

*Annual Report*  
**2016**



**GATRON (INDUSTRIES) LIMITED**



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# Vision

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

To achieve corporate success while achieving this vision.

# Mission

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

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

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

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

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

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



# Corporate Information

## Board of Directors

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

## Audit Committee Members

Iqbal Bilwani	-	Chairman
Haji Haroon Bilwani		
Usman Bilwani		
Muhammad Waseem		

## HR & Remuneration Committee Members

Usman Bilwani	-	Chairman
Iqbal Bilwani		
Shabbir Diwan		
Muhammad Waseem		

## Chief Financial Officer

Rizwan Diwan

## Company Secretary

Mohammad Yasin Bilwani

## Auditors

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



### Legal Advisor

Naeem Ahmed Khan  
Advocates  
Quetta.

### Share Registrar

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

### Bankers

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

### Plant

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

### Registered Office

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

### Liaison/Correspondence Office

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

### Email

headoffice@gatron.com

### Website

www.gatron.com

## Notice of Annual General Meeting

Notice is hereby given that the Thirty-sixth Annual General Meeting of Gatron (Industries) Limited will be held on Monday, October 24, 2016 at 09:30 a.m., at Plot No. 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub Chowki, Distt. Lasbela, Balochistan to transact the following business:



### Ordinary Business:

1. To confirm the minutes of the Thirty-fifth Annual General Meeting of the company held on October 19, 2015.
2. To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2016 together with the Auditors' Report thereon and Directors' Report for the year then ended.
3. To appoint company's auditors for the year ending June 30, 2017 and fix their remuneration.

### Special Business

4. To consider, and if thought fit, to pass the following resolution as Special Resolution with or without modification:

“RESOLVED that the Company may circulate the annual balance sheet and profit and loss account, auditors’ report, directors’ report (annual report) etc., to its members through CD/DVD/USB instead of in hard copy at their registered addresses.”

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

By Order of the Board

**Mohammad Yasin Bilwani**  
Company Secretary

September 17, 2016



## Notice of Annual General Meeting

### Notes:

1. The Share Transfer Books of the company will remain closed from October 15, 2016 to October 24, 2016 (both days inclusive). Transfers received in order at the office of the Share Registrar before the close of business on October 14, 2016 will be considered in time for attending the AGM.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received at the office of the company not less than 48 hours before the time of holding the meeting. Proxy form is annexed.
3. A member, who has deposited his/her shares in Central Depository Company of Pakistan Limited, must bring his/her Participant ID number and account/sub account number along with original Computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
4. In case of corporate entities, the Board of Directors' resolution/power of attorney with specimen signature of the person nominated to represent and vote on behalf of the corporate entity, shall be submitted (unless it has been provided earlier) along with proxy form to the Company.
5. The shareholders are advised to notify to the company's Share Registrar of any change in their addresses.
6. The audited financial statements of the company for the year ended June 30, 2016 have been made available on the company's website in addition to annual, quarterly and half-yearly financial statements of the prior years.

### Statement Under Section 160(1)(b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the special business given in agenda item No. 4 to be transacted at the Annual General Meeting.

To give effect to the notification S.R.O 470(I)2016 dated May 31, 2016 of the Securities and Exchange Commission of Pakistan ("SECP"), shareholder's approval is being sought to allow the Company to circulate its Annual Report through CD/DVD/USB to all members. The Company however, shall place on its website a standard request form to enable those members requiring a hard copy of the Annual Report instead of through CD/DVD/USB, to intimate the Company of their requirement.

None of the Directors of the Company have any direct or indirect interest in above said Special Business.

## کمپنیز آرڈیننس 1984 کی دفعہ 160(1)(b) کے تحت اسٹیٹمنٹ

اس اسٹیٹمنٹ میں ایجنڈا آئٹم نمبر 4 جسے سالانہ اجلاس عام میں انجام دیا جائے گا میں دیئے گئے خصوصی کارروائی سے متعلق ٹھوس حقائق بیان کئے گئے ہیں۔  
’’سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (’’SECP)’’ کے نوٹیفیکیشن، S.R.O 470(I)2016 بتاریخ 31 مئی 2016 کو موثر بنانے کی غرض سے  
شیر ہولڈرز کی منظوری درکار ہے تاکہ کمپنی کو اجازت ہو کہ وہ تمام ممبران کو بذریعہ CD/DVD/USB اپنی سالانہ رپورٹ سرکولیت کر دے۔ تاہم کمپنی اپنی  
ویب سائٹ پر ایک معیاری درخواست فارم ڈال دے گی تاکہ وہ ممبران جنہیں بذریعہ CD/DVD/USB کی بجائے سالانہ رپورٹ کی ایک پرنٹیڈ کاپی  
درکار ہے کمپنی کو آگاہ کریں۔‘‘

متذکرہ بالا خصوصی کارروائی میں کمپنی کے کسی بھی ڈائریکٹر کا براہ راست یا بالواسطہ کوئی مفاد نہیں ہے۔

## سالانہ اجلاس عام کی اطلاع

بذریعہ ہذا اطلاع دی جاتی ہے کہ گیٹرون (انڈسٹریز) لمیٹڈ کا چھتیسواں سالانہ اجلاس عام درج ذیل کارروائیوں کی انجام دہی کیلئے بروز پیر 24 اکتوبر 2016ء صبح 09:30 بجے پلاٹ نمبر M2-441/49، سیکٹر "M"، ایچ آئی ٹی ای، مین RCD ہائی وے جب چوکی ضلع لسبیلہ، بلوچستان میں منعقد ہوگا:

### عمومی کارروائی:

- 1- کمپنی کے ہینتیسویں سالانہ اجلاس عام منعقدہ 19 اکتوبر 2015ء کی کارروائیوں کی توثیق۔
- 2- 30 جون 2016ء کو ختم شدہ سال کے لئے کمپنی کے آڈٹ شدہ حسابات، بمع آڈیٹرز رپورٹ اور ڈائریکٹرز رپورٹ کی وصولی، غور و خوض اور منظوری۔
- 3- 30 جون 2017ء کو ختم ہونے والے سال کے لئے کمپنی کے آڈیٹرز کا تقرر اور ان کے مشاہرہ کا تعین کرنا۔

### خصوصی کارروائی:

- 4- مندرجہ ذیل قرارداد پر غور کرنا اور اگر موزوں سمجھا جائے تو ترمیم کے ساتھ یا اس کے بغیر اسے بطور خصوصی قرارداد منظور کرنا۔
- ”قرار پایا کہ کمپنی اپنے ممبران کو سالانہ بیلنس شیٹ اور نفع و نقصان اکاؤنٹ، آڈیٹرز رپورٹ، ڈائریکٹرز رپورٹ (سالانہ رپورٹ) وغیرہ ان کے رجسٹرڈ ہتوں پر پرنٹڈ کاپی کی بجائے بذریعہ CD/DVD/USB ارسال کرے۔“
- 5- صدر اجلاس کی اجازت سے دیگر عمومی کارروائی انجام دینا۔

### حسب الحکم بورڈ

## محمد یاسین بلوانی

کمپنی سیکرٹری

17 ستمبر 2016ء

### نوٹ:

- (1) کمپنی کی شیئر ٹرانسفر بکس 15 اکتوبر 2016ء سے 24 اکتوبر 2016ء تک (دونوں دن شامل ہیں) بند رہیں گی۔ شیئرز رجسٹرار کے دفتر میں جو منتقلیاں 14 اکتوبر 2016ء کو کاروباری اوقات کے اختتام سے قبل موصول ہو جائیں گی وہ سالانہ اجلاس عام میں شرکت کے لئے بروقت سمجھی جائیں گی۔
- (2) کوئی بھی ممبر جو اجلاس میں شرکت کرنے اور ووٹ دینے کا/کی حقدار ہے وہ اپنی جگہ شرکت کرنے، تقرر کرنے اور ووٹ دینے کے لئے کسی دوسرے ممبر کو بطور اپنا/اپنی حقار مقرر کر سکتا/سکتی ہے۔ حقار نامہ کے موثر ہونے کے لئے ضروری ہے کہ وہ اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل کمپنی کے آفس میں وصول ہو جائیں۔
- (3) کوئی بھی ممبر جس نے سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ میں اپنے شیئرز جمع کرائے ہیں، اجلاس میں شرکت کے وقت اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا اصل پاسپورٹ کے ساتھ اپنا پارٹنیشن ID نمبر اور اکاؤنٹ/سب اکاؤنٹ نمبر لازماً ساتھ لائیں۔
- (4) کارپوریٹ اداروں کی صورت میں بورڈ آف ڈائریکٹرز کی قرارداد برپاور آف انارنی اس شخص کے نمونہ دستخط جیسے کارپوریٹ ادارے کی جانب سے نمائندگی کرنے اور ووٹ دینے کیلئے نامزد کیا گیا ہے۔ کمپنی کو پر کسی فارم کے ساتھ پیش کئے جائیں (بشرطیکہ اس سے قبل فراہم نہ کی گئی ہوں)۔
- (5) شیئر ہولڈرز کو ہدایت کی جاتی ہے کہ وہ اپنے ہتوں میں کسی بھی قسم کی تبدیلی سے متعلق کمپنی کے شیئر رجسٹرار کو مطلع کریں۔
- (6) 30 جون 2016ء کو ختم شدہ سال کیلئے کمپنی کے آڈٹ شدہ مالیاتی گوشوارے کمپنی کی ویب سائٹ پر سابق برسوں کے سالانہ، سہ ماہی اور ششماہی مالیاتی گوشواروں کے ساتھ فراہم کر دیئے گئے ہیں۔

## Directors' Report

Dear Shareholders,

The Directors of your company are pleased to present the annual report together with the audited financial statements of the company for the year ended June 30, 2016.

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

- Net sales Rs. 8,767 million,
- Operating loss Rs. 698 million,
- Financial charges Rs. 59 million,
- Investment income Rs. 543 million,
- Net Loss before income tax Rs. 214 million,
- Net Loss after income tax Rs. 254 million,
- Loss per share Rs. 6.63

### FINANCIAL REVIEW

Net Revenue of Rs. 8,767 million for the year was lower by 15% over corresponding year due to lower yarn offtake and reducing prices in the Polyester value chain. Profitability deteriorated further due to dumping and lower capacity operations. Consequently company reported a gross loss of Rs. 264 million and an operating loss of Rs. 698 million. It is mainly the yarn operations, which continue to suffer losses due to pressure of import of Polyester Filament Yarn at dumped prices in the country.

Availability of imported Yarn from China and Malaysia at a delta of only USD320/350 per ton over main raw materials (PTA/MEG), made it difficult to recover adequate prices to set off full fixed cost, which ultimately led to gross operating loss in current financial statements. There also appears an element of subsidy schemes helping the Chinese and Malaysian exporters, allowing these exporters to export at such low prices. In a bid to address this issue of injury to local industry, your company along with another leading manufacturer, has filed an Anti-Dumping Duty application with the National Tariff Commission (NTC) nearly 7 months ago. However, progress on this application has and will remain very slow and may be ineffective due to incomplete composition of NTC and other legal complications. Further to this, the industry has also approached the Government to support by way of regulatory duty on polyester yarn, similar to the assistance offered to cotton yarn and fabric producers.

The above financial results are despite your company updating all its production and utilities machinery over the years as well as implementing many cost optimization projects. On the yarn side in the previous three calendar years, winders and texturizing machines have been replaced with latest version machines having higher speeds, lower power cost, lower wastage and improved quality. The Company is currently in process to replace its old and less efficient preform machines with relatively newer and more efficient machines. This will result in increased production of PET preforms with the minimum possible capex in the coming financial year, helping in improving the operational results.



Your company also continues to seize on any opportunity of cost saving e.g. renegotiation with transporters at every fuel price change, control on stores and spares as well as various optimization measures in administrative affairs. Power generation on existing furnace oil generators was also maximized from Nov 2015 to March 2016 to capitalize on the lower furnace oil prices.

On the Balance Sheet front for the reporting financial year, stocks decreased by Rs. 490 million to Rs. 2,020 million. Debtors, on the other hand decreased by Rs. 19 million to Rs. 749 million while creditors reduced by Rs. 613 million. There is no long term loan outstanding.

## CHALLENGES FACED AND FUTURE OUTLOOK

- Your company is continuously trying to survive in such uncertain conditions where imported yarn is dumped at a delta of \$320-\$350 over main raw materials PTA / MEG. To overcome this your company along with another leading manufacturer has filed an anti-dumping duty application on Chinese and Malaysian dumped yarn. Subsequent to the initiation of the anti-dumping investigation by the NTC, the entity had become dysfunctional due to improper composition of the Members of the Commission as required under the National Tariff Commission Act 2015. The Ministry of Commerce has now assured the industry stakeholders that the necessary steps are being taken to make NTC completely functional by October 2016. However uncertainty still prevails about various legal aspects of the NTC.
- The need of the hour is to immediately impose additional duties on Polyester Filament Yarn (chapter 54 of Pakistan Customs Tariff) as done in respect of Polyester Fabric, if Government of Pakistan wants to protect the synthetic yarn industry from being fatally injured and prevent it from vanishing in Pakistan. Pakistan is the sixth largest populated country of the world with a textile base. It has to capitalize on that base and promote synthetic yarn for its clothing needs, since the cotton production for the last 15 years remained limited to 12 to 15 million bales and will remain limited due to demand for food crops (to feed the increasing population). While synthetic textiles (and its blends), will clothe the local population and save import dollars, it will also allow cotton textiles to be spared from being entirely consumed in local growing population clothing demand and resultantly be utilized to earn value added export dollars. Already the Government has imposed regulatory duty on cotton yarn and fabric (Covered under Chapter 52 of Pakistan Customs Tariff), where the imports level is much less than the polyester yarn and fabric. So it should follow suit for the polyester yarn, particularly when these items are less critical than cotton for the garment exports.
- Company's Funds are stuck in Sales Tax and Income Tax refunds, which are unnecessarily increasing financial cost and affecting liquidity of the Company. Government has recently taken an initiative to release small portion of sales tax refund, which is a step in the right direction.
- In recently announced fiscal budget, the Government has declared textile industry as zero rated for sales tax purposes, which will help to increase export of textile products and to avoid unnecessary refund hassle. On the other hand disallowing input of sales tax on packing material, will increase the cost of doing business tremendously.
- The water condition at Hub dam seems adequate and we hope to receive continued supply, which will help in avoiding the arrangement of water from alternate sources and thus reduce cost under this head.



- Currently your company is running at lower production level due to uncertain market conditions and to avoid building up of stocks and consequent carrying / financial costs.

## **OTHER MATTERS**

The overall performance of 100% wholly owned subsidiary M/s. Gatro Power (Private) Limited supplying power to the company remained average. The Board of Directors of M/s. Gatro Power (Private) Limited has proposed for payment of final cash dividend of Rs. 9.00 per share (90%) for the year ended June 30, 2016. This is in addition to interim cash dividends of Rs. 15.00 per share (150%) already paid, accumulating to a total dividend for the year of Rs. 24.00 per share (240%).

## **DIVIDEND**

Due to circumstances already discussed, the Board of Directors does not recommend any dividend for the year ended on June 30, 2016.

## **LOSS PER SHARE**

The loss per share of the company for the year ended on June 30, 2016 is Rs. 6.63 per share.

## **MATERIAL CHANGES AND COMMITMENTS**

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

## **AUDITORS**

The existing external Auditors, M/s. Kreston Hyder Bhimji & Co., Chartered Accountants, retire at the conclusion of the Thirty-sixth Annual General Meeting. Being eligible, they have offered themselves for re-appointment. The Audit Committee recommended their appointment as auditors for the year ending June 30, 2017.

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

## **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.

## **COMPLIANCE OF THE CODE OF CORPORATE GOVERNANCE**

The Directors confirm compliance with Corporate and Financial Reporting Framework of the Code of Corporate Governance for the following:

- The financial statements for the year ended June 30, 2016 prepared by the management of the company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of accounts have been maintained by the company;
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent business judgments;

- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures therefrom has been adequately disclosed and explained;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- Significant deviations from last year in operating results of the company are disclosed in this report;
- There are no significant doubts upon the company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- During the year, the directors, including CFO, Company Secretary and their spouses and minor children have not traded in the shares of the company, except as disclosed in the detail of pattern of shareholding;
- Key operating and financial data of last six years in summarized form is annexed;
- The fair value of the provident funds investments as at June 30, 2016 was Rs. 393 million;
- During the year 05 Board meetings, 04 Audit committee meetings and 04 HR & remuneration committee meetings were held. Attendance by each director / member were as follows:

#### Board of Directors

#### Number of meetings attended

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

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

#### Audit Committee

#### Number of meetings attended

1) Mr. Iqbal Bilwani	4
2) Haji Haroon Bilwani	3
3) Mr. Usman Bilwani	4
4) Mr. Muhammad Waseem	4

## HR & Remuneration Committee

## Number of meetings attended

1) Mr. Usman Bilwani	4
2) Mr. Iqbal Bilwani	4
3) Mr. Shabbir Diwan	4
4) Mr. Muhammad Waseem	4

## PATTERN OF SHAREHOLDING

A statement showing pattern of shareholding of the company and additional information as at June 30, 2016 is annexed.

## BOARD OF DIRECTORS

There is no change in the Board of Directors. The Board of Directors in its meeting held on September 17, 2016 has decided that Mr. Abdul Razak Diwan and Mr. Zakaria Bilwani have become non-executive directors.

## EVALUATION OF BOARD OWN PERFORMANCE

As stated in the Annual Report of 2015, approved mechanism/questionnaire has been circulated to all the directors of the company for their inputs and to determine whether the Board and its Committees are functioning effectively. The Board of Directors of the Company have returned the questionnaire duly filled in and signed to the Company Secretary.

Difference of opinion and areas requiring improvement are identified and subsequently deliberated in the next Board meeting to frame strategy for addressing the highlighted areas and bringing further improvement in the Board's Own Performance.

## COMPLIANCE WITH BEST PRACTICES OF CORPORATE GOVERNANCE

A statement showing the status of compliance with the best practices of the Corporate Governance set out in the Code of Corporate Governance is being published and circulated along with this report.

## ACKNOWLEDGMENT

We thank our customers, vendors, dealers, investors, business associates and bankers for their continued support during the year. We place on record our appreciation of the contribution made by employees at all levels. Our resilience to meet challenges was made possible by their hard work, solidarity, co-operation and support.

On behalf of the Board

Peer Mohammad Diwan  
Chief Executive

September 17, 2016



## بورڈ آف ڈائریکٹرز

- بورڈ آف ڈائریکٹرز میں کوئی تبدیلی واقع نہیں ہوئی ہے۔
- بورڈ آف ڈائریکٹرز نے اپنے اجلاس بتاریخ 17-09-2016 میں جناب عبدالرزاق دیوان صاحب اور ڈکریا بلوانی صاحب کو non-executive ڈائریکٹرز مقرر کرنے کا فیصلہ کیا ہے۔

## بورڈ کی اپنی کارکردگی کی قدر سازی

یہ جانچنے کیلئے کہ آیا بورڈ اور اسکی ذیلی کمیٹیاں منوثر انداز میں کام کر رہی ہیں، 2015 میں ایک منظور شدہ مکینزم / سوالنامہ تمام ڈائریکٹرز کو ارسال کیا گیا۔ جس کو تمام ڈائریکٹرز نے باقاعدہ پُر کر کے کمپنی سیکریٹری کے حوالے کر دیا ہے جس کے ذریعے اختلاف رائے اور ایسے معمولات جن میں بہتری درکار ہے، کی نشاندہی کی گئی ہے جن پر آئندہ بورڈ اجلاس میں غور و خصوص کر کے بہتری لانے سے متعلق حکمت عملی وضع کی جائیگی اور اس طرح بورڈ اپنی کارکردگی میں مزید بہتری لائیگا۔

## کارپوریٹ گورننس کے بہترین معمولات کی تعمیل

کوڈ آف کارپوریٹ گورننس میں مقرر کردہ کارپوریٹ گورننس کے بہترین معمولات کی تعمیل کی کیفیت ظاہر کرنیوالی اسٹیٹمنٹ شائع کر کے رپورٹ ہذا کے ساتھ ارسال کی جارہی ہے۔

## اظہار تشکر

ہم اپنے گاہکوں، رسد کاروں، ڈیلرز، سرمایہ کاروں، کاروباری رفقاء اور بیٹکاروں کے شکر گزار ہیں کہ دوران سال بہترین تعاون بلاخلل فراہم کیا۔ ہم اپنے ہر سطح کے ملازمین کی محنت اور جدوجہد کی تعریف بھی بجالاتے ہیں جن کی سخت محنت، کمپنی سے وفاداری، تعاون اور مدد کی بدولت ہی ہمیں درپیش چیلنجوں کا سامنا کرنے کا حوصلہ ملا۔

از بورڈ

پیر محمد دیوان  
افسر اعلیٰ

مورخہ 17 ستمبر 2016ء

- ۔ ماسوائے شیئر ہولڈنگ کی ترتیب (pattern of shareholding) میں مذکور تفصیلات کے، گزشتہ سال کے دوران کمپنی کے ڈائریکٹرز بشمول CFO، کمپنی سیکریٹری اور ان کے شریک حیات اور نایاب بچوں نے کمپنی کے حصص کی تجارت نہیں کی۔
- ۔ گزشتہ چھ سال کا اہم آپریٹنگ اور فنانشل ڈیٹا خلاصے کی صورت میں منسلک ہے۔
- ۔ 30 جون 2016 کو پراویڈنٹ فنڈ کی سرمایہ کاری کی قدر مبلغ 393 ملین روپے تھی۔
- ۔ دوران سال پانچ بورڈ، چار آڈٹ کمیٹی اور چار ایچ آر اینڈ ڈی میونریشن کمیٹی کے اجلاسوں کا انعقاد کیا گیا۔

### تعداد اجلاس

تین  
چار  
پانچ  
پانچ  
پانچ  
چار  
چار  
پانچ

### بورڈ آف ڈائریکٹرز

۱) حاجی ہارون بلوانی صاحب  
۲) جناب پیر محمد دیوان صاحب  
۳) جناب عبدالرزاق دیوان صاحب  
۴) جناب ذکریا بلوانی صاحب  
۵) جناب عثمان بلوانی صاحب  
۶) جناب اقبال بلوانی صاحب  
۷) جناب شبیر دیوان صاحب  
۸) جناب محمد توفیق بلوانی صاحب  
۹) جناب محمد وسیم صاحب

بورڈ کے اجلاس میں حاضر نہ ہونے والے ڈائریکٹرز کو رخصت عطاء کی گئی۔

### تعداد اجلاس

چار  
تین  
چار  
چار

### آڈٹ کمیٹی

۱) جناب اقبال بلوانی صاحب  
۲) حاجی ہارون بلوانی صاحب  
۳) جناب عثمان بلوانی صاحب  
۴) جناب محمد وسیم صاحب

### تعداد اجلاس

چار  
چار  
چار  
چار

### ایچ آر اینڈ ڈی میونریشن کمیٹی

۱) جناب عثمان بلوانی صاحب  
۲) جناب اقبال بلوانی صاحب  
۳) جناب شبیر دیوان صاحب  
۴) جناب محمد وسیم صاحب

### شیئر ہولڈنگ کی ترتیب

30 جون 2016 تک کمپنی کی شیئر ہولڈنگ کی ترتیب ظاہر کرنے والا اور متعلقہ معلومات پر مشتمل گوشوارہ منسلک ہے۔

## تقصان فی حصہ

30 جون 2016ء کو اختتام پذیر ہونے والے سال کیلئے نقصان مبلغ 6.63 روپے فی حصہ ہے۔

## اہم تبدیلیاں اور معاہدے

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

## بیرونی آڈیٹرز

موجودہ بیرونی آڈیٹرز میسرز کریمسن حیدرہیم جی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، چھتیسویں سالانہ اجلاس عام کے اختتام پر ریٹائر ہو رہے ہیں۔ اہل ہونے کے سبب انہوں نے دوبارہ تقرری کیلئے اپنی خدمات پیش کی ہیں۔ 30 جون 2017ء کو اختتام پذیر ہونے والے مالیاتی سال کیلئے آڈٹ کمیٹی نے ان کی بطور بیرونی آڈیٹرز دوبارہ تقرری کی سفارش کی ہے۔

کمپنی کے آڈیٹرز میسرز کریمسن حیدرہیم جی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے کمپنی میران کیلئے unqualified جائزہ رپورٹ جاری کی ہے۔

## جامع مالیاتی گوشوارے

زیر نظر سالانہ رپورٹ میں گروپ ہذا کے جامع مالیاتی گوشوارے (consolidated financial statements) ہمراہ نوٹس اور آڈیٹرز رپورٹ منسلک کر دیئے گئے ہیں۔

## کوڈ آف کارپوریٹ گورننس کی تعمیل

ڈائریکٹرز درج ذیل امور کیلئے کوڈ آف کارپوریٹ گورننس کے کارپوریٹ اور فنانشل رپورٹنگ فریم ورک کی تعمیل کی تصدیق کرتے ہیں:

- 30 جون 2016ء کو اختتام پذیر ہونے والے سال کیلئے کمپنی ہذا کی انتظامیہ کے تیار کردہ مالیاتی گوشوارے، کمپنی کے معاملات، اسکے آپریشنز کے نتائج، نقدی کے بہاؤ (cash flows) اور ایکویٹی میں تبدیلیاں شفاف انداز میں پیش کرتے ہیں؛
- کمپنی نے کھاتہ جات کی کتب موزوں طور سے مرتب کی ہیں؛
- مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں پر مستنداً عمل درآمد کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات مناسب اور محتاط کاروباری قیاسات پر مبنی ہیں؛
- مالیاتی گوشواروں کی تیاری میں پاکستان میں قابل اطلاق انٹرنیشنل فنانشل رپورٹنگ اسٹینڈرڈ ملحوظ خاطر رکھے گئے ہیں اور اگر کسی جگہ ان سے انحراف کیا گیا ہے تو اسے موزوں وجوہات کے ساتھ بیان بھی کیا گیا ہے۔
- اندرونی نگہداری کا نظام مضبوط بنیادوں پر استوار ہے اور اس کا نفاذ مندرجہ ذیل طور سے کیا گیا اور اس پر نظر بھی رکھی جا رہی ہے؛
- گزشتہ برس کے آپریٹنگ نتائج سے واضح انحراف کا تذکرہ اس رپورٹ میں کیا گیا ہے۔
- کاروبار جاری رکھنے کے سلسلے میں کمپنی کی اہلیت پر کوئی خاص شک وشبہ نہیں کیا جاسکتا۔
- کارپوریٹ گورننس کے بہترین معمولات سے، جیسا کہ لسٹنگ ریگولیشنز میں تفصیلاً مذکور ہے، کوئی اہم انحراف نہیں کیا گیا۔

## درپیش چیلنجز اور مستقبل پر ایک نظر

● ایسی غیر یقینی صورتحال میں جب کہ یارن بنیادی خام مال MEG/PTA/320/350 امریکی ڈالر کے فرق کے ساتھ ملک میں dumped کیا جا رہا ہے، آپ کی کمپنی اپنا وجود قائم رکھنے کی جہد مسلسل میں مصروف ہے۔ اس مسئلے کے حل کیلئے آپ کی کمپنی نے ایک اور بڑے مینوفیکچرر کے ساتھ مل کر چینی اور ملائشین یارن پرائیویٹ ڈیولپمنٹ ڈیویژن کے بر خلاف کمیشن کے اراکین کی غیر مناسب تعداد کے سبب معطل ہو کر رہ گیا ہے۔ وزارت صنعت نے ہماری انڈسٹری کے اسٹیک ہولڈروں کو یقین دہانی کرائی ہے کہ اکتوبر 2016ء تک NTC کو مکمل طور سے فعال بنائے جانے کی غرض سے موزوں اقدامات اٹھائے جا رہے ہیں۔ تاہم NTC کے کئی قانونی پہلوؤں کے متعلق تا حال غیر یقینی صورتحال قائم ہے۔

● اگر حکومت پاکستان سٹھیک یارن انڈسٹری کو شدید ضربات سے بچانا چاہتی ہے اور اگر چاہتی ہے کہ ہمارے ملک سے یہ انڈسٹری ختم ہونے سے بچ جائے تو ضرورت اس امر کی ہے کہ پولیسٹر فلائٹ یارن کی درآمد پر (پاکستان ٹیرف کے چھپڑ 54 کیلے) فوری طور سے اضافی ڈیویژن عائد کی جائے جیسا کہ پولیسٹر فیبرک کے ضمن میں کیا گیا۔ پاکستان ٹیکسٹائل ایسوسی ایشن کے لحاظ سے دنیا کا چھٹا بڑا ملک ہے۔ اسے چاہئے کہ اس میں کافاندہ اٹھائے اور ملک میں ملبوسات کی ضرورت پوری کرنے کی غرض سے سٹھیک یارن کے استعمال کی ترویج کرے کیونکہ گزشتہ 15 برس کے دوران کپاس کی پیداوار 12 سے 15 ملین گانٹھیں چلی آ رہی ہے اور (بڑھتی ہوئی آبادی کا پیٹ بھرنے کی غرض سے) غذائی اجناس کی بڑھتی ہوئی طلب کے باعث آئندہ بھی محدود رہے گی۔ سٹھیک ٹیکسٹائل (اور اسکے پلیٹنڈز) ایک طرف تو مقامی آبادی کا تن ڈھانپنے میں مدد دے گی اور درآمدات پر قیمتی زرمبادلہ کی بچت کرے گی، دوسری جانب کاٹن سے تیار کردہ ملبوسات مقامی آبادی کی ملبوساتی طلب پوری کرنے میں کھپ جانے سے بچ جائیگی اور اضافی قدر والی مصنوعات کی درآمد کے سبب قیمتی زرمبادلہ کمایا جاسکے گا۔ حکومت کاٹن یارن اور کاٹن فیبرک پر پہلے ہی (پاکستان کسٹمز ٹیرف کے چھپڑ 52 کے تحت) ریگولیشن ڈیویژن عائد کر چکی ہے جبکہ اس شعبے میں درآمدات کی سطح پولیسٹر یارن اور پولیسٹر فیبرک کی بہ نسبت کافی کم ہے۔ چنانچہ حکومت کو پولیسٹر یارن کے ضمن میں بھی، خصوصاً اس صورت میں جب کہ یہ گارمنٹس ایکسپورٹرز کیلئے کم اہمیت کے حامل ہیں، یہی روش اختیار کرنی چاہئے۔

● آپ کی کمپنی کے فنڈز سیلز ٹیکس اور انکم ٹیکس ری فنڈ میں پھنسے ہوئے ہیں جو غیر ضروری طور پر مالیاتی لاگتوں میں اضافے اور نقدی کے حجم میں کمی کا باعث بن رہے ہیں۔ حکومت نے حال ہی میں سیلز ٹیکس ری فنڈ کا ایک مختصر سا حصہ جاری کرنے کا اقدام اٹھایا ہے جو درست سمت میں ایک قدم ہے۔

● حالیہ مالیاتی بجٹ میں حکومت نے ٹیکسٹائل انڈسٹری کو سیلز ٹیکس سے مبرا قرار دیا ہے۔ حکومت کے اس اقدام سے ٹیکسٹائل مصنوعات کی برآمدات میں اضافہ ہوگا اور دوسری طرف ری فنڈ کے جمیلے سے بھی یہ انڈسٹری بچی رہی گی۔ لیکن اس کے برعکس پیٹنگ میٹریل پر سیلز ٹیکس ان پٹ کی اجازت نہ دینے سے کاروباری لاگت میں پیش بہا اضافہ ہو جائیگا۔

● جب ڈیم پر پانی کی حالیہ صورتحال کے پیش نظر ہمیں امید ہے کہ پانی کی سپلائی جاری رہے گی جس سے متبادل ذرائع سے پانی کے حصول اور اس ضمن میں اخراجات میں کمی واقع ہوگی۔

● فی الحال آپ کی کمپنی مارکیٹ کی غیر یقینی صورتحال کے سبب کم پیداواری سطح پر چلائی جا رہی ہے تاکہ اسٹاکس جمع ہونے اور اسکے نتیجے میں اسے سنبھالنے اور مالیاتی لاگتوں میں اضافے سے بچا جاسکے۔

## دیگر معاملات

ہماری 100 فیصد ملکیت میں چلائی جانے والی ذیلی کمپنی میسرز گیٹر وپاور (پرائیویٹ) لمیٹڈ کے تمام معاملات اطمینان بخش رہے۔ میسرز گیٹر وپاور (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز نے تجویز پیش کی ہے کہ 30 جون 2016ء کو اختتام پذیر ہوئی والے سال کیلئے مبلغ 9 روپے فی شیئر (90 فیصد) کے نقد منافع کی ادائیگی کی جائے۔ یہ منافع مبلغ 15 روپے فی شیئر (150 فیصد) کی شرح سے پہلے ہی ادا کر دیئے جانے والے عبوری منافع کے علاوہ ہے جس سے برائے سال ہذا کل منافع منقسمہ مبلغ 24 روپے فی شیئر (240 فیصد) ہو جائیگا۔

## منافع منقسمہ

متذکرہ بالا حالات کے بموجب بورڈ آف ڈائریکٹرز نے 30 جون 2016ء کو اختتام پذیر ہوئی والے سال کے کیلئے کسی منافع منقسمہ کی تجویز پیش نہیں کی ہے۔

## بورڈ آف ڈائریکٹرز کی رپورٹ

معزز ممبران،  
آپ کی کمپنی کے ڈائریکٹرز 30 جون 2016ء کو اختتام پذیر ہونے والے سال کی سالانہ رپورٹ ہمراہ کمپنی کے آڈٹ شدہ مالیاتی گوشوارے پیش کرتے ہوئے مسرت محسوس کرتے ہیں۔

زیر جائزہ سال کا مالیاتی خلاصہ حسب ذیل ہے:

- خالص فروخت... مبلغ 8,767 ملین روپے
- آپریشنل خسارہ... 698 ملین روپے
- مالی اخراجات... 59 ملین روپے
- آمدنی بذریعہ سرمایہ کاری... 543 ملین روپے
- خالص خسارہ قبل از کم ٹیکس... 214 ملین روپے
- خالص خسارہ بعد از کم ٹیکس... 254 ملین روپے
- خسارہ فی حصہ... 6.63 روپے

### مالیاتی جائزہ

زیر جائزہ سال میں خالص فروخت مبلغ 8,767 ملین روپے ہوئی جو کہ گزشتہ سال کے مقابلے میں 15 فیصد کم رہی جسکی وجہ مال کے اٹھاؤ میں کمی اور پولیسٹر ویلیو چین میں قیمتوں کا گر جانا ہے۔ چھکارا پانے والی (dumped) یارن کی ترسیل اور پیداواری استطاعت سے کم پر آپریشنز بھی منافع میں کمی کا باعث بنے جسکے نتیجے میں کمپنی کو مبلغ 264 ملین روپے کے خام خسارہ اور مبلغ 698 ملین روپے کے آپریشنل خسارے کا سامنا کرنا پڑا۔ dumped قیمتوں پر ملک میں پولیسٹر فلامنٹ یارن کی درآمد کے دباؤ کی وجہ سے یارن آپریشنز کو مسلسل خسارہ کا سامنا ہے۔

بنیادی خام مال MEG/PTA پر چین اور ملائیشیا سے فقط 320/350 امریکی ڈالر فی ٹن کے فرق پر درآمد شدہ یارن کی دستیابی نے پوری منجمد لاگت وصول کرنیوالی قیمت کا حصول مشکل بنایا جسکے نتیجے میں حالیہ مالیاتی گوشواروں میں خام آپریشنل خسارہ ظاہر کرنا پڑا۔ ایسا محسوس ہوتا ہے کہ کچھ اور سبسڈی اسکیمز کے عناصر بھی ہیں جو چین اور ملائیشیا براؤنڈنگ کا کوآئی کم قیمتوں پر برآمدات کرنے کے قابل بنا رہے ہیں۔ اس مسئلے کے حل اور مقامی صنعت کو اس سے منسلک نقصانات سے بچانے کی غرض سے آپ کی کمپنی نے ایک اور بڑے مینوفیکچرر کے ساتھ مل کر کوئی 7 ماہ قبل نیشنل ٹیرف کمیشن (NTC) میں اینٹی ڈمپنگ ڈیوٹی کی درخواست جمع کرائی جس پر کارروائی کی رفتار NTC کی تکمیل نہ ہونے اور دیگر قانونی پیچیدگیوں کے سبب سست رہی اور رہے گی۔ مزید برآں، ہماری انڈسٹری نے حکومت سے کاٹن یارن اور فیبرک پروڈکٹس کو اسکی جانب سے فراہم کی جانے والی اعانت کی طرز پر ریگولیشن ڈیوٹی کے عائد کرنے کی درخواست کی ہے۔

مذکورہ بالا نتائج اس کے باوجود ہیں کہ آپ کی کمپنی کئی برسوں سے اپنی پروڈکشن اور یوٹیلٹی مشینری کو جدید بنانے کے ساتھ ساتھ لاگت میں کمی لانے والے کئی پراجیکٹس پر عمل کر رہی ہے۔ یارن کے معاملے میں گزشتہ تین برسوں کے دوران Winders اور Texturizing مشینوں کی جگہ ایسی جدید ترین مشینیں نصب کی گئی ہیں جن کی رفتار زیادہ، بجلی کا خرچ اور مال کا زیاں کم ہونے کے علاوہ جو بہتر معیار بھی دیتی ہیں۔ فی الحال آپ کی کمپنی کم اہلیت کی حامل پرانی 'پری فارم' مشینوں کی جگہ نئی اور زیادہ موثر مشینیں نصب کرنے کے عمل سے گزر رہی ہے جو کم سرمائے کی لاگت کے ساتھ آئندہ مالی سال کے دوران پری فارم کی پیداوار میں اضافے اور بہتر آپریشنل نتائج کی حامل ہوگی۔

آپ کی کمپنی لاگت میں کمی کا کوئی موقع ہاتھ سے جانے نہیں دیتی مثلاً تیل کی قیمتوں میں ہر بار ردوبدل ہونے پر ٹرانسپورٹروں سے مذاکرات کر کے نرخ دوبارہ مقرر کرنے جاتے ہیں، اسٹورز اور فائنل پرزہ جات پر کنٹرول کیا جاتا ہے اور انتظامی امور میں بھی مختلف منوٹر اقدامات اٹھائے جاتے ہیں۔ نومبر 2015ء سے مارچ 2016ء تک فرنیس آئل کی گرتی قیمتوں سے فائدہ اٹھاتے ہوئے موجودہ فرنیس آئل ہمز بیٹرز سے بجلی کی پیداوار میں زیادہ سے زیادہ بچت کی گئی۔

زیر جائزہ مالی سال کے آخر میں اسٹاک کی مالیت 490 ملین روپے کی کمی کے ساتھ 2,020 ملین روپے تک پہنچی۔ دوسری جانب قابل وصولی قرضوں کی مالیت میں 19 ملین روپے کی کمی واقع ہوئی جو 749 ملین تک پہنچی جبکہ واجب الادا قرضوں کی مالیت میں بھی 613 ملین روپے کی کمی واقع ہوئی۔ کمپنی پر کوئی طویل المدتی قرضہ واجب الادا نہیں۔

# Corporate Social Responsibility

## APPROACH TO CSR

At Gatron, business priorities co-exist with social commitments and our approach to CSR is that our business has a responsibility beyond its basic accountability to its shareholders. A responsibility to a broader constituency that includes its key stakeholders: customers, employee, NGOs, government - the people of the communities in which it operates.

Today's consumers want to know more about the products they use - the clothes they buy, and the bottles they drink from; where it comes from, who makes it, and its carbon footprint. In this regard, Gatron is at an early stage of its substantiality roadmap and we will face many challenges in this journey. Our current challenge is to guide our organization back into profitability while at the same time producing environmental friendly products, protecting human rights of our workers and giving back to the community around us.

Gatron is striving to continually source innovative solutions to enhance business sustainability and meet the responsibility to our key stakeholders. Our commitment to sustainability is evident from measures taken during the last year. The key highlights of the year have been using resources more efficiently and steps taken to attain Oeko-Tex Certification.

## PLAN OF ACTION

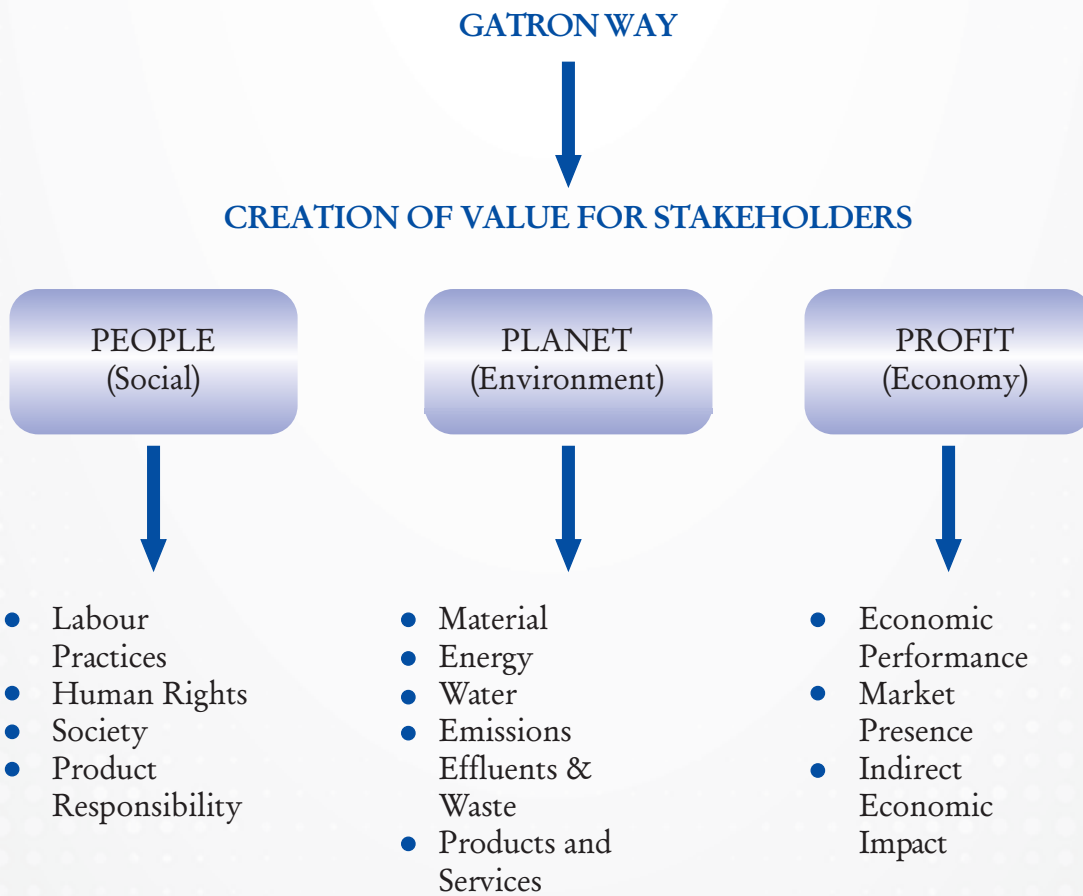
"Consume less; share better."

"Upgrade ; gain confidence."

Gatron is focused on investing in green projects that can also help improve the organization's bottom line. Whether it be balancing and modernization of fixed assets or modification of current operations to achieve lower energy consumption.

## MODEL OF CORPORATE SOCIAL RESPONSIBILITY





Based on the company's sustainability framework, Gatron's management has formed the following approaches for each of the above mentioned performance categories:

### **ECONOMIC PERFORMANCE**

Foreseeing rapidly increasing global competition and dumping significantly from neighboring Indian and Chinese economies, we need to seek ways to remain relevant in the Polyester industry.

Major cost saving initiatives in previous years have already been completed which include:

1. Electrical Generation & Supply Management - By improving Generator yields through proactive maintenance and capacity optimization, and by best utilization of resources and waste heat recovery.
2. Water recovery and reduction of water use
3. Light optimization - maximize natural day light usage feature have been incorporated in the design of our new Molding building.. For power saving several measures have been taken. Conventional outdoor lights, bulbs and tube lights have been replaced with LED energy savers at the plant floor and working offices. Replacement of hi-bay lights with LVD (Low Voltage Discharge Induction Light), and LED (Light Emitting Diode) type of Flood lights and Street lights has been completed.
4. Arresting Air leakages
5. Process de-bottle necking
6. Decreasing waste and increasing efficiency and productivity
7. Increasing re-usage of miscellaneous non production related material (recycling)

## EFFICIENCY IMPROVEMENTS IN PRODUCTION

Significant reduction in waste and improvement in production efficiency have been achieved by up-grading production processes that are both in-line and on-demand, with latest technologies applied to Polyester Filament Yarn, Chips, PET Resin and Preforms, and Power Generation.

All old Scragg and Barmag texturing machines have been replaced with latest version machines in previous years.

In Preform production, replacement of old Preform machines with newer ones are under implementation.

Optimization of the compressed air system was carried out during the year. With air pressure in the complete loop being brought down to save energy costs while at the same time maintaining quality of the finished product.

The above mentioned projects are an essential part of the Managements plan to bring down energy costs by utilizing the latest technology and turning the organization around back into profitability.

## EVOLVING SUSTAINABLY

To further enhance our commitment to the environment, we are now certified for Oeko-Tex Standard 100 for our Filament Yarn Products. This will be driving a substantial and authentic change in our marketing strategy as our product will be certified globally to meet environmental regulations.

The **Oeko-Tex Standard 100** is a globally acknowledged testing and certification system for textiles raw materials, intermediate and end products at all stages of production. The slogan is "CONFIDENCE IN TEXTILES" and aim is to ensure products are free of harmful substances.

## ENVIRONMENTAL PERFORMANCE

In our Corporate and Business operational strategies we have integrated Environmental objectives.

This is being done by maximizing our resource utilization by recovering and re-using most of our non-product outputs, reducing our requirement for fresh materials.

## MATERIAL, ENERGY & AIR

Re-use of paper tubes, cartons, chips bagging materials and wooden cases and printing papers is being done to minimize consumption. We take adequate safety measures and strive to avoid significant spills by monitoring our production sites. This year, we had no significant spills or leaks.

## EMISSIONS, EFFLUENTS & WASTE

At Gatron gaseous emissions (SO<sub>x</sub>, NO<sub>x</sub> & CO) and suspended particulate matter (SPM) monitoring is done by appropriate analyzer as per regulatory norms.



The waste generated, is either recycled within the plant or sold. Water conservation and reduction in effluents is ensured by recycling water from various streams or passing them through an effluent treatment plant for horticulture purposes.

## ADHERENCE TO STANDARDS

Gatron is wholeheartedly committed to provide resources, training, consultancy and auditing to ensure that we comply with National Environmental legislation.

At Gatron, practices are Eco-friendly and satisfy local as well as international Environmental standards. In February 2016 successful audits were conducted by the SGS certification body for:

- ISO 9001
- ISO 14001
- HACCP
- ISO 22000
- ISO/TS22002-4
- We have also attained WWF Green Office Certification last year for our office premises.
- Procurement and storage of Raw materials, auxiliaries, chemicals and laboratory reagents is being done according to MSDS - Material Safety Data Sheet.

As mentioned before Gatron has applied for certification of Oeko-TX std. 100 for filament yarn products which has the stated aim to ensure products are free of harmful substances. Tests for harmful substances include those prohibited and/or regulated by law, chemicals that according to current knowledge are harmful to health, and testing parameters such as precautionary measures to safeguard health.

## SOCIAL PERFORMANCE

### Labour Practices and Human Rights

As a responsible company we practice and endorse equal opportunity employment, ensure compliance with human rights initiatives and adhere to employee safety & labor laws. We embrace diversity and are committed to fair and equitable treatment of all, irrespective of origin or race in an environment that fosters performance and personal growth for employees.

First of its kind for Filament Yarn production in Pakistan, a 3rd Party audit was done in August 2015 for compliance with IKEA IWAY standard (IMUST requirement). The standard focuses on Environmental and Social & Working Conditions of an organization. Gatron is supplying Filament Yarn to various IKEA finished good suppliers.

### Safety & Health of Employees.

We consider Safety and Health of our employees as well as communities both as a business and ad hominid value. Therefore we have devised systems and practices that enables us to achieve our goal of an incident free environment. This year the number of fire incidents in the plant was reduced by half as compared to the previous year. We are working towards our goal for reducing them further for next year.

## Mission for Society

We believe that success of our business is only possible if the society around it is prosperous. Prosperity is ensured by following our principles of improved environmental performance and giving back to the community.

Gatron Foundation (a charitable institution) manages our community investment activities in health and education sectors.

We support community and Government to build a prosperous, educated and healthy Pakistan. Gatron donates generously in the Health and Education sector, whilst also contributes in employment generation and infrastructure development.

During the last three years, the Company has spent over Rs. 37 million on CSR activities.

## HUMAN RESOURCES DEVELOPMENT

Hiring Quality Human Resources and then empowering them to excel is at the core of our business activities. We believe that our Human Resources are the driving force of our organization, and therefore for us to succeed, it is pivotal that our employees flourish. Keeping this in mind, we always have, and continue to strive to provide our employees with a platform where they are provided ample opportunities to showcase their skills and talent and thus grow by leaps and bounds to become leaders of tomorrow. Part of this endeavor involves providing our staff the opportunity to attend extensive training programs that brush up their existing skills and at the same time foster new ones so that our employees keep abreast with contemporary best practices, as well as equip themselves with the necessary skills in order to move up the ladder in the organizational hierarchy. Thus, this year instead of conducting training sessions on diverse topics, we have developed an exhaustive curriculum based training program that focuses on bringing about substantial improvements in the competency level of our employees in order to improve their ultimate job performance by making them more knowledgeable and skillful.



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## INFORMATION & COMMUNICATION TECHNOLOGY

Information & Communication Technology is a key enabler seeking continuous improvement in the business processes of the company with a high emphasis on leveraging technology to gain business advantage. The governance of ICT is aimed at providing resilience to internal and external challenges with a view to ensuring continuity of business operation at all time.



During the period under review, company had invested heavily on new Servers and migrated its business operation to run on the new platform. This was done keeping in view the future growth and diversification in business operation besides improving overall efficiency. A number of measures had been taken for re-assurance of continuity of business operation with a 99.5% commitment level in the main. These were; automated round-the-clock monitoring of our network, pre-emptive compliance checking of our services housing on servers, on-the-fly backup of our databases without interruption of business operation, auto shifting of wide area network traffic to alternative links upon detecting problem/congestion.

