

# **GATRON (INDUSTRIES) LIMITED**

**ANNUAL REPORT 1997**

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## **COMPANY INFORMATION**

### **BOARD OF DIRECTORS**

**Peer Mohammad Diwan**

**Chief Executive**

Haji Sharif Tayub

Haji Haroon Tayub

Abdul Razak Diwan

Zakaria Bilwani

Usman Habib

Iqbal Abdul Shakoor

Shabbir Diwan

Muhammad Murtaza

Z.I. Saifi - BEL Nominee

### **COMPANY SECRETARY**

Mohammad Yasin Bilwani

**BANKERS**

Allied Bank of Pakistan Limited  
 American Express Bank Limited  
 Bank of America NT & SA  
 Citibank N.A.  
 Credit Agricole Indosuez  
 Deutsche Bank  
 Faysal Bank Limited  
 Habib Bank AG Zurich  
 Habib Bank Limited  
 Metropolitan Bank Limited  
 Muslim Commercial Bank Limited  
 National Bank of Pakistan  
 Societe Generale, The French and International Bank  
 Standard Chartered Bank  
 United Bank Limited

**AUDITORS**

Hyder Bhimji & Co.  
 Chartered Accountants  
 Karachi.

**PLANT**

Plot No. M-2, Sec. M, H.I.T.E.  
 Main R.C.D. Highway  
 Hub Chowki, Lasbela Distt.  
 Balochistan - Pakistan.

**REGISTERED OFFICE**

Room No. 7, 1st Floor  
 Saleem Plaza, M. A. Jinnah Road  
 Quetta - Pakistan.

**LIAISON OFFICE**

8th Floor, Textile Plaza  
 M. A. Jinnah / Dunoily Road  
 Karachi - 74000 - Pakistan.

**FINANCIAL HIGHLIGHTS**

<b>YEAR AT A GLANCE</b>	<b>(Rupees in Thousands)</b>	
	<b>1997</b>	<b>1996</b>
Turnover	2,750,615	2,997,6
Profit before tax	294,474	273,9
Profit after tax	194,247	206,3
Taxation - current	52,512	15,0
- deferred	47,715	52,6
Gross assets employed (excluding capital work-in-progre	2,747,672	2,789,6

Issued share capital	348,768	348,7
Net shareholders equity	1,199,561	1,092,5
Earning per share before tax - Rupees	8.44	7.

## **DIRECTORS' REPORT TO THE SHAREHOLDERS**

The directors of your company feel pleasure in submitting their report on the performance of the company for the year ended June 30, 1997.

### **YEAR UNDER REVIEW**

By the Grace of Almighty Allah and due to strenuous efforts of the management and staff, the company continued to perform well. The main financial parameters showed an improvement over the previous year. The profit before tax for the year stood at Rs. 294.474 million as compared to Rs. 273.984 million of previous year.

As reported in previous report, the prices of main basic raw material i.e. Pure Terephthalic Acid (PTA) and Mono Ethylene Glycol (MEG) were being quoted at USS: 610 and USS: 480 per ton respectively in last calendar quarter of 1996. Subsequently the rates of PTA varied within the range of USS: 600 to US\$: 640 upto the third calendar quarter of 1997. The rates of MEG were USS: 570 in second quarter of 1997 are now around USS: 700. The local filament yarn market however did not witness a downward trend in first few months of the financial year. In fact there was a slight upsurge in the usually good seasonal months of November to February. after which it leveled out. A negative impact on profitability was however felt due to the increase in Sales Tax rate. Previously Sales Tax @ 15% was levieable at intermediate stage but effective from July 1996 it was increased to 18% and was made levieable on the final product (from March, 1997 the rate of Sales Tax was brought down to 12.5% on the final product).

Other major factors having negative effect on the profitability were:

- 1) Massive devaluation of Pak Rupee against

US\$ by 15.26% during the year, the major portion in October 1996.

2) Increase in fuel rates by 30 to 40%.

However, since the filament yarn prices remained firm, the overall profitability showed slight improvement.

#### **FUTURE - OUT LOOK**

At present the rates of PTA in international markets are being quoted at US\$: 550 and MEG at US\$ 700. It appears that these rates will remain within plus minus 10% of this level, with more probability of decrease.

There was 8.7% devaluation of Pak Rupee in October, 1997. This devaluation and other inflationary pressure would result in increased costs.

The key factor for profitability is whether the local yarn market improves to allow absorption of the increased costs. Of course the possible reduction in raw material costs would definitely mitigate the negative effects.

All other types of yarn manufactured in Pakistan are subject to Sales Tax @ 12.5% only, whereas filament yarn is subject to Sales Tax @ 12.5% as well as Rs. 2.50 / Kg Excise Duty. This anomaly despite many representations has not been removed by the Government and it is high time that this excise duty should be removed to make local industry competitive against imports on which no excise duty is levied.

However, certain measures as enumerated hereunder already taken by the Government should have a positive impact on the profitability:

- Reduction of Sales Tax to 12.5%.
- Enforcement of numerous relief packages.
- Freezing of gas/fuel rates.

The Government is emphasizing on all sectors of the industry to be aggressive and competitive on the export front.

There is a high inbuilt strength for the filament yarn producers to be competitive in export provided following things are equalized on the level of competing countries like Korea and Taiwan:

- Energy cost (Fuel and Electricity cost).
- Financing Cost.
- Duty on import of Machinery.
- Duty on Spare Parts.

The present Export Rebate/Duty Drawback only covers the import duties paid on basic raw material i.e. PTA and MEG, while above disparities in cost are incurred in converting this PTA and MEG into Polyester Chips and then converting these Polyester Chips into Polyester Yarn (and then into Texturised and Processed Yarn) on capital intensive plants and machineries. And of course beyond these disparities, the Pakistani Polyester Filament Yarn producers cannot exactly match the economies of scale of the producers in Korea, Taiwan and other Far Eastern countries. Furthermore, PTA and MEG available in Korea and Taiwan have also been historically at lower prices than Pakistan. While many of the polyester producers in these countries have their own PTA production plants.

The exporting industry in Pakistan to be on equal footing should therefore be given:

- I. Low rate of financing for working capital to the tune of export at the rates prevalent in Japan, Korea and Taiwan.
- II. Furnace Oil/Diesel Oil, Lube Oil be supplied without import duty and other taxes.
- III. Reduction in import duty on plant and machinery and spares.

IV. Low rate of financing on the long term loans for the plant and machinery and spares, (that is on rates prevalent in Japan, Korea and Taiwan).

While the facility No.1 stated above is already available, the rates however need to be brought down. The other three factors noted above may be difficult to apportion between local and exported goods. Therefore, their effects should be given as additional rebate or duty drawback. Even beyond these facilities there is a further scope for compensatory rebate to match the raw material prices, economies of scale of Taiwan and Korea and their dumping prices.

Moreover, in the current proposed No Duty Drawback Scheme, the local filament yarn producers are not allowed to offer their product (at export prices) to the Pakistani weavers availing the No Duty No Drawback Scheme such that foreign suppliers are given monopoly in the No Duty Drawback Scheme.

Since Polyester Filament Yarn is abundantly available in Pakistan and to allow this industry to expand, Polyester Filament Yarn should be excluded from No Duty No Drawback. If at all it is not excluded than the exporter of finished goods (fabrics) should be obliged to open letter of credit in foreign exchange in favour of Pakistani manufacturers for these input goods (Filament Yarn) and local suppliers / manufacturers of input goods should be entitled to get regular drawback as well as additional drawback/rebate (as mentioned above) as if he was exporting.

