tax liabilities, the management considers current income tax law and the decisions of appellate authorities.

3.5 Functional and reporting currency

These financial statements are presented in Pakistan Rupees, which is the Group's functional currency.

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost. No amortisation is provided on leasehold land since the leases are renewable at the option of the lessee at nominal cost and their realisable values are expected to be higher than respective carrying values. Depreciation is charged on diminishing balance method at the rates mentioned in Note 5.1, whereby the depreciable amount of an asset is written off over its estimated useful life.

Depreciation on addition is charge from the month of the asset is available for use upto the month prior to disposal.

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

The Parent Company has changed its estimate to account for its depreciation on certain items of plant and machinery from 10% to 15% on diminishing balance method. The change in accounting estimate has been applied prospectively in accordance with the treatment specified in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had this estimate not been changed, the value of Property, Plant and Equipment would have been higher by Rs.80.254 million and the profit after tax for the year would have been higher by Rs.45.159 million.

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

Gain or loss on disposal or retirement of property, plant and equipment, if any, is taken to profit and loss account.

4.2 Impairment of assets

All Group's assets are reviewed at each financial year end to determine whether there is objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated and carrying amounts are adjusted accordingly. Impairment losses are recognised in the profit and loss account currently.

4.3 Investments

Associated Company

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

4.4 Stores, spare parts and loose tools

These are valued at monthly weighted average cost. Items in transit are valued at cost comprising of invoice value and other incidental charges incurred thereon till the balance sheet date. Adequate provision is made for slow moving and obsolete items based on parameter set out by the management.

4.5 Stock in trade

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

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

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

4.6 Trade debts

Trade debts are initially recognised at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debt is established when there is objective evidence that the Parent Company will not be able to collect amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provisions recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision.

4.7 Cash and cash equivalents

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

4.8 Employees' post employment benefits

a) Defined contribution plan

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

b) Defined benefit plan

The Group operates an unfunded defined gratuity scheme, being not mandatory under the law, for its employees and working directors who attain the minimum qualification period. The obligation is determined through actuarial valuation and the latest actuarial valuation is conducted on the balances as at June 30, 2012.

The actuary has used the Projected Unit Credit Method of valuation. The valuation discount rate has been taken at 12.50% and salary increases assumed to average 10.50% per annum in the long term.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the plan assets or 10% of the defined benefit obligation are charged or credited to profit or loss account over the employees' expected average remaining working lives.

4.9 Compensated unavailed leaves

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

4.10 Income Tax

Current

Parent Company accounts for liability for current income tax in accordance with income tax law. The income tax on profit and loss account represents current provision after adjustment, if any, to the provision for tax made in previous years, including those arising from assessments and amendments in assessments during the year, for such years.

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

Deferred

The Parent Company accounts for deferred income tax on all temporary timing differences using the liability method. Deferred tax in respect of investment in associate company accounted for on equity method, is not recognised when reversal of temporary difference is not likely to occur in foreseeable future. Deferred income tax assets are recognised to the extent, it is probable that taxable profit will be available against which, the deductible temporary differences, unused tax losses and tax credits, can be utilised.

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

4.11 Trade and other payables

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

4.12 Provision

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

4.13 Borrowings and their cost

Borrowings are recorded at the proceeds received.

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

4.14 Foreign currency transactions and translation

Foreign currency transactions are recorded into Pak Rupee using the prevailing exchange rates. As on balance sheet, monetary assets and liabilities in foreign currencies are translated into Pak Rupees at the prevailing exchange rates on the balance sheet date. Resultant exchange differences are taken to profit and loss account.

4.15 Revenue recognition

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

- Sale and processing services are recognised on dispatch of goods to customer.

- Post acquisition dividend income is recognised when the right of receipt is established. Pre-acquisition dividend is adjusted against the purchase prices.

- Storage and handling income is recognised when the material is received in the Storage tanks.

4.16 Dividend and appropriation to reserves

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

4.17 Financial instruments

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

4.18 Offsetting of financial assets and financial liabilities

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

5 PROPERTY, PLANT AND EQUIPMENT

		(Pak Rupees in Thousand)	
		2012	**2011**
Operating assets	5.1	**2,242,004**	2,462,787
Capital work in progress	5.4	**48,139**	34,726
Stores and spares held for capital expenditure	5.5	**-**	3,854
Advances for capital expenditure	5.6	**-**	23,310
		2,290,143	2,524,677

5.1 Operating assets

Particulars	Land		Building		Office premises	Plant and machinery	Furniture and fixture	Factory equipment	Office equipment	Motor vehicles	TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land							
	(Pak rupees in thousand)										
Net carrying value											
Year ended June 30, 2012											
Opening net book value	25,320	15,214	1,381	148,823	7,219	2,189,340	4,124	9,432	12,977	48,957	2,462,787
Additions at cost	-	-	-	-	-	2,446	517	940	1,767	15,179	20,849
Transfer from capital work in progress	-	-	-	6,212	-	110,539	412	27	3,555	-	120,745
Disposal at NBV	-	-	-	-	-	-	23	-	32	3,102	3,157
Depreciation	-	-	138	15,452	722	324,825	934	1,972	4,332	10,845	359,220
Closing net book value	**25,320**	**15,214**	**1,243**	**139,583**	**6,497**	**1,977,500**	**4,096**	**8,427**	**13,935**	**50,189**	**2,242,004**
Gross carrying value											
At June 30, 2012											
Cost	25,320	15,214	14,248	429,904	9,902	6,408,390	18,223	37,512	62,029	119,334	7,140,076
Accumulated depreciation	-	-	13,005	290,321	3,405	4,430,890	14,127	29,085	48,094	69,145	4,898,072
Net book value	**25,320**	**15,214**	**1,243**	**139,583**	**6,497**	**1,977,500**	**4,096**	**8,427**	**13,935**	**50,189**	**2,242,004**
Net carrying value											
Year ended June 30, 2011											
Opening net book value	25,543	15,214	1,534	149,498	8,021	2,597,672	4,624	9,000	15,697	55,343	2,882,146
Additions at cost	-	-	-	-	-	6,687	519	2,328	1,365	8,676	19,575
Transfer from capital work in progress	-	-	-	14,570	-	10,573	34	175	-	-	25,352
Disposal at NBV	223	-	-	-	-	-	77	-	21	3,292	3,613
Depreciation	-	-	153	15,245	802	288,703	976	2,071	4,064	11,770	323,784
Impairment	-	-	-	-	-	136,889	-	-	-	-	136,889
Closing net book value	**25,320**	**15,214**	**1,381**	**148,823**	**7,219**	**2,189,340**	**4,124**	**9,432**	**12,977**	**48,957**	**2,462,787**
Gross carrying value											
At June 30, 2011											
Cost	25,320	15,214	14,248	423,692	9,902	6,295,405	17,467	36,545	56,760	113,349	7,007,902
Accumulated depreciation	-	-	12,867	274,869	2,683	4,106,065	13,343	27,113	43,783	64,392	4,545,115
Net book value	**25,320**	**15,214**	**1,381**	**148,823**	**7,219**	**2,189,340**	**4,124**	**9,432**	**12,977**	**48,957**	**2,462,787**
Depreciation rate											
% per annum	-	-	10	10	10	10 to 25	20	20	20 to 30	20	

