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ANNUAL REPORT

GATRON

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 and with challenging spirit and flexibility.

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

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

To seek long term and 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
Mohammad Arif Bilwani
Shabbir Diwan

Audit Committee

Iqbal Bilwani - Chairman
Haji Haroon Bilwani
Zakaria Bilwani
Mohammad Arif Bilwani

Chief Financial Officer

Rizwan Diwan

Company Secretary

Mohammad Yasin Bilwani

Auditors

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

Legal Advisor

Naeem Ahmed Khan
Advocates
Quetta

Bankers

Bank Alfalah Limited
Barclays Bank plc
Citibank N.A.
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
HSBC Bank Middle East Limited
JS Bank Limited
MCB Bank Limited
National Bank of Pakistan
NIB Bank Limited
Samba Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Royal Bank of Scotland Limited
United Bank Limited

Plant

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

Registered Office

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

Liaison/Correspondence Office

8th Floor, Textile Plaza, M.A.Jinnah/Dunolly Road
Karachi-74000, Pakistan
Phone: (021) 32417171 (3 lines)
U.A.N. (021) 111-71-71-71
Fax (021) 32416532

Email

headoffice@gatron.com

Notice is hereby given that the Twenty Ninth Annual General Meeting of Gatron (Industries) Limited will be held on Friday, November 20, 2009 at 11:30 a.m., at Serena Hotel, Quetta, to transact the following business:

1) To confirm the minutes of the Twenty Eighth Annual General Meeting of the Company held on October 13, 2008.

2) To receive, consider and adopt the audited accounts of the company for the year ended June 30, 2009 together with the Auditors' Report thereon and Directors' Report for the year then ended.

3) To consider and approve payment of cash dividend at Rs.1.50 per share (15%) as recommended by the Board of Directors.

4) To appoint auditors and fix their remuneration for the next financial year.

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

By Order of the Board

Mohammad Yasin Bilwani
Company Secretary

October 20, 2009

Notes:

1) The Share Transfer Books of the Company will remain closed from November 13, 2009 to November 20, 2009 (both days inclusive).

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

4) In case of member being a corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee duly attested by the authorized person(s) shall be produced at the time of attending the meeting.

5) The shareholders are advised to notify to the company of any change in their addresses.

DIRECTORS' REPORT

The Directors of your company are pleased to present the 2008-09 Annual Report together with the audited financial statements of the Company for the year ended June 30, 2009.

The Company manufactures polyester polymer from PTA and MEG, which are the products of the Petrochemical Industry. The downstream final products from the polyester polymer are Polyester Filament Yarn and Polyester PET Preforms. The intrinsic genesis of raw materials being petrochemical, the risk and returns of the industry are, to some extent, so driven.

The financial results for the year under review are as follows:

	Rupees in million
Net Sales	7,497
Operating Profit	264
Profit before taxation	385
Profit after taxation	379
Earning per share (Rupees)	9.89

The year has been full of challenges for the country with unprecedented commodity cost increases, deteriorating security environment vis a vis the war of terror, the increase in deficit of export over imports, the balance of payments position being dependent on whether IMF will approve the package for Pakistan or not. The world economy also saw the start of the downward economic cycle in such a pronounced manner, that was not seen for the last two-three decades. The global economy hitting rock bottom from December, 2008 to March, 2009. The results of this year should be judged in the back drop of this challenging and volatile environment, ALHAMDOLILLAH your company did relatively well compared to the pessimistic outlook that was expected during this period.

The operating profit of the company during the year 2008-09 has reduced to Rs.264.323 million from Rs.384.320 million last year. During the year 2008-09 the high oil prices of US$140 per barrel in July, 2008 (reflecting the peak) came down to US$100 by end of September, 2008 and by end of October, 2008 were US$60 to US$70 per barrel and finally by end of December, 2008 reached their bottom US$45 to US$50 per barrel. The oil prices started firming up from March, 2009 onwards and at the year end they were around US$70 per barrel. The raw material prices of our industry which came down 15% to 20% in the first quarter, however, totally crashed (by another 40%) in the second quarter of the reporting period and reached their lowest level in December, 2008, while suddenly increasing from February, 2009 onwards and outpacing the increase in oil prices. The company product's prices mainly the Polyester Filament Yarn sustained in the first quarter of the reporting period but started sliding from November, 2008 and the slide aggravated between December, 2008 until March, 2009. Extraordinary quantity of Polyester Filament Yarn was imported from China/Far East during this period, more than the consumption requirements as mainly the Traders are involved in the import and sale of Polyester Filament Yarn.

This really continued to put the market under pressure until the end of this financial year. The imports of Polyester Filament Yarn are in excess of 50,000 tons, similar level as the local production in the country. In such a period to maintain the quantum of sale was also a challenge with buyers hesitating to firm up the orders with the expectation that prices will further decline. The Preform prices which had fallen drastically in first half of the year however recovered in the later half of the year.

Due to above factors, the results of the reporting period (2008-09) not only sustained the dent of inventory losses but also sustained the losses on account of fall in sale values by the time the each batch purchased raw material was processed into finished goods, resulting sometimes in negative margins. However, by the grace of ALLAH the company due to its efficient and economic operation policies and diverse quality types, was able to maintain its quantum of sales as well as avoid huge losses with Polyester Filament Yarn unit suffering slight operating losses.

The higher value of sales of Rs.7,497 million over Rs.7,056 million of last year is a reflection of higher average unit values of raw material and product in this year compared to last year.

The continued dumping of heavy quantity of cheap imported Polyester Filament Yarn kept pressure on locally manufactured yarn since January 2009, with the desperation of the Far East producers increasing with the increasing global downturn to curb speculative imports by traders who get very cheap 90 -120 days credit from the Far East suppliers, the Government should impose LC margin on imports of Polyester Filament Yarn, which is not only hurting the local industry but utilizing the precious foreign exchange of the country for unnecessary import.

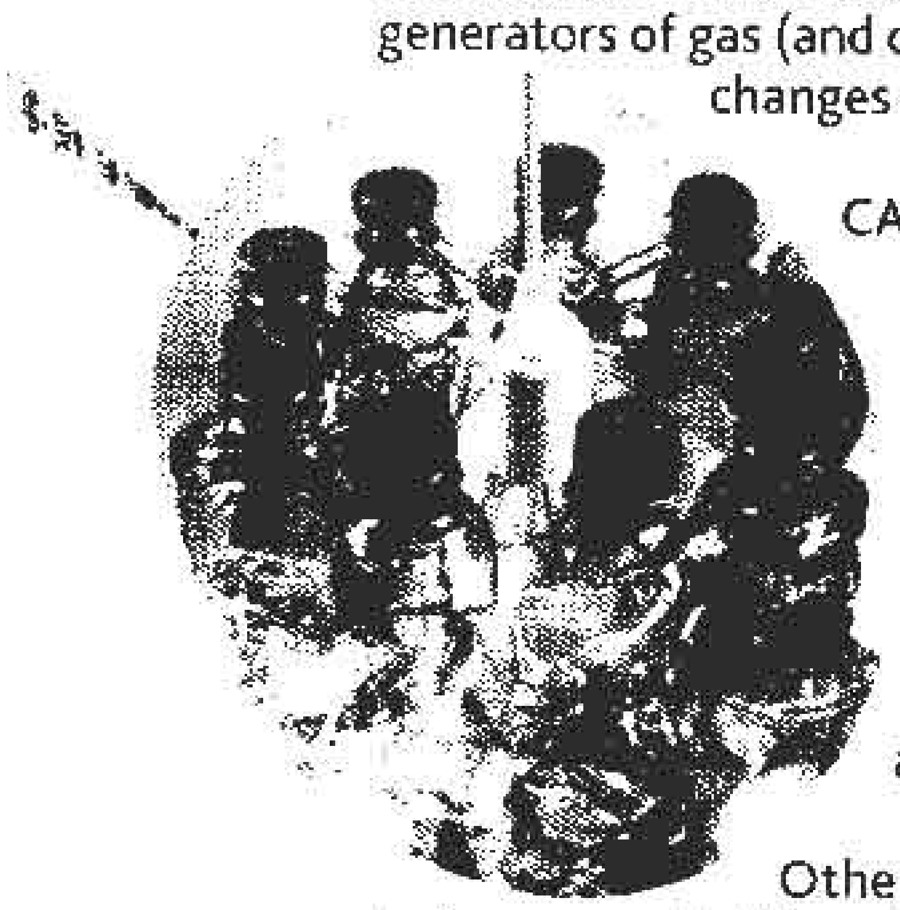
The operating results further dampened due to continued overall inflationary trend resulting in increase in cost of packing material, transportation cost, power cost, salaries and wages and other conversion costs.