#### **RESULTS, DIVIDEND AND FINANCE**

The financial results of your company in the year under review were an improvement over last year.

The appropriation of profits is proposed as under:

	<b>(Rupees in Thousands)</b>
Profit before taxation	294,474
Taxation	100,227
	-----
Profit after taxation	194,247
Unappropriated profit	

brought forward	94,970
	-----
Profit available for appropriation	289,217
Appropriation:	
Proposed cash dividend @25%	87,192
Transfer to general reserve	200,000
	287,192
	-----
Unappropriated profit	2,025
carried forward	=====

The Board has also resolved to issue 10% Right Shares at a premium of Rs. 10/- per share in proportion of one share for every ten shares.

#### **FUTURE PROJECTS**

As reported earlier, the Bottle Grade PET Resin project is progressing as scheduled. After arrival of major portion of equipment, erection commenced in mid September, 1997 and the project is expected to be commissioned in end January, 1998. Efforts are under way for marketing of this product, however, as true for all new products, the first few months would see inventory build up.

Consequently, a major portion of the textile grade chips of the company would be procured from outside for which a long term contract for quantity supply has been signed similar to long term supply contracts of PTA and MEG.

The company is also implementing a 5000 tons/year filament yarn production unit at an estimated cost of Rs. 307 million, which is expected to go on stream by 3rd quarter 1998. This expansion would also utilize surpluses in present utilities and yarn processing section.

#### **CONTRIBUTION TO NATIONAL EXCHEQUER**

During the year, the Company's contribution to the national exchequer amounted to Rs. 664.322 million in respect of payment towards sales tax, excise duties, import duties and other statutory levies. This

does not include the income tax paid by the employees of the Company in their individual capacities. re-appointment.

#### **SUBSIDIARY COMPANY**

The Audited Accounts of the wholly owned subsidiary, Gatro Power (Pvt.) Limited for the year ended June 30, 1997 are attached.

#### **BOARD CHANGES**

There were no changes on the Board of Directors during the year.

#### **AUDITORS**

The external Auditors, Messrs. Hyder Bhimji & Company, retire and offer themselves for

#### **PATTERN OF SHAREHOLDING**

A statement showing the pattern of shareholdings in the Company as at June 30, 1997 appears on page No. 37.

#### **PERSONNEL**

The management and union relationship remained cordial and constructive. The targets met by the company during the year under review could not have been achieved without the high standards of professionalism, competence and responsibility displayed by both the management and workers.

#### **ACKNOWLEDGMENTS**

Your Directors would like to take this opportunity to thank all the banks, financial institutions and the Government agencies in general for the co-operation extended by them during the course of business activities.

#### **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Seventeenth Annual General Meeting of Gatron (Industries) held on Monday, December 22, 1997 at 12:00 noon at Serena Hotel, Quetta to transact the fo

#### **ORDINARY BUSINESS**

1. To confirm the minutes of the Sixteenth Annual General Meeting held on December 14, 199



2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 1997 together with the Auditors' report thereon and Directors' report for the year then ended.
3. To approve, as recommended by the Directors for payment of cash dividend at Rs. 2.50 per share for the year ended June 30, 1997.
4. To appoint Auditors for the next financial year and to fix their remuneration.
5. To transact any other business with the permission of the Chair.

**Notes:**

1. The Share Transfer Books of the Company will remain closed from December 14, 1997 to December 22, 1997 (both days inclusive). The shareholders are advised to notify to the company of any change in their addresses.
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 of the meeting. Proxy form is available on request.

**ANNOUNCEMENT OF RIGHT ISSUE**

Members are hereby notified that the Board of Directors in its meeting held on November 18, 1997 has decided to issue "Right Shares" in the ratio of one additional Ordinary Share for every ten Ordinary Shares i.e., (10%) of the face value of Rs. 10/- each at a premium of Rs. 10/- per share.

The Share Transfer Books of the Company will be closed from December 14, 1997 to December 22, 1997 (both days inclusive) to determine the Right entitlements.

Transfers received at the 8th Floor, Textile Plaza, M. A. Jinnah Road, Karachi, at the close of business on December 13, 1997 will be treated in time for the purpose of entitlement of right shares of transferees.

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed Balance Sheet of GATRON (INDUSTRIES) LIMITED as at June 30, 1997, the related Profit & Loss Account and Cash Flow Statement, together with the notes forming part of the financial statements for the year then ended and we state that we have obtained all the information and explanation of our knowledge and belief were necessary for the purposes of our audit and, after due 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 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

iii) the business conducted, investments made and the expenditure incurred during the year accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given in the Balance Sheet, Profit and Loss Account and Cash Flow Statement, together with the notes thereon, give the information required by the Companies Ordinance, 1984 in the manner so as to respectively give a true and fair view of the state of the Company's affairs as at June 30, 1997, profit and the changes in cash position for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat & Ushr Ordinance, 1980 was paid by the Company and deposited in the Central Zakat Fund established Under Section 7 of that Ordinance.

## **BALANCE SHEET AS AT JUNE 30, 1997**

	Note	(Rupees In Thousands)	
		1997	1996
<b>SHARE CAPITAL AND RESERVES</b>			
Authorized capital			
44,000,000 Ordinary Shares of Rs. 10/- each		440,000	440,000
		=====	=====
Issued, subscribed and paid up capital	3	348,768	348,768
Capital reserve	4	348,768	348,768
General reserve		500,000	300,000
Unappropriated profit		2,025	94,900
		-----	-----
		1,199,561	1,092,500
<b>REDEEMABLE CAPITAL</b>	5	40,204	56,200
LONG TERM LOANS	6	282,972	412,100
<b>LIABILITIES AGAINST ASSETS</b>			
<b>SUBJECT TO FINANCE LEASE</b>	7	26,756	104,000
<b>DEFERRED LIABILITIES</b>	8	234,743	184,000
<b>CURRENT LIABILITIES AND PROVISIONS</b>			
Current maturity of redeemable capital	5	16,081	16,000
Current maturity of long term loans	6	164,337	170,300
Current maturity of liabilities against assets subject to finance lease	7	77,342	97,700

Short term financing under mark-up arrang	9	288,670	145,4
Creditors, accrued and other liabilities	10	354,963	364,5
Taxation		106,300	62,4
Proposed dividend		87,192	87,1
		-----	-----
		1,094,885	943,9
<b>CONTINGENCIES AND COMMITMENTS</b>	11	-	
		-----	-----
		2,879,121	2,793,0
		=====	=====

The annexed notes form an integral part of these accounts.