	(Pak Rupees in Thousand)	
	2012	**2011**
5.2 Depreciation and impairment for the year has been allocated as follows:-		
Cost of sales [including Rs.Nil (2011 : Rs.136.889 million) being impairment loss]	**352,320**	453,250
Distribution and Selling Expenses	**1,172**	1,370
Adminstrative Expenses	**5,728**	6,053
	359,220	460,673

5.3 Details of property, plant and equipment disposed off during the year are as follows :-

(Pak Rupees in Thousand)

Description	Cost	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyers
Motor vehicles					
Suzuki Liana RXI (CNG) AMC-341	849	273	300	Negotiation	**Mr. Jabir Bin Yousuf** House# A-19, Al Hilal Society, University Road, Karachi.
Toyota Corolla XLI AKA-408	879	211	915	--do--	**Mr. Salman Aamir** House # B-95, Sector 11-B, North Karachi, Karachi.
Toyota Corolla GLI AUN-334	1,479	1,133	1,125	Insurance Claim	**M/s. EFU General Insurance Ltd** Karachi.
Honda City AHH-640	877	188	475	Company Policy	**Syed Sarfraz Ahmed** Employee of the company
Honda Civic AKJ-671	1,043	255	759	--do--	**Mr. Muhammad Tufail** Employee of the company
Suzuki Cultus VXLMC ANQ-559	660	205	444	--do--	**Mr. Muharram Ali Deeshak** Employee of the company
Suzuki Cultus AMF-637	660	187	396	--do--	**Mr. Muhammad Shoaib** Employee of the company
Toyota Corolla XLI ANP-221	921	259	457	--do--	**Syed Aftab Alam** Employee of the company
Toyota Corolla XLI ALU-364	921	259	483	--do--	**Mr. Abid Raza** Employee of the company
Items having book value upto Rs.50 thousand each	905	132	500	Various	Various
Sub Total	**9,194**	**3,102**	**5,854**	--	--
FURNITURE, FIXTURE AND EQUIPMENT					
Items having book value upto Rs.50 thousand each	226	55	29	Negotiation	Various
Total	**9,420**	**3,157**	**5,883**	--	--
Total - 2011	11,531	3,613	17,353	--	--

5.4 Capital Work-in-Progress

(Pak Rupees in Thousand)

	Balance as at July 1, 2011	Additions	Transfer to Operating assets	Adjustment	Balance as at June 30, 2012
Building on lease hold land	18,227	-	(6,212)	(12,015)	-
Plant and machinery	12,853	157,863	(110,539)	(12,038)	48,139
Furniture and fixture	105	307	(412)	-	-
Factory equipment	-	27	(27)	-	-
Office Equipment	3,541	14	(3,555)	-	-
	34,726	158,211	(120,745)	(24,053)	48,139

	Balance as at July 1, 2010	Additions	Transfer to Operating assets	Adjustment	Balance as at June 30, 2011
Building on lease hold land	4,904	27,893	(14,570)	-	18,227
Plant and machinery	7,592	15,834	(10,573)	-	12,853
Furniture and fixture	139	-	(34)	-	105
Factory equipment	61	114	(175)	-	-
Office Equipment	3,200	341	-	-	3,541
	15,896	44,182	(25,352)	-	34,726

(Pak Rupees in Thousand)

	2012	2011
5.5 Stores and spares held for capital expenditure		
Balance at beginning	**3,854**	8,815
Additions	-	56,675
Transfer to Stores, Spare parts & Loose tools	**(3,854)**	(61,636)
Balance at end	-	3,854
5.6 Advances for capital expenditure		
Balance at beginning	**23,310**	4,124
Additions	-	38,761
Transfer to Capital work in progress/Operating assets	**(22,223)**	(19,575)
Transfer to Loan and advances	**(87)**	-
Transfer to Other receivables	**(1,000)**	-
Balance at end	-	23,310
6 LONG TERM INVESTMENT		
Related Party		
In Associated Company - Unlisted Public Limited Company		
At the beginning of the year	**2,535,638**	2,158,770
Share of profit after income tax for the period / year	**503,690**	376,868
	3,039,328	2,535,638

This represents value of 27 million fully paid ordinary shares of Rs 10. each including 12 million Bonus shares (2011: 15 million shares) invested in an associated company namely Messrs. Novatex Limited representing 36.83% of its total issued/paid up capital.

In compliance with IAS-28 "Investment in Associates", the above investment has been valued, using equity method. The annual audit of associate's accounts as on June 30, 2012, was still in progress, at the time, when Board of Directors of the Parent Company approved the consolidated accounts of the Group. Upon request of the Parent Company, the associate company has communicated its unaudited, estimated financial results, as on March 31, 2012 for the purpose of application of equity method. The accumulated addition of Pak Rupees.2,769.328 million (March 2011 : Rs.2,385.638 million), to the Parent Company's unappropriated profit, is not available for distribution, to the shareholders of the Parent Company, until realised.