OTHER MATTERS:

The financial charges during the year also showed an increase due to less reliance on FE 25 borrowing during the year. The company has decided to overcome this by again relying on FE 25 borrowings in the new financial year. The stock-in-trade of the company increased compared to last year due to increase in the stock of finished stock of Polyester Filament Yarn because of slow down of its sales in the last quarter. The raw materials stocks were also on the higher side at the year end.

Handsome amount is blocked with Government departments on account of return of import duty on PTA by Government of Pakistan. This is severely affecting the financial liquidity of the company and causing increase in borrowing cost.

In the year 2008-09 the wholly owned subsidiary paid 250% cash dividend amounting to Rs.376.250 million. The results of the Power producing subsidiary of the company are a reflection of the ramping up of the new generators of gas (and decreased dependence on furnace oil for power generation) as well as the power tariff changes in the country.



CAPITAL EXPENDITURE:

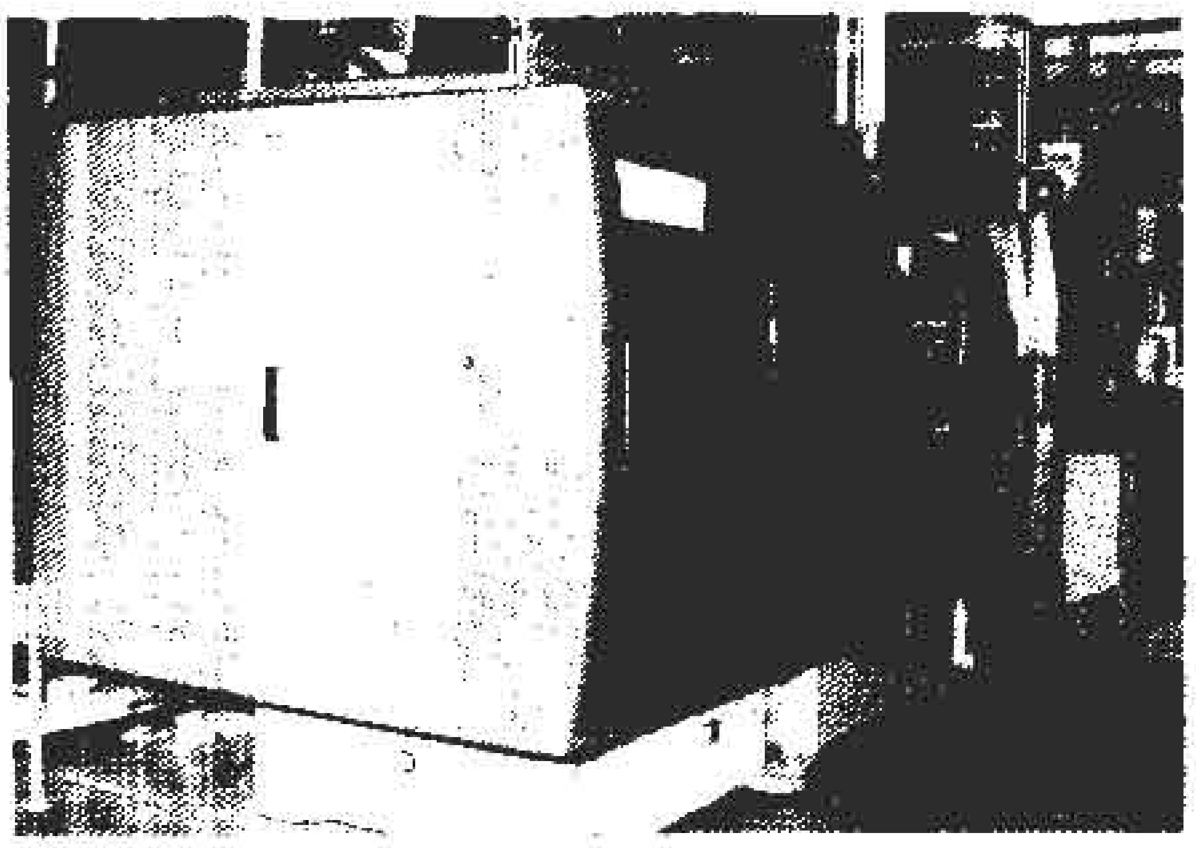
During the year under report, the company successfully commissioned certain machines, to replace inefficient and outdated existing machines. The Company has also imported some new molds for PET Preforms to replace obsolete molds. Still further investment may be required to replace further obsolete molds to increase utilization of molding machines. As reported in last year annual report as a measure of cost saving, the project of Direct Spinning of Polymer instead of chips spinning has been launched and equipment is expected to be shipped in November, 2009 and erection and commissioning is expected by the end of the current financial year.

Other costs saving measures undertaken during the year were installation of equipment to improve reliability of Polycondensation Plant and installation of Centrifugal Air Compressor in Polyester Yarn Spinning Lines.

FUTURE OUTLOOK:

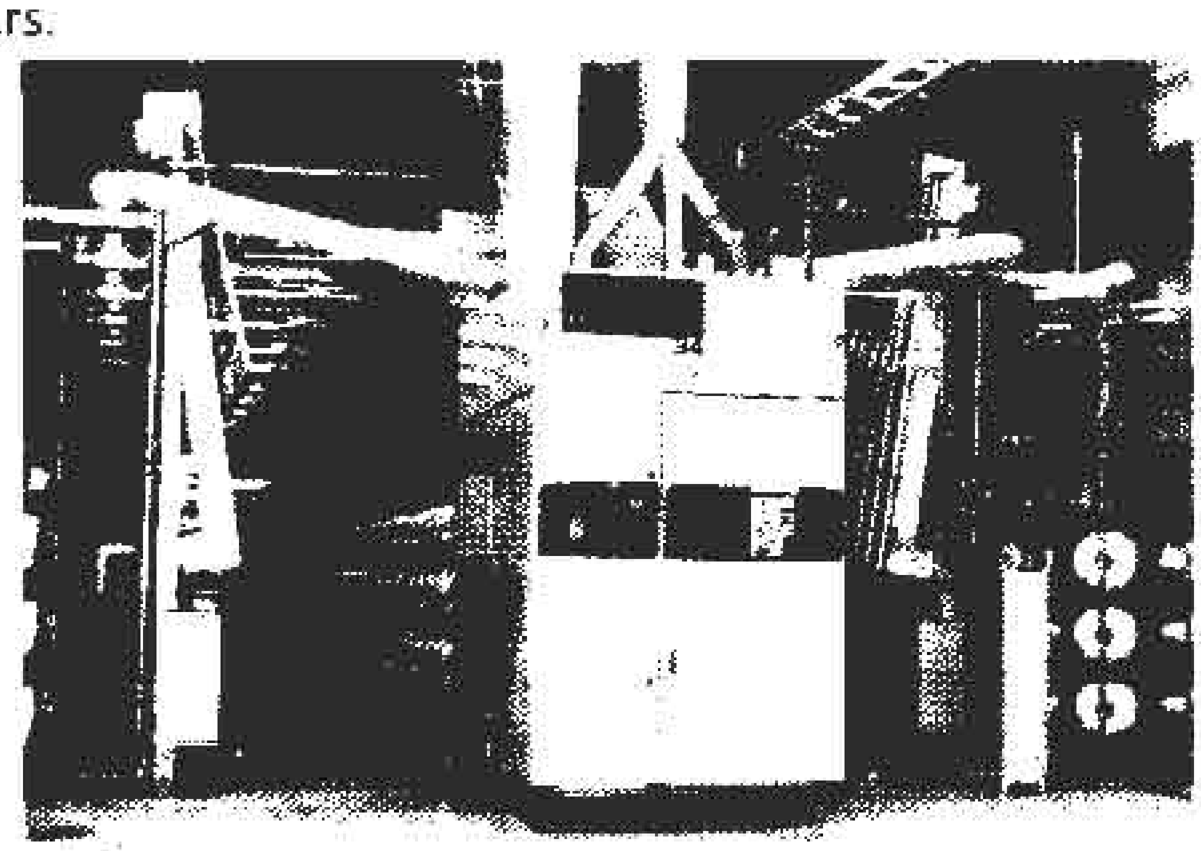
The raw materials which went to their lowest levels in December, 2008, had recovered to some extent by April, 2009. However, there is still some unexpected up and down volatility from month to month. This volatility presents a challenge in the business operations.

After the Direct spinning project there appears very little room for production cost saving projects on the Filament Yarn Spinning. The main challenge in the Polyester Filament Yarn is the condition of the market. In the Polyester Filament Yarn market, the imports which account for nearly 50% of the country's consumption, affect the market conditions and mood. Most of these imports are by Traders rather than end consumers. The Far East suppliers continue to offer their products at prices which do not cover full costs. Due to their desperation to sell and availability of cheap credit, they also offer 90 to 120 days free credit to the Trader which results in speculative imports. The Trader is also indulging in other practices to reduce the import duties. So the glut of speculative dumped and under invoiced imports continues while over 40% of the domestic Polyester Filament Yarn industry continues to remain shut down, including 3 public listed companies. Any change in tariff protection by the GOP will effect your company. It is essential that the Tariff protection on the Polyester Filament Yarn at 9% is maintained by the Government of Pakistan. This 9% is based on zero duty impact on PTA and 3% on Polyester Chips. If there is any change in the zero duty impact of PTA then accordingly the import duty on these items should be increased to maintain the same level of protection. This may result in increase in import duty of Polyester Filament Yarn from 9% to 12% and on Fabrics from the current 15% to may be 17-18%, to maintain the same level of protection for downstream industry. With the challenges faced by country as well industry in view of the "war on terror" and energy crisis affecting industrial output, it is essential that industrial production is supported which in turn will avoid increase in unemployment and further disillusionment/despair among the masses.

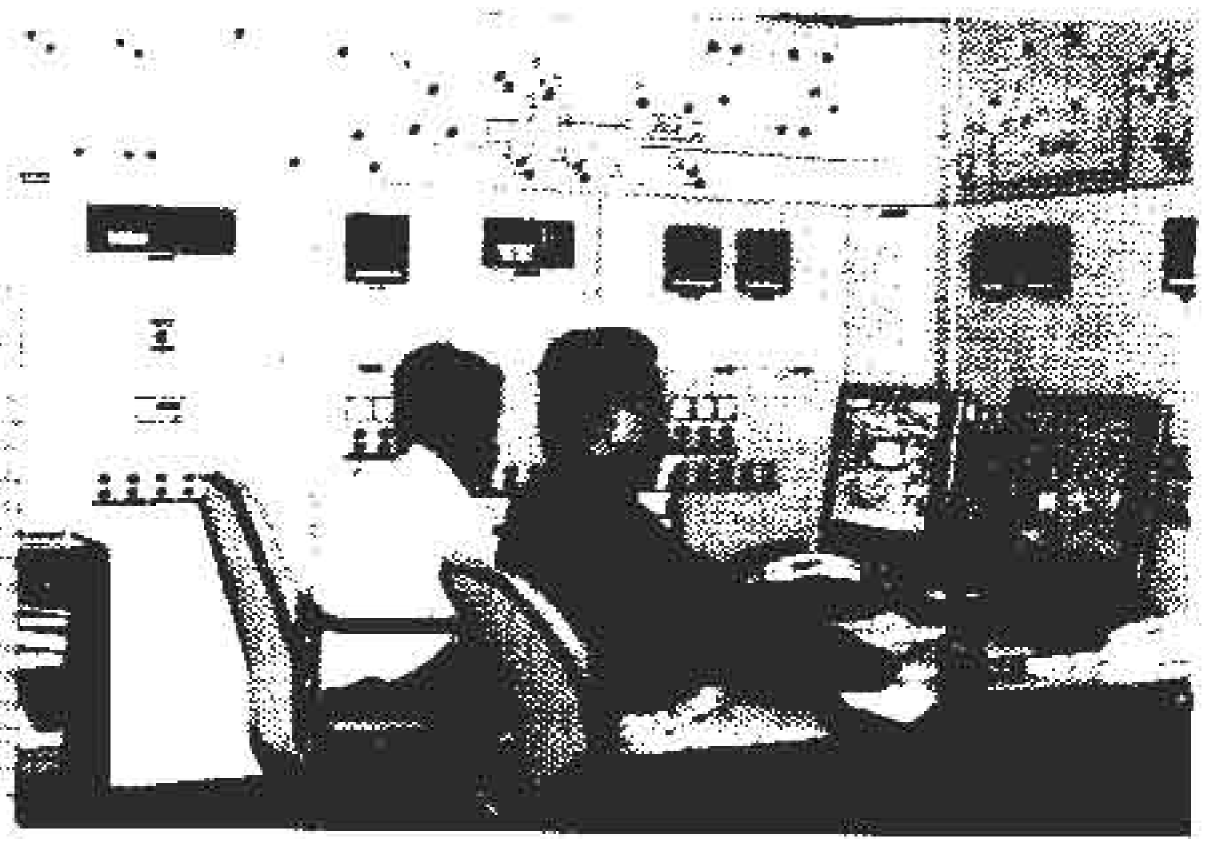


Foreign countries, while publicly supporting Pakistan in the current situation also do not take steps to help or remove the disadvantage faced by the Industry in Pakistan, when it comes to protecting their own industries. Like the duty free access into USA like Jordan border areas by "ROZ" zones in Pakistan has still not approved in USA after being on paper for 7 years since 9/11. And similarly while EU (by one scheme or the other) has allowed zero duty on imports on all countries of the world having up to $1800 GNI/per capita (except Pakistan and 2 other countries) it has still not granted zero duty status on the imports of Pakistan (which has a much lower viz $960 GNI/per capita) despite intensive lobbying by the Pakistan for the last 4 years. In fact while today Pakistan is classified by the UN as a low middle income country, until last year Pakistan was the only low income country of the world which did not have zero duty on its exports to EU.