#### TANGIBLE FIXED ASSETS

Operating fixed assets	12	1,607,842	1,762,8
Capital work-in-progress	13	131,449	3,3
		-----	-----
		1,739,291	1,766,2

<b>LONG TERM INVESTMENTS</b>	14	237,226	142,1
<b>LONG TERM DEPOSITS</b>	15	91,167	100,7
<b>LONG TERM LOANS</b>	16	740	8

#### CURRENT ASSETS

Stores, spares and loose tools	17	126,901	145,4
Stock in trade	18	459,236	534,6
Trade debts	19	48,746	34,7
Loans and advances	20	7,131	10,8
Trade deposits and short term prepayments	21	9,675	43,2
Other receivables	22	11,638	4,3
Shod term investment	23	143,000	
Cash and bank balances	24	4,370	9,7
		-----	-----
		810,697	782,9
		-----	-----
		2,879,121	2,793,0
		=====	=====

#### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 1997

		(Rupees in Thousands)	
Note	1997	1996	

<b>NET SALES</b>	25	2,360,522	2,729,3
<b>Cost of Sales</b>			
Cost of goods sold	26	1,800,236	2,199,7
Administration and marketing expenses	27	43,133	40,4
		-----	-----
		1,843,369	2,240,2
Operating Profit		517,153	489,1
Other income	28	13,906	9,6
Prior year adjustments	29	-	6,7
		-----	-----
		531,059	505,5
Financial charges	30	215,907	215,5
Other charges	31	20,678	15,9
		-----	-----
		236,585	231,5
Profit before taxation		294,474	273,9
Taxation	32	100,227	67,6
		-----	-----
<b>Profit after taxation</b>		194,247	206,3
Unappropriated profit brought forward		94,970	125,8
		-----	-----
Profit available for appropriation		289,217	332,1
<b>Appropriations</b>			
Proposed cash dividend @ 25% (1996: 25%)		87,192	87,1
Transfer to general reserve		200,000	150,0
		-----	-----
		287,192	237,1
		-----	-----
Unappropriated profit carried forward		2,025	94,9
		=====	=====

The annexed notes form an integral part of these accounts.

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 1997**

	Note	(Rupees in Thousands)	
		1997	1996
<b>Cash Flow from Operating Activities</b>			
Profit before taxation		294,474	273,9

Adjustments for:			
Depreciation and amortization		179,224	197,8
Profit on sale of fixed assets		(934)	(72)
Provision for gratuity		3,614	3,7
Financial charges		215,907	215,5
		-----	-----
		397,811	416,4
		-----	-----
		692,285	690,4
Movement in:			
Working capital	33	(42,817)	(68,70)
Long term deposits		9,582	(2,32)
Long term loans		134	(62)
		-----	-----
		(33,101)	(71,65)
		-----	-----
Cash generated from operations		659,184	618,7
Payments for:			
Gratuity		(669)	(57)
Financial charges		(215,907)	(215,55)
Taxes paid		(8,690)	(34)
		-----	-----
		(225,266)	(216,47)
		-----	-----
Net cash from operating activities		433,918	402,2
<b>Cash Flow from Investing Activities</b>			
Capital expenditures		(160,026)	(24,71)
Sales proceeds of fixed assets		8,689	1,2
Investments		(95,031)	(45,69)
		-----	-----
Net cash used in investing activities		(246,368)	(69,13)
<b>Cash Flow from Financing Activities</b>			
Repayments of redeemable capital		(16,081)	(16,08)
Long term loans less repayments		(135,173)	(117,93)
Finance lease availed less repayments		(97,776)	(92,09)
Dividend paid		(87,082)	(70,55)
		-----	-----
Net cash (used in) /from financing activities		(336,112)	(296,66)
		-----	-----
<b>Net Increases in cash and cash equivalents</b>		(148,562)	36,4
Cash and cash equivalents at 1st July		(135,738)	(172,21)

Cash and cash equivalents at 30th June

34

-----  
(284,300)  
=====

-----  
(135,73  
=====

## **NOTES TO THE ACCOUNTS**

**FOR THE 30, 1997**

### **1. STATUS AND NATURE OF BUSINESS**

The Company is a Public Limited Company and its shares are quoted on Karachi, Lahore and I Stock Exchanges. The principal activity of the Company is manufacturing of polyester filament texturised yarn from basic chemicals.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

#### **2.2 Staff retirement benefits**

a) The Company operated an unfunded gratuity scheme under the law upto December 1991 for workers and upto June 1993 for staff. Necessary provision has been made to cover this obligation. Thereafter in place of this gratuity scheme, a scheme of contributory provident funds under the law was introduced separately for workers from January 1992 and for staff from July 1993. In addition to the scheme of contributory provident fund, a special gratuity scheme (not mandatory under the law) was introduced from 1st January, 1993 for workers and from 1 st July, 1994 for staff. This special gratuity scheme is not funded. Provision for this obligation has also been made in these accounts.

b) The Company also operates unfunded gratuity schemes for its paid directors and provision has been made to cover the obligation.

#### **2.3 Taxation**

Provision for current taxation is based on current rates of taxation after taking into account tax credits available, if any.

The Company accounts for deferred taxation on all material timing differences using the liability method. However, deferred tax is not provided if it can be established with reasonable probability that these timing differences will not reverse in the foreseeable future.

#### **2.4 Tangible fixed assets and depreciation**

##### **Company owned assets**

Operating fixed assets (except freehold land, leasehold land and property, office premises

and capital work-in-progress) are stated at cost less accumulated depreciation. Maintenance and normal repairs are charged to income as and when incurred.

Depreciation is charged at normal tax rates on diminishing balance method.

Full year's depreciation is charged on additions during the year except in case of significant additions or expansions where the charge for depreciation is made with reference to the date of commencement of operation of such assets. No depreciation is charged on assets deleted or retired during the year.

Gains and losses on disposal of fixed assets, if any, are included in income currently.

### **Leased assets**

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. The related obligations of the lease are accounted for as liabilities. Assets acquired under the finance lease are depreciated over the useful life of the assets at the rates applicable to the company own assets.

### **2.5 Deferred costs**

Deferred costs, if any, are charged to Profit and Loss Account over a period of three years.

### **2.6 Stock, stores and spares**

Stores, spares, tools, raw and packing materials are recorded at cost (computed on the basis of moving average) and work-in-process is also recorded at cost. Finished goods are valued at lower of cost and net realizable value. Goods-in-transit are valued at actual.

Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale.

### **2.7 Trade debts**

Debts considered irrecoverable if any, are written off and provision is made for debts considered doubtful.

### **2.8 Foreign currency translation**

Un-booked short term foreign currency liabilities for goods supplied, if any, are translated into Pak Rupees at the rates prevailing on the date of bill of lading or relative letter of credit balance sheet date whichever is higher. Exchange differences if any, on account of goods supplied are charged to profit and loss account.

### **2.9 Revenue recognition**

Sales are recorded on despatch of goods to the customers.

	(Rupees in Thousands)	
<b>3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>	<b>1997</b>	<b>1996</b>
26,648,400 Ordinary shares of Rs.10/- each fully paid in cash	266,484	266,4
8,228,400 Ordinary shares of Rs.10/- each issued as fully paid bonus shares	82,284	82,2
-----	-----	-----
34,876,800	348,768	348,7
=====	=====	=====

**4. CAPITAL RESERVE**

Share premium	348,768	348,7
	=====	=====

**5. REDEEMABLE CAPITAL- SECURED**

Bankers Equity Ltd. - Syndicate (Original Financing: Rs. 112.570 million)	56,285	72,3
Less: Current Maturity	16,081	16,0
	-----	-----
	40,204	56,2
	=====	=====

i) Term Finance Certificates (TFCs) were issued to the consortium, led by Bankers Equity L in March, 1992.

ii) The committed amount on TFCs of Rs. 112.570 million represents the sales price. The corresponding purchase price is Rs. 187.880 million provided the Company redeems the TFCs on or before the due dates under the TFC agreement. In the event, the Company fails to redeem TFCs on due dates it shall pay to TFCs holders an additional amount of Rs. 12.953 million by way of liquidated damages.

iii) These TFCs are redeemable in 14 equal semi annual installments. The first installment in January, 1994.

iv) These TFCs are secured by first mortgage on all assets of the company and charge by way of hypothecation of the entire plant, machinery, equipments and book debts of the Company ranking pari passu with other principal creditors of the Company.