7 LONG TERM LOANS - Considered good

Secured - Interest free

	Note	2012	2011
		(Pak Rupees in Thousand)	
To employees other than Chief Executive & Directors	7.2	4,340	2,220
Recoverable within one year		(3,779)	(1,979)
Recoverable within three years		561	241

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

7.2 It includes loans to executives and its reconciliations are here under:

	2012	2011
Balance at beginning	-	682
Disbursements	848	673
Repayments	(258)	(1,355)
Balance at end	590	-

7.2.1 The maximum aggregate amount of loan due from executives at any month end during the year was Rs.0.669 million (2011: Rs.1.295 million)

8 LONG TERM SECURITY DEPOSITS

	2012	2011
For utilities and others	1,019	1,003

9 STORES, SPARE PARTS AND LOOSE TOOLS

	Note	2012	2011
In hand:			
Stores		119,087	85,623
Spare parts		375,618	343,897
Loose tools		2,759	2,713
		497,464	432,233
Provision for slow moving stores, spare parts and loose tools	9.1	(14,052)	(6,991)
		483,412	425,242
In transit		13,757	10,776
		497,169	436,018

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

	2012	2011
Balance at beginning	6,991	7,783
Charge for the year	7,618	1,576
Reversals due to consumption	(557)	(2,368)
Balance at end	14,052	6,991

10 STOCK IN TRADE

	2012	2011
Raw material	468,407	621,093
Raw material in transit	14,553	7,429
Goods in process	699,572	671,514
Finished goods	963,377	632,002
	2,145,909	1,932,038

11 TRADE DEBTS

	Note	2012	2011
Considered good			
Secured	11.1	57,864	71,908
Unsecured		743,083	1,120,060
		800,947	1,191,968
Considered doubtful			
Unsecured		14,101	5,499
Provision for doubtful debts	11.2	(14,101)	(5,499)
		-	-
		800,947	1,191,968

11.1 These are secured against irrevocable letters of credit & guarantee issued by banks in favour of the Parent Company.

		2012	2011
		(Pak Rupees in Thousand)	
11.2 Provision for doubtful debts			
Balance at beginning		**5,499**	6,305
Charge for the year		**12,508**	4,224
Reversals since recovered		**(3,906)**	(4,963)
Write offs		**-**	(67)
Balance at end		**14,101**	5,499

12 LOANS AND ADVANCES - Considered good

		2012	2011
Secured			
Loans recoverable within one year from employees and executives	7	**3,779**	1,979
Advances to employees	12.1	**539**	619
		4,318	2,598
Unsecured			
Advances :			
to suppliers and contractors		**16,903**	9,877
for imports		**145**	246
to others	12.2	**4,259**	-
		21,307	10,123
		25,625	12,721

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

12.2 These represent advance to a related party i.e. Messrs. Novatex Limited. The maximum aggregate amount is due at any month end during the year was Rs.4.259 million (2011: Nil).

13 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

	2012	2011
Security deposits	**1,220**	2,965
Prepayments	**14,602**	1,935
	15,822	4,900

14 OTHER RECEIVABLES - Considered good

	2012	2011
Receivable from suppliers	**210,725**	131,518
Claims receivable from suppliers	**14,802**	965
Claim receivable from Insurance Companies	**-**	1,538
Others	**2,074**	1,223
	227,601	135,244

15 TAXES AND DUTIES REFUNDABLE FROM FEDERAL GOVERNMENT

	2012	2011
Income tax	**391**	48,658

		(Pak Rupees in Thousand) 2012	2011
16 CASH AND BANK BALANCES			
Cash :			
In hand		**1,471**	1,220
With banks in current accounts : Local currency		**230,581**	161,990
Foreign currency	16.1	**1,557**	915
		233,609	164,125

16.1 These represent balances of US$:15,141.72 and Euro €:1,129.98 (2011 : US$:8,881.00 and Euro €:1,228.98).

17 PAID UP CAPITAL

		2012	2011
30,136,080	Ordinary shares of Rs.10/-each allotted for consideration paid in cash	**301,361**	301,361
8,228,400	Ordinary shares of Rs.10/-each allotted fully paid bonus shares	**82,284**	82,284
38,364,480		**383,645**	383,645

These include 1,620,387 shares (2011 : 1,620,387 shares) held by a related party, Messrs. Gani & Tayub (Private) Limited.

18 CAPITAL RESERVES

		2012	2011
Share premium	18.1	**383,645**	383,645
Others	18.2	**75,000**	75,000
		458,645	458,645

18.1 This represents premium of Rs. 20 per share received on initial public issue of 17,438,400 shares in 1992 and premium of Rs. 10 per share received on right issue of 3,487,680 shares in 1998. This reserve can be utilised by the Parent Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

18.2 This represents reserve for replacement of plant and machinery.

19 GENERAL RESERVE

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

20 LONG TERM FINANCING - Secured

from banking companies

	2012	2011
National Bank of Pakistan	-	25,000
Habib Bank Limited	-	58,315
United Bank Limited	-	100,000
	-	183,315
Current maturities shown under current liabilities	-	(104,157)
Payable within five years	-	79,158

20.1 In view of better liquidity position, the Parent Company paid all its long term financing before maturity.

21 DEFERRED LIABILITIES

		2012	2011
Income tax	21.1	**336,377**	382,994
Defined benefit plan	21.2	**101,385**	80,964
		437,762	463,958

		(Pak Rupees in Thousand) 2012	2011
21.1 This comprises of the following:			
Deferred tax liability arising in respect of tax depreciation allowances		**345,783**	386,748
Deferred tax asset arising in respect of :			
Provision for doubtful debts-net		**(4,935)**	(1,925)
Provision for slow moving stores, spare parts and loose tools-net		**(4,471)**	(1,829)
		336,377	382,994

21.2 Actuarial valuation of the plan is carried out as at June 30, 2012. The calculation for provision of defined benefit plan is as under:-

		2012	2011
Movement of the liability recognised in the balance sheet			
Balance at beginning		**80,964**	68,392
Expense	21.2.1	**25,848**	15,861
Payment		**(5,427)**	(3,289)
Balance at end		**101,385**	80,964
Reconciliation			
Obligation		**134,291**	97,021
Unrecognised actuarial losses		**(32,906)**	(16,057)
Provision		**101,385**	80,964
21.2.1 Expense			
Service cost		**13,059**	4,107
Interest cost		**12,260**	11,068
Recognition of actuarial losses		**529**	686
		25,848	15,861
Actuarial (losses)/gains to be recognized			
Corridor limit			
The limit of corridor as at beginning			
a) 10% of present value of obligation		**9,702**	8,514
b) 10% of fair value of plan assets		**-**	-
Higher of a) and b) above		**9,702**	8,514
Unrecognised net actuarial losses as at beginning		**(16,057)**	(16,743)
Excess		**(6,355)**	(8,229)
Average expected remaining working lives in years		**12**	12
Actuarial losses recognised		**(529)**	(686)

22 TRADE AND OTHER PAYABLES

(Pak Rupees in Thousand)