So GOP should maintain the tariff protection of the country's industries, when purposeful employment of the youth of the country is the need of the day, particularly when the dilution of this protection through unchecked under-invoicing etc is not effectively prevented. (let alone creation of non-tariff barriers as done by India). The under-invoicing is reconfirmed by the reported disparity between exports to a Pakistan reported by a particular country and the imports recorded in Pakistan from the same country for the whole year. In one case the disparity is over one billion dollars.



Imports of Fabric are also greatly undercutting the weaving units of the country and consequently undercutting the demand of Polyester Filament Yarn. Import duty on Fabric is only 15% and its impact is further reduced due to under-invoicing, underweight declaration and import of other expensive items undeclared by many traders in fabric containers. There is also gross under-invoicing in the import of Polyester Filament Yarn. China for e.g. in one year is reporting $1,156 million of exports of clothing, accessories, Yarn and Fabric to Pakistan, while in the same period the imports of these items/HS codes in Pakistan is recorded at $323 million only. No other commodity being imported from China has such a big disparity of invoicing like Yarn and Fabric. Import of Fabric from India via Dubai is also flooding the market. It is necessary that when regulatory duty on many finished products like toiletries, food products, furniture etc have been imposed to reduce the countries trade gap, the regulatory duty should also be imposed on import of end product like Fabric which Pakistan can produce, while maintaining current net protection on Yarn. Moreover LC margin should be imposed on imports of Fabrics and Polyester Yarn, while at the same time a original copy of the invoice (and declaration by exporter that the invoice represents all and total consideration/ payment he has received from all sources for the said consignment) certified by Customs of the exporting country and the Pakistan embassy there, should be part of the clearance documents.



A good part of fabric/synthetic fibre imported duty free under Afghan Transit Trade (ATT) does not reach Afghanistan, but floods the Pakistan market. Synthetic Fibre/Yarn is perhaps the second highest import item of ATT which has jumped from US$27 million to US$132 million in last two years. For Afghan transit, duties should be collected on import of goods under Afghan Transit Trade and the same duties handed over to the Afghan government, instead of transit without duties. Afghanistan has already imposed restrictive conditions of export of Pakistan to CIS countries transiting through Afghanistan.

All the above measures are necessary for improving the future outlook of Polyester Filament Yarn.

Human Resource Development

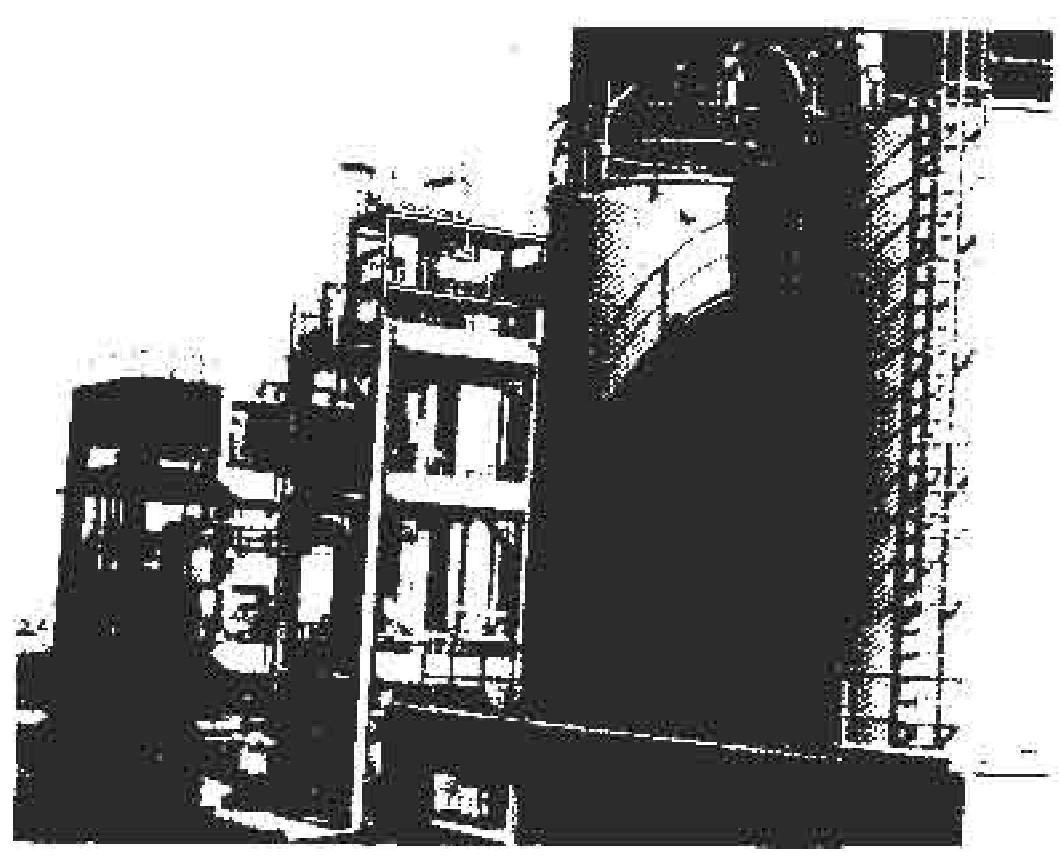
The Company continues to invest in its employees through various initiatives. These include regular staff training programs and continuing professional education to enable them to handle rising business challenges and issues.

Good Governance

We only propel as a group. The teamwork is the corner stone and the squad does not represent the employees only. It includes all with whom we have interface, in conduct of our business, the management, the employees, the financial institutions, the regulatory bodies, the customers, the suppliers and so on. We believe in being supportive, rather than critical to the regulatory bodies.

In the wake of growing technologies and globalization, the value addition lies in being relentless and we want to be a continual part of this phenomenon. We set ourselves, ambitions targets, but our efforts are blended into drive and prudence.

All our policy documents are living, vibrant and open to updates and improvements.



Information and Communication Technology

The Company continued its efforts towards improving in-house Financial Information and Control Systems to bring more efficiency, transparency and controls. In this regard existing systems were further enhanced and additional modules were acquired.

Health, Safety and Environment

The Company has an effective and comprehensive Health, Safety and Environment policy and related practices ensuring 100% commitment from employees, customers, contracts and communities where it operates and practice quality in all its business activities so as to exceed customer expectations.

Corporate Social Responsibility

As a responsible corporate organization, Gatron has been playing an active role through its Corporate Social Responsibility (CSR) Program in contributing its share in education, health care, civil welfare and other such social projects which have far reaching impacts and are expected to bring benefits in general and the society at large. In recognition, a Certificate of Recognition was awarded to the Company by the Pakistan Centre for Philanthropy on the occasion of the Pakistan Corporate Philanthropy Awards, held on April 03, 2009.

Appropriations

The Directors have recommended a final cash dividend @ 15% (Rs. 1.50 per share of Rs. 10/- each) to the shareholders of the Company for the year ended June 30, 2009. During the financial year the Board had also resolved to appropriate for transfer of amount of Rs. 1.109 million and Rs. 130.000 million in Capital Reserves and General Reserve respectively.