**6. LONG TERM LOANS- SECURED**

(Rupees in T



Notes	PARTICULARS	Original Amount in Thousands	Balance Outstanding	
			1997 Rs.	1996 Rs.
	Kreditanstalt Fur Wiederaufbau, Germany			
	Loan No. F - 1501	DM 7,650	-	10,9
6.1	Loan No. F - 1949	DM 20,948	157,956	196,4
6.1	Loan No. F- 2109	DM 11,424	89,336	117,7
6.1	Loan No. F- 2156	DM 10,812	93,390	115,7
		-----	-----	-----
		DM 50,834	339,682	442,9
6.2	Bank of Credit and Commerce International S.A.			
6.2.1	Luxembourg	DM 2,721	3,679	3,6
6.2.2	Frankfurt	DM 2,505	29,365	29,3
		-----	-----	-----
		DM 5,226	33044	33,0
		-----		
		DM 56,060		
		=====		
6.3	Al-Faysal Investment Bank Ltd	Rs. 40,000	20,000	28,0
6.3	Bank of America NT & SA	Rs. 10,000	-	7,0
6.3	Saudi Pak Industrial & Agricultural Investment Company (Pvt) Limited	Rs. 60,000	30,000	42,0
6.3	American Express Bank Limited	Rs. 29,500	24,583	29,5
			-----	-----
			447309	582,4
	Less: Amount payable within twelve months shown as current maturity		164 337	170,3
			-----	-----
			282,972	412,1
			=====	=====

\* Frankfurt inter bank offer rates

\*\* Treasury bill rates

**Note:** The outstanding loans for a  
currency are translated in Pak Rup  
tered with the State Bank of Paki

6.1 50% of these loans are secured against three guarantees issued by Habib Bank Limited u syndicate led by Bankers Equity Limited. The said guarantees are secured by way of creatio of mortgages on all the borrowers land, building, plants and other immovable assets of the Company, floating charges on all other respective assets both present and future and charg by way of hypothecation in respect of all machineries both present and future ranking pari with other principal creditors of the Company.

Balance 50% of these loans are secured by way of creation of mortgages on all borrowers la building, plants and other immovable assets of the Company and floating charge on all othe respective assets both present and future and charges by way of hypothecation in respect o all machineries both present and future, directly in favor of the lender Kreditanstalt Fur Germany ranking pari passu with other principal creditors of the Company.

6.2.1 The Company entered into a loan agreement with Bank of Credit and Commerce Internati S.A. Luxembourg for DM: 2.721 million whereby Bank of Credit and Commerce International S.A. Luxembourg prepaid the outstanding loan No: F-601 of Kreditanstalt Fur Wiederaufbau, Germany.

The loan is secured against guarantee issued by former Bank of Credit and Commerce Interna (Overseas) Limited, Karachi. The said guarantee is secured by first floating charge on Com all undertakings, goodwill, and other books debts and all movable properties both present future whatsoever excluding (1) immovable properties (2) receivables from immovable proper (3) raw material, goods in process, finished goods, goods in transit and stock in trade an excluding the machineries purchased or to be purchased by the Company.

The guarantee of former Bank of Credit and Commerce International (Overseas) Limited, Kara is further secured by hypothecation of machineries imported by the Company from Zimmer A.G., Germany, under the contract dated December 21,1981 and such further additional machi as may from time to time be acquired by the Company with the benefits of all rights.

The floating charge and hypothecation so created ranks pari passu with such charges / hypo created / to be created in favour of other principal creditors of the Company.

Repayment of this loan is kept in abeyance as the rights of Bank of Credit and Commerce International S.A. Luxembourg liquidators are not clear as yet. However interest on such l has been fully provided upto the date of balance sheet.

6.2.2 The loan is secured against guarantee issued by former Bank of Credit and Commerce I (Overseas) Limited, Karachi. The said guarantee of former Bank of Credit and Commerce Inte (Overseas) Limited, Karachi is secured by:

- A floating charge on the machinery for which the loan is created and such additional mac as may from time to time be acquired by the Company for the project.
- Hypothecation on the machinery for which the loan is created and

- Personal undertaking of the Directors of the Company.

Repayment of this loan is kept in abeyance as the rights of Bank of Credit and Commerce International S.A. Frankfurt liquidators are not clear as yet. However interest on such loan has been fully provided upto the date of balance sheet.

6.3 These loans are secured by equitable mortgages on all present and future fixed assets of the company ranking pari passu with other principal creditors of the Company.

	(Rupees in Thousands)	
	1997	1996
<b>7. LIABILITIES AGAINST ASSETS</b>		
<b>SUBJECT TO FINANCE LEASE</b>		
Total gross obligation	122,580	240,400
Less: Financial charges not due	18,482	38,500
	-----	-----
	104,098	201,800
Less: Current Maturity	77,342	97,700
	-----	-----
	26,756	104,000
	=====	=====

The Company has entered into various sale and leaseback agreements for machineries. Rates of financial charges ranges between 17.1% to 20.6% per annum. The balance principal liabilities are payable latest by March 05, 2000.

The Company intends to exercise its option to acquire the leased machineries upon completion of the lease periods.

#### 8. DEFERRED LIABILITIES

Gratuity	17,131	14,100
Taxation	217,612	169,800
	-----	-----
	234,743	184,000
	=====	=====

#### 9. SHORT TERM FINANCING UNDER MARK-UP ARRANGEMENTS

		(Rupees in Thousands)	
		1997	1996
<b>SECURED</b>			
<b>Running Financing</b>			
American Express Bank Limited	(9.1)	3,027	48,600
Bank of America NT & SA	(9.1)	7,095	39,500
Credit Agricole Indosuez	(9.1)	25,600	5,000
Habib Bank Limited	(9.2)	618	6,300

Societe Generale, The French and International Bank	(9.1)	36,081	36,1
Standard Chartered Bank	(9.1)	59,249	9,3
		-----	-----
		131,670	145,1
<b>Term Financing</b>			
Al-Faysal Investment Bank Limited	(9.3)	157,000	
<b>UNSECURED</b>			
Temporary overdraft		-	3
		-----	-----
		288,670	145,4
		=====	=====

- (9.1) Secured against hypothecation of stocks and book debts.  
(9.2) Secured against hypothecation of stocks .  
(9.3) Secured against foreign currency deposits.

The facility for short term running financing available from various banks amounts to Rs.3 (1996:Rs.347 million). The mark-up rates of running financing ranges between Rs.0.4247 to per Rs.1000/- per day and for term financing 13.86 % per annum.