ICT is working as an integral component of business operation leveraging technology wherever possible for saving cost. Video Conference, VPN & VoIP were some of the initiatives undertaken in the past towards saving operational cost particularly related to travel and communication. In the recent past a private cloud encompassing core business operations of the company has been setup centralizing at head office. This setup has been utilized for safely reaching out geographically to newer markets with better business controls.

On the systems' development side some new applications were developed particularly on the HRMS fold aiming at to institutionalize the organization's departmental objectives and their performances and practices. As part of our drive for continual improvement some old applications were revisited and fine-tuned to improve their efficiency. In addition to this in-house trainings were imparted to IS staff with a view to sharing knowledge and enhancing their skills and confidence.

## RISK MANAGEMENT

A structured approach to risk has become very crucial for organizations in order to ensure that their key objectives are met. Management directly oversees risk management process, with a focus on strategic, operational and financial risks. We understand that no business projects can earn returns without accepting a certain risks and hence the process of Risk Management is designed to manage rather than eliminating risks.



Certain risks are beyond control and are therefore transferred to the insurance companies. The Company's assets are well covered against natural or man-made disasters and the Risk Department is continuously involved in identification and mitigation of any new risks, arising due to change in circumstances. The objective is to ensure business continuity and also includes efforts to minimize time to recovery.

Company takes all necessary actions possible to avoid or mitigate major risks. Our risk management process consists of various reactive and preventive actions that safeguard the Company against upcoming threats.

## HEALTH, SAFETY & ENVIRONMENT

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



The Safety Operation Committee consisting of Senior Management has been formed for this purpose, which conducts meetings periodically.

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

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

In addition, Comprehensive Occupational Health and Safety Training Sessions including practical firefighting and mock evacuation drills are conducted for all employees and its workforce for an organized evacuation in case of any emergency.

The company having equipped fire tender with dedicated fire and safety staff in each shift, in addition, an Emergency Response Team (ERT Team) is formed in all shifts, which may respond in case of any emergency for example fire emergency, oil spillage emergency, rain emergency, earth quake emergency etc. The company also keeps adequate stock of firefighting equipments for front line fire fighters.



Management has also provided resources for the installation of Fixed Foam Monitors for Oil Installations Areas.

The company recognizes the importance of a healthy work force and safe workplaces as well as Property Protection by developing with a hazards free and peaceful environment as well as maintaining Fire and Safety Equipment on site with dedicated staff, to ensure effectiveness.

In addition, First Aid Services is being provided on site to all employees as well contractor workforce and in serious condition mobilization by Ambulance to hospital as well as medical measures are being taken.

HSE Department also celebrate the events like Safety Day & Safety Walks with coordination of other departments, in fact these type of events develop in safety culture in work-force of GATRON.

## CORPORATE GOVERNANCE

At Gatron, we evolve and follow the corporate governance guidelines and best practices sincerely to not just boost long-term shareholder value, but also to respect minority rights. We consider it our inherent responsibility to disclose timely and accurate information regarding our financials and performance, as well as the leadership and governance of the Company.

In accordance with the Gatron's Vision, Gatron aspires to be the global yarn industry benchmark for value creation and corporate citizenship. Gatron expects to realize its Vision by taking such actions as may be necessary in order to achieve its goals of value creation, safety, environment and people.

## **DELIVERY OF UNCLAIMED SHARES/UNCLAIMED DIVIDENDS**

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

## **TRADING OF COMPANY'S SHARES**

The Board has reviewed the threshold for disclosure of interest by executives holding of company's shares which includes CEO, CFO, Head of Internal Audit and Company Secretary. However, during the financial year the transactions of the shares by director and executive of the company is shown later in this report. The stock exchange is being regularly updated on trading of company's shares by management employees.

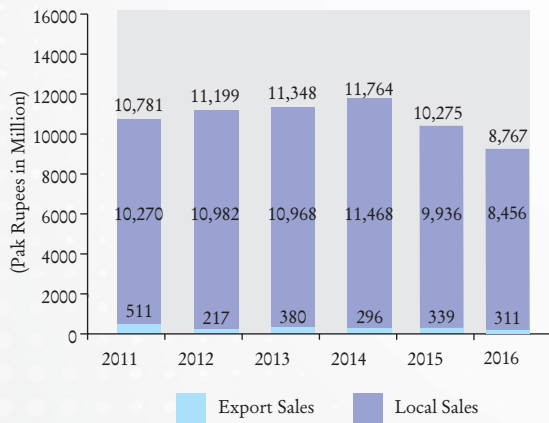


## Financial Highlights

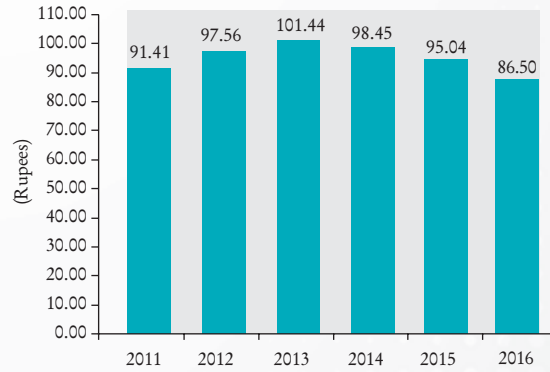
Particulars	2015	2014	2013	2012	2011	2010
<b>Operating Results</b>						
<b>Pak Rupees in Thousands</b>						
Sales	10,275,281	11,763,699	11,348,105	11,199,270	10,780,531	8,620,045
Gross Profit	36,265	580,635	496,980	1,117,653	871,698	566,874
Operating (loss) / profit	(451,346)	55,601	22,015	645,017	553,148	295,505
Profit after taxation	88,911	145,756	321,603	652,820	626,444	410,975
<b>Percentage</b>						
Dividend	35.00	55.00	40.00	95.00	50.00	20.00
<b>Financial Position</b>						
<b>Pak Rupees in Thousands</b>						
Paid up Capital	383,645	383,645	383,645	383,645	383,645	383,645
Reserves & unappropriated profit	3,262,345	3,393,211	3,508,016	3,359,053	3,123,345	2,573,630
Property, Plant & Equipment	1,837,233	1,797,791	1,719,259	1,860,764	2,047,881	2,357,159
Current Assets	4,233,600	4,394,362	4,690,308	3,725,008	3,713,325	2,671,278
Current Liabilities	2,620,345	2,614,420	2,393,858	1,675,047	2,013,047	1,603,698
Net Current Assets	1,613,255	1,779,942	2,296,450	2,049,961	1,700,278	1,067,580
Long Term Liabilities	-	-	-	-	79,158	298,815
Deferred Liabilities	404,613	400,528	426,083	470,357	463,770	470,731
<b>Financial Ratios &amp; Percentages</b>						
<b>Percentages</b>						
Gross Profit Ratio	0.35	4.94	4.38	9.98	8.09	6.58
Return on Capital Employed	1.65	4.31	5.92	23.28	22.49	14.24
Return on Equity	2.44	3.86	8.26	17.44	17.86	13.90
<b>Number of Times</b>						
Inventory Turnover	4.24	4.51	4.53	4.94	5.96	4.81
Debtors Turnover	11.07	10.48	11.60	11.24	12.57	16.15
Total Assets Turnover	1.53	1.74	1.80	1.87	1.89	1.54
Fixed Assets Turnover	5.65	6.69	6.34	5.73	4.89	3.60
Interest Cover	(4.39)	0.46	0.25	31.36	8.53	1.71
<b>Ratio</b>						
Debt-Equity	0 : 100	0 : 100	0 : 100	0 : 100	02 : 98	09 : 91
Current Ratio	1.62 : 1	1.68 : 1	1.96 : 1	2.22 : 1	1.84 : 1	1.67 : 1
<b>Per Share Results and Returns</b>						
<b>Pak Rupees</b>						
Break-up Value	95.04	98.45	101.44	97.56	91.41	77.08
Earnings per Share - Basic and diluted	2.32	3.80	8.38	17.02	16.33	10.71
Dividend per Share	3.50	5.50	4.00	9.50	5.00	2.00
<b>Percentages</b>						
Dividend Yield	2.48	3.24	2.34	10.17	9.51	4.76
Dividend Pay Out	150.86	144.74	47.73	55.82	30.62	18.67
<b>Number of Times</b>						
Price Earning Ratio - Year end price	60.78	44.74	20.41	5.49	3.22	3.92
<b>Share Performance</b>						
<b>Pak Rupees</b>						
Highest	175.00	200.37	201.00	95.78	58.80	77.00
Lowest	139.00	165.03	88.79	49.00	36.80	35.77
At year end	141.00	170.00	171.00	93.45	52.60	42.00

# Graphical Presentation

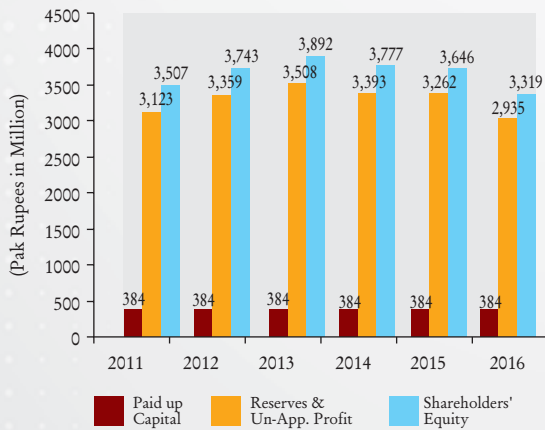
Sales



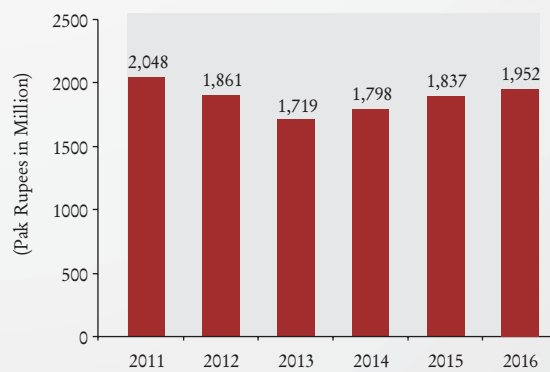
Break up Value of Share



Shareholders' Equity



Property, Plant And Equipment



**REVIEW REPORT TO THE MEMEBRS  
ON STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of **Gatron (Industries) Limited** ("the Company") for the year ended June 30, 2016 to comply with the requirement of Rule 5.19 of the Rule Book of the Pakistan Stock Exchange Limited, where the Company is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirement of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the 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 are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval, its 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. We are only required and have ensured compliance of this requirement to the extent of the approval of related party transactions by the Board of Directors upon recommendation of 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 except for the below highlighted matter, 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 as applicable to the company for the year ended June 30, 2016.

Further, we highlight that the Code requires Executive Director not to be more than one third of the elected directors, however Company's Board of Directors comprised of 5 executive directors and 4 non-executive directors including independent director which has been rectified subsequent to the balance sheet date as stated in the annexed statement of compliance.

  
KRESTON HYDER BHIMJI & CO.

Chartered Accountants

Engagement Partner: Shaikh Mohamud Tanvir

Karachi: September 17, 2016



## Statement of Compliance with the Code of Corporate Governance

Name of the Company: Gatron (Industries) Limited  
Year Ended: June 30, 2016

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Clause No. 5.19 of the Rule Book of the Pakistan Stock Exchange 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:

- 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
Executive Directors	Mr. Peer Mohammad Diwan, Chief Executive
	Mr. Shabbir Diwan
	Mr. Muhammad Taufiq Bilwani
Non-Executive Directors	Haji Haroon Bilwani, Chairman
	Mr. Abdul Razak Diwan **
	Mr. Zakaria Bilwani **
	Mr. Usman Bilwani
	Mr. Iqbal Bilwani
Independent Director	Mr. Muhammad Waseem *

\* The independent director meets the criteria of independence under clause 5.19.1.(b) of the CCG.

\*\* With effect from September 17, 2016, Mr. Abdul Razak Diwan and Mr. Zakaria Bilwani have become non-executive directors on the Board.

- The directors have confirmed that none of them is serving as a director in more than seven listed companies, including this company.
- 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 NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No casual vacancy occurred on the Board after the election of directors which was held on December 22, 2014.
- The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate 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 arranged in house regular training programs for its directors during the year.
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 of four members, of whom three are non-executive directors and one independent director. The Chairman of the committee is a non-executive director.
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 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 of four members, of whom two are non-executive directors, one executive director and one is independent director. 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 of 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.
22. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors.
23. Material/price sensitive information, if any has been disseminated among all market participants at once through stock exchange.
24. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board of Directors

**Peer Mohammad Diwan**  
**Chief Executive**

September 17, 2016

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **GATRON (INDUSTRIES) LIMITED** ("the Company") as at June 30, 2016 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 estimates 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
  - iii. 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, 2016 and of the loss, total comprehensive loss, 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.

  
KRESTON HYDER BHIMJI & CO.  
Chartered Accountants

Engagement Partner: Shaikh Mohammad Tanvir

Karachi: September 17, 2016

# Balance Sheet

AS AT JUNE 30, 2016

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	4	1,952,288	1,837,233
Long term investments	5	597,614	597,642
Long term loans	6	1,247	804
Long term deposits	7	1,666	1,669
		<u>2,552,815</u>	<u>2,437,348</u>
<b>Current Assets</b>			
Stores, spare parts and loose tools	8	460,556	447,100
Stock in trade	9	2,020,492	2,510,177
Trade debts	10	748,713	767,713
Loans and advances	11	27,089	43,384
Trade deposits and short term prepayments	12	41,637	3,482
Other receivables	13	286,212	187,191
Taxes refund due from Federal Government	14	309,794	195,413
Cash and bank balances	15	64,329	79,140
		<u>3,958,822</u>	<u>4,233,600</u>
<b>TOTAL ASSETS</b>		<u><u>6,511,637</u></u>	<u><u>6,670,948</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Share capital	16	383,645	383,645
Capital reserves	17	458,645	458,645
General reserve	18	2,000,000	2,500,000
Unappropriated profit		476,377	303,700
		<u>3,318,667</u>	<u>3,645,990</u>
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Deferred liabilities	19	425,204	404,613
<b>Current Liabilities</b>			
Trade and other payables	20	1,163,624	1,776,975
Accrued mark up	21	7,646	16,789
Short term borrowings	22	1,506,252	762,879
Provision for income tax less payments	23	90,244	63,702
		<u>2,767,766</u>	<u>2,620,345</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	24		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>6,511,637</u></u>	<u><u>6,670,948</u></u>

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

PEER MOHAMMAD DIWAN  
Chief Executive

IQBAL BILWANI  
Director

Buying/Selling closing conversion rates were 1 US\$ = Rs.104.50/104.70, 1 Euro € = Rs.116.08/116.31 and 1 Pound £ = Rs.140.12/140.39

## Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2016

	Note	(Pak Rupees in Thousand)	
		2016	2015
Sales	25	8,766,903	10,275,281
Cost of sales	26	9,030,767	10,239,016
<b>Gross (loss)/profit</b>		<u>(263,864)</u>	<u>36,265</u>
Distribution and selling expenses	27	237,748	234,300
Administrative expenses	28	229,898	268,100
Other operating expenses	29	5,365	44,039
		473,011	546,439
		<u>(736,875)</u>	<u>(510,174)</u>
Other income	30	38,988	58,828
<b>Operating loss</b>		<u>(697,887)</u>	<u>(451,346)</u>
Finance cost	31	59,341	104,904
		<u>(757,228)</u>	<u>(556,250)</u>
Investment income - Dividend	32	542,588	616,350
<b>(Loss)/profit before income tax</b>		<u>(214,640)</u>	<u>60,100</u>
Income tax - Current and Prior Deferred		64,175	29,941
		<u>(24,320)</u>	<u>(58,752)</u>
	33	39,855	(28,811)
<b>(Loss)/profit after income tax</b>		<u>(254,495)</u>	<u>88,911</u>
<b>(Loss)/earnings per share - Basic and diluted ( Rupees )</b>	34	<u>(6.63)</u>	<u>2.32</u>

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

PEER MOHAMMAD DIWAN  
Chief Executive

IQBAL BILWANI  
Director

## Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2016

	(Pak Rupees in Thousand)	
	2016	2015
(Loss)/profit after income tax	(254,495)	88,911
Other comprehensive income		
<i>Items that will never be reclassified to profit or loss</i>		
Remeasurement of defined benefit liability having nil tax impact	(15,281)	(27,955)
Total comprehensive (loss)/income	<u>(269,776)</u>	<u>60,956</u>

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

**PEER MOHAMMAD DIWAN**  
Chief Executive

**IQBAL BILWANI**  
Director

# Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2016

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>Cash Flow (towards)/from Operating Activities</b>			
(Loss)/profit before income tax		(214,640)	60,100
Adjustments for:			
Depreciation	4.2	314,600	294,187
Provision for defined benefit plan	19.2.1	36,961	40,561
Gain on disposal of property, plant and equipment	30	(8,598)	(4,645)
Loss on disposal of property, plant and equipment	29	47	102
Impairment in long term investments	29	28	115
(Reversal)/provision for doubtful trade debts-net	30	(4,201)	8,099
(Reversal)/provision for slow moving stores, spare parts and loose tools-net	30	(1,363)	11,092
Reversal of provision for Gas Infrastructure Development Cess		-	(25,444)
Dividend income	32	(542,588)	(616,350)
Finance cost	31	59,341	104,904
		<u>(145,773)</u>	<u>(187,379)</u>
		(360,413)	(127,279)
Decrease/(increase) in current assets:			
Stores, spare parts and loose tools		(12,093)	36,585
Stock in trade		489,685	(194,896)
Trade debts		23,201	312,953
Loans and advances		14,966	(3,731)
Trade deposits and short term prepayments		(38,155)	11,766
Other receivables		(99,021)	52,257
Taxes refund due from Federal Government		(90,386)	(16,320)
		288,197	198,614
(Decrease)/increase in Trade and other payables		<u>(599,607)</u>	<u>598,847</u>
Cash flow (towards)/from operations		(671,823)	670,182
(Payments for)/receipts of:			
Long term loans		886	(3,578)
Long term deposits		3	2
Defined benefit plan		(7,331)	(5,679)
Finance cost		(68,484)	(113,995)
Income tax	23	(61,628)	(73,309)
Net cash flow (towards)/from operating activities		<u>(808,377)</u>	<u>473,623</u>
<b>Cash Flow from/(towards) Investing Activities</b>			
Additions in property, plant and equipment		(439,539)	(338,265)
Proceeds from disposal of property, plant and equipment	4.3	18,425	9,206
Decrease in long term investments		-	12
Dividend received	32	542,588	616,350
Net cash flow from investing activities		121,474	287,303
<b>Cash Flow (towards)/from Financing Activities</b>			
Dividend paid		(71,281)	(161,302)
Net cash flow towards financing activities		<u>(71,281)</u>	<u>(161,302)</u>
Net (decrease)/increase in cash and cash equivalents		(758,184)	599,624
Cash and cash equivalents at the beginning		(683,739)	(1,283,363)
Cash and cash equivalents at the end	35	<u>(1,441,923)</u>	<u>(683,739)</u>

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

PEER MOHAMMAD DIWAN  
Chief Executive

IQBAL BILWANI  
Director



# Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2016

(Pak Rupees in Thousand)

	Share Capital	Capital Reserves			General reserve	Unappropriated profit	Total
		Share Premium	Others	Sub Total			
Balances as at July 01, 2014	383,645	383,645	75,000	458,645	2,500,000	434,566	3,776,856
Total comprehensive income for the year ended June 30, 2015	-	-	-	-	-	60,956	60,956
<b>Transactions with owners</b>							
Final cash dividend for the year ended June 30, 2014 at Rs. 3.00 per share i.e. @30%	-	-	-	-	-	(115,093)	(115,093)
Interim cash dividend for the year ended June 30, 2015 at Rs.2.00 per share i.e. @20%	-	-	-	-	-	(76,729)	(76,729)
	-	-	-	-	-	(191,822)	(191,822)
Balances as at June 30, 2015	383,645	383,645	75,000	458,645	2,500,000	303,700	3,645,990
Total comprehensive loss for the year ended June 30, 2016	-	-	-	-	-	(269,776)	(269,776)
Transfer from General reserve	-	-	-	-	(500,000)	500,000	-
<b>Transactions with owners</b>							
Final cash dividend for the year ended June 30, 2015 at Rs.1.50 per share i.e. @15%	-	-	-	-	-	(57,547)	(57,547)
<b>Balances as at June 30, 2016</b>	<b>383,645</b>	<b>383,645</b>	<b>75,000</b>	<b>458,645</b>	<b>2,000,000</b>	<b>476,377</b>	<b>3,318,667</b>

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

**PEER MOHAMMAD DIWAN**  
Chief Executive

**IQBAL BILWANI**  
Director

# Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2016

## 1 THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are quoted at Pakistan Stock Exchanges 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 Filament Yarn alongwith its raw material viz. Yarn Grade Polyester Chips. However, the Company also produces other varieties of Polyester Chips viz Bottle Grade as well as PET Preforms. The Company also owns following Subsidiary Companies:

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

## 2 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 became effective during the year

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

IFRS-9	Financial Instruments: Classification and Measurement
IFRS-10	Consolidated Financial Statements - Amendment
IFRS-11	Joint Agreements - Amendment
IFRS-12	Disclosure of Interests in Other Entities - Amendment
IFRS-13	Fair Value Measurement

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

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

The following Standards, interpretations and amendments to published approved accounting standards that are effective for accounting periods, beginning on or after the date mentioned against each to them.

		<b>Effective for the period beginning on or after</b>
IAS-1	Presentation of Financial Statements - Amendment	January 01, 2016
IAS-7	Statement of Cash Flows - Amendment	January 01, 2017
IAS-12	Income Taxes - Amendment	January 01, 2017
IAS-16	Property, Plant and Equipment - Amendment	January 01, 2016
IAS-27	Separate Financial Statements - Amendment	January 01, 2016
IAS-38	Intangible Assets - Amendment	January 01, 2016
IAS-41	Agriculture - Amendment	January 01, 2016
IFRS-2	Share Based Payments - Amendment	January 01, 2018
IFRS-9	Financial Instrument (Replacement of IAS 39) - Amendment	January 01, 2018
IFRS-14	Regulatory Deferral Accounts	January 01, 2016
IFRS-15	Revenue from Contract with Customer	January 01, 2018
IFRS-16	Leases	January 01, 2019

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

In addition to above, certain new cycle of improvements will apply prospectively for period beginning on or after 01, July 2016, are either considered not to be relevant or are not expected to have significant impact to the company's financial statements and hence have not been specified.

### **2.3 Basis of measurement**

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

### **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 recognized and effect is given in the period in which estimates are revised, or in the period of the revision and future periods as appropriate.

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

#### **a) Property, plant and equipment**

The Company's management reviews the estimated useful lives and related depreciation charge for its property, plant and equipment on each 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 parameters as stated in note 3.6, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effect of variation is recorded as and when it takes place.

**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. 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 parameter i.e. age analysis, as stated in note 3.4 as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effects of variation is recorded as and when it takes place.

**e) Defined benefit plan**

The actuarial 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. Deferred tax estimate is made considering future applicable tax rate, as also stated disclosed in note 3.10 to the financial statements.

**g) Impairment of investment in Subsidiary and Associated Company**

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

**h) Contingencies**

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

**2.5 Functional and reporting currency**

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

**3 SIGNIFICANT ACCOUNTING POLICIES**

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

### 3.1 Property, plant and equipment

#### **Initial recognition & measurement:**

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

#### **Depreciation:**

Depreciation is charged on diminishing balance method 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 cost:**

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.

#### **Impairment:**

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:**

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

### 3.2 Impairment of assets

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

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 '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 as stated in note 2.4 (d). The major value spares and stand by equipments are capitalized and depreciated according to their useful life.

### 3.5 Stock in trade

These are valued at lower of weighted average cost and net realisable value. The value of goods in process and finished goods represents 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 recognised at invoice value which is fair value of the good sold. Export debtors are translated into Pak Rupee at the rate prevailing on the balance sheet date. A provision for doubtful debt is established when there is objective evidence that the Company will not be able to collect amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation or overdue amount allowance, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provision is recognised in the 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, in addition to defined contribution plan being not mandatory under the law, for its employees and working directors who attain the minimum qualification period. The obligation is determined through actuarial valuation by using the "Projected Unit Credit Method". The latest actuarial valuation was conducted on the balances as at June 30, 2016.

### 3.9 Compensated unavailed leaves

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

### 3.10 Income Tax

#### Current

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

#### Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the 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 recognized upto balance sheet date.

### 3.12 Provision

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

### 3.13 Borrowings and their cost

Borrowings are recorded as the proceeds received.

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

### 3.14 Foreign currency transactions and translation

Foreign currency transactions are recorded into 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:

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

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

### 3.19 Segment information

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

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

Segment capital expenditure if any, is the total cost incurred during the year to acquire property, plant and equipment. Segment results are stated in note 38.