Contribution Towards the Economy

The Company contributed Rs.323.784 million towards national ex-chequer in respect of payments towards sales tax, income tax, import duties and other statutory levies, not including the significant amount of withholding tax deducted by the Company from employees, suppliers and contractors.

Material Changes

There have been no material changes since June 30, 2009 to date of the report and the company has not entered into any commitment during this period, which would have an adverse impact on the financial position of the company.

Auditors

Existing auditors, Messrs. Hyder Bhimji & Company, Chartered Accountants, retire and offer themselves for re-appointment. The Audit Committee of the Board has recommended for the re-appointment of the retiring auditors.

Consolidated Financial Statements

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

Statement on Corporate and Financial Reporting Framework

Following are the statements on corporate and financial reporting framework:

- the financial statements for the year ended June 30, 2009 of the company present fairly state of its affairs, the result of its operations, cash flows and changes in equity;
- proper books of accounts have been maintained;
- appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments;
- in preparation of these financial statements, International Accounting and Financial Reporting Standards as applicable in Pakistan, have been followed;
- the system of internal control of the company is in place, is sound in design and is being effectively monitored;
- there are no doubts upon the company's ability to continue as going concern;
- there has been no departure from the best practices of corporate governance, as detailed in the listing regulations;
- the fair value of the Provident Funds investments as at June 30, 2009 was Rs. 231.913 million;

- key operating and financial data of last six years in summarized form are annexed;
- where any statutory payment on account of taxes, duties, levies and charges is outstanding, the amount together with a brief description and reasons for the same is disclosed;
- the information as to trading in the shares of the company by its Directors, CEO, CFO, Company Secretary and their spouses and minor children is annexed;
- During the year five board meetings were held. Attendance by each director was as follows:

	Name of the Directors	Attendance
1)	Haji Haroon Bilwani	5
2)	Mr. Peer Mohammad Diwan	5
3)	Mr. Abdul Razak Diwan	3
4)	Mr. Zakaria Bilwani	5
5)	Mr. Usman Bilwani	5
6)	Mr. Iqbal Bilwani	5
7)	Mr. Mohammad Arif Bilwani	5
8)	Mr. Shabbir Diwan	4

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

Pattern of Shareholding

- A statement showing pattern of shareholding of the Company and additional information as at June 30, 2009 is included in the report.

Board of Directors

During the year under Report, there were no changes in your Board of Directors.

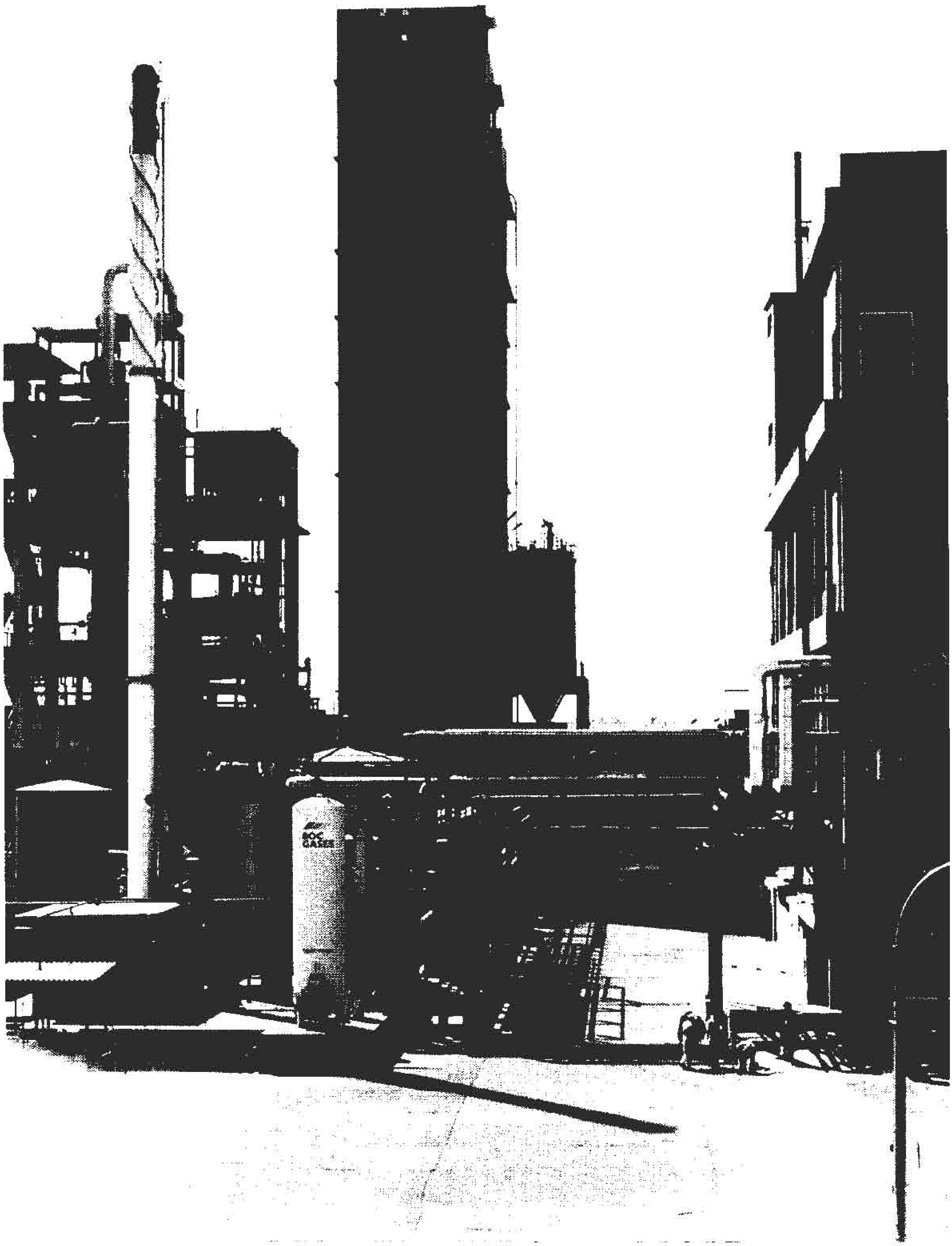
Acknowledgment

The Board would like to take this opportunity to thank our esteemed shareholders, Government of Pakistan and regulatory bodies for their enduring relationship and support towards the progress of the Company. The Board also thanks and appreciates employees, customers and strategic partners for their dedication, commitment and contribution towards helping us to achieve results.