	Note	2012	2011
Trade creditors	22.1	**404,276**	330,224
Bills payable		**575,411**	632,090
Accrued expenses		**166,647**	124,794
Advance payments from customers		**143,308**	78,896
Creditors for capital expenditures		**7,364**	26,183
Sales tax & SED payable - net of FED		**4,559**	22,895
Deposits Payable		**17,263**	5,987
Workers' Profit Participation Fund	22.2	**18,477**	11,780
Workers' Welfare Fund	22.3	**71,228**	49,745
Infrastructure Cess on imports	22.4	**89,481**	111,356
Unclaimed dividend		**8,965**	30,274
Other liabilities	22.5	**25,316**	23,671
		1,532,295	1,447,895

22.1 These include Rs.6.645 million (2011: Rs.37.377 million) payable to a related party, Messrs. Novatex Limited.

22.2 Workers' Profit Participation Fund

	2012	2011
Balance at beginning	**11,780**	6,914
Interest on funds utilised in the Parent Company's business	**-**	158
Allocation	**18,477**	11,780
Payments	**(11,780)**	(7,072)
Balance at end	**18,477**	11,780

The analogous amounts for the year 2010-2011, have been restated, to take care of reversal of the over provision, in that year, in line with, what has been stipulated in IAS 8 "Accounting Policies, Change in Accounting Estimates and Errors".

The management is of the considered view, that the law on workers' participation in profits, necessitates participation of the workers, in the manner laid down in the law, from net profit [from which all the expenses, including cesses, levies and taxes, have been fully deducted] available for participation and attributable to workers role. The excess of amount earlier provided, over actual amount due and paid to Workers' Profit Participation Fund, signifies the reversal referred to hereinbefore.

Had there been no change in the management's view, the position, in relation to the Workers' Profit Participation Fund, along with its consequential effects would have stood as follows:

	2012	2011
Workers' Profit Participation Fund	**32,783**	25,097
Income Tax	**200,246**	161,196
Profit after Income Tax	**1,148,962**	950,423

In comparison of the above, with restatements, it can be seen, that entire tax effect of the change has been incorporated in 2012.

22.3 Workers' Welfare Fund

The management, owing to numerous, constitutional, legal and other reasons, is fully confident and has unflinching conviction, that Workers' Welfare Fund is not payable by the company, since 2008-09 and intends impugning the charge, in the court of law with utmost vehemence. The provision is being carried only as an abundant precaution and does not signify acceptance, by the company, of the aforesaid Workers' Welfare Fund liability and it will be reversed, after the Group succeeds in the court of competent jurisdiction.

22.4 Infrastructure Cess on imports

	2012	2011
Balance at beginning	**111,356**	93,015
Provision made during the year	**22,875**	19,547
Payment made during the year	**(44,750)**	(1,206)
Balance at end	**89,481**	111,356

The Parent Company had filed a petition in the Honorable High Court of Sindh at Karachi challenging the levy of Infrastructure Cess on imports. The Divisional Bench announced Judgment adjudicating the levy collected upto December 27, 2006 as invalid and collection thereafter as valid. The Parent Company and the respondent filed appeals before the Supreme Court of Pakistan challenging the partial judgment of the Honorable High Court of Sindh.

In due course of time, the Government of Sindh withdrew its petition from the Supreme Court. Later on the Supreme Court vide its order dated May 20, 2011 set aside the order passed by the High Court of Sindh. Consequently a new petition was filed by the Parent Company in the High Court of Sindh. Through an interim order dated May 31, 2011, the High Court of Sindh 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. Till balance sheet date, the Parent Company has provided bank guarantee amounting to Rs.48.365 million (2011: 113.500 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006. Based on the legal advise, the management believes that the case will be decided in favour of the Company. However, full provision has been made in the accounts as an abundant precaution.

22.5 These included Rs. 23.325 million (2011: Rs.21.095 million) received from employees under company car policy.

	(Pak Rupees in Thousand)	
	2012	**2011**
23 ACCRUED MARK UP		
Mark up on long term financing	-	2,759
Mark up on short term borrowings	11	4,067
	11	6,826

24 SHORT TERM BORROWINGS - Secured		
From banking companies under mark up arrangements		
Running finance	**156,514**	90,739
Finance under F.E. Circular No.25 of SBP	-	62,754
Export re-finance	-	240,000
	156,514	393,493

24.1 The Parent Company has aggregate facilities of short term borrowings amounting to Rs. 4,280 million including Rs. 325 million swinging facility with Associate Company (2011: Rs.4,280 million) from various commercial banks (as listed in Note 24.3) out of which Rs. 4,123 million (2011: Rs 3,887 million) remained unutilised at the year end. The mark up rates for running finance ranged between Rs.0.3400 to Rs.0.4189 per Rs.1000/- per day. These facilities are renewable annually at respective maturities.

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

24.3 The finances have been obtained or are available from Bank Al-Falah Limited, Barclays Bank PLC Pakistan, Citibank N.A., Faysal Bank Limited, Habib Bank Limited, Habib Metropolitan Bank Limited, HSBC Bank Middle East Limited, JS Bank Limited, MCB Bank Limited, Meezan Bank Limited, National Bank of Pakistan, NIB Bank Limited, Standard Chartered Bank (Pakistan) Limited, Samba Bank Limited, and United Bank Limited.

25 PROVISION FOR INCOME TAX LESS PAYMENTS		
Payable at beginning	**168,333**	9,357
Provision for the year	**256,531**	180,652
	424,864	190,009
Less: Payments/adjustment during the year	**(315,537)**	(21,676)
Payable at end	**109,327**	168,333

26 CONTINGENCIES AND COMMITMENTS

26.1 Contigencies

a) The Parent Company has made provision for Workers' Profit Participation Fund for the current and preceding year recorded based on the management's considered view that the law on workers' participation in profits, necessitates participation of the workers, in the manner laid down in the law, from net profit [from which all the expenses, including cesses, levies and taxes, are fully deducted] and which is available for participation and attributable to workers role which may be subject to interpretation by the relevant authority. The quantum of the differential amount involved is Rs. 27.623 million and no provision for that amount is considered in the financial statements as the management is confident that no further liability will arise on this account.

b) The Subsidiary Company i.e. 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.

c) Bank guarantee issued by the bank on behalf of the Parent Company amounted to Rs.0.010 million (2011: Rs.0.010 million).