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>			
Operating fixed assets	4.1	1,905,044	1,778,431
Capital work in progress	4.4	47,244	58,802
		<u>1,952,288</u>	<u>1,837,233</u>



#### 4.1 Operating fixed assets

Particulars	Land		Building		Office premises	Plant and machinery	Furniture and fixture	Factory equipment	Office equipment	Motor vehicles	Store and spares held for capital expenditure	TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land								
(Pak rupees in thousand)												
<b>Net carrying value</b>												
<b>Year ended June 30, 2016</b>												
Opening net book value	25,320	13,748	906	105,168	4,736	1,495,650	2,748	30,422	7,372	79,918	12,443	1,778,431
Additions at cost	-	-	-	-	-	82,846	688	3,113	3,146	19,195	-	108,988
Transfer from capital work in progress	-	-	-	2,589	-	335,622	-	3,888	-	-	-	342,099
Transfer at NBV	-	-	-	-	-	3,046	-	-	-	-	(3,046)	-
Disposal at NBV	-	400	-	-	-	623	-	-	26	8,825	-	9,874
Depreciation	-	-	91	10,776	474	274,340	661	7,114	2,688	17,046	1,410	314,600
<b>Closing net book value</b>	<b>25,320</b>	<b>13,348</b>	<b>815</b>	<b>96,981</b>	<b>4,262</b>	<b>1,642,201</b>	<b>2,775</b>	<b>30,309</b>	<b>7,804</b>	<b>73,242</b>	<b>7,987</b>	<b>1,905,044</b>
<b>Gross carrying value</b>												
<b>At June 30, 2016</b>												
Cost	25,320	13,348	14,248	432,671	9,902	6,688,857	18,281	81,012	62,049	163,452	14,131	7,523,271
Accumulated depreciation	-	-	13,433	335,690	5,640	5,046,656	15,506	50,703	54,245	90,210	6,144	5,618,227
<b>Net book value</b>	<b>25,320</b>	<b>13,348</b>	<b>815</b>	<b>96,981</b>	<b>4,262</b>	<b>1,642,201</b>	<b>2,775</b>	<b>30,309</b>	<b>7,804</b>	<b>73,242</b>	<b>7,987</b>	<b>1,905,044</b>
<b>Net carrying value</b>												
<b>Year ended June 30, 2015</b>												
Opening net book value	25,320	13,748	1,007	114,415	5,262	1,454,774	3,063	30,712	9,137	85,427	14,639	1,757,504
Additions at cost	-	-	-	-	-	42,243	332	3,759	716	17,899	-	64,949
Transfer from capital work in progress	-	-	-	2,438	-	249,362	-	2,968	60	-	-	254,828
Disposal at NBV	-	-	-	-	-	-	-	-	123	4,540	-	4,663
Depreciation	-	-	101	11,685	526	250,729	647	7,017	2,418	18,868	2,196	294,187
<b>Closing net book value</b>	<b>25,320</b>	<b>13,748</b>	<b>906</b>	<b>105,168</b>	<b>4,736</b>	<b>1,495,650</b>	<b>2,748</b>	<b>30,422</b>	<b>7,372</b>	<b>79,918</b>	<b>12,443</b>	<b>1,778,431</b>
<b>Gross carrying value</b>												
<b>At June 30, 2015</b>												
Cost	25,320	13,748	14,248	430,082	9,902	6,266,820	17,593	74,011	58,968	163,337	18,795	7,092,824
Accumulated depreciation	-	-	13,342	324,914	5,166	4,771,170	14,845	43,589	51,596	83,419	6,352	5,314,393
<b>Net book value</b>	<b>25,320</b>	<b>13,748</b>	<b>906</b>	<b>105,168</b>	<b>4,736</b>	<b>1,495,650</b>	<b>2,748</b>	<b>30,422</b>	<b>7,372</b>	<b>79,918</b>	<b>12,443</b>	<b>1,778,431</b>

Depreciation rate

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

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

	Note	(Pak Rupees in Thousand)	
		2016	2015
Cost of sales	26	307,597	286,443
Distribution and selling expenses	27	681	943
Administrative expenses	28	6,322	6,801
		314,600	294,187

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

(Pak Rupees in Thousand)

Description	Cost	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyers
<b>LAND</b> Lease Hold Property - S.F Unit-21	400	400	3,500	Negotiation	M/s. Muhammad Brothers House No.102/1, Street No.8, Khayaban-e-Rahat, Phase-7, DHA Karachi.
<b>Sub Total</b>	<b>400</b>	<b>400</b>	<b>3,500</b>	--	--
<b>PLANT &amp; MACHINERY</b> Daikin Package Airconditioner	1,095	623	675	Negotiation	M/s. Fresh Air Technical Associates Plot# 15, 25th Street Tauheed Commercial, DHA, Phase V, Karachi.
<b>Sub Total</b>	<b>1,095</b>	<b>623</b>	<b>675</b>	--	--
<b>OFFICE EQUIPMENT</b> Photostate Machine	65	26	8	Negotiation	M/s. Nashua Traders S # 11, Shamim Plaza, Usama Memorial Hospital, F.B.Area, Karachi.
<b>Sub Total</b>	<b>65</b>	<b>26</b>	<b>8</b>	--	--
<b>MOTOR VEHICLES</b> Suzuki Liana ASF-713	986	258	596	Company Policy	Mr.Ahsan Qureshi (Employee)
Suzuki Liana ASF-714	1,024	269	934	Company Policy	Mr.Zaki Hussain (Employee)
Suzuki Liana ASR-915	1,069	299	661	Company Policy	Mr.Zubair Motiwala (Employee)
Toyota Corolla Altis AYM-321	2,087	1,162	1,962	Company Policy	Mr.Asif Kasbati (Employee)
Suzuki Cultus AQX-407	682	107	521	Company Policy	Mr.Amjad Habib (Employee)
Suzuki Alto ASB-278	593	143	415	Company Policy	Mr.Mubashir Aleem (Employee)
Toyota Corolla AUN-619	1,450	472	696	Company Policy	Mr.Muhammad Yousuf (Employee)
Honda Civic ASX-619	1,719	456	1,165	Company Policy	Mr.Muhammad Ibrahim (Employee)
Suzuki Swift BAW-983	1,282	800	1,102	Company Policy	Mr.Muhammad Ashraf (Employee)
Suzuki Cultus AUJ-661	883	261	510	Company Policy	Mr.Nasir Qureshi (Employee)
Toyota Corolla BET-237	1,752	1,635	1,752	Company Policy	Mr.Rizwan Jafri (Employee)
Toyota Corolla AQR-241	1,056	207	507	Negotiation	Mrs.Nargis Zaitoon Apartment, Parsi Colony, Karachi.
Suzuki Swift BER-375	1,282	1,282	1,282	Negotiation	M/s. Novatex Ltd - Associated Company Ground Floor, G&T Tower, #18, Beaumont Road, Civil Lines-10, Karachi.
Honda City AUK-568	1,295	414	660	Negotiation	M/s.Margalla Motors 166-A, Sir Syed Road, Block-3, PECHS, Karachi.
Suzuki Swift AYA-856	1,211	651	950	Insurance Claim	M/s. EFU General Insurance Karachi.
Honda CD70 KHQ-7723	70	62	55	Insurance Claim	M/s. EFU General Insurance Karachi.
Honda CD-70 KIT-1404	64	63	64	Insurance Claim	M/s. EFU General Insurance Karachi.
Honda CD-70 KIV-9236	64	62	64	Insurance Claim	M/s. EFU General Insurance Karachi.
Items having book value upto Rs.50 thousand each	511	222	346	Various	Various
<b>Sub Total</b>	<b>19,080</b>	<b>8,825</b>	<b>14,242</b>	--	--
<b>Total - 2016</b>	<b>20,640</b>	<b>9,874</b>	<b>18,425</b>	--	--
<b>Total - 2015</b>	<b>15,051</b>	<b>4,663</b>	<b>9,206</b>	--	--

#### 4.4 Capital Work-in-Progress

(Pak Rupees in Thousand)

	Balance as at July 1, 2015	Additions	Transfer to Operating fixed assets	Balance as at June 30, 2016
Factory building on lease hold				
land under construction	2,589	19,941	(2,589)	19,941
Plant and machinery under erection	52,327	310,598	(335,622)	27,303
Factory equipment	3,886	2	(3,888)	-
	<u>58,802</u>	<u>330,541</u>	<u>(342,099)</u>	<u>47,244</u>
	Balance as at July 1, 2014	Additions	Transfer to Operating fixed assets	Balance as at June 30, 2015
Factory building on lease hold				
land under construction	3,861	1,166	(2,438)	2,589
Plant and machinery under erection	36,426	265,263	(249,362)	52,327
Factory equipment	-	6,854	(2,968)	3,886
Office equipment	-	60	(60)	-
	<u>40,287</u>	<u>273,343</u>	<u>(254,828)</u>	<u>58,802</u>

#### 5 LONG TERM INVESTMENTS Related Parties

##### Wholly Owned Subsidiary Companies

	Note	2016	2015
22.575 million (2015: 22.575 million) shares including 7.525 million bonus shares in Messrs. Gatro Power (Private) Limited	5.1	150,500	150,500
25,000 (2015: 25,000) shares in Messrs. Global Synthetics Limited - Unlisted	5.2	250	250
Impairment loss	5.3	(136)	(108)
		<u>114</u>	<u>142</u>
		<u>150,614</u>	<u>150,642</u>

##### Associated Companies

56.7 million (2015: 56.7 million) shares including 12 million bonus shares in Messrs. Novatex Limited - Unlisted	5.4	447,000	447,000
		<u>597,614</u>	<u>597,642</u>

- 5.1 The value of investment on the basis of the net assets, as disclosed in its audited financial statements as at June 30, 2016 amounted to Rs.869.785 million (2015: Rs.879.365 million) .
- 5.2 The value of the investment on the basis of the net assets, as disclosed in its audited financial statements as at June 30, 2016 amounted to Rs.0.114 million (2015: Rs.0.142 million).

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>5.3 Impairment loss</b>			
Balance at beginning		108	231
Charge for the year		28	115
Reversals due to winding up of Subsidiary Company		-	(238)
Balance at end		<u>136</u>	<u>108</u>

- 5.4 The value of 56.7 million (2015: 56.7 million) shares being 36.83% (2015: 36.83%) holding of the total issued share capital of Associated Company, on the basis of the net assets, as disclosed in its un-audited financial statements as at March 31, 2016 amounted to Rs.3,910.983 million (March 2015: Rs.3,730.164 million) before adjusting dividend declared and paid amounting to Rs. 170.100 million (2015: Rs.113.400 million) subsequent to March 31.

## 6 LONG TERM LOANS - Considered good

### Secured - Interest free

To employees other than Chief Executive & Directors	6,834	7,720
Amount due in twelve months shown under current assets	<u>(5,587)</u>	<u>(6,916)</u>
Recoverable within three years	<u>1,247</u>	<u>804</u>

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

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

- 6.3 It includes loans to executives and its reconciliation is as under:

Balance at beginning	3,129	-
Disbursements during the year	2,350	4,500
Recoveries during the year	<u>(2,786)</u>	<u>(1,371)</u>
Balance at end	<u>2,693</u>	<u>3,129</u>

- 6.3.1 The maximum aggregate amount of loan due from executives at any month end during the year was Rs.3.038 million (2015: Rs.3.860 million).

## 7 LONG TERM DEPOSITS

Security deposits for utilities and others	<u>1,666</u>	<u>1,669</u>
--	--------------	--------------

		(Pak Rupees in Thousand)	
		2016	2015
<b>8</b>	<b>STORES, SPARE PARTS AND LOOSE TOOLS</b>		
	In hand:		
	Stores	87,898	103,456
	Spare parts	393,327	361,117
	Loose tools	3,179	3,583
		<u>484,404</u>	<u>468,156</u>
	Provision for slow moving stores, spare parts and loose tools	8.1 (25,117)	(26,480)
		<u>459,287</u>	<u>441,676</u>
	In transit	1,269	5,424
		<u>460,556</u>	<u>447,100</u>
<b>8.1</b>	Provision for slow moving stores, spare parts and loose tools		
	Balance at beginning	26,480	15,388
	Charge for the year	5,601	11,101
	Reversals due to consumption	(6,964)	(9)
		<u>(1,363)</u>	<u>11,092</u>
	Balance at end	<u>25,117</u>	<u>26,480</u>
<b>9</b>	<b>STOCK IN TRADE</b>		
	Raw material	444,451	540,006
	Raw material in transit	140,356	20,686
	Goods in process	296,340	779,088
	Finished goods	1,139,345	1,170,397
		<u>2,020,492</u>	<u>2,510,177</u>

These include raw material costing Rs.Nil (2015: Rs.364.285 million) valued at net realisable value of Rs.Nil (2015: Rs.338.785 million), goods in process costing Rs.Nil (2015: Rs.787.389 million) valued at net realisable value of Rs.Nil (2015: Rs.733.236 million) and finished goods costing Rs.970.760 million (2015: Rs.1,073.267 million) valued at net realisable value of Rs.828.690 million (2015: Rs.960.366 million).

## 10 TRADE DEBTS

<b>Considered good</b>			
Secured			
	Local	137,439	51,274
	Export	10.1 31,690	86,388
		10.2 169,129	137,662
	Unsecured	10.3 579,584	630,051
		<u>748,713</u>	<u>767,713</u>
<b>Considered doubtful</b>			
	Unsecured	63,774	67,975
	Provision for doubtful debts	10.4 (63,774)	(67,975)
		<u>-</u>	<u>-</u>
		<u>748,713</u>	<u>767,713</u>

10.1 This represents balances receivable in foreign currency of US\$ 0.286 million (2015: US\$ 0.231 million) and AED 0.062 million (2015: AED 2.276 million).

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

10.3 The maximum aggregate amount due from related party i.e. Messrs. Novatex Limited at any month end during the year was Rs.8.306 million (2015: Rs.17.053 million). Though the balance at each respective year end was nil.

	Note	(Pak Rupees in Thousand)	
		2016	2015
10.4 Provision for doubtful debts			
Balance at beginning		67,975	60,446
Charge for the year		4,981	37,829
Reversals since recovered		(9,182)	(29,730)
		(4,201)	8,099
Write offs		-	(570)
Balance at end		63,774	67,975

## 11 LOANS AND ADVANCES - Considered good

### Secured

Amount recoverable in twelve months from employees and executives

Advances to employees	6	5,587	6,916
	11.1	703	651
		6,290	7,567

### Unsecured

Advances:

to suppliers and contractors for imports	11.2	15,848	31,114
		4,951	4,703
		20,799	35,817
		27,089	43,384

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

11.2 These include advances against purchase of vehicles amounting to Rs.1.928 million (2015: Rs.3.969 million).

## 12 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Shipping guarantees - deposit		517	-
Security deposits		4,395	220
Prepayments		36,725	3,262
		41,637	3,482

## 13 OTHER RECEIVABLES - Considered good

Receivable from suppliers	13.1	135,038	26,371
Claims receivable from suppliers		100	1,327
Claims receivable from Insurance Companies		64	-
Sales tax		146,670	158,244
Others	13.2	4,340	1,249
		286,212	187,191

13.1 These include balances receivable in foreign currency of US\$ 1.181 million (2015: US\$ 0.112 million).

13.2 These include Rs.2.412 million (2015: Nil) receivable from related party i.e. Messrs. Gatro Power (Private) Limited on account of service charges and common expenses incurred by the Company.

		(Pak Rupees in Thousand)	
		2016	2015
<b>14</b>	<b>TAXES REFUND DUE FROM FEDERAL GOVERNMENT</b>	Note	
	Income tax	202,900	178,905
	Sales tax	106,894	16,508
		309,794	195,413
<b>15</b>	<b>CASH AND BANK BALANCES</b>		
	<b>Cash :</b>		
	In hand	1,064	1,567
	At banks in current accounts : Local currency	15.1 61,915	76,610
	Foreign currency	15.2 1,350	963
		63,265	77,573
		64,329	79,140
	15.1 These Include Rs.2.565 million (2015: Rs.2.310 million) received from contractors as security deposit, refer note 20.6.		
	15.2 These represent balances of US\$ 11,663.81 and Euro € 1,129.98 (2015 : US\$ 8,226.46 and Euro € 1,129.98).		
	15.3 Balance in bank accounts includes an amount of Rs.1.500 million (2015: Rs.16.628 million) placed under an arrangement under Shariah compliant.		
<b>16</b>	<b>SHARE CAPITAL</b>		
	<b>16.1 Authorised capital</b>		
	44,000,000 Ordinary shares of Rs. 10 each	440,000	440,000
	<b>16.2 Issued, subscribed and paid up capital</b>		
	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 as fully paid bonus shares	82,284	82,284
		383,645	383,645
	These include 1,620,387 (2015 : 1,620,387) shares held by an associated company, Messrs. Gani & Tayub (Private) Limited.		
<b>17</b>	<b>CAPITAL RESERVES</b>		
	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.		
<b>18</b>	<b>GENERAL RESERVE</b>	2,000,000	2,500,000
	This represents reserve created from accumulation of past years' profit, to meet future exigencies.		

19 DEFERRED LIABILITIES	Note	(Pak Rupees in Thousand)	
		2016	2015
Income tax-net	19.1	136,334	160,654
Defined benefit plan	19.2	288,870	243,959
		<u>425,204</u>	<u>404,613</u>

19.1 This comprises of the following major timing differences:

**Taxable temporary difference arising due to:**

tax depreciation allowances

163,890	190,880
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**Deductible temporary difference arising due to:**

Provision for doubtful debts

(19,770)	(21,752)
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Provision for slow moving stores, spare parts  
and loose tools

(7,786)	(8,474)
<u>136,334</u>	<u>160,654</u>

At the balance sheet date, deferred tax asset amounting to Rs.389.988 million (2015: Rs. 167.790 million) has not been recognised considering that it is not probable that sufficient taxable profit will be available in future.

19.2 Actuarial valuation of the plan was carried out as at June 30, 2016. The calculation for provision of defined benefit plan is as under:-

**Movement of the liability recognised in the balance sheet**

Balance at beginning		243,959	181,122
Expense	19.2.1	36,961	40,561
Remeasurement losses		15,281	27,955
Payment		(7,331)	(5,679)
Balance at end		<u>288,870</u>	<u>243,959</u>

**19.2.1 Expense**

Service cost

13,532	16,939
--------	--------

Interest cost

23,429	23,622
--------	--------

<u>36,961</u>	<u>40,561</u>
---------------	---------------

%	%
---	---

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

Discount rate	7.25%	9.75%
Future salary increase rate - Short term	7.25%	13.00%
Future salary increase rate - long term	7.25%	8.75%
Withdrawal Rate	Moderate	Moderate
Mortality	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005

**Sensitivity Analysis**

	2016		2015	
	PVDBO (Pak Rupees in Thousand)	Percentage Change	PVDBO (Pak Rupees in Thousand)	Percentage Change
Current Liability	288,870	-	243,959	-
+ 1% Discount Rate	272,129	-5.80%	232,677	-4.62%
- 1% Discount Rate	308,492	6.79%	256,844	5.28%
+ 1% Salary Increase Rate	310,119	7.36%	257,410	5.51%
- 1% Salary Increase Rate	270,498	-6.36%	231,988	-4.91%
+ 10% Withdrawal Rates	288,870	-0.00%	243,980	0.01%
- 10% Withdrawal Rates	288,870	-0.00%	243,939	-0.01%
1 Year Mortality age set back	288,863	-0.00%	244,210	0.10%
1 Year Mortality age set forward	288,880	0.00%	243,720	-0.10%



	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>20 TRADE AND OTHER PAYABLES</b>			
Trade creditors		263,512	173,497
Bills payable	20.1	294,867	384,315
Accrued expenses	20.2, 20.3, 20.4 & 20.5	165,583	742,155
Advance payments from customers		235,607	286,987
Creditors for capital expenditures		72	82
Security deposits from contractors	20.6	2,565	2,310
Workers' Welfare Fund		6,720	6,720
Infrastructure Cess on imports	20.7	98,112	87,137
Gas Infrastructure Development Cess	24.1(c)	27,700	7,975
Unclaimed dividend		26,932	40,666
Withholding taxes		5,050	7,641
Payable to Provident Fund Trusts		3,499	3,113
Other liabilities	20.8	33,405	34,377
		<u>1,163,624</u>	<u>1,776,975</u>

20.1 This represents balances payable in foreign currency of US\$ 2.816 million (2015: US\$ 3.779 million)

20.2 The Oil and Gas Regulatory Authority had enhanced gas rate from Rs.488.23 per MMBTU for industrial & Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU w.e.f. 01-09-2015. The Company alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate has been restrained. Further, in May 2016, The Single Bench of Sindh High Court decided the case in favour of the petitioners. However, in June 2016, defendants have filed appeal before Double Bench of Sindh High Court. As an abundant precaution, the Company has made provision of Rs.4.591 million (June 2015: Nil).

20.3 The Oil and Gas Regulatory Authority had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power in August 2013 and accordingly, Sui Southern Gas Company started charging rate prescribed for captive power to the Company w.e.f. September 2013. In December 2015, the Company alongwith several other companies filed suit in the Sindh High Court challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. As an abundant precaution, the Company has made provision of Rs.4.245 million (June 2015: Nil).

20.4 These include Rs.Nil (2015: Rs.573.436 million) and Rs.0.401 million (2015: Rs.0.349 million) payable to related parties i.e. Messrs. Gatro Power (Pvt) Limited and Messrs. Gani & Tayub (Private) Limited respectively.

20.5 These include Rs.9.246 million (2015: Rs.4.476 million) payable to related party Messrs. Novatex Limited including Rs.1.901 million (2015: Nil) in respect of Sindh Sales Tax provision on rent, which is currently in litigation and Messrs. Novatex Limited has obtained stay from Honorable Sindh High Court in this respect.

20.6 This represents deposits from contractors held in separate bank account, refer Note 15.1.

**20.7 Infrastructure Cess on imports**

Balance at beginning	87,137	74,613
Provision made during the year	21,950	26,568
Payment made during the year	(10,975)	(14,044)
Balance at end	<u>98,112</u>	<u>87,137</u>

The Company had filed a petition in the Sindh High Court 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 Sindh High Court.

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 Sindh High Court. Consequently a new petition was filed by the Company in the Sindh High Court. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. Till balance sheet date, the Company has provided bank guarantee amounting to Rs.98.865 million (2015: Rs.89.865 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006. Based on the legal advise, the management believes that the case will be decided in favour of the Company. However, full provision after December 27, 2006 has been made in the accounts as an abundant precaution.

- 20.8 These include Rs.26.523 million (2015: Rs.25.904 million) received from employees under company car policy.

21 ACCRUED MARK UP	Note	(Pak Rupees in Thousand)	
		2016	2015
Mark up on short term borrowings	21.1	7,646	16,789
21.1 This includes accrued markup of Rs.1.318 million (2015: Nil) placed under Shariah compliant arrangements.			
<b>22 SHORT TERM BORROWINGS - Secured</b>			
From banking companies under mark up arrangements			
Running finance			
Under Conventional		1,371,635	625,512
Under Shariah Compliant		134,617	-
		1,506,252	625,512
Finance under F.E. Circular No.25 of SBP-Foreign currency		-	137,367
		1,506,252	762,879

- 22.1 The Company has aggregate facilities of short term borrowings amounting to Rs.4,455 million (2015: Rs.4,605 million) from various commercial banks (as listed in Note 22.3) out of which Rs.2,993 million (2015: Rs.3,901 million) remained unutilised at the year end. The Company also has Rs.1,000 million (2015: Rs.1,000 million) swinging facility with an Associate Company, out of which Rs.44 million (2015: Rs.59 million) utilized by the Company at the year end. The mark up rates for running finance ranged between Rs.0.1841 to Rs.0.2189 per Rs.1000/- per day. Finance under F.E. Circular No.25 of SBP represents US\$ Nil (2015: US\$ 1.351 million) and repayable in foreign currency. These facilities are renewable annually at respective maturities.

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

- 22.3 The finances have been obtained or are available from Bank Al-Falah Limited, Bank Al-Habib Limited, Dubai Islamic Bank Pakistan Limited, Faysal Bank Limited, Habib Bank Limited, Habib Metropolitan Bank Limited, MCB Bank Limited, Meezan Bank Limited, National Bank of Pakistan, NIB Bank Limited, Samba Bank Limited, Standard Chartered Bank (Pakistan) Limited and United Bank Limited.

(Pak Rupees in Thousand)  
2016                      2015

## 23 PROVISION FOR INCOME TAX LESS PAYMENTS

Balance at beginning	63,702	28,181
Provision for the year - Current	64,175	89,392
Prior	-	(59,451)
	64,175	29,941
	127,877	58,122
Payments during the year	(61,628)	(73,309)
Adjustments for the year	23,995	78,889
Balance at end	90,244	63,702

## 24 CONTINGENCIES AND COMMITMENTS

### 24.1 Contingencies

- a) The Company recorded provision for Workers' Profit Participation Fund in previous years, 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 upto June 30, 2012 was Rs.27.623 million and since then no further WPPF liability has arisen. As till date no negative inference has been communicated to the Company and in the light of legal opinion, the amount so unpaid has become time barred and need not be paid.
- b) FBR initiated action against few buyers of Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Company had to pay Rs.27.762 million and had also to submit post-dated cheques of Rs. 83.287 million under protest in favour of Chief Commissioner Inland Revenue.

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

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

- c) The Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015 in May 2015, which seeks to impose GIDC levy since 2011. The Company alongwith several other companies filed suit in the Sindh High Court challenging the validity and promulgation of GIDC Act 2015. The Honorable Sindh High Court has issued stay against recovery of the GIDC under GIDC Act 2015. Further to above, the Company also got stay of Honorable Sindh High Court against the enhancement of GIDC through Finance Act, 2013 by amending Second Schedule of GIDC Act 2011 and GIDC Ordinance 2014. Hence the Company has not paid GIDC under the above referred laws.