#### 10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors - Goods		180,832	221,8
- Other finance		12,877	6,5
- Due to subsidiary Company		15,970	1,4
Interest and financial charges on long term loans		83,112	81,1
Mark-up on short term finance		1,659	3,4
Workers' profit participation fund	(10.1)	15,754	14,4
Workers' welfare fund		4,856	2,1
Others accrued expenses		32,849	27,0
Unclaimed dividend		1,710	1,6
Others		5,344	4,8
		-----	-----
		354,963	364,5
		=====	=====

(Rupees in Thousands)

#### 10.1 Workers' profit participation fund

	1997	1996
Opening balance	14,496	6,9
Add: Allocation for the year	15,754	14,4
	-----	-----
	30,250	21,4
Less: Paid during the year	14,496	6,9

-----	-----
15,754	14,4
=====	=====

## CONTINGENCIES AND COMMITMENTS

### A) CONTINGENT

Constitutional petitions with Honourable High Courts have been filed against the levy of duties and other levies on machineries amounting to Rs.116.959 million (1996:Rs.123.009 million). The Company has deposited Rs.48.184 million (1996:RS.54.234 million) as security deposits and has provided bank/insurance guarantees of the balance amount of Rs.68.775 million against it. In case of adverse decisions, the Company has to account for Rs.116.959 million (1996:Rs.123.009 million) in the fixed assets head. The Company is confident that the cases will not crystalise against the Company.

### B) GUARANTEES

Other bank guarantees issued on behalf of Company outstanding as on June 30, 1997 amounted to Rs.10.921 million. (1996:Rs.15.108 million)

### c) COMMITMENTS

1) Commitments in respect of capital expenditures as at the balance sheet date are Rs. 290.279 million (1996:Rs.5.115 million).

2) Commitments in respect of letter of credits as at the balance sheet date are Rs.83.385 million (1996:Rs.55 million).

## 12. OPERATING FIXED ASSETS

Particulars	C O S T			
	As at July 1, 1996	Additions	Transfers	Disposals
Lease hold/Free hold land and Property	12,108	3,815	-	
Factory Building on Leasehold land	179,107	-	-	
Plant and Machinery on Leasehold land	2,057,378	17,697	62,993*	11,3
Furniture, Fixtures and Equipments	47,243	3,613	-	
Vehicles	28,608	6,834	-	1,4

TOTAL	2,324,444	31,959	62,993	12,7
Assets held under Finance Lease				
Plant and Machinery	455,324	-	(62,993) *	
TOTAL	2,779,768	31,959	-	12,7
TOTAL 1996	2,754,777	26,184	-	1,1

\* This represent matured leased assets which have been taken over by the Company.

12.1 Depreciation for the year has been allocated as follows:

	(Rupees in Thousands)	
	1997	1996
Cost of goods sold	177,204	194,743
Administration and Marketing expenses	2,020	2,195
	179,224	196,938

12.2 The following fixed assets were disposed off during the year (Rupees in Thou)

DESCRIPTION	COST	BOOK VALUE	SALE PROCEED	MODE OF DISPOSAL
<b>PLANT &amp; MACHINERY</b>				
Caterpillar Generator	10,096	6,624	7,200	Negotiation
Water Chiller	1,243	433	520	Negotiation
	11,339	7,057	7,720	
<b>VEHICLES</b>				
Five Motor Cycles	262	195	251	Insurance Claim
One Motor Cycle	25	5	30	Insurance Claim
Suzuki Khyber Model 1991	206	71	87	Negotiation
Suzuki Khyber Model 1992	195	64	80	Negotiation

Suzuki Khyber Model 1990	20	8	108	Negotiation
Suzuki Khyber Model 1993	245	101	133	Negotiation
Toyota Corolla Model 1989	365	150	200	Negotiation
Suzuki Hi-Roof Model 1986	130	104	80	Negotiation
	-----	-----	-----	
	1448	698	969	
	-----	-----	-----	
TOTAL	12,787	7,755	8,689	
	=====	=====	=====	
1996	1,193	553	1,278	
	=====	=====	=====	

**(Rupees in Thousands)**

**13. CAPITAL WORK-IN-PROGRESS**

	1997	1996
Civil works and building	9,896	8
Plant and machinery	116,952	
Others	4,601	2,5
	-----	-----
	131,449	3,3
	=====	=====

**14. LONG TERM INVESTMENTS**

**UNQUOTED**

**In Wholly Owned Subsidiary Company**

M/s. Gatro Power (Private) Limited		
9,000,000 Ordinary shares of Rs.10/- each	90,000	90,0
Share application money	27,956	27,9
	-----	-----
	117,956	117,9
	=====	=====

**In Associated Company**

M/s. Novatex Limited		
11,927,000 Ordinary shares of Rs.10/- each	119,270	24,0
(1996:2,407,100 Ordinary shares of Rs.10/- each)		
Share Application Money	-	1
	-----	-----
	119,270	24,2
	-----	-----

	237,226	142,1
	=====	=====

The value of the Company's investment on the basis of the net assets of the subsidiary and company as disclosed in its audited accounts for the year ended June 30, 1997 amounted to million (1996:Rs.108.666 million) and Rs.119.270 million (1996:Rs.24.071 million) respectively. Mr. Abdul Razak Diwan is the Chief Executive of the associated company.

**15. LONG TERM DEPOSITS**

**Security Deposits**

For assets acquired on lease	(15.1)	40,331	43,1
With banks in lieu of excise duty		1,718	1,5
With High Court in lieu of levies on imported machineries		48,184	54,2
Others		934	1,8
		-----	-----
		91,167	100,7
		=====	=====

(15.1) It includes an amount of Rs.6.551 million (1996:Rs.5.978 million) invested in FDRs institution which has kept with them as security on which profit is payable to the Company

**(Rupees in Thousands)**

	1997	1996
<b>16. LONG TERM LOANS</b>		
<b>Unsecured - Considered good</b>		
<b>Loans due from</b>		
Executives	762	1,1
Staff	2,409	1,9
	-----	-----
	3,171	3,0
Less: Recoverables within one year		
Executives	340	4
Staff	2,091	1,7
	-----	-----
	2,431	2,1
	-----	-----
	740	8
	=====	=====

All the loans are interest free and are recoverable within a period of 3 years

**17. STORES, SPARES AND LOOSE TOOLS**



Stores	10,835	14,2
Spares	113,152	129,6
Tools	1,295	1,4
Spares in transit	1,619	1
	-----	-----
	126,901	145,4
	=====	=====

#### 18. STOCK IN TRADE

Work in process	25,811	37,2
Raw and packing material	256,355	210,4
Raw material in transit	73,298	151,2
Stock of finished goods	103,772	135,6
	-----	-----
	459,236	534,6
	=====	=====

#### 19. TRADE D Unsecured

Considered good	48,746	34,7
	=====	=====

(Rupees in Thousands)

#### 20. LOANS AND ADVANCES

1997

1996

##### Unsecured - Considered good

##### Loans recoverable within one year from:

Executives	340	4
Staff	2,091	1,7
	-----	-----
	2,431	2,1

##### Advances to:

Staff	474	4
Suppliers / Contractors	3,754	5,8
Others	472	2,3
	-----	-----
	4,700	8,6
	-----	-----
	7,131	10,8
	=====	=====

#### 21. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits	3,698	38,5
Short term prepayments	2,337	1,7

L/G. margin held by banks	3,624	2,7
Others	16	2
	-----	-----
	9,675	43,2
	=====	=====

**22. OTHER RECEIVABLES - Considered good**

Export rebate receivable	1,212	3,0
Others	10,426	1,3
	-----	-----
	11,638	4,3
	=====	=====

**SHORT TERM INVESTMENT**

Investment in foreign currency certificates	143,000	
	=====	=====

This investment carry interest @ 3.8125 percent per annum.