26.2 Commitments

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

		(Pak Rupees in Thousand)	
		2012	**2011**
Property, plant and equipment		**31,497**	74,161
Raw material		**189,209**	223,792
Spare parts and others		**154,600**	159,045
		375,306	456,998

27 SALES

Local sales, tax and duty	27.1	**11,359,251**	10,659,625
Third party processing charges		**48,724**	-
		11,407,975	10,659,625
Less: Sales tax		**610,031**	536,240
Special excise duty		**-**	34,589
		610,031	570,829
Local Sales		**10,797,944**	10,088,796
Export Sales		**217,256**	510,874
		11,015,200	10,599,670

27.1 These include local zero rated supplies.

28 COST OF SALES

Raw material consumed		**7,752,309**	7,539,294
Stores, spare parts and loose tools consumed		**191,642**	241,815
Outsource processing charges		**136,163**	144,199
Salaries, wages, allowances and benefits	28.1	**578,144**	527,481
Power, fuel and gas		**715,637**	530,524
Rent, rates and taxes		**1,281**	1,208
Insurance		**41,227**	40,856
Cartage & Transportation		**95,797**	81,475
Repairs and maintenance		**134,408**	90,578
Communications & Computer expenses		**1,277**	2,334
Water supply		**1,601**	1,829
Travelling		**3,083**	1,292
Legal, professional & subscription fees		**2,409**	2,861
Sales tax expense		**-**	4,039
Sundry		**27,756**	29,558
Depreciation and impairment	5.2	**352,320**	453,250
Duty draw back		**(86)**	(163)
Scrap sales		**(23,306)**	(19,639)
		10,011,662	9,672,791
Opening stock of goods-in-process		**671,514**	655,394
Closing stock of goods-in-process		**(699,572)**	(671,514)
Cost of goods manufactured		**9,983,604**	9,656,671
Opening stock of finished goods		**632,002**	433,012
Closing stock of finished goods		**(963,377)**	(632,002)
		9,652,229	9,457,681

28.1 These include Rs.12.331 million (2011 : Rs.11.044 million) and Rs.8.592 million (2011: Rs.6.491 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

29 DISTRIBUTION AND SELLING EXPENSES

	Note	2012	2011
		(Pak Rupees in Thousand)	
Salaries, allowances and benefits	29.1	**23,940**	20,197
Insurance		**4,442**	4,614
Rent, rates and taxes		**584**	432
Handling, freight and transportation		**171,218**	134,684
Advertisement and sales promotion		**1,563**	1,811
Communications		**581**	583
Travelling		**767**	633
Legal, professional & subscription fees		**1,103**	790
Sundry		**4,367**	9,292
Depreciation	5.2	**1,172**	1,370
		209,737	174,406

29.1 These include Rs.0.699 million (2011 : Rs.0.620 million) and Rs.3.344 million (2011 : Rs. 1.792 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

30 ADMINISTRATIVE EXPENSES

	Note	2012	2011
Salaries, allowances and benefits	30.1	**102,215**	85,145
Rent, rates and taxes		**4,616**	844
Insurance		**1,409**	1,188
Repairs and maintenance		**5,218**	3,620
Travelling		**5,237**	5,930
Communications		**3,518**	2,814
Legal, professional & subscription fees		**4,875**	4,627
Utilities		**6,672**	6,388
Printing and stationery		**1,703**	2,457
Transportation		**4,063**	3,608
Sundry		**4,703**	3,282
Depreciation	5.2	**5,728**	6,053
		149,957	125,956

30.1 These include Rs.3.707 million (2011 : Rs.3.272 million) and Rs.13.912 million (2011 : Rs.7.578 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

31 OTHER OPERATING EXPENSES

	Note	2012	2011
Loss on disposal of property, plant and equipment		**34**	11
Provision for doubtful trade debts - net		**8,602**	-
Provision for slow moving stores, spare parts and loose tools - net		**7,061**	-
Exchange loss - net		**43,333**	-
Corporate social responsibilities	31.1	**23,991**	10,325
Workers' Profit Participation Fund		**18,477**	11,780
Workers' Welfare Fund		**21,483**	21,092
Auditors' remuneration	31.2	**1,223**	1,217
		124,204	44,425

31.1 These include donation of Rs.7.214 million (2011: Rs. 6.423 million) to Messrs. Gatron Foundation in which Chief Executive and seven directors of the Parent Company are governors. None of the directors of the Parent Company or their spouses has any interest in any donee fund, in so far as other donations are concerned.

	2012	2011
	(Pak Rupees in Thousand)	
31.2 Auditors' remuneration		
Audit fee - Annual accounts	1,123	1,123
Limited review, audit of consolidated financial statements provident funds and certification fee	55	63
Out of pocket expenses	45	31
	1,223	1,217

32 OTHER OPERATING INCOME

	2012	2011
Income from non -financial assets		
Storage and handling income	749	-
Gain on disposal of property, plant and equipment	2,760	13,751
	3,509	13,751
Others		
Liabilities no more payable written back	218	147
Reversal of provision for doubtful trade debts-net	-	739
Reversal of provision for slow moving store & spares-net	-	792
Exchange gain - net	-	1,867
Miscellaneous income	108	78
	326	3,623
	3,835	17,374

33 FINANCE COST

	2012	2011
Mark up on long term financing	8,503	42,255
Mark up on short term borrowings	11,981	22,194
Interest on Workers' Profit Participation Fund	-	158
Bank charges	2,599	1,901
	23,083	66,508

34 INCOME TAX

	2012	2011
For the current year	256,531	235,604
For the prior year	-	(54,952)
Deferred	(46,617)	(19,456)
	209,914	161,196

Relationship between income tax and profit before income tax :

	2012	2011
Profit before income tax	859,825	748,068
Income tax rate	35%	35%
Income tax on profit before income tax	300,939	261,824
Net income tax effect:		
on (upscaling) / downscaling of Tax WDV	(950)	35,577
in pertinence to exports under Final Tax Regime	(5,208)	(14,163)
in relation to (admissible) / inadmissible expenses-net and tax credits	(1,421)	1,823
Deferred income tax debit on account of minimum tax	-	22,587
Prior year reversal for income tax	-	(54,952)
Income tax effect of income exempt from subsidiary	(83,459)	(91,519)
Income tax effect of loss from subsidiary	13	19
Income tax for the year	209,914	161,196

34.1 Deferred tax liability in respect of investment in associate company accounted for on equity method, has not been recognised as the associate is not likely to distribute dividend in the foreseeable future thus reversal of temporary difference will not occur as a consequence.