Considering previous decision of Honorable Supreme Court and legal advisor opinion, the Company is confident that the case will be decided in favour of the appellants. Total amount of enhanced GIDC upto June 30, 2016 worked out at Rs.67.038 million (2015: Rs.48.456 million), however Company has provided Rs.27.700 million (2015: Rs.7.975 million) pertaining to the period of July 2014 to June 2016 for Captive Power and June 2015 to June 2016 for Industrial as an abundant precaution in view of reason stated above, refer note 20.

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>24.2 Guarantees</b>			
Bank Guarantees in favour of:			
The Director Excise & Taxation, Karachi		98,865	89,865
The Electric Inspector, President Licencing Board, Quetta		10	10
Pakistan State Oil Company Limited		25,000	-
Letters of Credit in favour of:			
Sui Southern Gas Company for Gas		30,992	30,992
		<u>154,867</u>	<u>120,867</u>

### 24.3 Commitments

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

Foreign currency:			
Property, plant and equipment		22,510	236,834
Raw material		234,881	176,935
Spare parts and others		4,221	41,058
		261,612	454,827
Local currency:			
Raw material		74,512	-
		<u>336,124</u>	<u>454,827</u>

## 25 SALES

Gross local sales		9,123,206	10,483,210
Third party processing charges		28,992	76,318
		9,152,198	10,559,528
Less: Sales tax	25.1	696,716	623,830
		8,455,482	9,935,698
Export sales		311,421	339,583
		<u>8,766,903</u>	<u>10,275,281</u>

25.1 These include local reduced rate supplies.

		(Pak Rupees in Thousand)	
		2016	2015
<b>26</b>	<b>COST OF SALES</b>		
	Raw material consumed	5,141,660	6,969,154
	Stores, spare parts and loose tools consumed	199,410	186,840
	Outsource processing charges	221,239	240,071
	Salaries, wages, allowances and benefits	837,055	835,975
	Power, fuel and gas	1,616,680	1,822,956
	Rent, rates and taxes	1,770	2,925
	Insurance	29,338	33,855
	Cartage & Transportation	74,319	107,261
	Repairs and maintenance	70,510	79,356
	Communications & Computer expenses	1,814	1,760
	Water supply	8,526	33,209
	Travelling	3,224	2,254
	Legal and professional fees	768	3,049
	Sundry	13,205	15,903
	Depreciation	307,597	286,443
		<u>8,527,115</u>	<u>10,621,011</u>
	Duty draw back	(175)	(152)
	Scrap sales	(9,973)	(26,839)
		<u>8,516,967</u>	<u>10,594,020</u>
	Opening stock of goods-in-process	779,088	628,472
	Closing stock of goods-in-process	(296,340)	(779,088)
	Cost of goods manufactured	8,999,715	10,443,404
	Opening stock of finished goods	1,170,397	966,009
	Closing stock of finished goods	(1,139,345)	(1,170,397)
		<u>9,030,767</u>	<u>10,239,016</u>

**26.1** These include Rs.17.166 million (2015 : Rs.16.485 million) and Rs.18.850 million (2015 : Rs.13.050 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

**26.2** It is adjusted by Rs.24 million (2015: Rs.23.044 million) in respect of reimbursement of manpower service charges from subsidiary company i.e. Messrs. Gatro Power (Pvt) Limited.

**26.3** Net off sales tax amounting to Rs.1.892 million (2015: Rs.1.356 million).

## 27 DISTRIBUTION AND SELLING EXPENSES

	Salaries, allowances and benefits	35,607	35,421
	Insurance	3,796	3,989
	Rent, rates and taxes	829	624
	Handling, freight and transportation	177,869	182,167
	Advertisement and sales promotion	1,755	844
	Communications	339	291
	Travelling	4,055	1,319
	Fee & subscriptions	479	426
	Sundry	12,338	8,276
	Depreciation	681	943
		<u>237,748</u>	<u>234,300</u>

27.1 These include Rs.0.824 million (2015 : Rs.0.827 million) and Rs.3.223 million (2015 : Rs.5.407 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>28 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and benefits	28.1	154,622	164,826
Rent, rates and taxes		32,056	45,218
Insurance		1,170	1,412
Repairs and maintenance		4,781	10,695
Travelling		1,309	5,554
Communications		3,009	3,073
Legal and professional fees		3,950	4,765
Utilities		6,457	8,800
Printing and stationery		1,861	2,322
Transportation		3,564	3,767
Sundry		10,797	10,867
Depreciation	4.2	6,322	6,801
		<u>229,898</u>	<u>268,100</u>

28.1 These include Rs.4.698 million (2015 : Rs.4.772 million) and Rs.14.888 million (2015 : Rs.22.104 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

## 29 OTHER OPERATING EXPENSES

Loss on disposal of property, plant and equipment		47	102
Provision for doubtful trade debts - net		-	8,099
Provision for slow moving stores, spare parts and loose tools - net		-	11,092
Impairment in long term investments	5.3	28	115
Exchange loss - net		2,177	7,769
Corporate social responsibilities	29.1	1,750	14,442
Workers' Welfare Fund		-	1,202
Auditors' remuneration	29.2	1,363	1,218
		<u>5,365</u>	<u>44,039</u>

29.1 These include donations of Rs.1.050 million (2015: Rs.10.850 million) to Messrs. Gatron Foundation in which Chief Executive and six directors of the Company are governors. None of the directors or their spouses has any interest in any donee fund, so far as other donations are concerned.

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>29.2 Auditors' remuneration</b>			
Audit fee - Annual accounts		1,000	1,000
Limited review, audit of consolidated financial statements, provident funds and certification fee		180	70
Sindh sales tax on services		93	64
Out of pocket expenses		90	84
		<u>1,363</u>	<u>1,218</u>
<b>30 OTHER INCOME</b>			
<b>Income from non -financial assets</b>			
Storage and handling income	40	439	439
Gain on disposal of property, plant and equipment		8,598	4,645
		<u>9,037</u>	<u>5,084</u>
<b>Income from financial assets &amp; others</b>			
Liabilities no more payable written back		24,129	3,630
Reversal of provision for doubtful trade debts - net	10.4	4,201	-
Reversal of provision for slow moving store & spares-net	8.1	1,363	-
Reversal of provision for Gas Infrastructure Development Cess		-	25,444
Insurance claim received		-	24,422
Miscellaneous income	30.1	258	248
		<u>29,951</u>	<u>53,744</u>
		<u>38,988</u>	<u>58,828</u>
30.1	It include Rs.0.006 million (2015: Rs.0.006 million) represent rent income from subsidiary company i.e. Messrs. Gatro Power (Pvt) Limited, refer note 40.		
<b>31 FINANCE COST</b>			
Mark up on short term borrowings		57,664	103,283
Bank charges		1,677	1,621
	31.1	<u>59,341</u>	<u>104,904</u>
31.1	It include markup under Shariah Complaint arrangement amounting to Rs.7.559 million (2015: Rs.0.046 million)		
<b>32 INVESTMENT INCOME - DIVIDEND</b>			
Dividend income from wholly owned subsidiary - M/s. Gatro Power (Private) Limited		372,488	361,200
Dividend income from associated company - M/s. Novatex Limited		170,100	255,150
		<u>542,588</u>	<u>616,350</u>

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>33 INCOME TAX</b>			
For the current year		64,175	89,392
For the prior year		-	(59,451)
		64,175	29,941
Deferred		(24,320)	(58,752)
		<u>39,855</u>	<u>(28,811)</u>
<b>Relationship between income tax and profit before income tax :</b>			
Profit before income tax		(214,640)	60,100
Income tax rate		32%	33%
Income tax on profit before income tax		(68,685)	19,833
<b>Tax effect of:</b>			
Group taxation impact		(119,196)	(119,196)
minimum tax		84,555	99,357
tax loss		249,088	167,790
tax credits		(45,023)	(39,066)
income assessed under final tax regime		(33,024)	(59,465)
change in statutory tax rate for next year		(4,398)	(5,021)
others		(23,462)	(33,592)
prior year reversal for income tax		-	(59,451)
Income tax for the year		<u>39,855</u>	<u>(28,811)</u>
<b>34 (LOSS)/EARNINGS PER SHARE - Basic and diluted</b>			
(Loss)/profit after income tax		(254,495)	88,911
		( Number of Shares )	
Number of Ordinary shares		<u>38,364,480</u>	<u>38,364,480</u>
		Rupees	Rupees
(Loss)/earnings per share - Basic and diluted		<u>(6.63)</u>	<u>2.32</u>
There is no dilutive effect on the basic (loss)/earnings per share of the Company.			
<b>35 CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	15	64,329	79,140
Short term borrowings	22	(1,506,252)	(762,879)
		<u>(1,441,923)</u>	<u>(683,739)</u>



## 36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### FINANCIAL ASSETS AND LIABILITIES

(Pak Rupees in Thousand)

	Interest/mark-up bearing			Non-Interest/mark-up bearing			2016 Total	2015 Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
<b>Financial Assets</b>								
Long term investments	-	-	-	-	597,614	597,614	597,614	597,642
Loans and advances	-	-	-	6,290	1,247	7,537	7,537	8,371
Deposits	-	-	-	4,912	1,666	6,578	6,578	1,889
Trade debts	-	-	-	748,713	-	748,713	748,713	767,713
Other receivables	-	-	-	139,442	-	139,442	139,442	27,620
Cash and bank balances	-	-	-	64,329	-	64,329	64,329	79,140
	-	-	-	963,686	600,527	1,564,213	1,564,213	1,482,375
<b>Financial Liabilities</b>								
Trade and other payables	-	-	-	763,912	-	763,912	763,912	1,354,611
Accrued mark up	-	-	-	7,646	-	7,646	7,646	16,789
Short term borrowings	1,506,252	-	1,506,252	-	-	-	1,506,252	762,879
	1,506,252	-	1,506,252	771,558	-	771,558	2,277,810	2,134,279

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

#### 36.1 MEASUREMENT OF FAIR VALUE

During the year a new International Financial Reporting Standard (IFRS), IFRS 13 “Fair Value Measurement”, have been become applicable for the Company which unifies the framework for measurement of fair values as required by other IFRS and requires disclosure regarding fair value measurement, i.e., disclosure of valuation techniques and inputs used to measure the fair value and in case recurring fair value measurements using unobservable inputs the effect of fair value measurement on profit and loss account or other comprehensive income. The Company has adopted the standard prospectively and disclosure in this respect has been given.

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

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

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

## 36.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

### A Market Risk

#### i Foreign exchange risk

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

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

	(Pak Rupees in Thousand)	
	2016	2015
Bills Payable	294,867	384,315
Finance under F.E. Circular No.25 of SBP	-	137,367
	294,867	521,682
Trade Debts	(31,690)	(86,388)
Receivable from suppliers	(123,437)	(11,394)
Cash at bank in foreign currency accounts	(1,350)	(963)
	(156,477)	(98,745)
	138,390	422,937
Commitments - Outstanding letters of credit	261,612	454,827
<b>Net exposure</b>	<b>400,002</b>	<b>877,764</b>

The following significant exchange rates have been applied

	Average rate				Reporting date rate			
	2016		2015		2016		2015	
	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling
USD to PKR	103.96	104.16	101.01	101.21	104.50	104.70	101.50	101.70
Euro to PKR	115.41	115.63	121.15	121.39	116.08	116.31	113.57	113.79
AED to PKR	28.31	28.36	27.51	27.56	28.45	28.51	27.64	27.69
JPY to PKR	0.94	0.94	0.93	0.93	1.02	1.02	0.83	0.83

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

	Average rate		Reporting date rate	
	2016	2015	2016	2015
	(Pak Rupees in Thousand)			
<b>Effect on profit &amp; loss account</b>				
USD to PKR	39,062	72,929	39,264	73,279
Euro to PKR	793	21,988	797	20,611
AED to PKR	(175)	(6,260)	(176)	(6,290)
JPY to PKR	106	198	115	176
	<u>39,786</u>	<u>88,855</u>	<u>40,000</u>	<u>87,776</u>

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

## ii Price risk

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

The Company's investment comprises of unlisted companies (subsidiary companies and associated company) which are carried at cost, hence Company is not exposed to equity price risk since there are no investment in listed equity securities.

## iii Interest / Markup rate risk

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

	Effective rate (in %)		(Pak Rupees in Thousand) Carrying amount	
	2016	2015	2016	2015
<b>Financial Liabilities</b>				
<b>Variable rate instruments</b>				
Short term borrowings	3.69 - 7.33	5.99 - 10.37	<u>1,506,252</u>	<u>762,879</u>

## 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 2015.

	Profit and loss	
	100 bp increase	100 bp decrease
<b>As at June 30, 2016</b>		
Cash flow sensitivity - Variable rate financial liabilities	<u>(15,063)</u>	<u>15,063</u>
<b>As at June 30, 2015</b>		
Cash flow sensitivity - Variable rate financial liabilities	<u>(7,629)</u>	<u>7,629</u>

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

## B Credit risk

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

### Exposure to credit risk

The carrying amount of the financial assets represent the maximum credit exposure before any credit enhancements. Out of total financial assets of Rs.1,564.213 million (2015 : Rs.1,482.375 million), amounted to Rs.965.535 million (2015: Rs.883.166 million) are subject to credit risk. The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	(Pak Rupees in Thousand)	
	2016	2015
Loans and advances	7,537	8,371
Deposits	6,578	1,889
Trade debts	<u>748,713</u>	<u>767,713</u>
Other receivables	<u>139,442</u>	<u>27,620</u>
	888,155	795,333
Bank balances	<u>63,265</u>	<u>77,573</u>
	<u>965,535</u>	<u>883,166</u>

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

Not past due	711,770	544,254
Past due 1-30 days	73,663	71,010
Past due 31-90 days	88,694	140,485
Past due 91-180 days	4,026	34,967
Past due 180 days	<u>73,776</u>	<u>72,592</u>
	951,929	863,308
Provision for doubtful debts	<u>(63,774)</u>	<u>(67,975)</u>
	<u>888,155</u>	<u>795,333</u>

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	Long term
Bank Al-Falah Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA +
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	A +
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA +
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
National Bank of Pakistan	PACRA	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA

Above ratings updated as of July 12, 2016 and available on SBP website.

### C Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2016, the Company has Rs.4,455 million plus Rs.1,000 million swinging facility with Associate Company, available borrowing limit from financial institutions. The Company has unutilised borrowing facilities of Rs.2,993 million in addition to balances at banks of Rs.63 million. Based on the above, management believes the liquidity risk to be insignificant. The following are the contractual maturities of financial liabilities, including interest/mark up payments.

	Carrying Amount	Contractual Cash Flow	Six months or less	Beyond six months
	----- (Pak Rupees in Thousand) -----			
<b>2016</b>				
Trade and other payables	763,912	763,912	763,912	-
Accrued mark up	7,646	7,646	7,646	-
Short term borrowings	1,506,252	1,508,462	1,508,462	-
	<u>2,277,810</u>	<u>2,280,020</u>	<u>2,280,020</u>	<u>-</u>
<b>2015</b>				
Trade and other payables	1,354,611	1,354,611	1,354,611	-
Accrued mark up	16,789	16,789	16,789	-
Short term borrowings	762,879	763,337	763,337	-
	<u>2,134,279</u>	<u>2,134,737</u>	<u>2,134,737</u>	<u>-</u>

### 36.3 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, 2016 and 2015 were as follows:

	(Pak Rupees in Thousand)	
	2016	2015
Total borrowings	1,506,252	762,879
Cash and bank balances	(64,329)	(79,140)
Net debt	<u>1,441,923</u>	<u>683,739</u>
Total equity	3,318,667	3,645,990
Total capital	<u>4,760,590</u>	<u>4,329,729</u>
Gearing ratio	30%	16%

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

### 37 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)									
	Chairman		Chief Executive		Directors		Executives		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Managerial remuneration	14,963	10,016	16,956	15,558	23,668	21,780	128,471	117,928	184,058	165,282
Post employment benefits	603	-	4,292	5,088	6,299	6,295	21,088	22,959	32,282	34,342
Utilities	-	-	85	99	37	68	39	34	161	201
Other benefits	-	-	-	-	2,116	2,245	58,205	56,077	60,321	58,322
	15,566	10,016	21,333	20,745	32,120	30,388	207,803	196,998	276,822	258,147

#### Number of persons

for remuneration	1	1	1	1	3	3	80	75	85	80
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- 37.1 Aggregate amount of meeting fee to Chairman and 3 non-executive directors (2015: Chairman and 3 non-executive Directors) was Rs.90 thousand (2015: Rs.90 thousand).
- 37.2 In addition, the Chief Executive and working directors are provided with Company maintained car and certain executives are provided with household furniture and cars under company policies, the monetary impact where of is not quantifiable.
- 37.3 An Associated Company reimbursed Rs.26.882 million (2015: Rs.28.092 million) in respect of services provided by certain directors and executives during the year.

## 38 SEGMENT REPORTING

### 38.1 Reportable segments

The Company's reportable segments are as follows:

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

Other operating expenses, other income, finance cost and taxation are managed at company level.

### 38.2 Segment results:

The segment information for the reportable segments for the year ended June 30, 2016 is as follows:

(Pak Rupees in Thousand)

	June 2016			June 2015		
	Polyester Filament Yarn	Polyester PET Preforms	Total	Polyester Filament Yarn	Polyester PET Preforms	Total
Sales	<u>5,595,284</u>	<u>3,171,619</u>	<u>8,766,903</u>	<u>7,372,281</u>	<u>2,903,000</u>	<u>10,275,281</u>
Segment result before depreciation	(587,749)	170,839	(416,910)	(338,686)	166,738	(171,948)
Less: Depreciation	<u>(235,777)</u>	<u>(78,823)</u>	<u>(314,600)</u>	<u>(218,698)</u>	<u>(75,489)</u>	<u>(294,187)</u>
Segment result after depreciation	<u>(823,526)</u>	<u>92,016</u>	<u>(731,510)</u>	<u>(557,384)</u>	<u>91,249</u>	<u>(466,135)</u>
Reconciliation of segment results with (loss)/profit before income tax:						
Total results for reportable segments			(731,510)			(466,135)
Other operating expenses			(5,365)			(44,039)
Other income			38,988			58,828
Finance cost			(59,341)			(104,904)
Investment income - Dividend			542,588			616,350
(Loss)/profit before income tax			<u>(214,640)</u>			<u>60,100</u>

(Pak Rupees in Thousand)

June 2016			June 2015		
Polyester Filament Yarn	Polyester PET Preforms	Total	Polyester Filament Yarn	Polyester PET Preforms	Total

Assets and liabilities by segments are as follows:

Segment assets	<u>3,535,311</u>	<u>1,358,205</u>	<u>4,893,516</u>	<u>3,872,519</u>	<u>1,370,291</u>	<u>5,242,810</u>
Segment liabilities	<u>489,600</u>	<u>102,609</u>	<u>592,209</u>	<u>439,503</u>	<u>124,710</u>	<u>564,213</u>

Reconciliation of segments assets and liabilities with totals in the balance sheet is as follows:

	Assets	Liabilities	Assets	Liabilities
Total for reportable segments	4,893,516	592,209	5,242,810	564,213
Unallocated assets/liabilities	<u>1,618,121</u>	<u>2,600,761</u>	<u>1,428,138</u>	<u>2,460,745</u>
Total as per balance sheet	<u>6,511,637</u>	<u>3,192,970</u>	<u>6,670,948</u>	<u>3,024,958</u>

Other segment information is as follows:

Depreciation	<u>235,777</u>	<u>78,823</u>	<u>314,600</u>	<u>218,698</u>	<u>75,489</u>	<u>294,187</u>
Capital expenditures incurred during the year	303,627	116,166	419,793	280,234	49,432	329,666
Unallocated capital expenditure incurred during the year			<u>19,746</u>			<u>8,599</u>
Total			<u>439,539</u>			<u>338,265</u>

38.3 96.45% (2015: 96.70%) out of total sales of the Company relates to customers in Pakistan.

38.4 All non-current assets of the Company as at June 30, 2016 are located in Pakistan.

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

( Metric Tons )  
2016 2015

### 39 PLANT CAPACITY AND ACTUAL PRODUCTION

39.1 Polyester Filament Yarn	39.1.1		
Annual capacity		24,191	24,191
Actual production		34,259	37,028
39.2 Polyester P.E.T. Preforms	39.2.1		
Annual capacity		32,677	27,606
Actual production		18,321	17,670

39.1.1 The capacity is determined based on 75 denier and 24 filament. Actual production represents production of various deniers.



**39.2.1** The capacity is determined based on 39 gms 12 months production. Actual production represents production of various grammage. The actual production versus annual capacity is lower on account of very low preform demand/production in winter months of the year. The actual production of preforms (various grammage) in pieces was 533.874 million (2015: 571.609 million) against annual capacity (based on 39 gms) of 837.873 million pieces.

(Pak Rupees in Thousand)  
2016                      2015

#### 40 TRANSACTIONS WITH RELATED PARTIES

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

Subsidiary Companies	Purchase of power	1,384,367	1,627,502
	Proceed received for voluntary winding up of Subsidiary Company	-	12
	Receipt of dividend	372,488	361,200
	On account of storage & handling	439	439
	On account of rent	6	6
	On account of reimbursement of service charges and expenses	24,108	23,150
Associated Company	Rendering of services	24,779	65,229
	Obtaining of services	221,239	240,076
	Purchase of raw material	1,644	716
	Purchase/sale of property, plant & equipment	24,034	-
	Receipt of dividend	170,100	255,150
	On account of rent	31,687	44,890
	On account of reimbursement of expenses	25,254	48,488
Other Related Parties	Purchase of raw material	190	-
	Payment of dividend	2,431	8,102
	Charges on account of handling	6,037	5,612
	Payment of donation	1,050	10,850
Defined Contribution Plans (Provident Funds)	Contribution to Provident Funds	22,688	22,084

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

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

Transactions and outstanding balances, as applicable in relation to Defined Contribution Plan (DCP) and Key Management Personnel (KMP) have been disclosed in notes 6.3 and 37 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.

(Pak Rupees in Thousand)  
2016 2015

#### 41 PROVIDENT FUND RELATED DISCLOSURES

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

Size of the Funds - Total Assets	<u>396,261</u>	<u>366,302</u>
Cost of Investments made	<u>366,700</u>	<u>323,746</u>
Fair Value of investments	<u>392,741</u>	<u>363,170</u>
Percentage of investments made (Fair value to size of the fund)	<u>99.11%</u>	<u>99.14%</u>

(Pak Rupees in Thousand)

	2016		2015	
	Amount	%	Amount	%
41.1 The Break-up of fair value of investments is:				
Shares of Listed Companies	1	0.00%	1	0.00%
Government Securities	272,757	69.45%	257,319	70.85%
Debt Securities	7,785	1.98%	10,448	2.88%
Mutual Funds	70,743	18.01%	51,558	14.20%
Bank Deposits	41,455	10.56%	43,844	12.07%
	<u>392,741</u>	<u>100.00%</u>	<u>363,170</u>	<u>100.00%</u>

41.2 The investments out of provident funds have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

#### 42 NUMBER OF EMPLOYEES

(Number of employees)  
2016 2015

Average number of employees during the year	<u>957</u>	<u>1,054</u>
Number of employees as at June 30	<u>922</u>	<u>1,011</u>

#### 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 Accrued expenses	Trade and other payables Gas Infrastructure Development Cess	7,975

#### 44 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 17, 2016 by the Board of Directors of the Company.

#### 45 GENERAL

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

**PEER MOHAMMAD DIWAN**  
Chief Executive

**IQBAL BILWANI**  
Director

## Pattern of Shareholding

AS ON JUNE 30, 2016

Serial No.	No. of Shareholders	Shareholding		Total Shares Held
		From	To	
1	306	1	100	16,972
2	647	101	500	298,898
3	230	501	1,000	148,218
4	79	1,001	5,000	156,875
5	6	5,001	10,000	40,142
6	2	10,001	15,000	25,300
7	3	15,001	20,000	48,600
8	1	30,001	35,000	31,765
9	1	65,001	70,000	70,000
10	3	110,001	115,000	345,000
11	1	130,001	135,000	132,000
12	1	190,001	195,000	190,504
13	1	215,001	220,000	217,320
14	1	225,001	230,000	229,880
15	1	285,001	290,000	287,750
16	1	350,001	355,000	350,414
17	1	470,001	475,000	470,117
18	1	580,001	585,000	581,921
19	2	630,001	635,000	1,263,302
20	1	690,001	695,000	694,950
21	1	705,001	710,000	706,451
22	1	970,001	975,000	973,000
23	1	1,025,001	1,030,000	1,027,700
24	1	1,170,001	1,175,000	1,172,422
25	1	1,390,001	1,395,000	1,393,067
26	1	1,520,001	1,525,000	1,520,565
27	1	1,600,001	1,605,000	1,602,920
28	1	1,615,001	1,620,000	1,619,624
29	1	1,620,001	1,625,000	1,620,387
30	2	2,045,001	2,050,000	4,093,397
31	1	2,240,001	2,245,000	2,240,195
32	1	2,280,001	2,285,000	2,281,100
33	1	2,795,001	2,800,000	2,796,884
34	1	2,805,001	2,810,000	2,808,070
35	1	3,445,001	3,450,000	3,445,400
36	1	3,460,001	3,465,000	3,463,370
<b>Total</b>	<b>1,306</b>			<b>38,364,480</b>

Shareholders' Categories	No. of Shareholders	Shares Held	Holding Percentage
Individuals	1,291	25,555,852	66.61
Joint Stock Companies	7	3,224,758	8.41
Financial Institutions	3	3,430	0.01
Insurance Companies	1	200	0.00
Investment Companies	4	9,580,240	24.97
<b>Total</b>	<b>1,306</b>	<b>38,364,480</b>	<b>100.00</b>

## Detail of Pattern of Shareholding

Associated Company	Shares Held
M/s. Gani & Tayub (Private) Limited	1,620,387
<b>Mutual Funds</b>	None
<b>NIT</b>	3,050
<b>Directors and their spouse(s) and minor children</b>	
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	2,048,048
Mr. Iqbal Bilwani	1,424,832
Mr. Shabbir Diwan	421,414
Mr. Muhammad Taufiq Bilwani	119,200
Mr. Muhammad Waseem	500
Mst. Majida Haroon	230,880
Bai Amina	287,750
Mst. Razia Ahmed	639,803
<b>Executives</b>	2,651,433
<b>Public Sector Companies, Corporations and Joint Stock Companies</b>	2,631,961
<b>Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Mudarabas, and Pension Funds.</b>	8,553,230
<b>Shareholders holding 5% or more</b>	
M/s. Eurobond Investments Limited	3,463,370
Mr. Abdul Razak Diwan	3,445,400
M/s. Ventures Asia LLC	2,808,070
Mr. Peer Mohammad Diwan	2,796,884
M/s. Treatbase Limited	2,630,620
M/s. Redwood Investments Ltd.	2,281,100
Haji Haroon Bilwani	2,240,195
Mr. Usman Bilwani	2,048,048
Mst. Zohra Hajiani	2,046,349
<b>Transactions in the shares of the company by:</b>	
Mr. Iqbal Bilwani - Director (gifted by his son)	164,765
Mr. Muhammad Asif - Executive (purchased)	7,519



# Consolidated Financial Statements

## Directors' Report

On behalf of the Board of Directors of M/s. Gatron (Industries) Limited, we are pleased to present the audited Consolidated Financial Statements of the Group for the year ended June 30, 2016.