On behalf of the Board

Peer Mohammad Diwan
Chief Executive

October 20, 2009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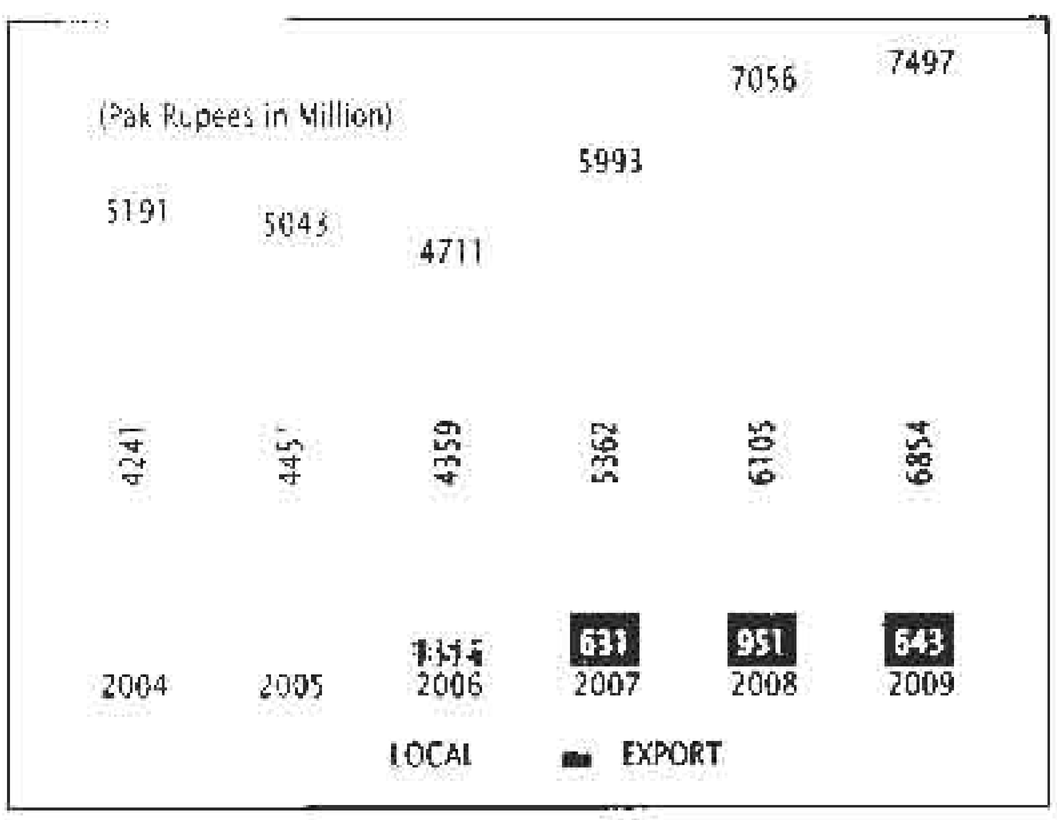
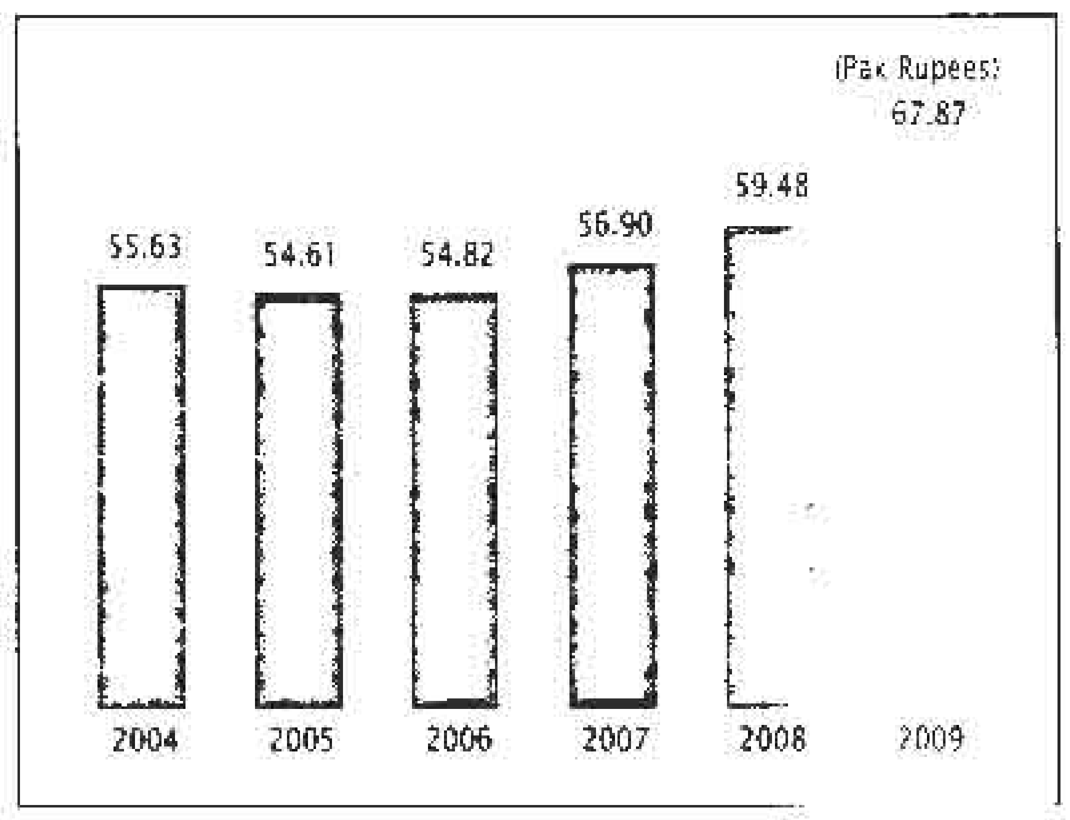
Financial Highlights

Operating Results	2008	2007	2006	2005	2004	2003
Pak Rupees in Thousands						
Sales	7,056,483	5,992,937	4,711,067	5,042,665	5,190,513	4,536,923
Gross Profit	785,307	543,368	351,842	400,193	463,336	591,350
Operating Profit	384,320	352,292	270,508	264,769	304,398	442,300
Profit after taxation	156,644	137,220	123,342	152,707	203,018	294,386
Percentage						
Dividend	15.00	15.00	15.00	30.00	50.00	55.00
Financial Position						
Pak Rupees in Thousands						
Paid up Capital	383,645	383,645	383,645	383,645	383,645	383,645
Reserves & unappropriated profit	1,898,429	1,799,332	1,719,659	1,711,410	1,750,525	1,547,507
Property, Plant & Equipment	2,447,092	2,477,898	2,487,650	2,297,678	1,772,944	1,690,341
Current Assets	3,119,717	2,465,399	2,451,539	2,292,047	2,502,784	2,161,582
Current Liabilities	2,652,657	2,147,458	2,272,536	1,976,201	1,962,906	1,953,510
Net Current Assets	467,060	317,941	179,003	315,846	539,878	208,072
Long Term Liabilities	415,405	458,836	461,013	413,177	112,000	6,559
Deferred Liabilities	518,703	455,897	404,289	407,586	368,862	394,160
Financial Ratios & Percentages						
Percentages						
Gross Profit Ratio	11.13	9.07	7.47	7.94	8.93	13.03
Return on Capital Employed	10.98	8.35	6.85	6.09	9.04	15.19
Return on Equity	6.86	6.29	5.86	7.29	9.51	15.24
Number of Times						
Inventory Turnover	3.91	3.46	2.82	3.24	3.64	3.45
Debtors Turnover	12.05	13.96	11.49	9.15	9.24	9.09
Total Assets Turnover	1.27	1.14	0.93	1.06	1.17	1.08
Fixed Assets Turnover	2.87	2.41	1.97	2.48	3.00	2.63
Interest Cover	2.55	2.06	2.15	5.57	15.43	6.71
Ratio						
Debt-Equity	15 : 85	17 : 83	18 : 82	16 : 84	5 : 95	1 : 99
Current Ratio	1.18 : 1	1.15 : 1	1.08 : 1	1.16 : 1	1.28 : 1	1.11 : 1
Per Share Results and Returns						
Rupees						
Break-up Value	59.48	56.90	54.82	54.61	55.63	50.34
Earnings per Share - Basic and diluted	4.08	3.58	3.21	3.98	5.29	7.67
Dividend per Share	1.50	1.50	1.50	3.00	5.00	5.50
Percentages						
Dividend Yield	1.83	0.89	0.83	1.80	3.18	6.04
Dividend Pay Out	36.76	41.90	46.73	75.38	94.52	71.71
Number of Times						
Price Earning Ratio - Year end price	20.14	47.30	56.23	41.78	29.68	11.86
Share Performance						
Rupees						
Highest	186.65	186.65	183.00	229.00	176.00	119.00
Lowest	75.05	80.00	91.00	128.25	82.05	55.00
At year end	82.17	169.35	180.50	166.30	157.00	91.00