**24. CASH AND BANK BALANCES**

Cash in hand	1,488	1,4
Balances with banks in current accounts	2,882	8,2
	-----	-----
	4,370	9,7
	=====	=====

**25. NET SALES**

Gross sales	2,750,615	2,997,6
Less: Sales tax	390,093	268,2
	-----	-----
	2,360,522	2,729,3
	=====	=====

(Rupees in Thousands)

**26. COST OF GOODS SOLD**

	1997	1996
Raw and packing material consumed	1,105,082	1,545,5
Stores and spares consumed	75,051	58,3
Salaries, wages, allowances and other benefits	99,158	92,1
Rent and taxes	1,320	1,0
Power, gas and chemicals	184,592	120,8
Insurance	11,235	11,3
Vehicles repairs and maintenance	15,547	13,8
Repairs and maintenance	8,434	5,7
Staff and workers welfare	7,062	5,2
Depreciation	177,204	194,7
Excise duty	60,602	59,7

Amortization - Gas line installation charges		8
Other manufacturing expenses	11,645	10,9
	-----	-----
	1,756,932	2,120,4
Opening stock of work-in-process	37,241	52,8
Closing stock of work-in-process	(25,811)	(37,24
	-----	-----
Cost of goods manufactured	1,768,362	2,136,0
Opening stock of finished goods	135,646	199,4
Closing stock of finished goods	(103,772)	(135,64
	-----	-----
	1,800,236	2,199,7
	=====	=====

## 27. ADMINISTRATION AND MARKETING EXPENSES

Salaries, allowances and other benefits	16,882	14,4
Printing and stationery	690	6
Postage, telegram, telex and telephone	1,923	1,5
Rent, rates and taxes	207	4
Insurance	1,365	8
Advertisement	1,138	7
Vehicles repairs and maintenance	832	6
Repairs and maintenance	473	3
Legal and professional fees	1,063	2
Donation (27.1)	1,045	1,9
Travelling	1,149	1,6
Material handling charges	4,849	4,9
Octroi	7,318	7,0
Directors meeting fees	7	
Depreciation	2,020	2,1
Sundry	2,172	2,5
	-----	-----
	43,133	40,4
	=====	=====

(27.1) None of the directors or their spouses have any interest in any donee fund except a amount of Rs.0.98 million (1996:Rs.1.725 million) which has been donated to Gatron Foundation in which Chief Executive and Seven directors of the Company are trustees/govern

(Rupees in Thousands)

1997

1996

## 28. OTHER INCOME

Gain on disposal of fixed assets	934	7
----------------------------------	-----	---

Rebate on export	-	6
Scrap sales	8,225	5,1
Miscellaneous income	4,747	3,1
	-----	-----
	13,906	9,6
	=====	=====

### 29. PRIOR YEAR ADJUSTMENTS

Provision of federal education fees - written back	-	6,0
Others	-	7
	-----	-----
	-	6,7
	=====	=====

### 30. FINANCIAL CHARGES

Interest and financial charges on long term loans	143,624	156,0
Mark-up on short term financing	26,722	29,4
Exchange loss/(gain)	44,838	28,9
Interest on Workers' profit participation fund	222	5
Bank charges	501	4
	-----	-----
	215,907	215,5
	=====	=====

### 31. OTHER CHARGES

Workers' profit participation fund	15,754	14,4
Auditors' remuneration (31.1)	68	
Workers' welfare fund	4,856	1,4
	-----	-----
	20,678	15,9
	=====	=====

#### 31.1 Auditors' remuneration

Audit fee	45	
Audit fees of staff and workers provident fund and workers profit participation fund.	12	
Central and provincial excise duties	5	
Out of pocket expenses	6	
	-----	-----
	68	
	=====	=====

(Rupees in Thousands)

1997

1996

### 32. TAXATION

Current		52,512	15,0
Deferred	(32.1)	47,715	52,6
		-----	-----
		100,227	67,6
		=====	=====

(32.1) Deferred tax liability as at balance sheet date is Rs. 265 million. The Company has provided a sum of Rs.218 million and the balance deferred tax liability is not provided as the sum is not likely to be materialized in the foreseeable future.

### 33. MOVEMENTS IN WORKING CAPITAL

(Increase) / Decrease in current assets

Stores, spares and loose tools		18,504	(28,47
Stock in trade		75,377	110,2
Trade debts		(13,991 )	(22,80
Loans and advances		3,684	(3,42
Trade deposits and short term prepayments		33,595	(29,45
Other receivables		(7,253)	1,1
Short term investment		(143,000)	
		-----	-----
		(33,084)	27,2
Increase/(Decrease) in current liabilities			
Creditors, accrued and other liabilities		(9,733)	(95,93
		-----	-----
		(42,817)	(68,70
		=====	=====

### 34. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

Short term financing under mark up arrang	(288,670)	(145,485)
Cash and bank balances	4,370	9,747
	-----	-----
	(284,300)	(135,738)
	=====	=====

### 35. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including all benefits to t Executive, Directors and Executives of the Company are as follows:

(Rupees in Thousands)

Chief Executive

Dir

	1997	1996	1997
Meeting fee	-	-	
Managerial remuneration	1,283	1,116	3,3
Retirement benefits	194	206	6
Utilities	228	226	1
Other benefits	-	-	3
	-----	-----	-----
	1,705	1,548	4,5
	=====	=====	=====
Number of persons for remuneration	1	1	
for meeting fee	-	-	

In addition, the Chief Executive is provided with company maintained car and certain directors are provided with household furnitures and cars under Company policies. The monetary impact is not quantifiable.

### 36. PLANT CAPACITY AND ACTUAL PRODUCTION

	(Metric Tons)	
	1997	1996
<b>Polyester yarn</b>		
Annual capacity	18,225	18,2
Actual production	24,622	24,0

### (Rupees in Thousands)

	1997	1996
--	------	------

### 37. TRANSACTIONS WITH ASSOCIATED UNDERTAKINGS

Purchase of power	62,000	26,7
Sale of fixed assets	7,720	
Rent received	24	
Services	360	3

### 38. GENERAL

38.1 Comparative figures have been re-arranged for comparison, where necessary.

38.2 Figures have been rounded off to the nearest thousand of rupees.

### CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED JUNE 30, 1997

(Rupees in Thousands)

	1997	1996
<b>Fixed Assets</b>		

Operating assets	1,749,362	1,844,2
Capital work-in-progress	131,449	68,3
	-----	-----
	1,880,811	1,912,6
Long term investments	119,270	24,2
Long term deposits	91,167	100,7
Long term loans	740	8
<b>Current Assets</b>		
Stores, spares and loose tools	126,901	145,4
Stock in trade	461,854	535,3
Trade debts	48,746	34,7
Loans and advances	7,131	10,8
Trade deposits and shod term prepayments	10,420	43,5
Other receivables	11,638	8,7
Short term investment	143,000	
Cash and bank balances	4,558	10,4
	-----	-----
	814,248	789,1
<b>Current liabilities and provisions</b>		
Current maturity of redeemable capital, long term loans and liability against assets subject to finance lease	257,760	284,1
Shod term financing under mark-up arrangement	288,670	145,4
Creditors, accrued and other liabilities	343,524	380,4
Taxation	106,300	62,4
Proposed dividend	87,192	87,1
	-----	-----
	1,083,446	959,8
	-----	-----
Net current assets	(269,198)	(170,68
Less: Long term debts		
Redeemable capital	(40,204)	(56,28
Long term loans	(282,972)	(412,16
Liabilities against assets subject to finance lease	(26,756)	(104,09
Deferred liabilities	(234,743)	(184,08
	-----	-----
	(584,675)	(756,62
	-----	-----
	(853,873)	(927,31
	-----	-----
	1,238,115	1,111,1
	=====	=====
Representing:		
Issued, subscribed and paid up capital	348,768	348,7