### The Group

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

### Gatro Power (Private) Limited

During the period under review, operations of wholly owned subsidiary M/s. Gatro Power (Private) Limited remained satisfactory. In view of low furnace oil generation cost, Parent Company run its own generators, which resulted in reduce sales units during the year. However, continuous increase in gas prices and GIDC charge may have negative impact on profit of coming periods. The subsidiary company has already declared / paid interim cash dividend @ 150% and further declared final cash dividend @ 90% for the year ended June 30, 2016.

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

### Consolidated Financials

(Pak Rupees in Thousand)

#### Operating results for the year ended June 30, 2016

Loss before share of profit in associated company	(394,331)
Share of profit after income tax in associated company	301,462
Loss before income tax	(92,869)
Income Tax	55,369
Loss after income tax	(148,238)
Un- appropriated Profit brought forward	3,530,974
Un- appropriated Profit carried forward	3,802,676

#### State of Affairs as on June 30, 2016

Property, Plant and Equipment	2,443,880
Other non-current assets	3,743,796
Current assets	4,963,490
Total assets	11,151,166
Deduct:	
Non-current liabilities	822,629
Current liabilities	3,398,571
Total liabilities	4,221,200
Net assets financed by shareholders' equity	6,929,966

### AUDITORS

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

As suggested by the Audit Committee, the Board recommends the appointment of M/s. Kreston Hyder Bhimji & Co., Chartered Accountants as Auditors of the company for the year ending June 30, 2017.

The Auditors of the company M/s. Kreston Hyder Bhimji & Co., Chartered Accountants, have issued an unqualified audit report on consolidated financial statements to the members of the company. As regard to the emphasis paragraph of the Auditors' Report, the detailed explanations have already been given in Note 25.1(b) of the consolidated financial statements for the year ended June 30, 2016.

On behalf of the Board

**Peer Mohammad Diwan**  
Chief Executive

September 17, 2016

## آڈیٹرز

موجودہ بیرونی آڈیٹرز، میسرز کرسٹن حیدر بھیم جی، چارٹرڈ اکاؤنٹنٹس جو 36 ویں سالانہ اختتامی اجلاس عام میں ریٹائرڈ ہو گئے تھے، اہل ہوتے ہوئے انہوں نے دوبارہ تقرری کیلئے پیشکش کی ہے۔

آڈٹ کمیٹی کی جانب سے دی گئی تجویز کے مطابق بورڈ نے میسرز حیدر بھیم جی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو کمپنی کے آڈیٹرز کے طور پر برائے اختتامی سال 30 جون 2017 تقرری دینے کی سفارش کی ہے۔

کمپنی کے آڈیٹرز میسرز کرسٹن حیدر بھیم جی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے کمپنی کے ارکان کو مجموعی مالی گوشواروں پر (Un-qualified) آڈٹ رپورٹ جاری کی ہے۔ آڈیٹرز رپورٹ کے خصوصی پیرا گراف پر مفصل تصریحات برائے اختتامی سال 30 جون 2016 مجموعی مالی گوشواروں کے نوٹ 25.1(b) میں فراہم کی جا چکی ہیں۔

از بورڈ

پیر محمد دیوان  
انصر اعلیٰ

مورخہ 17 ستمبر 2016ء



## ڈائریکٹرز کی جامع رپورٹ

میسرز گیٹرون (انڈسٹریز) لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم 30 جون 2016ء کو سالِ ختمہ کیلئے اپنے گروپ کے جامع مالیاتی گوشوارے پیش کرتے ہوئے انتہائی مسرت محسوس کر رہے ہیں۔

### گروپ

گروپ لڈ گیٹرون (انڈسٹریز) لمیٹڈ اور اس کے ذیلی اداروں یعنی گیٹرو پاور (پرائیویٹ) لمیٹڈ اور گلوبل سٹھیلکس لمیٹڈ پر مشتمل ہے۔

### گیٹرو پاور (پرائیویٹ) لمیٹڈ

زیر تجزیہ مدت کے دوران، مکمل ماتحت ذیلی ادارہ میسرز گیٹرو پاور (پرائیویٹ) لمیٹڈ کے آپریشنز تسلی بخش رہے۔ Holding کمپنی نے فرنیس آنل جزیشن کی کم لاگت کو ملحوظ خاطر رکھتے ہوئے اپنے جزیٹرز چلائے، نتیجتاً دوران سال سیلز یونٹس میں کمی واقع ہوئی۔ تاہم گیس کی قیمتوں اور GIDC چارج میں مسلسل اضافے کے باعث آنے والے وقتوں میں منافع پر منفی اثرات مرتب ہو سکتے ہیں۔ ذیلی کمپنی پہلے ہی 30 جون 2016ء کو اختتام شدہ سال کیلئے 15 فیصد کی شرح سے عبوری نقد منافع منقسمہ کا اعلان/ ادائیگی کر چکی ہے اور مزید 90 فیصد کی شرح سے حتمی نقد منافع منقسمہ کا اعلان کیا ہے۔

گلوبل سٹھیلکس لمیٹڈ نے تا حال اپنے آپریشنز کا آغاز نہیں کیا ہے۔

### جامع مالیات

(پاکستانی روپے 000)	
	آپریٹنگ نتائج برائے سالِ ختمہ 30 جون 2016ء
(394,331)	خسارہ قبل از تعین منافع من منسلکہ کمپنیاں
301,462	منافع من منسلکہ کمپنیاں بعد از اٹکم ٹیکس
(92,869)	خسارہ قبل از اٹکم ٹیکس
55,369	اٹکم ٹیکس
(148,238)	خسارہ بعد از اٹکم ٹیکس
3,530,974	غیر متصرف منافع گزشتہ (Un-appropriated profit brought forward)
3,802,676	غیر متصرف منافع حالیہ (Un-appropriated profit carried forward)
	<b>30 جون 2016ء تک معاملات کی صورتحال</b>
2,443,88	املاک، پلانٹ اور ایکویپمنٹ
3,743,796	دیگر پائیدار اثاثہ جات
4,963,490	بدل پذیر اثاثہ جات
11,151,166	کل اثاثہ جات
	کٹوتی:
822,629	پائیدار واجبات
3,398,571	بدل پذیر واجبات
4,221,200	کل واجبات
6,929,966	خالص اثاثہ جات ادا شدہ منجانب ایکویٹی بابتہ حصص یافتگان

## 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 Global Synthetics Limited as at June 30, 2016 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. These consolidated 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, 2016 and the results of their operations for the year then ended.

### Emphasis of matter paragraph

We draw attention to the contents of notes 25.1 (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.

  
KRESTON HYDER BHIMJI & CO.  
Chartered Accountants

Engagement Partner: Shaikh Mohammad Tanvir

Karachi: September 17, 2016

# Consolidated Balance Sheet

AS AT JUNE 30, 2016

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Property, plant and equipment	5	2,443,880	2,351,008
Long term investment	6	3,740,883	3,616,764
Long term loans	7	1,247	804
Long term deposits	8	1,666	1,669
		6,187,676	5,970,245
<b>Current Assets</b>			
Stores, spare parts and loose tools	9	653,952	598,900
Stock in trade	10	2,020,492	2,510,177
Trade debts	11	748,713	767,713
Loans and advances	12	29,191	46,126
Trade deposits and short term prepayments	13	52,283	12,197
Other receivables	14	283,843	189,182
Taxes refund due from Federal Government	15	313,060	198,044
Cash and bank balances	16	861,956	91,428
		4,963,490	4,413,767
<b>TOTAL ASSETS</b>		<u>11,151,166</u>	<u>10,384,012</u>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL &amp; RESERVES</b>			
Share capital	17	383,645	383,645
Capital reserves	18	458,645	458,645
General reserve	19	2,285,000	2,785,000
Unappropriated profit		3,802,676	3,530,974
		6,929,966	7,158,264
<b>LIABILITIES</b>			
<b>Non-current Liabilities</b>			
Deferred liabilities	20	822,629	786,385
<b>Current Liabilities</b>			
Trade and other payables	21	1,795,434	1,596,628
Accrued mark up	22	7,646	16,789
Short term borrowings	23	1,506,252	762,879
Provision for income tax less payments	24	89,239	63,067
		3,398,571	2,439,363
<b>CONTINGENCIES AND COMMITMENTS</b>	25		
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>11,151,166</u>	<u>10,384,012</u>

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

PEER MOHAMMAD DIWAN  
Chief Executive

IQBAL BILWANI  
Director

Buying/Selling closing conversion rates were 1 US\$=Rs.104.50/104.70, 1 Euro €=Rs.116.08/116.31 and 1 Pound £= Rs.140.12/140.39

## Consolidated Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2016

	Note	(Pak Rupees in Thousand)	
		2016	2015
Sales	26	8,531,561	9,998,606
Cost of sales	27	8,426,414	9,552,725
<b>Gross profit</b>		<u>105,147</u>	<u>445,881</u>
Distribution and selling expenses	28	237,748	234,300
Administrative expenses	29	231,535	270,204
Other operating expenses	30	14,077	56,293
		<u>483,360</u>	<u>560,797</u>
		<u>(378,213)</u>	<u>(114,916)</u>
Other income	31	43,656	210,550
<b>Operating (loss)/profit</b>		<u>(334,557)</u>	<u>95,634</u>
Finance cost	32	59,774	105,315
		<u>(394,331)</u>	<u>(9,681)</u>
Share of profit after income tax in associated company	6	301,462	93,026
<b>(Loss)/profit before income tax</b>		<u>(92,869)</u>	<u>83,345</u>
Income tax - Current and Prior Deferred		64,175	29,941
		<u>(8,806)</u>	<u>322,469</u>
	33	55,369	352,410
<b>Loss after income tax</b>		<u>(148,238)</u>	<u>(269,065)</u>
<b>Loss per share - Basic and diluted ( Rupees )</b>	34	<u>(3.86)</u>	<u>(7.01)</u>

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

PEER MOHAMMAD DIWAN  
Chief Executive

IQBAL BILWANI  
Director

# Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2016

	(Pak Rupees in Thousand)	
	2016	2015
Loss after income tax	(148,238)	(269,065)
Other comprehensive income		
<i>Items that will never be reclassified to profit or loss</i>		
Remeasurement of defined benefit liability having nil tax impact	(15,270)	(28,060)
Share of other comprehensive loss of associates-net of tax	(4,636)	-
<i>Items that may be reclassified subsequently to profit or loss</i>		
Share of other comprehensive loss of associates-net of tax	(2,607)	(1,286)
Total comprehensive loss	<u>(170,751)</u>	<u>(298,411)</u>

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

PEER MOHAMMAD DIWAN  
Chief Executive

IQBAL BILWANI  
Director

# Consolidated Cash Flow Statement

FOR THE YEAR ENDED JUNE 30, 2016

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>Cash Flow from/(towards) Operating Activities</b>			
(Loss)/profit before income tax		(92,869)	83,345
Adjustments for:			
Depreciation	5.2	382,994	368,387
Provision for defined benefit plan	20.2.1	37,111	40,683
Gain on disposal of property, plant and equipment	31	(8,598)	(4,645)
Loss on disposal of property, plant and equipment	30	47	102
(Reversal)/provision for doubtful trade debts-net	31	(4,201)	8,099
(Reversal)/provision for slow moving stores, spare parts and loose tools-net	31	(1,585)	12,295
Reversal of provision for Gas Infrastructure Development Cess		-	(177,611)
Share of profit in associated company		(301,462)	(93,026)
Finance cost	32	59,774	105,315
		<u>164,080</u>	<u>259,599</u>
		71,211	342,944
Decrease/(increase) in current assets:			
Stores, spare parts and loose tools		(53,467)	55,450
Stock in trade		489,685	(194,896)
Trade debts		23,201	312,953
Loans and advances		15,606	(5,153)
Trade deposits and short term prepayments		(40,086)	97,283
Other receivables		(94,661)	23,848
Taxes refund due from Federal Government		(90,386)	(16,320)
		<u>249,892</u>	<u>273,165</u>
Increase in Trade and other payables		<u>212,550</u>	<u>200,133</u>
Cash flow from operations		<u>533,653</u>	<u>816,242</u>
(Payments for)/receipts of:			
Long term loans		886	(3,578)
Long term deposits		3	2
Defined benefit plan		(7,331)	(5,679)
Finance cost		(68,917)	(114,406)
Income tax	24	(62,633)	(73,944)
Net cash flow from operating activities		<u>395,661</u>	<u>618,637</u>
<b>Cash Flow (towards)/from Investing Activities</b>			
Additions in property, plant and equipment		(485,750)	(460,016)
Proceeds from disposal of property, plant and equipment	5.3	18,425	9,206
Dividend received from associated company	6	170,100	255,150
Net cash flow towards investing activities		<u>(297,225)</u>	<u>(195,660)</u>
<b>Cash Flow (towards)/from Financing Activities</b>			
Dividend paid		(71,281)	(161,302)
Net cash flow towards financing activities		<u>(71,281)</u>	<u>(161,302)</u>
Net increase in cash and cash equivalents		27,155	261,675
Cash and cash equivalents at the beginning		(671,451)	(933,126)
Cash and cash equivalents at the end	35	<u>(644,296)</u>	<u>(671,451)</u>

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

PEER MOHAMMAD DIWAN  
Chief Executive

IQBAL BILWANI  
Director

# Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED JUNE 30, 2016

(Pak Rupees in Thousand)

	Share Capital	Capital Reserves			General reserve	Unappropriated profit	Total
		Share Premium	Others	Sub Total			
Balances as at July 01, 2014	383,645	383,645	75,000	458,645	2,785,000	4,021,207	7,648,497
Total comprehensive loss for the year ended June 30, 2015	-	-	-	-	-	(298,411)	(298,411)
<b>Transactions with owners</b>							
Final cash dividend for the year ended June 30, 2014 at Rs.3.00 per share i.e. @ 30%	-	-	-	-	-	(115,093)	(115,093)
Interim cash dividend for the year ended June 30, 2015 at Rs.2.00 per share i.e. @ 20%	-	-	-	-	-	(76,729)	(76,729)
	-	-	-	-	-	(191,822)	(191,822)
Balances as at June 30, 2015	383,645	383,645	75,000	458,645	2,785,000	3,530,974	7,158,264
Total comprehensive loss for the year ended June 30, 2016	-	-	-	-	-	(170,751)	(170,751)
Transfer from General reserve	-	-	-	-	(500,000)	500,000	-
<b>Transactions with owners</b>							
Final cash dividend for the year ended June 30, 2015 at Rs.1.50 per share i.e. @15%	-	-	-	-	-	(57,547)	(57,547)
Balances as at June 30, 2016	383,645	383,645	75,000	458,645	2,285,000	3,802,676	6,929,966

(1) Included in un-appropriated profit, is a sum of Rs 3,173.883 million, representing proportionate share in un-appropriated profits of associated company upto March 31, 2016, 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.

PEER MOHAMMAD DIWAN  
Chief Executive

IQBAL BILWANI  
Director

# Notes to the Consolidated Financial Statements

## FOR THE YEAR ENDED JUNE 30, 2016

### 1 THE GROUP AND ITS OPERATIONS

The Group consists of :

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

The Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are being quoted at Pakistan Stock Exchanges 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 Filament Yarn alongwith its raw material viz. Yarn Grade Polyester Chips. However, the Company also produces other varieties of Polyester Chips viz Bottle Grade as well as PET Preforms.

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

Global Synthetics Limited is a wholly owned subsidiary of Gatron (Industries) Limited, which has yet to commence its operations.

### 2 BASIS OF CONSOLIDATION

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

### 3 BASIS OF PREPARATION

#### 3.1 Statement of compliance

These 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 became effective during the year

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

IFRS-9	Financial Instruments: Classification and Measurement
IFRS-10	Consolidated Financial Statements - Amendment
IFRS-11	Joint Agreements - Amendment
IFRS-12	Disclosure of Interests in Other Entities - Amendment
IFRS-13	Fair Value Measurement



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

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

The following Standards, interpretations and amendments to published approved accounting standards that are effective for accounting periods, beginning on or after the date mentioned against each to them.

		<b>Effective for the period beginning on or after</b>
IAS-1	Presentation of Financial Statements - Amendment	January 01, 2016
IAS-7	Statement of Cash Flows - Amendment	January 01, 2017
IAS-12	Income Taxes - Amendment	January 01, 2017
IAS-16	Property, Plant and Equipment - Amendment	January 01, 2016
IAS-27	Separate Financial Statements - Amendment	January 01, 2016
IAS-38	Intangible Assets - Amendment	January 01, 2016
IAS-41	Agriculture - Amendment	January 01, 2016
IFRS-2	Share Based Payments - Amendment	January 01, 2018
IFRS-9	Financial Instrument (Replacement of IAS 39) - Amendment	January 01, 2018
IFRS-14	Regulatory Deferral Accounts	January 01, 2016
IFRS-15	Revenue from Contract with Customer	January 01, 2018
IFRS-16	Leases	January 01, 2019

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

In addition to above, certain new cycle of improvements will apply prospectively for period beginning on or after 01, July 2016, are either considered not to be relevant or are not expected to have significant impact to the Group's financial statements and hence have not been detailed.

**3.3 Basis of measurement**

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

**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 reviews 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 parameters as stated in note 4.6, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effect of variation is recorded as and when it takes place.

**c) Stock in trade**

The Group reviews the net realisable value of stock-in-trade to assess any diminution in the carrying values on each financial year end. 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 parameter i.e age analysis, as stated in note 4.4 as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effects of variation is recorded as and when it takes place.

**e) Defined benefit plan**

The actuarial 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. Deferred tax estimate is made considering future applicable tax rate, as also stated disclosed in note 4.10 to the financial statements.

**g) Contingencies**

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

### 3.5 Functional and reporting currency

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

## 4 SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Property, plant and equipment

**Initial recognition & measurement:**

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

**Depreciation:**

Depreciation is charged on diminishing balance method except overhauling of generators, which are depreciated at straight line method, at the rates mentioned in Note 5.1, whereby the depreciable amount of an asset is written off over its estimated useful life.

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

**Subsequent Cost:**

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.

**Impairment:**

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:**

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

### 4.2 Impairment of assets

Value of 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 as stated in note 3.4 (d). The major value spares and stand by equipments are capitalized and depreciated according to their useful life.

#### 4.5 Stock in trade

These are valued at lower of weighted average cost and net realisable value. The value of goods in process and finished goods represents 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 recognised at invoice value which is fair value of the good sold. Export debtors are translated into Pak Rupee at the rate prevailing on the balance sheet date. A provision for doubtful debt is established when there is objective evidence that the Parent Company will not be able to collect amounts due according to the original terms of the trade debts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in making payments are considered indicators that the trade debt is doubtful and the provision is recognised in the profit and loss account. When a trade debt is uncollectible, it is written off.

#### 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, in addition to defined contribution plan being not mandatory under the law, for its employees and working directors who attain the minimum qualification period. The obligation is determined through actuarial valuation by using the "Projected Unit Credit Method". The latest actuarial valuation is conducted on the balances as at June 30, 2016.

#### 4.9 Compensated unavailed leaves

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

#### 4.10 Income Tax

##### Current

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

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

##### Deferred

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

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse, based on tax rates that have been enacted or substantively enacted by the 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 recognized upto balance sheet date.

#### 4.12 Provision

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

#### 4.13 Borrowings and their cost

Borrowings are recorded as the proceeds received.

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

#### 4.14 Foreign currency transactions and translation

Foreign currency transactions are recorded into 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 are recognised on dispatch of goods to customer.
- Processing services are recognised on completion of services rendered.
- Dividend income is recognised when the right of receipt is established.
- Income from rent is recognized on accrual basis.
- Storage and handling income is recognised on accrual basis.

#### 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 recognised amounts and the Group intends either to settle on a net basis or to realise the asset and discharge the liability simultaneously.

#### 4.19 Segment information

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

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

Segment capital expenditure have the total cost incurred during the year to acquire property, plant and equipment. Segment results are stated in note 38.