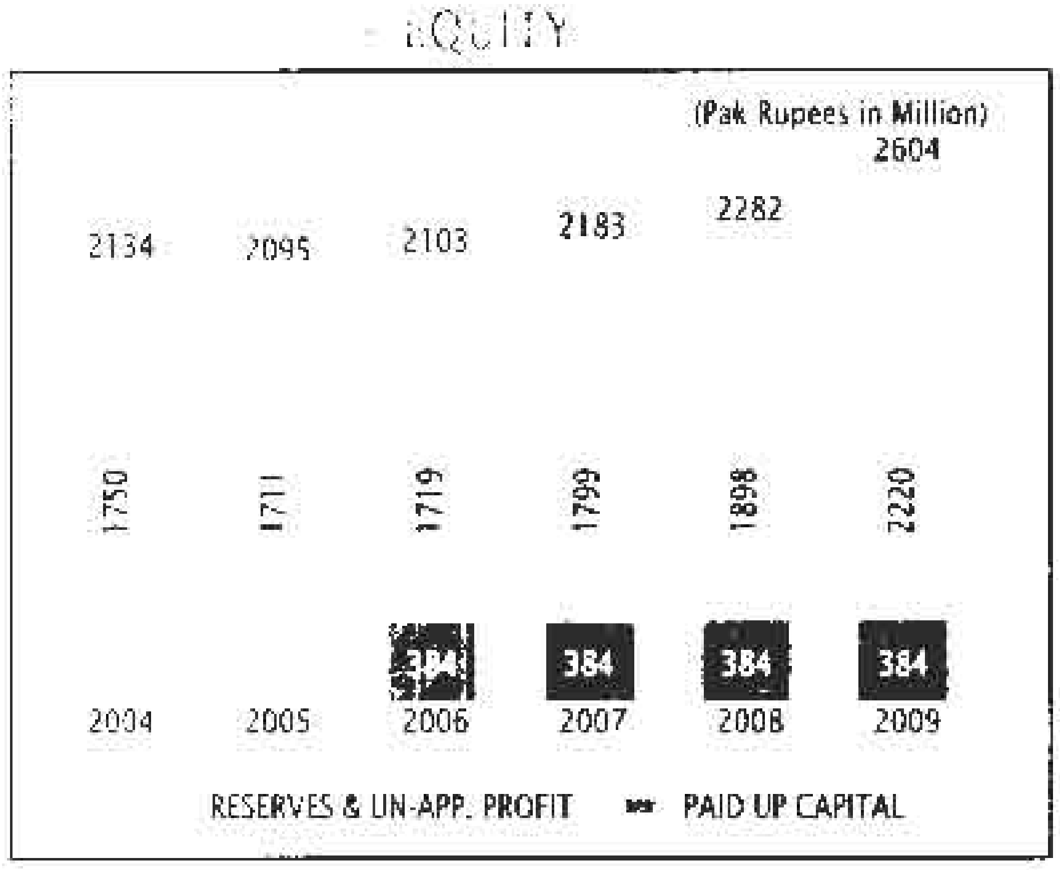
Graphical Presentation



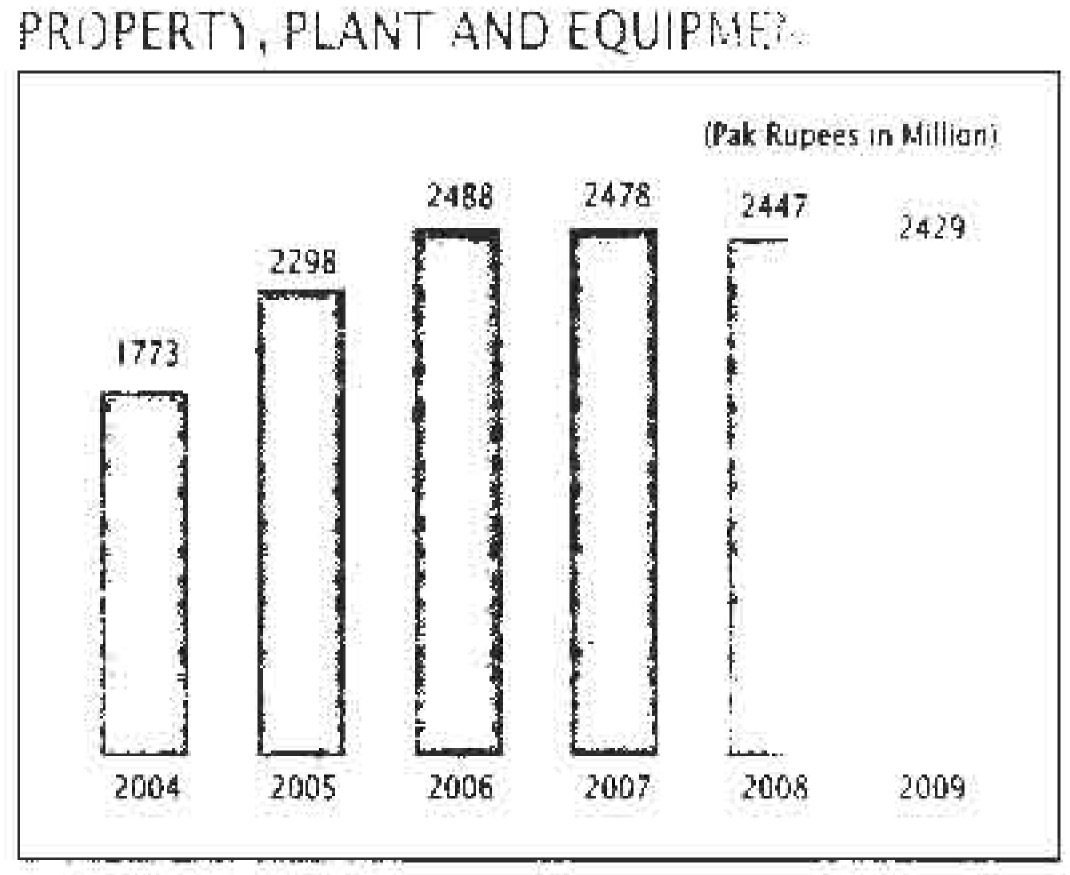
BREAK UP VALUE OF SHARE



EQUITY



PROPERTY, PLANT AND EQUIPMENT



HYDER BHIMJI & CO.

CHARTERED ACCOUNTANTS

Member of
KRESTON INTERNATIONAL
with affiliated offices worldwide

Standard Insurance House
I. I. Chundrigar Road
P.O. Box: 6904
Phones: 2417585 - 87
Fax: 92-21-2423954
Email: bhimji@multinet.com.pk

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2009 prepared by the Board of Directors of **GATRON (INDUTRIES) LIMITED** to comply with the Listing Regulations of the respective Stock Exchanges, were the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 (Previously Regulation No.37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Company to place before the board of directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance, as applicable to the Company for the year ended June 30, 2009.