Capital Reserve	348,768	348,7
General Reserve	500,000	300,0
Unappropriated profit	40,579	113,6
	-----	-----
	1,238,115	1,111,1
	=====	=====

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 1997**

	(Rupees inThousands)	
	1997	1996
Consolidated Turnover	2,360,522	2,729,3
	=====	=====
Net Profit for the year		
Company	294,474	273,9
Subsidiary - Gatro Power (Pvt) Limited	19,888	9,8
	-----	-----
	314,362	283,8
Less: Provision for taxation	100,227	67,6
	-----	-----
Consolidated Net Profit after taxation attributed to Company	214,135	216,1
Retained earnings, beginning of the year	113,636	134,6
Dividends declared	87,192	87,1
Transfer to general reserve	200,000	150,0
	-----	-----
	287,192	237,1
	-----	-----
Retained earnings, end of the year	40,579	113,6
	=====	=====

**STATEMENT UNDER SECTION 237 (1) (e)  
OF THE COMPANIES ORDINANCE, 1984**

Subsidiary

Name of subsidiary	Gatro Power (Pvt) Ltd.
Accounting year end	June 30, 1997
Percentage holding	100%
Nature of Business	Generating and supply of electric power to



industrial and other consumers.

(Rupees in Thousands)

	1997	1996
Reserves attributable to members of the Company dealt with in the financial statements of the Company		
in the current year	18,000	N
In the previous year	Nil	N
Reserves attributable to members of the Company not dealt with in the financial statements of the Company		
In the current year	19,888	9,8
in the previous year	18,666	8,8

**PATTERN OF SHAREHOLDING AS AT JUNE 30, 1997**

NO. OF SHAREHOLD	SHARE HOLDING		TOTAL SHARES HELD
	FROM	TO	
104	1	100	10,400
2,913	101	500	1,428,500
215	501	1,000	208,000
178	1,001	5,000	442,500
21	5,001	10,000	150,800
16	10,001	15,000	202,800
9	15,001	20,000	164,700
9	20,001	25,000	210,400
1	40,001	45,000	41,500
4	45,001	50,000	200,000
1	50,001	55,000	53,000
2	55,001	60,000	115,000
1	65,001	70,000	70,000
1	70,001	75,000	73,700
1	80,001	85,000	80,200
1	85,001	90,000	85,500
1	100,001	105,000	101,600
8	110,001	115,000	920,000
2	115,001	120,000	231,500
1	120,001	125,000	120,168
1	135,001	140,000	137,107
1	140,001	145,000	144,000
1	160,001	165,000	161,283
1	205,001	210,000	205,800

1	225,001	230,000	230,000
1	245,001	250,000	249,400
1	260,001	265,000	260,400
1	275,001	280,000	275,175
1	280,001	285,000	281,100
1	365,001	370,000	369,628
1	405,001	410,000	408,520
1	420,001	425,000	421,200
1	440,001	445,000	441,100
1	620,001	625,000	624,415
1	955,001	960,000	955,162
1	1,110,001	1,115,000	1,111,700
1	1,315,001	1,320,000	1,316,006
1	1,455,001	1,460,000	1,457,200
1	1,615,001	1,620,000	1,619,898
2	1,800,001	1,805,000	3,604,936
1	1,930,001	1,935,000	1,934,711
1	1,975,001	1,980,000	1,977,564
1	2,220,001	2,225,000	2,220,632
1	2,765,001	2,770,000	2,769,895
1	3,375,001	3,380,000	3,375,700
1	3,410,001	3,415,000	3,414,000
-----	-----	-----	-----
3,516			34,876,800
=====	=====	=====	=====

<b>CATEGORIES OF SHAREHOLDERS</b>	<b>NUMBER OF SHAREHOLDERS</b>	<b>TOTAL PERCENTAGE</b>	<b>HOLDING</b>
Individuals	3,485	24,090,302	69.07
Joint Stock Companies	8	3,11,698	8.92
Financial Institutions	4	5,498,800	15.77
Insurance Companies	5	430,800	1.23
Investment Companies	8	1,721,400	4.94
Modaraba Companies	6	22,800	0.07
-----	-----	-----	-----
<b>Total</b>	<b>3,516</b>	<b>34,876,800</b>	<b>100.00</b>
=====	=====	=====	=====

SUBSIDIARY COMPANY

**Gatro Power (Private) Limited**

SUBSIDIARY COMPANY

COMPANY INFORMATION

**BOARD OF DIRECTORS** Shabbir Diwan **Chief Executive**  
Zakaria Bilwani  
Usman Habib  
Iqbal Abdul Shakoor

**COMPANY SECRETARY** Mohammad Yasin Bilwani

**BANKERS** American Express Bank Limited  
Habib Bank Limited  
National Bank of Pakistan  
Societe Generale, The French and International Bank

**AUDITORS** Hyder Bhimji & Co.  
Chartered Accountants,  
Karachi.

**PLANT** Plot No. M-2/1, Sec. M. H.I.T.E.,  
Main R.C.D. Highway,  
Hub Chowki, Lasbela Distt.  
Balochistan - Pakistan.

**REGISTERED OFFICE** Room No. 7, 1st Floor,  
Saleem Plaza, M. A. Jinnah Road,  
Quetta - Pakistan.

**LIAISON OFFICE** 8th Floor, Textile Plaza,  
M. A. Jinnah / Dunoily Road,  
Karachi - 74000 - Pakistan.

## **DIRECTORS' REPORT TO THE SHAREHOLDERS**

The Directors take pleasure in presenting their Report together with the Audited Accounts the year ended June 30, 1997.

During the year under review both generators operated satisfactorily and produced 22.292 million units. In the year 10.616 units were produced as only one generator was in operation. Net profit remained Rs. 9.844 million as compared to Rs. 9.844 million of previous year. Fuel cost increased by 30 to 40% otherwise the results would have been better than what achieved. The Board recommends for cash dividend.

All the directors will complete their term of three years and retire on December 23, 1997 and offer themselves for re-election.

External auditors M/s. Hyder Bhimji & Company retires and offer themselves for re-appointment. Statement showing pattern of shareholding in the company as at June 30, 1997 appears on page

The company is a wholly owned subsidiary of Gatron (Industries) Limited

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of GATRO POWER (PVT) LIMITED as at June 30, 1997 the related Profit & Loss Account together with the notes forming part thereof, for the year ended June 30, 1997. 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 and, after due verification thereof, we report:

(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;

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 and Profit and Loss Account together with the notes forming part thereof give a true and fair view of the state of the Company's affairs as at June 30, 1997 and of the results of its operations for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat & Ushr Ordinance, 1980.