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>5</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets	5.1	2,380,867	2,292,206
Capital work in progress	5.4	63,013	58,802
		<u>2,443,880</u>	<u>2,351,008</u>

## 5.1 Operating fixed assets

Particulars	Land		Building		Office premises	Plant and machinery	Furniture and fixture	Factory equipment	Office equipment	Motor vehicles	Overhauling of generators	Store and spares held for capital expenditure	TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land									
(Pak rupees in thousand)													
<b>Net carrying value</b>													
<b>Year ended June 30, 2016</b>													
Opening net book value	25,320	15,214	906	105,690	4,736	1,909,150	2,978	31,522	7,410	81,242	93,550	14,488	2,292,206
Additions at cost	-	-	-	-	-	83,896	688	3,381	3,171	19,195	-	-	110,331
Transfer from capital work in progress	-	-	-	2,589	-	354,971	-	3,888	-	-	9,750	-	371,198
Transfer at NBV	-	-	-	-	-	3,046	-	-	-	-	-	(3,046)	-
Disposal at NBV	-	400	-	-	-	623	-	-	26	8,825	-	-	9,874
Depreciation	-	-	91	10,828	474	317,131	707	7,380	2,698	17,311	24,760	1,614	382,994
<b>Closing net book value</b>	<b>25,320</b>	<b>14,814</b>	<b>815</b>	<b>97,451</b>	<b>4,262</b>	<b>2,033,309</b>	<b>2,959</b>	<b>31,411</b>	<b>7,857</b>	<b>74,301</b>	<b>78,540</b>	<b>9,828</b>	<b>2,380,867</b>
<b>Gross carrying value</b>													
<b>At June 30, 2016</b>													
Cost	25,320	14,814	14,248	437,058	9,902	7,654,352	18,879	82,781	62,171	165,164	130,635	16,893	8,632,217
Accumulated depreciation	-	-	13,433	339,607	5,640	5,621,043	15,920	51,370	54,314	90,863	52,095	7,065	6,251,350
<b>Net book value</b>	<b>25,320</b>	<b>14,814</b>	<b>815</b>	<b>97,451</b>	<b>4,262</b>	<b>2,033,309</b>	<b>2,959</b>	<b>31,411</b>	<b>7,857</b>	<b>74,301</b>	<b>78,540</b>	<b>9,828</b>	<b>2,380,867</b>
<b>Net carrying value</b>													
<b>Year ended June 30, 2015</b>													
Opening net book value	25,320	15,214	1,007	114,995	5,262	1,914,213	3,350	31,188	9,186	87,082	-	16,911	2,223,728
Additions at cost	-	-	-	-	-	42,243	332	4,625	716	17,899	120,885	-	186,700
Transfer from capital work in progress	-	-	-	2,438	-	249,362	-	2,968	60	-	-	-	254,828
Disposal at NBV	-	-	-	-	-	-	-	-	123	4,540	-	-	4,663
Depreciation	-	-	101	11,743	526	296,668	704	7,259	2,429	19,199	27,335	2,423	368,387
<b>Closing net book value</b>	<b>25,320</b>	<b>15,214</b>	<b>906</b>	<b>105,690</b>	<b>4,736</b>	<b>1,909,150</b>	<b>2,978</b>	<b>31,522</b>	<b>7,410</b>	<b>81,242</b>	<b>93,550</b>	<b>14,488</b>	<b>2,292,206</b>
<b>Gross carrying value</b>													
<b>At June 30, 2015</b>													
Cost	25,320	15,214	14,248	434,469	9,902	7,211,916	18,191	75,512	59,065	165,049	120,885	21,557	8,171,328
Accumulated depreciation	-	-	13,342	328,779	5,166	5,302,766	15,213	43,990	51,655	83,807	27,335	7,069	5,879,122
<b>Net book value</b>	<b>25,320</b>	<b>15,214</b>	<b>906</b>	<b>105,690</b>	<b>4,736</b>	<b>1,909,150</b>	<b>2,978</b>	<b>31,522</b>	<b>7,410</b>	<b>81,242</b>	<b>93,550</b>	<b>14,488</b>	<b>2,292,206</b>

Depreciation rate

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

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

	Note	(Pak Rupees in Thousand)	
		2016	2015
Cost of sales	27	375,991	360,643
Distribution and Selling Expenses	28	681	943
Administrative Expenses	29	6,322	6,801
		382,994	368,387

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

(Pak Rupees in Thousand)

Description	Cost	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyers
<b>LAND</b> Lease Hold Property - S.F Unit-21	400	400	3,500	Negotiation	M/s. Muhammad Brothers. House No.102/1, Street No.8, Khayaban-e-Rahat, Phase-7, DHA Karachi.
<b>Sub Total</b>	<b>400</b>	<b>400</b>	<b>3,500</b>	--	--
<b>PLANT &amp; MACHINERY</b> Daikin Package Airconditioner	1,095	623	675	Negotiation	M/s. Fresh Air Technical Associates Plot# 15, 25th Street Tauheed Commercial, DHA, Phase V, Karachi.
<b>Sub Total</b>	<b>1,095</b>	<b>623</b>	<b>675</b>	--	--
<b>OFFICE EQUIPMENT</b> Photostate Machine	65	26	8	Negotiation	M/s.Nashua Traders S#11, Shamim Plaza, Usama Memorial Hospital, F.B.Area, Karachi.
<b>Sub Total</b>	<b>65</b>	<b>26</b>	<b>8</b>	--	--
<b>MOTOR VEHICLES</b> Suzuki Liana ASF-713	986	258	596	Company Policy	Mr.Ahsan Qureshi (Employee)
Suzuki Liana ASF-714	1,024	269	934	Company Policy	Mr.Zaki Hussain (Employee)
Suzuki Liana ASR-915	1,069	299	661	Company Policy	Mr.Zubair Motiwala (Employee)
Toyota Corolla Altis AYM-321	2,087	1,162	1,962	Company Policy	Mr.Asif Kasbati (Employee)
Suzuki Cultus AQX-407	682	107	521	Company Policy	Mr.Amjad Habib (Employee)
Suzuki Alto ASB-278	593	143	415	Company Policy	Mr.Mubashir Aleem (Employee)
Toyota Corolla AUN-619	1,450	472	696	Company Policy	Mr.Muhammad Yousuf (Employee)
Honda Civic ASX-619	1,719	456	1,165	Company Policy	Mr.Muhammad Ibrahim (Employee)
Suzuki Swift BAW-983	1,282	800	1,102	Company Policy	Mr.Muhammad Ashraf (Employee)
Suzuki Cultus AUJ-661	883	261	510	Company Policy	Mr.Nasir Qureshi (Employee)
Toyota Corolla BET-237	1,752	1,635	1,752	Company Policy	Mr.Rizwan Jafri (Employee)
Toyota Corolla AQR-241	1,056	207	507	Negotiation	Mrs.Nargis Zaitoon Apartment, Parsi Colony, Karachi.
Suzuki Swift BER-375	1,282	1,282	1,282	Negotiation	M/s. Novatex Ltd - Associated Company Ground Floor, G&T Tower, #18, Beaumont Road, Civil Lines-10, Karachi.
Honda City AUK-568	1,295	414	660	Negotiation	M/s.Margalla Motors 166-A, Sir Syed Road, Block-3, PECHS, Karachi.
Suzuki Swift AYA-856	1,211	651	950	Insurance Claim	M/s. EFU General Insurance Karachi.
Honda CD70 KHQ-7723	70	62	55	Insurance Claim	M/s. EFU General Insurance Karachi.
Honda CD-70 KIT-1404	64	63	64	Insurance Claim	M/s. EFU General Insurance Karachi.
Honda CD-70 KIV-9236	64	62	64	Insurance Claim	M/s. EFU General Insurance Karachi.
Items having book value upto Rs.50 thousand each	511	222	346	Various	Various
<b>Sub Total</b>	<b>19,080</b>	<b>8,825</b>	<b>14,242</b>	--	--
<b>Total - 2016</b>	<b>20,640</b>	<b>9,874</b>	<b>18,425</b>	--	--
<b>Total - 2015</b>	<b>15,051</b>	<b>4,663</b>	<b>9,206</b>	--	--



#### 5.4 Capital Work-in-Progress

(Pak Rupees in Thousand)

	Balance as at July 1, 2015	Additions	Transfer to Operating fixed assets	Balance as at June 30, 2016
Factory building on lease hold land under construction	2,589	19,941	(2,589)	19,941
Plant and machinery under erection	52,327	329,947	(354,971)	27,303
Factory equipment	3,886	2	(3,888)	-
Overhauling in progress	-	25,519	(9,750)	15,769
	<u>58,802</u>	<u>375,409</u>	<u>(371,198)</u>	<u>63,013</u>
	Balance as at July 1, 2014	Additions	Transfer to Operating fixed assets	Balance as at June 30, 2015
Factory building on lease hold land under construction	3,861	1,166	(2,438)	2,589
Plant and machinery under erection	36,426	265,263	(249,362)	52,327
Factory equipment	-	6,854	(2,968)	3,886
Office equipment	-	60	(60)	-
	<u>40,287</u>	<u>273,343</u>	<u>(254,828)</u>	<u>58,802</u>

#### 6 LONG TERM INVESTMENT Related Party - Novatex Limited

56.7 million (2015: 56.7 million) fully paid ordinary shares of Rs.10 each

	Note	(Pak Rupees in Thousand) 2016	(Pak Rupees in Thousand) 2015
At the beginning of the year		3,616,764	3,780,174
Share of profit after income tax for the period	6.1	294,219	91,740
Dividend received		(170,100)	(255,150)
At the end of the year	6.2	<u>3,740,883</u>	<u>3,616,764</u>

The Company holds 36.83% interest in Novatex Limited, which is a public limited (Un-quoted) company. Share of profit / loss arising from the associate has been taken to profit and loss account in accordance with the accounting policy as mentioned in note no. 4.3 . The share of Company in the net assets has been determined on the basis of the un-audited financial statements for the period ended March 31, 2016.

##### 6.1 The Company's share in profit and loss of Novatex Limited:

Sales	11,530,615	12,501,247
Cost of sales	10,555,784	11,547,618
	<u>974,831</u>	<u>953,629</u>
Other expenses, income and taxes	673,369	860,603
Profit after taxation	<u>301,462</u>	<u>93,026</u>
Other comprehensive loss	(7,243)	(1,286)
Total comprehensive income	<u>294,219</u>	<u>91,740</u>

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>6.2 The Company's interest in assets &amp; liabilities of Novatex Limited:</b>			
Non-current assets		3,285,093	2,743,314
Other long term assets		62,748	63,206
Current assets		4,720,802	5,560,506
		8,068,643	8,367,026
Long-term liabilities		383,233	210,468
Current liabilities		3,774,427	4,426,394
		4,157,660	4,636,862
<b>Net assets as at March 31</b>		<b>3,910,983</b>	<b>3,730,164</b>
Less: Dividend paid by associated company subsequent to March 31, 2016 @30% i.e. 3.00 per share (2015: 20% i.e Rs.2.00 per share)		170,100	113,400
		<b>3,740,883</b>	<b>3,616,764</b>

### 6.3 The Company's share in Contingencies & Commitment of Novatex Limited:

#### Guarantees

Bank guarantees issued by banks on behalf of the Company amounted to Rs.440.336 million (2015: Rs.341.379 million) out of total Rs.1,195.570 million (2015: Rs.926.890 million) for fuel, utilities and imports.

#### Commitments

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

Property, plant and equipment		59,928	-
Raw material	6.3.1	177,612	313,826
Stores and spare parts		16,117	24,858
		<b>253,657</b>	<b>338,684</b>

6.3.1 These include Rs.30.137 million (2015: Rs.38.354 million) in respect of local letter of credit.

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

To employees other than Chief Executive & Directors		6,834	7,720
Amount due in twelve months shown under current assets		(5,587)	(6,916)
Recoverable within three years		<b>1,247</b>	<b>804</b>

- 7.1 The above loans are under the terms of employment and are secured against the post employment benefits of the employees.
- 7.2 Interest free long term loans have been carried out at cost as the effect of carrying these balances at amortised cost is not material.
- 7.3 It includes loans to executives and its reconciliation is here under:

	Note	(Pak Rupees in Thousand)	
		2016	2015
Balance at beginning		3,129	-
Disbursements during the year		2,350	4,500
Recoveries during the year		(2,786)	(1,371)
Balance at end	7.3.1	<u>2,693</u>	<u>3,129</u>

7.3.1 The maximum aggregate amount of loan due from executives at any month end during the year was Rs.3.038 million (2015: Rs.3.860 million)

## 8 LONG TERM DEPOSITS

Security deposits for utilities and others

1,666

1,669

## 9 STORES, SPARE PARTS AND LOOSE TOOLS

In hand:

Stores  
Spare parts  
Loose tools

119,541  
555,874  
4,887  
680,302

133,639  
483,749  
5,292  
622,680

Provision for slow moving stores, spare parts and loose tools

9.1

(27,619)  
652,683

(29,204)  
593,476

In transit

1,269  
653,952

5,424  
598,900

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

Balance at beginning

29,204

16,909

Charge for the year

5,761

12,305

Reversals due to consumption

(7,346)

(10)

(1,585)

12,295

Balance at end

27,619

29,204

		(Pak Rupees in Thousand)	
		2016	2015
<b>10</b>	<b>STOCK IN TRADE</b>		
	Raw material	444,451	540,006
	Raw material in transit	140,356	20,686
	Goods in process	296,340	779,088
	Finished goods	1,139,345	1,170,397
		<u>2,020,492</u>	<u>2,510,177</u>

These include raw material costing Rs.Nil (2015: Rs.364.285 million) valued at net realisable value of Rs.Nil (2015: Rs.338.785 million), goods in process costing Rs.Nil (2015: Rs.787.389 million) valued at net realisable value of Rs.Nil (2015: Rs.733.236 million) and finished goods costing Rs.970.760 million (2015: Rs.1,073.267 million) valued at net realisable value of Rs.828.690 million (2015: Rs.960.366 million).

## 11 TRADE DEBTS

### Considered good

#### Secured

Local		137,439	51,274
Export	11.1	31,690	86,388
	11.2	169,129	137,662
Unsecured	11.3	579,584	630,051
		<u>748,713</u>	<u>767,713</u>

### Considered doubtful

#### Unsecured

Provision for doubtful debts	11.4	63,774	67,975
		(63,774)	(67,975)
		-	-
		<u>748,713</u>	<u>767,713</u>

11.1 This represents balances receivable in foreign currency of US\$ 0.286 million (2015: US\$ 0.231 million) and AED 0.062 million (2015: AED 2.276 million).

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

11.3 The maximum aggregate amount due from related party i.e. Messrs. Novatex Limited at any month end during the year was Rs.8.306 million (2015: Rs.17.053 million). Though the balance at each respective year end was nil.

#### 11.4 Provision for doubtful debts

Balance at beginning		67,975	60,446
Charge for the year		4,981	37,829
Reversals since recovered		(9,182)	(29,730)
		(4,201)	8,099
Write offs		-	(570)
Balance at end		<u>63,774</u>	<u>67,975</u>

## 12 LOANS AND ADVANCES - Considered good

### Secured

Amount recoverable in twelve months from employees and executives	7	5,587	6,916
Advances to employees	12.1	703	651
		<u>6,290</u>	<u>7,567</u>

### Unsecured

Advances :			
to suppliers and contractors	12.2	17,877	31,204
for imports		5,024	7,355
		<u>22,901</u>	<u>38,559</u>
		<u>29,191</u>	<u>46,126</u>

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

12.2 These include advances against purchase of vehicles amounting to Rs.1.928 million (2015: Rs.3.969 million).

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>13 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Shipping guarantees - deposit		517	8,487
Security deposits		4,395	220
Prepayments		47,371	3,490
		<u>52,283</u>	<u>12,197</u>
<b>14 OTHER RECEIVABLES - Considered good</b>			
Receivable from suppliers	14.1	135,038	26,371
Claims receivable from suppliers		143	3,317
Claim receivable from Insurance Companies		64	-
Sales tax		146,670	158,244
Others		1,928	1,250
		<u>283,843</u>	<u>189,182</u>
14.1 These include balances receivable in foreign currency of US\$ 1.181 million (2015: US\$ 0.112 million).			
<b>15 TAXES REFUND DUE FROM FEDERAL GOVERNMENT</b>			
Income tax		206,166	181,536
Sales tax		106,894	16,508
		<u>313,060</u>	<u>198,044</u>
<b>16 CASH AND BANK BALANCES</b>			
Cash :			
In hand		1,201	1,745
At banks in current accounts :			
Local currency	16.1	859,405	88,720
Foreign currency	16.2	1,350	963
		860,755	89,683
		<u>861,956</u>	<u>91,428</u>
16.1 These Include Rs.2.565 million (2015: Rs.2.310 million) received from contractors as security deposit, refer note 21.6.			
16.2 These represent balances of US\$ 11,663.81 and Euro € 1,129.98 (2015 : US\$ 8,226.46 and Euro € 1,129.98).			
16.3 Balance in bank accounts includes an amount of Rs.1.500 million (2015: Rs.16.628 million) placed under an arrangement under Shariah compliant.			

		(Pak Rupees in Thousand)	
		2016	2015
<b>17</b>	<b>SHARE CAPITAL</b>		
17.1	<b>Authorised capital</b>		
	44,000,000 Ordinary shares of Rs. 10 each	<u>440,000</u>	<u>440,000</u>
17.2	<b>Issued, subscribed and paid up capital</b>		
	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 as fully paid bonus shares	<u>82,284</u>	<u>82,284</u>
		<u>383,645</u>	<u>383,645</u>

These include 1,620,387 (2015 : 1,620,387) shares held by an associated company, Messrs. Gani & Tayub (Private) Limited.

## 18 CAPITAL RESERVES

Share premium	18.1	<u>383,645</u>	383,645
Others	18.2	<u>75,000</u>	<u>75,000</u>
		<u>458,645</u>	<u>458,645</u>

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

<u>2,285,000</u>	<u>2,785,000</u>
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This represents reserve created from accumulation of past years' profit, to meet future exigencies.

## 20 DEFERRED LIABILITIES

Income tax-net	20.1	<u>533,069</u>	541,875
Defined benefit plan	20.2	<u>289,560</u>	<u>244,510</u>
		<u>822,629</u>	<u>786,385</u>

20.1 This comprises of the following major timing differences:

<b>Taxable temporary difference arising due to:</b>			
tax depreciation allowances		163,890	190,880
Deferred tax liability arising in respect of unrealised accumulated profit from associates		396,735	381,221
<b>Deductable temporary difference arising due to :</b>			
Provision for doubtful debts		(19,770)	(21,752)
Provision for slow moving stores, spare parts and loose tools		<u>(7,786)</u>	<u>(8,474)</u>
		<u>533,069</u>	<u>541,875</u>

At the balance sheet date, deferred tax asset amounting to Rs.389.988 million (2015: 167.790 million) has not been recognised by the Parent Company considering that it is not probable that sufficient taxable profit will be available in future.

(Pak Rupees in Thousand)  
2016 2015

20.2 Actuarial valuation of the plan is carried out as at June 30, 2016. The calculation for provision of defined benefit plan is as under:-

**Movement of the liability recognised in the balance sheet**

	Note	2016	2015
Balance at beginning		244,510	181,446
Expense	20.2.1	37,111	40,683
Remeasurement losses		15,270	28,060
Payment		(7,331)	(5,679)
Balance at end		<u>289,560</u>	<u>244,510</u>
<b>20.2.1 Expense</b>			
Service cost		13,628	17,018
Interest cost		23,483	23,665
		<u>37,111</u>	<u>40,683</u>
		%	%

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

Discount rate	7.25%	9.75%
Future salary increase rate - long term	7.25%	8.75%
Withdrawal Rate	Moderate	Moderate
Mortality	Adjusted SLIC 2001-2005	Adjusted SLIC 2001-2005

**Sensitivity Analysis**

	2016		2015	
	PVDBO (Pak Rupees in Thousand)	Percentage Change	PVDBO (Pak Rupees in Thousand)	Percentage Change
Current Liability	289,560		244,510	
+ 1% Discount Rate	272,765	-5.80%	233,179	-4.63%
- 1% Discount Rate	309,242	6.80%	257,454	5.29%
+ 1% Salary Increase Rate	310,875	7.36%	258,021	5.53%
- 1% Salary Increase Rate	271,128	-6.37%	232,488	-4.92%
+ 10% Withdrawal Rates	289,560	-0.00%	244,532	0.01%
- 10% Withdrawal Rates	289,560	-0.00%	244,491	-0.01%
1 Year Mortality age set back	289,553	-0.00%	244,762	0.10%
1 Year Mortality age set forward	289,570	0.00%	244,271	-0.10%

**21 TRADE AND OTHER PAYABLES**

Trade creditors		301,630	242,456
Bills payable	21.1	294,867	384,315
Accrued expenses	21.2, 21.3, 21.4 & 21.5	250,647	179,551
Advance payments from customers		235,607	286,987
Creditors for capital expenditures		72	82
Sales tax payable		10,896	21,002
Security deposits from contractors	21.6	2,565	2,310
Workers' Welfare Fund	21.7	67,878	59,266
Infrastructure Cess on imports	21.8	98,112	87,137
Gas Infrastructure Development Cess	25.1 (d)	463,812	247,357
Unclaimed dividend		26,932	40,666
Withholding taxes		5,072	7,714
Payable to Provident Fund Trusts		3,499	3,113
Other liabilities	21.9	33,845	34,672
		<u>1,795,434</u>	<u>1,596,628</u>

- 21.1 This represents balances payable in foreign currency of US\$ 2.816 million (2015: US\$ 3.779 million)
- 21.2 The Oil and Gas Regulatory Authority had enhanced gas rate from Rs.488.23 per MMBTU for industrial & Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU w.e.f. 01-09-2015. The Group alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate has been restrained. Further, in May 2016, The Single Bench of Sindh High Court decided the case in favour of the petitioners. However, in June 2016, defendants have filed appeal before Double Bench of Sindh High Court. As an abundant precaution, the Group has made provision of Rs.29.216 million (June 2015: Nil).
- 21.3 The Oil and Gas Authority had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power in August 2013 and accordingly, Sui Southern Gas Company started charging rate prescribed for captive power to the Group w.e.f. September 2013. In December 2015, the Group alongwith several other companies filed suit in the Sindh High Court challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. As an abundant precaution, the Group has made provision of Rs.56.068 million (June 2015: Nil).
- 21.4 These include Rs.0.401 million (2015: Rs.0.349 million) payable to related parties i.e. Messrs. Gani & Tayub (Private) Limited.
- 21.5 These include Rs.9.246 million (2015: Rs.4.476 million) payable to related party Messrs. Novatex Limited including Rs.1.901 million (2015: Nil) in respect of Sindh Sales Tax provision on rent, which is currently in litigation and Messrs. Novatex Limited has obtained stay from Honorable Sindh High Court in this respect.
- 21.6 This represents deposits from contractors held in separate bank account, refer Note 16.1.
- 21.7 **Workers' Welfare Fund**

The Subsidiary Company i.e. Gatro Power (Private) Limited, owing to numerous, constitutional, legal and other reasons, is fully confident and has unflinching conviction, that Workers' Welfare Fund is not payable by the Subsidiary Company, since 2008-09 and intends impugning the charge, in the court of law with utmost vehemence. The provision amounting to Rs.61.158 million (2015: Rs.52.546 million) is being carried only as an abundant precaution and does not signify acceptance, by the Subsidiary Company, of the aforesaid Workers' Welfare Fund liability.

	(Pak Rupees in Thousand)	
	2016	2015
<b>21.8 Infrastructure Cess on imports</b>		
Balance at beginning	87,137	74,613
Provision made during the year	21,950	26,568
Payment made during the year	(10,975)	(14,044)
Balance at end	98,112	87,137

The Parent Company had filed a petition in the Sindh High Court 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 Sindh High Court. Consequently a new petition was filed by the Parent Company in the Sindh High Court. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. Till balance sheet date, the Parent Company has provided bank guarantee amounting to Rs.98.865 million (2015: Rs.89.865 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006. Based on the legal advise, the management believes that the case will be decided in favour of the Parent Company. However, full provision after December 27, 2006 has been made in the accounts as an abundant precaution.

- 21.9 These include Rs.26.963 million (2015: Rs.26.198 million) received from employees under car policy.

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>22 ACCRUED MARK UP</b>			
Mark up on short term borrowings	22.1	7,646	16,789

- 22.1 This includes accrued markup of Rs.1.318 million (2015: Nil) placed under Shariah compliant arrangements.

### 23 SHORT TERM BORROWINGS - Secured

From banking companies under mark up arrangements

Running finance			
Under Conventional		1,371,635	625,512
Under Shariah Compliant		134,617	-
		1,506,252	625,512
Finance under F.E. Circular No.25 of SBP-Foreign currency		-	137,367
		1,506,252	762,879

- 23.1 The Parent Company has aggregate facilities of short term borrowings amounting to Rs.4,455 million (2015: Rs.4,605 million) from various commercial banks (as listed in Note 23.3) out of which Rs.2,993 million (2015: Rs.3,901 million) remained unutilised at the year end. The Parent Company also has Rs.1,000 million (2015: Rs.1,000 million) swinging facility with an Associate Company, out of which Rs.44 million (2015: Rs.59 million) utilized by the Parent Company at the year end. The mark up rates for running finance ranged between Rs.0.1841 to Rs.0.2189 per Rs.1000/- per day. Finance under F.E. Circular No.25 of SBP represents US\$ Nil (2015: US\$:1.351 million) and repayable in foreign currency. 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 Parent Company.

- 23.3 The finances have been obtained or are available from Bank Al-Falah Limited, Bank Al-Habib Limited, Dubai Islamic Bank Pakistan Limited, Faysal Bank Limited, Habib Bank Limited, Habib Metropolitan Bank Limited, MCB Bank Limited, Meezan Bank Limited, National Bank of Pakistan, NIB Bank Limited, Samba Bank Limited, Standard Chartered Bank (Pakistan) Limited and United Bank Limited.

(Pak Rupees in Thousand)  
2016                      2015

## 24 PROVISION FOR INCOME TAX LESS PAYMENTS

Balance at beginning	63,067	27,736
Provision for the year - Current	64,175	89,392
Prior	-	(59,451)
	64,175	29,941
	127,242	57,677
Payments during the year	(62,633)	(73,944)
Adjustments for the year	24,630	79,334
Balance at end	89,239	63,067

## 25 CONTINGENCIES AND COMMITMENTS

### 25.1 Contingencies

- a) The Parent Company recorded provision for Workers' Profit Participation Fund in previous years, 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 upto June 30, 2012 was Rs.27.623 million and since then no further WPPF liability has arisen. As till date no negative inference has been communicated to the Parent Company and in the light of legal opinion, the amount so unpaid has become time barred and need not be paid.
- 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) FBR initiated action against few buyers of Parent Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Parent Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Parent Company had to pay Rs.27.762 million and had also to submit post-dated cheques of Rs. 83.287 million under protest in favour of Chief Commissioner Inland Revenue.

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

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

- d) The Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015 in May 2015, which seeks to impose GIDC levy since 2011. The Group along with several other companies filed suit in the Sindh High Court challenging the validity and promulgation of GIDC Act 2015. The Honorable Sindh High Court has issued stay against recovery of the GIDC under GIDC Act 2015. Further to above, the Group also got stay of Honorable Sindh High Court against the enhancement of GIDC through Finance Act, 2012 by amending Second Schedule of GIDC Act 2011 and GIDC Ordinance 2014. Hence the Group has not paid GIDC under the above referred laws.

Considering previous decision of Honorable Supreme Court and legal advisor opinion, the Group is confident that the case will be decided in favour of the appellants. Total amount of enhanced GIDC upto June 30, 2016 worked out at Rs.665.826 million (2015: Rs.450.546 million), however Group has provided Rs.463.812 million (2015: Rs.247.357 million) pertaining to the period of July 2014 to June 2016 for Captive Power and June 2015 to June 2016 for Industrial as an abundant precaution in view of reason stated above, refer note 21.

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>25.2 Guarantees</b>			
Bank Guarantees in favour of:			
The Director Excise & Taxation, Karachi		98,865	89,865
The Electric Inspector, President Licencing Board, Quetta		10	10
Pakistan State Oil Company Limited		25,000	-
Letters of Credit in favour of:			
Sui Southern Gas Company for Gas		161,937	161,937
		<u>285,812</u>	<u>251,812</u>

### 25.3 Commitments

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

Foreign currency:			
Property, plant and equipment		22,510	236,834
Raw material		234,881	176,935
Spare parts and others		7,786	80,403
		265,177	494,172
Local currency:			
Raw material		74,512	-
		<u>339,689</u>	<u>494,172</u>
<b>26 SALES</b>			
Gross local sales		9,123,206	10,483,210
Third party processing charges		28,992	76,318
		9,152,198	10,559,528
Less: Sales tax	26.1	932,058	900,505
		8,220,140	9,659,023
Export sales		311,421	339,583
		<u>8,531,561</u>	<u>9,998,606</u>
26.1 These include local reduced rate supplies.			