		(Pak Rupees in Thousand)	
35 EARNINGS PER SHARE - BASIC AND DILUTED		**2012**	**2011**
Profit after income tax		**1,153,601**	963,740
		(Number of Shares)	
Number of Ordinary shares		**38,364,480**	38,364,480
		Rupees	Rupees
Earnings per share - Basic and diluted		**30.07**	25.12

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

36 CASH AND CASH EQUIVALENTS

Cash and bank balances	16	**233,609**	164,125
Short term borrowings	24	**(156,514)**	(393,493)
		77,095	(229,368)

37 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES
FINANCIAL ASSETS AND LIABILITIES

(Pak Rupees in Thousand)

	Interest/mark-up bearing			Non-Interest/mark-up bearing				
	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	**2012 Total**	2011 Total
Financial Assets								
Long term investment	-	-	-	-	3,039,328	3,039,328	**3,039,328**	2,535,638
Loans and advances	-	-	-	4,318	561	4,879	**4,879**	2,839
Deposits	-	-	-	1,220	1,019	2,239	**2,239**	3,968
Trade debts	-	-	-	800,947	-	800,947	**800,947**	1,191,968
Other receivables	-	-	-	227,245	-	227,245	**227,245**	134,944
Cash and bank balances	-	-	-	233,609	-	233,609	**233,609**	164,125
	-	-	-	1,267,339	3,040,908	4,308,247	**4,308,247**	4,033,482
Financial Liabilities								
Long term financing	-	-	-	-	-	-	**-**	183,315
Trade and other payables	18,477	-	18,477	1,205,242	-	1,205,242	**1,223,719**	1,185,003
Accrued mark up	-	-	-	11	-	11	**11**	6,826
Short term borrowings	156,514	-	156,514	-	-	-	**156,514**	393,493
	174,991	-	174,991	1,205,253	-	1,205,253	**1,380,244**	1,768,637

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

37.1 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of all financial assets and liabilities reflected in the financial statements approximate at their fair value.

37.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

A **Market Risk**

i **Foreign exchange risk**

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

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

	(Pak Rupees in Thousand)	
	2012	**2011**
Bills Payable	**575,411**	632,090
Creditors for capital expenditure	-	18,278
Finance under F.E. Circular No.25 of SBP	-	62,754
Trade Debts	**(21,573)**	(17,295)
Receivable from suppliers	**(210,725)**	(98,261)
Foreign currency bank accounts	**(1,557)**	(915)
	341,556	596,651
Commitments - Outstanding letters of credit	**227,648**	316,264
Net exposure	**569,204**	912,915

The following significant exchange rates have been applied

	Average rate		Reporting date rate	
	2012	**2011**	**2012**	**2011**
		Rupees		
USD to PKR	**89.64**	85.73	**94.20**	86.05
Euro to PKR	**120.08**	117.72	**118.50**	124.89
AED to PKR	**24.41**	-	**25.65**	-
JPY to PKR	-	1.04	-	1.07

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

	Average rate		Reporting date rate	
	2012	**2011**	**2012**	**2011**
		(Pak Rupees in Thousand)		
Effect on profit & loss account				
USD to PKR	**53,623**	89,312	**56,400**	89,672
Euro to PKR	**655**	1,238	**645**	1,314
AED to PKR	**(120)**	-	**(125)**	-
JPY to PKR	-	297	-	305
	54,158	90,847	**56,920**	91,291

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

ii **Price risk**

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

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

iii Interest / Markup rate risk

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

	2012	2011	2012	2011
	Effective rate (in %)		Carrying amount (Pak Rupees in Thousand)	
Financial Liabilities				
Variable rate instruments				
Long term financing	**14.63 - 14.90**	13.32 - 14.20	**-**	183,315
Short term borrowings	**2.35 - 13.58**	2.61 - 14.77	**156,514**	393,493
			156,514	576,808

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variable, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2011.

	Profit and loss 100 bp increase	Profit and loss 100 bp decrease
As at June 30, 2012		
Cash flow sensitivity - Variable rate financial liabilities	**(1,565)**	1,565
As at June 30, 2011		
Cash flow sensitivity - Variable rate financial liabilities	**(5,768)**	5,768

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

B Credit risk

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

Exposure to credit risk

The carrying amount of the financial assets represent the maximum credit exposure before any credit enhancements. Out of total financial assets of Rs.4,308.247 million (2011 : Rs.4,033.482 million), the financial assets which are subject to credit risk amounted to Rs.1,267.448 million (2011: Rs.1,496.624 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

(Pak Rupees in Thousand)

	2012	2011
Loans and advances	4,879	2839
Deposits	2,239	3,968
Trade debts	800,947	1,191,968
Other receivables	227,245	134,944
Bank balances	232,138	162,905
	1,267,448	1,496,624

The aging of trade and other receivables at the reporting date

	2012	2011
Not past due	926,321	1,163,856
Past due 1-30 days	21,348	86,252
Past due 31-90 days	43,585	57,514
Past due 91-180 days	25,312	11,800
Past due 180 days	25,727	12,989
	1,042,293	1,332,411
Provision for doubtful debts	(14,101)	(5,499)
	1,028,192	1,326,912

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

Bank	Rating Agency	Rating Short term	Rating Long term
Bank Al-Falah Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
Barclays Bank PLC Pakistan	S&P	A-1+	AA-
Citibank N.A	S&P	A-1	A+
Deutsche Bank AG	S&P	A-1	A+
Faysal Bank Limited	JCR-VIS	A-1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AA+
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
HSBC Bank Middle East Ltd	Moody's	P-1	A1
JS Bank Limited	PACRA	A1	A
MCB Bank Limited	PACRA	A1+	AA+
Meezan Bank Limited	JCR-VIS	A-1+	AA-
National Bank of Pakistan	JCR-VIS	A-1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	A+
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
Summit Bank Limited	JCR-VIS	A-2	A
United Bank Limited	JCR-VIS	A-1+	AA+

C Liquidity risk

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

The Group manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2012, the Parent Company has Rs.4,280 million (including Rs.325 million swinging facility with Associate Company) available borrowing limit from financial institutions. The Group has unutilised borrowing facilities of Rs.4,123 million in addition to balances at banks of Rs. 232 million. Based on the above, management believes the liquidity risk to be insignificant. The following are the contractual maturities of financial liabilities, including interest payments.