### BALANCE SHEET AS AT JUNE 30, 1997

	Note	(Rupees inThousands) 1997	1996
<b>SHARE CAPITAL AND RESERVES</b>			
Authorised capital			
17,000,000 Ordinary Shares of Rs, 10/- each		170,000 =====	170,000 =====
Issued, subscribed and paid up capital	3	90,000	90,000
Unappropriated profit		20,554 -----	18,600 -----
		110,554	108,600

**Share application money**

Gatron (Industries) Limited- Holding Company		27,956	27,9
--	--	--------	------

**CURRENT LIABILITIES**

Creditors and accrued liabilities	4	4,531	17,3
Proposed dividend		18,000	
		-----	-----
		22,531	17,3

**Contingent liabilities**

	5	-	
		-----	-----
		161,041	153,9
		=====	=====

The annexed notes form an integral part of these accounts.

	Note	(Rupees inThousands)	
		1997	1996
<b>TANGIBLE FIXED ASSETS</b>			
Operating fixed assets	6	141,520	81,4
Capital work in progress		-	64,9
		-----	-----
		141,520	146,3
<b>CURRENT ASSETS</b>			
Stock in trade	7	2,618	7
Trade debts - unsecured considered good (due from holding Company)		15,970	1,4
Trade deposits and short term prepayments		745	2
Other receivables		-	4,3
Cash and bank balances	8	188	7
		-----	-----
		19,521	7,5
		-----	-----
		161,041	153,9
		=====	=====

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED JUNE 30, 1997**

		(Rupees in Thousands)	
	Note	1997	1996
<b>Sales</b>		62,000	26,7
<b>Cost of sales</b>			
Cost of goods sold	9	41,005	16,5
Administration expenses	10	28	2
		-----	-----
		41,033	16,7
		-----	-----
Operating Profit		20,967	9,9
Financial charges		16	
Other charges	11	1,063	5
		-----	-----
		1,079	5
		-----	-----
Prior year adjustment		19,888	9,3
		-	5
		-----	-----
Net Profit		19,888	9,8
Unappropriated profit brought forward		18,666	8,8
		-----	-----
Profit available for appropriation		38,554	18,6
Appropriations			
Proposed cash dividend @ 20% (1996: Nil)		18,000	
		-----	-----
Unappropriated profit carried forward		20,554	18,6
		=====	=====

The annexed notes form an integral part of these accounts.

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 1997**

**1. STATUS AND PRINCIPAL ACTIVITY**

The Company was incorporated on June 15, 1994. The exclusive object of the Company is to operate electric power generating project for generating and supply of electric power to other consumers. The Company is wholly owned subsidiary of Gatron (Industries) Limited.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

## 2.2 Tangible fixed assets and depreciation

Operating fixed assets (except work-in-progress) are stated at cost less accumulated depreciation. Maintenance and normal repairs are charged to income as and when incurred.

Depreciation is computed at the rates mentioned in Note No.6 whereby the cost of assets written off over its estimated useful life, by the diminishing balance method.

Full year's depreciation is charged on additions during the year except in case of significant additions or expansions where the charge for depreciation is made with reference to the date of commencement of operation of such assets. No depreciation is charged on assets deleted or retired during the year.

Gain and losses on disposal of fixed assets, if any, are included in income currently.

## 2.3 Stock, stores and spares

Stores, spares, tools and raw material are recorded at cost (computed on the basis of moving average) and work-in-process is also recorded at cost.

## 2.4 Trade debts

Debts considered irrecoverable if any, are written off and provision is made for debts considered doubtful.

## 2.5 Revenue recognition

Revenue is recognised on transmission of electricity to customers.

		(Rupees inThousands)	
<b>3. ISSUED, SUBSCRIBED AND PAID UP CAPITAL</b>		<b>1997</b>	<b>1996</b>
9,000,000	Ordinary shares of Rs.10/- each fully paid in cash	90,000	90,000
		=====	=====

		(Rupees inThousands)	
<b>4. CREDITORS AND ACCRUED LIABILITIES</b>		<b>1997</b>	<b>1996</b>
	Creditors - Other finance	3,287	16,004
	Workers' profit participation fund	1,049	982

Other accrued expenses	195	346
	-----	-----
	4,531	17,332
	=====	=====

#### 5. CONTINGENT LIABILITIES

Bank guarantee issued on behalf of Company outstanding as on June 30, 1997 amounted to Rs. million (1996:Rs.1.564 million).

#### 6. OPERATING FIXED ASSETS

Particulars	COST			As at June 30, 1997
	As at July 1 1996	Additions	Disposals	
Plant and Machinery	84,646	67,757	-	152,4
Factory Building	4,301	-	-	4,3
Fire Fighting Equipments	5	-	-	
Factory Equipments	4	-	-	
Electric Installations	27	-	-	
Furnitures and Fixtures	1	-	-	
	-----	-----	-----	-----
TOTAL	88,984	67,757	-	156,7
	=====	=====	=====	=====
TOTAL 1996	88,198	786	-	88,9
	=====	=====	=====	=====

7. STOCK IN TRADE	(Rupees in Thousands)	
	1997	1996
Work-in-process	59	
Raw material	2,559	7
	-----	-----
	2,618	7
	=====	=====
<b>CASH AND BANK BALANCES</b>		
Cash in hand	35	
Balance with banks	153	6
	-----	-----
	188	7
	=====	=====

(Rupees in Thousands)  
1997 1996



**9. COST OF GOODS SOLD**

Raw material consumed	27,260	8,3
Stores and spares consumed	3,407	1,8
Salaries, wages, allowances & other benefits	1,012	1,0
Rent & taxes	335	1
Insurance	383	2
Repair & maintenance	117	
Octroi	440	
Depreciation	7,640	4,4
Other manufacturing expenses	436	3
	-----	-----
	41,030	16,6
Opening stock of work-in-process	34	
Closing stock of work-in-process	(59)	(3)
	-----	-----
	41,005	16,5
	=====	=====

**10. ADMINISTRATION EXPENSES**

Printing & stationery	2	
Rent, rates & taxes	6	1
Legal & professional fees	14	
Sundry	6	
	-----	-----
	28	2
	=====	=====

**11. OTHER CHARGES**

Workers' profit participation fund	1,049	5
Audit fees	13	
Central and provincial duties	1	
	-----	-----
	1,063	5
	=====	=====

**12. GENERAL**

12.1 The Company's profits are exempt from tax as provided in clause 176 of Part 1 of 2nd of the Income Tax Ordinance, 1979. Therefore no provision for the same is required to be made.

12.2 Comparative figures have been re-arranged for comparison, where necessary.

12.3 Figures have been rounded off to the nearest thousand of rupees.

**PATTERN OF SHAREHOLDING AS AT JUNE 30, 1997**

SHARE HOLDING				
NO. OF SHAREHOLDERS	FROM	TO	NO. OF SHARES	
4	1		100	4
1	8,995,001		9,000,000	8,999,996
-----	-----	-----	-----	-----
5				9,000,000
=====	=====	=====	=====	=====

CATEGORIES OF SHAREHOLDER	NUMBER OF SHARE HOLDERS	TOTAL SHARES HELD	HOLDING PERCENTAGE
Individuals			
(Nominees of Gatron (Indu	4	4	0.00
Joint Stock Companies	1	8,999,996	100.00
	-----	-----	-----
<b>Total</b>	<b>5</b>	<b>9,000,000</b>	<b>100.00000</b>
	=====	=====	=====