		(Pak Rupees in Thousand)	
		2016	2015
<b>27</b>	<b>COST OF SALES</b>		
	Raw material consumed	5,141,660	6,969,154
	Stores, spare parts and loose tools consumed	238,847	223,401
	Outsource processing charges	221,239	240,071
	Salaries, wages, allowances and benefits	843,293	842,406
	Power, fuel and gas	853,389	948,618
	Rent, rates and taxes	1,770	2,925
	Insurance	41,196	45,676
	Cartage & Transportation	74,319	107,261
	Repairs and maintenance	77,249	112,349
	Communications & Computer expenses	1,814	1,760
	Water supply	8,526	33,209
	Travelling	3,224	2,254
	Legal & professional fees	768	3,049
	Sundry	39,580	42,041
	Depreciation	375,991	360,643
		<u>7,922,865</u>	<u>9,934,817</u>
	Duty draw back	(175)	(152)
	Scrap sales	(10,076)	(26,936)
		<u>7,912,614</u>	<u>9,907,729</u>
	Opening stock of goods-in-process	779,088	628,472
	Closing stock of goods-in-process	(296,340)	(779,088)
	Cost of goods manufactured	8,395,362	9,757,113
	Opening stock of finished goods	1,170,397	966,009
	Closing stock of finished goods	(1,139,345)	(1,170,397)
		<u>8,426,414</u>	<u>9,552,725</u>

27.1 These include Rs.17.304 million (2015 : Rs.16.608 million) and Rs.18.948 million (2015: Rs.13.118 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

27.2 Net off sales tax amounting to Rs.1.912 million (2015: Rs.1.373 million)

## 28 DISTRIBUTION AND SELLING EXPENSES

	Salaries, allowances and benefits	35,607	35,421
	Insurance	3,796	3,989
	Rent, rates and taxes	829	624
	Handling, freight and transportation	177,869	182,167
	Advertisement and sales promotion	1,755	844
	Communications	339	291
	Travelling	4,055	1,319
	Fee & subscriptions	479	426
	Sundry	12,338	8,276
	Depreciation	681	943
		<u>237,748</u>	<u>234,300</u>

28.1 These include Rs.0.824 million (2015 : Rs.0.827 million) and Rs.3.223 million (2015 : Rs.5.407 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>29 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and benefits	29.1	155,920	165,988
Rent, rates and taxes		32,066	45,240
Insurance		1,170	1,412
Repairs and maintenance		4,781	10,695
Travelling		1,309	5,554
Communications		3,009	3,073
Legal & professional fees		3,950	4,765
Utilities		6,457	8,800
Printing and stationery		1,861	2,322
Transportation		3,564	3,767
Sundry		11,126	11,787
Depreciation	5.2	6,322	6,801
		<u>231,535</u>	<u>270,204</u>

29.1 These include Rs.4.761 million (2015 : Rs.4.829 million) and Rs.14.940 million (2015 : Rs.22.158 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

### 30 OTHER OPERATING EXPENSES

Loss on disposal of property, plant and equipment		47	102
Provision for doubtful trade debts - net		-	8,099
Provision for slow moving stores, spare parts and loose tools - net		-	12,295
Exchange loss - net		2,173	7,827
Corporate social responsibilities	30.1	1,750	14,442
Workers' Welfare Fund		8,612	12,133
Auditors' remuneration	30.2	1,495	1,395
		<u>14,077</u>	<u>56,293</u>

30.1 These include donations of Rs.1.050 million (2015: Rs. 10.850 million) to Messrs. Gatron Foundation in which Chief Executive and six 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, so far as other donations are concerned.

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>30.2 Auditors' remuneration</b>			
Audit fee - Annual accounts		1,123	1,123
Limited review, audit of consolidated financial statements, winding up financial statements of Subsidiary Company, provident funds and certification fee		180	115
Sindh sales tax on services		102	73
Out of pocket expenses		90	84
		<u>1,495</u>	<u>1,395</u>

### 31 OTHER INCOME

<b>Income from non -financial assets</b>			
Gain on disposal of property, plant and equipment		8,598	4,645
<b>Income from financial assets &amp; others</b>			
Liabilities no more payable written back		24,135	3,630
Reversal of provision for doubtful trade debts-net	11.4	4,201	-
Reversal of provision for slow moving store & spares-net	9.1	1,585	-
Reversal of provision for Gas Infrastructure Development Cess		-	177,611
Insurance claim received		4,885	24,422
Miscellaneous income		252	242
		<u>35,058</u>	<u>205,905</u>
		<u>43,656</u>	<u>210,550</u>

### 32 FINANCE COST

Mark up on short term borrowings		57,664	103,283
Bank charges		2,110	2,032
	32.1	<u>59,774</u>	<u>105,315</u>

32.1 It include markup under Shariah Complaint arrangement amounting to Rs.7.559 million (2015: Rs.0.046 million)

### 33 INCOME TAX

For the current year		64,175	89,392
For the prior year		-	(59,451)
		64,175	29,941
Deferred	33.1	<u>(8,806)</u>	<u>322,469</u>
		<u>55,369</u>	<u>352,410</u>

33.1 It include amounting to Rs.15.514 million (2015: Rs.381.221 million) pertains to deferred tax provided during the year on un-realized share of profit in associate company.

	Note	(Pak Rupees in Thousand)	
		2016	2015
<b>Relationship between income tax and profit before income tax :</b>			
Profit before income tax		(92,869)	83,345
Income tax rate		32%	33%
Income tax on profit before income tax		(29,718)	27,504
<b>Tax effect of:</b>			
minimum tax		84,555	99,357
tax loss		249,088	167,790
tax credits		(45,023)	(39,066)
income assessed under final tax regime		145	(781)
change in statutory tax rate for next year		(4,398)	(5,021)
others		(23,471)	(33,603)
prior year reversal for income tax		-	(59,451)
deferred tax effect on un-realised share of profit in associate company		15,514	381,221
income exempt from subsidiary		(116,127)	(180,368)
loss from subsidiary		9	12
dividend income and share of profit in associate company		(75,205)	(5,184)
Income tax for the year		<u>55,369</u>	<u>352,410</u>

#### 34 LOSS PER SHARE - Basic and diluted

Loss after income tax		<u>(148,238)</u>	<u>(269,065)</u>
		( Number of Shares )	
Number of Ordinary shares		<u>38,364,480</u>	<u>38,364,480</u>
		Rupees	Rupees
Loss per share - Basic and diluted		<u>(3.86)</u>	<u>(7.01)</u>

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

#### 35 CASH AND CASH EQUIVALENTS

Cash and bank balances	16	861,956	91,428
Short term borrowings	23	<u>(1,506,252)</u>	<u>(762,879)</u>
		<u>(644,296)</u>	<u>(671,451)</u>

## 36 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### FINANCIAL ASSETS AND LIABILITIES

(Pak Rupees in Thousand)

	Interest/mark-up bearing			Non-Interest/mark-up bearing			2016 Total	2015 Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
<b>Financial Assets</b>								
Long term investment	-	-	-	-	3,740,883	3,740,883	3,740,883	3,616,764
Loans and advances	-	-	-	6,290	1,247	7,537	7,537	8,371
Deposits	-	-	-	4,912	1,666	6,578	6,578	10,376
Trade debts	-	-	-	748,713	-	748,713	748,713	767,713
Other receivables	-	-	-	137,030	-	137,030	137,030	27,621
Cash and bank balances	-	-	-	861,956	-	861,956	861,956	91,428
	-	-	-	1,758,901	3,743,796	5,502,697	5,502,697	4,522,273
<b>Financial Liabilities</b>								
Trade and other payables	-	-	-	887,094	-	887,094	887,094	860,967
Accrued mark up	-	-	-	7,646	-	7,646	7,646	16,789
Short term borrowings	1,506,252	-	1,506,252	-	-	-	1,506,252	762,879
	1,506,252	-	1,506,252	894,740	-	894,740	2,400,992	1,640,635

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

#### 36.1 MEASUREMENT OF FAIR VALUE

During the year a new International Financial Reporting Standard (IFRS), IFRS 13 “Fair Value Measurement”, have been become applicable for the Group which unifies the framework for measurement of fair values as required by other IFRS and requires disclosure regarding fair value measurement, i.e., disclosure of valuation techniques and inputs used to measure the fair value and in case recurring fair value measurements using unobservable inputs the effect of fair value measurement on profit and loss account or other comprehensive income. The Group has adopted the standard prospectively and disclosure in this respect has been given.

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

Level 1 Inputs are the quoted prices in active markets for identical assets or liabilities that can be assessed at measurement.

Level 2 Inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 Inputs are unobservable inputs for the asset or liability

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



## 36.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

### A Market Risk

#### i Foreign exchange risk

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

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

	(Pak Rupees in Thousand)	
	2016	2015
Bills Payable	294,867	384,315
Finance under F.E. Circular No.25 of SBP	-	137,367
	294,867	521,682
Trade Debts	(31,690)	(86,388)
Receivable from suppliers	(123,437)	(11,394)
Cash at bank in foreign currency accounts	(1,350)	(963)
	(156,477)	(98,745)
	138,390	422,937
Commitments - Outstanding letters of credit	265,177	494,172
<b>Net exposure</b>	<b>403,567</b>	<b>917,109</b>

The following significant exchange rates have been applied

	Average rate				Reporting date rate			
	2016		2015		2016		2015	
	Buying	Selling	Buying	Selling	Buying	Selling	Buying	Selling
USD to PKR	103.96	104.16	101.01	101.21	104.50	104.70	101.50	101.70
Euro to PKR	115.41	115.63	121.15	121.39	116.08	116.31	113.57	113.79
AED to PKR	28.31	28.36	27.51	27.56	28.45	28.51	27.64	27.69
JPY to PKR	0.94	0.94	0.93	0.93	1.02	1.02	0.83	0.83
CHF to PKR	105.72	105.93	-	-	106.64	106.85	-	-

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

	Average rate		Reporting date rate	
	2016	2015	2016	2015
	(Pak Rupees in Thousand)			
<b>Effect on profit &amp; loss account</b>				
USD to PKR	39,062	72,929	39,264	73,279
Euro to PKR	945	26,185	950	24,545
AED to PKR	(175)	(6,260)	(176)	(6,290)
JPY to PKR	106	198	115	176
CHF to PKR	202	-	204	-
	<u>40,140</u>	<u>93,052</u>	<u>40,357</u>	<u>91,710</u>

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 short term borrowings at variable rates. At the balance sheet date the interest profile of the Group's interest-bearing financial instrument is:

	Effective rate (in %)		(Pak Rupees in Thousand) Carrying amount	
	2016	2015	2016	2015
<b>Financial Liabilities</b>				
Variable rate instruments				
Short term borrowings	3.69 - 7.33	5.99 - 10.37	<u>1,506,252</u>	<u>762,879</u>

## 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 2015.

	<b>Profit and loss</b>	
	100 bp increase	100 bp decrease
<b>As at June 30, 2016</b>		
Cash flow sensitivity - Variable rate financial liabilities	<u>(15,063)</u>	<u>15,063</u>
<b>As at June 30, 2015</b>		
Cash flow sensitivity - Variable rate financial liabilities	<u>(7,629)</u>	<u>7,629</u>

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

## B Credit risk

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

### Exposure to credit risk

The carrying amount of the financial assets represent the maximum credit exposure before any credit enhancements. Out of total financial assets of Rs.5,502.697 million (2015 : Rs.4,522.273 million), amounted to Rs.1,760.613 million (2015: Rs.903.764 million) are subject to credit risk. The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	<b>(Pak Rupees in Thousand)</b>	
	2016	2015
Loans and advances	7,537	8,371
Deposits	6,578	10,376
Trade debts	<u>748,713</u>	<u>767,713</u>
Other receivables	<u>137,030</u>	<u>27,621</u>
	885,743	795,334
Bank balances	<u>860,755</u>	<u>89,683</u>
	<u>1,760,613</u>	<u>903,764</u>

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

Not past due	709,358	544,254
Past due 1-30 days	73,663	71,010
Past due 31-90 days	88,694	140,485
Past due 91-180 days	4,026	34,967
Past due 180 days	<u>73,776</u>	<u>72,593</u>
	949,517	863,309
Provision for doubtful debts	<u>(63,774)</u>	<u>(67,975)</u>
	<u>885,743</u>	<u>795,334</u>

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	Long term
Bank Al-Falah Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
Dubai Islamic Bank Pakistan Limited	JCR-VIS	A-1	A+
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
National Bank of Pakistan	PACRA	A1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AAA

Above ratings updated as of July 12, 2016 and available on SBP website.

### 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, 2016, the Company has Rs.4,455 million plus Rs.1,000 million swinging facility with Associate Company, available borrowing limit from financial institutions. The Company has unutilised borrowing facilities of Rs.2,993 million in addition to balances at banks of Rs.861 million. Based on the above, management believes the liquidity risk to be insignificant. The following are the contractual maturities of financial liabilities, including interest/mark up payments.

	Carrying Amount	Contractual Cash Flow	Six months or less	Beyond six months
	----- (Pak Rupees in Thousand) -----			
<b>2016</b>				
Trade and other payables	887,094	887,094	887,094	-
Accrued mark up	7,646	7,646	7,646	-
Short term borrowings	1,506,252	1,508,462	1,508,462	-
	<u>2,400,992</u>	<u>2,403,202</u>	<u>2,403,202</u>	<u>-</u>
<b>2015</b>				
Trade and other payables	860,967	860,967	860,967	-
Accrued mark up	16,789	16,789	16,789	-
Short term borrowings	762,879	763,337	763,337	-
	<u>1,640,635</u>	<u>1,641,093</u>	<u>1,641,093</u>	<u>-</u>

### 36.3 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, 2016 and 2015 were as follows:

	(Pak Rupees in Thousand)	
	2016	2015
Total borrowings	1,506,252	762,879
Cash and bank	(861,956)	(91,428)
Net debt	<u>644,296</u>	<u>671,451</u>
Total equity	6,929,966	7,158,264
Total capital	<u><u>7,574,262</u></u>	<u><u>7,829,715</u></u>
Gearing ratio	9%	9%

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

### 37 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)									
	Chairman		Chief Executive		Directors		Executives		TOTAL	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Managerial remuneration	14,963	10,016	16,956	15,558	23,668	21,780	130,974	121,466	186,561	168,820
Post Employment benefits	603	-	4,292	5,088	6,299	6,295	21,211	23,084	32,405	34,467
Utilities	-	-	85	99	37	68	39	34	161	201
Other benefits	-	-	-	-	2,116	2,245	59,043	57,813	61,159	60,058
	<u>15,566</u>	<u>10,016</u>	<u>21,333</u>	<u>20,745</u>	<u>32,120</u>	<u>30,388</u>	<u>211,267</u>	<u>202,397</u>	<u>280,286</u>	<u>263,546</u>

#### Number of persons

for remuneration	1	1	1	1	3	3	82	78	87	83
------------------	---	---	---	---	---	---	----	----	----	----

37.1 Aggregate amount of meeting fee to Chairman and 3 non-executive directors (2015: Chairman and 3 non-executive Directors) was Rs.90 thousand (2015: Rs.90 thousand).

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

37.3 An Associated Company reimbursed Rs.26.882 million (2015: Rs.28.092 million) in respect of services provided by certain directors and executives during the year.

## 38 SEGMENT REPORTING

### 38.1 Reportable segments

The Group's reportable segments are as follows:

- Polyester Filament Yarn - it comprises manufacturing of Polyester Filament Yarn and its raw material.
- Polyester PET Preforms - it comprises manufacturing of Polyester PET Preforms and its raw material. This includes the results of Messrs. Global Synthetics Limited which has not yet commenced its operations till date.
- Electric Power Generation - it comprises operations of Gatro Power (Pvt) Limited.

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

### 38.2 Segment results:

The segment information for the reportable segments for the year ended June 30, 2016 is as follows:

	June 2016					June 2015				
	Polyester Filament Yarn	Polyester PET Preform	Total of Polyester Polymer	Power Generation	Group	Polyester Filament Yarn	Polyester PET Preform	Total of Polyester Polymer	Power Generation	Group
Sales	5,595,284	3,171,619	8,766,903	1,384,367	10,151,270	7,372,281	2,903,000	10,275,281	1,627,502	11,902,783
Segment result before depreciation (587,749)	170,835	(416,914)	435,327	18,413	(338,718)	166,726	(171,992)	481,311	309,319	
Less: Depreciation (235,777)	(78,823)	(314,600)	(68,394)	(382,994)	(218,698)	(75,489)	(294,187)	(74,200)	(368,387)	
Segment result after depreciation (823,526)	92,012	(731,514)	366,933	(364,581)	(557,416)	91,237	(466,179)	407,111	(59,068)	
Reconciliation of segment sales & results with sales & loss before income tax:										
Total sales for reportable segments					10,151,270					11,902,783
Elimination of inter-segment sales from subsidiary					(1,619,709)					(1,904,177)
Sales					8,531,561					9,998,606
Total results for reportable segments			(731,514)	366,933	(364,581)			(466,179)	407,111	(59,068)
Other operating expenses			(5,389)	(8,720)	(14,109)			(44,110)	(12,298)	(56,408)
Other income			38,988	5,117	44,105			58,828	152,167	210,995
Finance cost			(59,341)	(433)	(59,774)			(104,904)	(411)	(105,315)
Investment income - Dividend			542,588	-	542,588			616,350	-	616,350
Share of profit in associate company					301,462					93,026
			(214,668)	362,897	449,691			59,985	546,569	699,580
Elimination of intra group transaction					(542,560)					(616,235)
(Loss)/Profit before income tax					(92,869)					83,345

(Pak Rupees in Thousand)

June 2016					June 2015				
Polyester Filament Yarn	Polyester PET Preform	Total of Polyester Polymer	Power Generation	Group	Polyester Filament Yarn	Polyester PET Preform	Total of Polyester Polymer	Power Generation	Group

Assets and liabilities by segments are as follows:

Segment assets	3,535,311	1,358,345	4,893,656	1,504,671	6,398,327	3,872,519	1,370,457	5,242,976	1,272,981	6,515,957
Segment liabilities	489,600	102,635	592,235	634,886	1,227,121	439,503	124,734	564,237	393,616	957,853

Reconciliation of segments assets and liabilities with totals in the balance sheet is as follows:

	Assets		Liabilities	
Total for reportable segments	6,398,327	1,227,121	6,515,957	957,853
Unallocated assets/liabilities	4,912,004	2,997,496	4,597,902	2,841,966
Elimination of intra group balances	(159,165)	(3,417)	(729,847)	(574,071)
Total as per balance sheet	11,151,166	4,221,200	10,384,012	3,225,748

Other segment information is as follows:

Depreciation	235,777	78,823	314,600	68,394	382,994	218,698	75,489	294,187	74,200	368,387
Capital expenditures incurred during the year	303,627	116,166	419,793	46,211	466,004	280,234	49,432	329,666	121,751	451,417
Unallocated capital expenditure incurred during the year					19,746					8,599
Total					485,750					460,016

**38.3** All non-current assets of the Group as at June 30, 2016 are located in Pakistan. Company's local sales represents sales to various external customers in Pakistan whereas export sales represents sales to customers in various countries.

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

( Metric Tons )  
2016 2015

### 39 PLANT CAPACITY AND ACTUAL PRODUCTION

**39.1** Polyester Filament Yarn 39.1.1  
Annual capacity  
Actual production

24,191  
34,259

24,191  
37,028

**39.2** Polyester P.E.T. Preforms 39.2.1  
Annual capacity  
Actual production

32,677  
18,321

27,606  
17,670

**39.3** Electric Power 39.3.1  
Annual capacity  
Actual production

( KWH in Thousand )

213,222  
122,652

213,222  
143,908

- 39.1.1 The capacity is determined based on 75 denier and 24 filament. Actual production represents production of various deniers.
- 39.2.1 The capacity is determined based on 39 gms 12 months production. Actual production represents production of various grammage. The actual production versus annual capacity is lower on account of very low preform demand/production in winter months of the year. The actual production of preforms (various grammage) in pieces was 533.874 million (2015: 571.609 million) against annual capacity (based on 39 gms) of 837.873 million pieces.
- 39.3.1 The capacity includes capacities of standby generators. The actual production versus annual capacity is lower on account of lower demand from Parent Company.

(Pak Rupees in Thousand)  
2016                      2015

#### 40 TRANSACTIONS WITH RELATED PARTIES

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

Associated Company	Rendering of services	24,779	65,229
	Obtaining of services	221,239	240,076
	Purchase of raw material	1,644	716
	Purchase/sale of property, plant & equipment	24,034	-
	Receipt of dividend	170,100	255,150
	On account of rent	31,687	44,890
	On account of reimbursement of expenses	25,254	48,488
	Other Related Parties	Purchase of raw material	190
Payment of dividend		2,431	8,102
Charges on account of handling		6,037	5,612
Payment of donation		1,050	10,850
Defined Contribution Plans (Provident Funds)	Contribution to Provident Funds	22,889	22,264

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

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

Transactions and outstanding balances, as applicable in relation to Defined Contribution Plan (DCP) and Key Management Personnel (KMP) have been disclosed in notes 7.3 and 37 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.



(Pak Rupees in Thousand)  
2016 2015

#### 41 PROVIDENT FUND RELATED DISCLOSURES

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

Size of the Funds - Total Assets	396,261	366,302
Cost of Investments made	366,700	323,746
Fair Value of investments	392,741	363,170
Percentage of investments made (Fair value to size of the fund)	99.11%	99.14%

(Pak Rupees in Thousand)

	2016		2015	
	Amount	%	Amount	%
41.1 The Break-up of fair value of investments is:				
Shares of Listed Companies	1	0.00%	1	0.00%
Government Securities	272,757	69.45%	257,319	70.85%
Debt Securities	7,785	1.98%	10,448	2.88%
Mutual Funds	70,743	18.01%	51,558	14.20%
Bank Deposits	41,455	10.56%	43,844	12.07%
	<u>392,741</u>	<u>100.00%</u>	<u>363,170</u>	<u>100.00%</u>

41.2 The investments out of provident funds have been made in accordance with the provisions of Section 227 of the Companies Ordinance, 1984 and the rules formulated for this purpose.

#### 42 NUMBER OF EMPLOYEES

(Number of employees)  
2016 2015

Average number of employees during the year	961	1,059
Number of employees as at June 30	926	1,016

#### 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)
Other receivable Sales tax	Trade and other Payable Sales tax payable	21,002
Trade and other payables Trade creditors	Trade and other payables Gas Infrastructure Development Cess	239,382
Accrued expenses	Gas Infrastructure Development Cess	7,975
Other liabilities	Withholding taxes	73

#### 44 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 17, 2016 by the Board of Directors of the Parent Company.

#### 45 GENERAL

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

**PEER MOHAMMAD DIWAN**  
Chief Executive

**IQBAL BILWANI**  
Director



**Gatron  
(Industries)  
Limited**

## Proxy Form

36TH ANNUAL GENERAL MEETING

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 36th Annual General Meeting of the  
Company to be held on Monday, October 24, 2016 at 09:30 a.m., and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ 2016.

Signature  
on Revenue  
Stamp of Rs.5/-

### Witness:

1. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC No. \_\_\_\_\_
2. Signature \_\_\_\_\_  
Name \_\_\_\_\_  
Address \_\_\_\_\_  
CNIC No. \_\_\_\_\_

### 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**

## مختار نامہ (پراکسی فارم)

۳۶واں سالانہ اجلاس عام

میں/ہم \_\_\_\_\_ سکتے

بجائیت رکن گیٹرون (انڈسٹریز) لمیٹیڈ و حامل

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

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

کو اپنی/ہماری جگہ بروز پیر مورخہ 24 اکتوبر، 2016 بوقت 09:30 بجے صبح میں منعقد یا ملتوی ہونے والے سالانہ اجلاس عام میں شرکت، رائے دہندگی کے لیے اپنا نمائندہ مقرر کرتا/کرتے ہوں۔

دستخط مورخہ \_\_\_\_\_ برائے ماہ و سال \_\_\_\_\_ ثبیت ہیں

گواہ:

5 روپے کار سیدی  
ٹکٹ یہاں چسپاں کر کے  
دستخط کریں

1 دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

سی این آئی سی نمبر \_\_\_\_\_

2 دستخط \_\_\_\_\_

نام \_\_\_\_\_

پتہ \_\_\_\_\_

سی این آئی سی نمبر \_\_\_\_\_

نوٹ:

- (1) مختار نامہ (پراکسی فارم) کے موثر ہونے کے لیے ضروری ہے کہ دستخط 5 روپے کے رسیدی ٹکٹ پر کی گئی ہو اور ان کی تفصیل اجلاس شروع ہونے سے 48 گھنٹے قبل کمپنی کو موصول ہو جائے۔
- (2) مختار (پراکسی) کو کمپنی کارکن (ممبر) ہونا ضروری ہے۔
- (3) دستخط کمپنی کے پاس رجسٹرڈ کردہ نمونے کے مطابق ہونا چاہیے۔
- (4) سی ڈی سی شیئر ہولڈرز اور ان کے پراکسیز سے گزارش ہے کہ وہ اپنے قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ فوٹو کاپی کمپنی کو پیش کرنے سے قبل اس مختار نامہ (پراکسی فارم) کے ساتھ منسلک کریں۔

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**GATRON (INDUSTRIES) LIMITED**