	Carrying Amount	Contractual Cash Flow	Six months or less	Six to twelve months	One to two years	Two to five years
	(Pak Rupees in Thousand)					
2012						
Long term financing	-	-	-	-	-	-
Trade and other payables	1,223,719	1,223,719	1,223,719	-	-	-
Accrued mark up	11	11	11	-	-	-
Short term borrowings	156,514	156,514	156,514	-	-	-
	1,380,244	1,380,244	1,380,244	-	-	-
2011						
Long term financing	183,315	211,676	75,430	48,330	87,916	-
Trade and other payables	1,185,003	1,185,003	1,185,003	-	-	-
Accrued mark up	6,826	6,826	6,826	-	-	-
Short term borrowings	393,493	394,484	394,484	-	-	-
	1,768,637	1,797,989	1,661,743	48,330	87,916	-

37.3 CAPITAL RISK MANAGEMENT

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

The gearing ratio as at June 30, 2012 and 2011 were as follows:

	2012	2011
	(Pak Rupees in Thousand)	
Total borrowings	**156,514**	576,808
Cash and bank balances	**(233,609)**	(164,125)
Net debt	**(77,095)**	412,683
Total equity	**7,093,367**	6,323,411
Total capital	**7,016,272**	6,736,094
Gearing ratio	**0%**	6%

The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including long term and short term finances as shown in the balance sheet) less cash and bank balances. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

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

38 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

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

(Pak Rupees in Thousand)

	Chief Executive		Directors		Executives		TOTAL	
	2012	2011	2012	2011 Restated	2012	2011 Restated	2012	2011 Restated
Managerial remuneration	10,991	9,555	19,906	17,312	68,688	51,078	99,585	77,945
Post employment benefits	4,337	3,640	7,919	6,670	10,959	9,178	23,215	19,488
Utilities	70	72	152	147	61	55	283	274
Other benefits	-	-	885	714	33,371	25,315	34,256	26,029
	15,398	13,267	28,862	24,843	113,079	85,626	157,339	123,736
Number of persons								
for remuneration	1	1	3	3	47	37	51	41

38.1 Aggregate amount of meeting fee to 4 non-executive Directors (2011: 4 non-executive Directors) was Rs.95 thousand (2011: Rs 65 thousand).

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

38.3 Comparative figures of directors and executives remuneration have been restated to rectify the effect of reimbursement of remuneration of directors and executives from Associate Company. The restatement has no effect on profit for the year ended June 30, 2011.

39 SEGMENT REPORTING

39.1 Reportable segments

The Group's reportable segments are as follows:

- Polyester Polymer - it comprises manufacturing of Polyester Polymer and its various downstream products. This includes the results of Messrs. GT Universal Limited, which has not commenced its operations till date.
- Electric Power generation- it comprises operations of Gatro Power (Pvt) Limited.

39.2 Segment results:

(Pak Rupees in Thousand)

	Polyester Polymer		Power generation		Group	
	2012	2011	2012	2011	2012	2011
SALES						
Local sales, tax and duty	11,359,251	10,659,625	-	-	11,359,251	10,659,625
Third party processing charges	48,724	-	-	-	48,724	-
	11,407,975	10,659,625	-	-	11,407,975	10,659,625
Export sales	217,256	510,874	-	-	217,256	510,874
Inter- segment sales	-	-	1,334,509	1,244,750	1,334,509	1,244,750
	11,625,231	11,170,499	1,334,509	1,244,750	12,959,740	12,415,249
Sales tax	425,961	355,379	184,070	180,861	610,031	536,240
Special excise duty	-	34,589	-	-	-	34,589
	425,961	389,968	184,070	180,861	610,031	570,829
Sales	11,199,270	10,780,531	1,150,439	1,063,889	12,349,709	11,844,420
Cost of sales	10,081,790	9,908,833	905,387	794,037	10,987,177	10,702,870
Gross profit	1,117,480	871,698	245,052	269,852	1,362,532	1,141,550
Distribution and selling expenses	209,737	174,406	-	-	209,737	174,406
Administrative expenses	148,684	124,674	1,279	1,288	149,963	125,962
Other operating expenses	118,885	37,523	5,808	7,228	124,693	44,751
	477,306	336,603	7,087	8,516	484,393	345,119
	640,174	535,095	237,965	261,336	878,139	796,431
Other operating income	4,280	17,997	489	148	4,769	18,145
Operating profit	644,454	553,092	238,454	261,484	882,908	814,576
Finance cost	23,083	66,508	-	-	23,083	66,508
	621,371	486,584	238,454	261,484	859,825	748,068
Investment income	240,800	301,000	-	-	240,800	301,000
Profit before income tax	862,171	787,584	238,454	261,484	1,100,625	1,049,068

39.3 All non-current assets of the Group as at 30 June 2012 are located in Pakistan.

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

	(Pak Rupees in Thousand) 2012	2011
39.5 Reconciliation of reportable segment sales and cost of sales		
Sales		
Sales for reportable segment	12,349,709	11,844,420
Elimination of inter-segment sales from subsidiary	(1,334,509)	(1,244,750)
Sales	11,015,200	10,599,670
Cost of Sales		
Cost of sales for reportable segment	10,987,177	10,702,870
Elimination of inter-segment sales from subsidiary	(1,334,509)	(1,244,750)
Elimination of intra group transactions	(439)	(439)
Cost of sales	9,652,229	9,457,681
Administrative expenses		
Administrative expenses for reportable segment	149,963	125,962
Elimination of intra group transactions	(6)	(6)
Administrative expenses	149,957	125,956
Other operating expenses		
Other operating expenses for reportable segment	124,693	44,751
Elimination of intra group transactions	(489)	(326)
Other operating expenses	124,204	44,425
Other operating income		
Other operating income for reportable segment	4,769	18,145
Elimination of intra group transactions	(934)	(771)
Other operating income	3,835	17,374
Profit before income tax		
Profit before income tax for reportable segment	1,100,625	1,049,068
Elimination of intra group transactions	(240,800)	(301,000)
Profit before income tax	859,825	748,068

40 PLANT CAPACITY AND ACTUAL PRODUCTION

		(Metric Tons) 2012	2011
Polyester Polymer and its various products			
Annual capacity (Based on 75 denier Yarn and 39 gms Preform)		51,797	51,797
Actual production	40.1	55,168	55,797
		(KWH in Thousand)	
Electric Power			
Annual capacity	40.2	193,945	193,945
Actual production		159,358	156,721

40.1 The production of 55,168 metric tons comprises 41,230 metric tons (2011: 41,278 metric tonnes) of Polyester Filament Yarn (various deniers) through Polymer / Polyester Chips and 13,938 metric tons (2011: 14,519 metric tons) of PET Preforms (various gms) through Polymer / PET Resin.

40.2 It includes capacities of standby generators.

41 TRANSACTIONS WITH RELATED PARTIES

		(Pak Rupees in Thousand) 2012	2011
During the year, details of transactions with related parties are as follows:			
Associated Company	Purchase / sale of services	**178,166**	144,199
	On account of rent and reimbursement of expenses	**35,499**	28,335
Other Related Parties	Payment of dividend	**16,204**	3,241
	Charges on account of handling	**5,165**	5,313
	Sale of goods / fixed asset	**22,451**	26,599
	Payment of donation	**7,214**	6,423

Transactions and outstanding balances, as applicable in relation to Defined Contribution Plan (DCP), Worker's Profits Participation Fund (WPPF) and Key Management Personnel (KMP) have been disclosed in notes 28.1, 29.1, 30.1 of DCP; 22.2 of WPPF; 7.2 and 38 of KMP; respectively. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Group considers its Chief Executive, Executive Directors and other executives to be KMP.

42 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Parent Company in the meeting held on September 08, 2012 has recommended final cash dividend of Rs.4.50 per share (2011: Rs. 5.00 per share cash dividend) for approval of the members at the Annual General Meeting scheduled to be held on October 19, 2012. Since it is a non adjusting event, the financial statements for the year ended June 30, 2012 do not include the effect of the recommended cash dividend.

43 CORRESPONDING FIGURES

Prior year's figures have been reclassified for the purpose of better presentation. Significant changes made during the year are as follows:

Reclassification from component	Reclassification to component	(Pak Rupees in Thousand)
Trade and other payables	Trade and other payables	
Accrued expenses	Deposits payable	5,987
Accrued expenses	Other Liabilities	21,095

Comparative figures have been restated in note 38, to rectify the effect of reimbursement of remuneration of directors and executives from Associate Company.

44 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 08, 2012 by the Board of Directors of the Parent Company.

45 GENERAL

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

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Gatron (Industries) Limited

September 8, 2012

To: All Shareholders of the Company

DIVIDEND MANDATE FORM

It is to inform you that under Section 250 of the Companies Ordinance, 1984 a shareholder may, if so desire, direct the Company to arrange credit of dividend directly to his/her/its bank account.

In pursuance of the directions given by the Securities and Exchange Commission of Pakistan vide Circular No.18 of 2012 dated June 05, 2012, we vide this request letter give apportunity to all the registered shareholder of Gatron (Industries) Limited, if they desire to authorize the Company to directly credit in your bank account cash dividend, if any, declared by the Company in future.

Please note that this dividend mandate is optional and not compulsory, in case you do not wish your dividend to be directly credited into your bank account then the same shall be paid to you through the dividend warrant(s) / demand draft(s) as usual.

Do you wish the cash dividend declared by the Company, if any, is directly credited in your bank account, instead of issue of dividend warrant(s) / demand draft(s). Please tick " ✓ " any of the following boxes:

Yes	No

If yes then please provide the following information of your banker to the Company's Share Registrar, M/s. C&K Management Associates (Pvt) Limited, Room No.404, 4th Floor, Trade Centre, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530. **CDC shareholders are requested to update information in their respective accounts.**

Transferee Details	
Title of Bank Account	
Bank Account Number	
Bank's Name	
Branch Name and Address	
Name of the Shareholder	
Folio No.	
Computerized National Identity Card No.	

It is stated that the above mentioned information is correct and that I will intimate the changes in the above mentioned information to the company and the concerned share Registrar as soon as these occur.

Signature of the Shareholder

Gatron (Industries) Limited

September 8, 2012

To: All the Shareholders of the Company who's shares are in Physical Form.

COPY OF COMPUTERIZED NATIONAL IDENTITY CARD (CNIC)

As per directions to all listed companies by Securities and Exchange Commission of Pakistan Vide SRO No.779(I)/2011 dated August 18, 2011, the "Dividend Warrant(s)" should bear the Computerized National Identity Card (CNIC) number of the registered member(s), except in the case of minor(s) and corporate members.

The Company vide various circular letters and publication in the Printed Annual Accounts, 2011 had already requested to provide a copy of your CNIC for compliance of the directions of SECP.

You are once again requested to fill your CNIC number in the lower portion of this page marked for the purpose and return the same to the company's share registrar, M/s. C&K Management Associates (Private) Limited Room No. 404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530 by post or by sending email directly to the company at "shares@gatron.com" at an early date to enable us to comply with the law requirement.

In case of non-receipt of copy of valid CNIC, the Company will revert to the SECP for seeking guidelines for non-complaint shareholders.

The Company shall, in deed, appreciate the cooperation of the members/shareholders in this regard.

Thanking you,

Yours faithfully,
For **Gatron (Industries) Limited**

Mohammad Yasin Bilwani
Company Secretary

Folio No. --------------------------------

Name: --------------------------------

CNIC No. --------------------------------
(copy attached)

PROXY FORM

I/We, ____ of ____________________________

being member of **Gatron (Industries) Limited** and holder of ____________________________

Ordinary shares as per Share Register Folio No. ______________________________ and/or CDC

Participant ID No. ____________________ and Account/Sub-Account No. __________________

hereby appoint ________________________________ of _________________________ as

my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 32nd Annual General Meeting of the Company to be held on Friday, October 19, 2012 and at any adjournment thereof.

Signed this __________________day of , ________________2012.

Witness:

1. Signature_______________
   Name _________________
   Adress________________
   CNIC No.______________

2. Signature_______________
   Name _________________
   Adress________________
   CNIC No.______________

Signature on Revenue Stamp of Rs.5/-

Notes:

1. The proxy form in order to be valid must be signed across five rupees revenue stamp and should be deposited with the company not later than 48 hours before the time of holding the meeting.

2. The proxy must be a member of the company.

3. Signature should agree with the specimen signature, registered with the company.

4. CDC shareholders and their proxies must attach either an attested photocopy of their Computerized National Identity Card or Passport with this proxy form.

GATRON (INDUSTRIES) LIMITED

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Email: headoffice@gatron.com
Website: www.gatron.com

CORPORATE