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

Karachi: October 20, 2009

Website: http://www.bhimji.com.pk
www.kreston.com

Lahore: Amin Building, 65 The Mall. Phones: 7353392, 7352661, 7321043. Fax: 92-42-7122378

Statement of Compliance with the Code of Corporate Governance

"This statement is being presented to comply with the Code of Corporate Governance contained in the listing regulations of the Stock Exchanges 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 Code in the following manner:

1. The Board comprises eight directors, including the Chairman and Chief Executive Officer (CEO). The company encourages representation of independent non executive directors on its Board. Presently, there are four non executive directors on the Board including the Chairman.

2. All the directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.

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

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

5. The company has prepared a "statement of ethics and business practices" which has been signed by all concerned.

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, have been approved by the Board.

8. The meeting of the Board were presided by the Chairman and in his absence by the CEO. 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. Orientation course for directors has been conducted to apprise them of their duties and responsibilities.

10. The Board has already ratified appointments of the Chief Financial Officer, Company Secretary and the Head of Internal Audit and their remunerations.

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

12. The financial statements of the company were duly endorsed by the 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 Code.

15. The Board has formed an audit committee. It comprises of four members, three of whom are non-executive directors including the Chairman of the committee.

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

17. 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.

18. 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, that they or any of the partner of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants of Pakistan (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.

19. 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.

20. We confirm that all other material principles contained in the Code have been complied with."

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

October 20, 2009

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

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KRESTON INTERNATIONAL
with affiliated offices worldwide

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of GATRON (INDUSTRIES) LIMITED as at June 30, 2009 and the related Profit and Loss Account, 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 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 due verification, we report that:

a) in our opinion, proper books of accounts 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 the accounting policies consistently applied;

   ii) the expenditures 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 and Profit and Loss Account, 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, 2009 and of the profit, 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.

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner : Hyder Ali Bhimji

Karachi: October 20, 2009

Website: http://www.bhimji.com.pk
www.kreston.com

Lahore: Amin Building, 65 The Mall. Phones: 7353392, 7352661, 7321043. Fax: 92-42-7122378

Balance Sheet

As At June 30, 2009

	Notes	2009	2008
		(Pak Rupees in Thousands)	
ASSETS			
Non-current Assets			
Property, plant and equipment	4	2,429,297	2,447,092
Long term investments	5	300,500	300,500
Long term loans	6	650	557
Long term security deposits	7	868	973
		2,731,315	2,749,122
Current Assets			
Stores, spare parts and loose tools	8	302,048	289,551
Stock in trade	9	1,956,512	1,719,387
Trade debts	10	544,109	643,811
Loans and advances	11	22,873	43,753
Trade deposits and prepayments	12	12,319	33,133
Other receivables	13	114,790	88,734
Income tax payments less provision	14	9,317	18,154
Taxes and duties refundable from Federal Government	15	95,228	88,465
Cash and bank balances	16	45,038	94,729
		3,102,234	3,119,717
TOTAL ASSETS		5,833,549	5,868,839
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorised capital			
44,000,000 Ordinary shares of Rs.10 each		440,000	440,000
Paid up capital	17	383,645	383,645
Capital reserves	18	458,645	457,536
General reserve	19	1,210,000	1,080,000
Unappropriated profit		551,557	360,893
		2,603,847	2,282,074
LIABILITIES			
Non-current Liabilities			
Long term financing	20	337,472	415,261
Liability against asset subject to finance lease	21	-	144
Deferred liabilities	22	495,241	518,703
		832,713	934,108
Current Liabilities			
Trade and other payables	23	621,349	1,490,728
Accrued mark up	24	29,839	33,996
Short term borrowings	25	1,518,999	902,852
Current portions of :			
Long term financing	20	226,658	224,889
Liability against asset subject to finance lease	21	144	192
		2,396,989	2,652,657
CONTINGENCIES AND COMMITMENTS	26		
TOTAL EQUITY AND LIABILITIES		5,833,549	5,868,839

The notes 1 to 44 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Conversion rates as at June 30, 2009 were 1 US\$ = Rs. 81.30, 1 Euro € = Rs. 114.82 and 1 Pound £ = Rs. 135.38

Profit And Loss Account

For the year ended June 30, 2009

	Notes	(Pak Rupees in Thousands) 2009	2008
Sales	27	**7,497,075**	7,056,483
Cost of sales	28	**6,929,076**	6,271,176
Gross profit		**567,999**	785,307
Distribution and selling expenses	29	**130,996**	115,030
Administrative expenses	30	**90,262**	86,043
Other operating expenses	31	**101,653**	208,651
		322,911	409,724
		245,088	375,583
Other operating income	32	**19,235**	8,737
Operating profit		**264,323**	384,320
Finance cost	33	**255,629**	152,715
		8,694	231,605
Investment income	34	**376,250**	-
Profit before income tax		**384,944**	231,605
Income tax	35	**5,624**	74,961
Profit after income tax		**379,320**	156,644
Earnings per share - Basic and diluted (Rupees)	36	**9.89**	4.08

(1) The Board of Directors has recommended a cash dividend for the year ended June 30, 2009 at Rs. 1.50 per share (i.e 15%).

(2) The notes 1 to 44 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Cash Flow Statement

For the year ended June 30, 2009

	Note	2009	2008
		(Pak Rupees in Thousands)	
Cash Flow (towards) / from Operating Activities			
Profit before income tax		384,944	231,605
Adjustments for:			
Depreciation		258,946	261,107
Provision for defined benefit plan		10,952	10,921
Gain on disposals of property, plant and equipment		(7,686)	(4,847)
Loss on retirement and disposal of property, plant and equipment		-	15,777
Provision for doubtful trade debts-net off reversals		1,160	279
Provision for slow moving stores, spare parts and loose tools-net off reversals		1,639	30
Derivatives fair value - (gain) / loss		(9,478)	14,193
Dividend income		(376,250)	
Finance cost		255,629	152,715
		134,912	450,175
		519,856	681,780
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(14,136)	(39,063)
Stock in trade		(237,125)	(235,024)
Trade debts		98,542	(117,010)
Loans and advances		21,695	(30,766)
Trade deposits and prepayments		20,814	(6,515)
Other receivables		75,382	(91,437)
Taxes and duties refundable from Federal Government		(6,763)	(73,611)
		(41,591)	(593,426)
(Decrease) / increase in Trade and other payables		(856,388)	614,245
Cash flow (towards) / from operations		(378,123)	702,599
Payments for / (receipt of):			
Defined benefit plan		4,669	5,890
Finance cost		259,786	143,035
Income tax		26,532	11,282
Dividend		57,384	57,450
Long term loans		908	(153)
Long term security deposits		(105)	129
Net cash flow (towards) / from operating activities		(727,297)	484,966
Cash Flow from / (towards) Investing Activities			
Purchase of property, plant and equipment		(251,199)	(263,795)
Proceeds from disposals of property, plant and equipment		12,620	
Dividend received		376,250	23,960
Net cash flow from / (towards) investing activities		137,671	(239,835)
Cash Flow (towards) / from Financing Activities			
Long term financing - proceeds		149,559	181,650
- repayments		(225,579)	(202,000)
Repayments of finance lease liability		(192)	(177)
Net cash flow towards financing activities		(76,212)	(20,527)
Net (decrease) / increase in cash and cash equivalents		(665,838)	224,604
Cash and cash equivalents at the beginning		(808,123)	(1,032,727)
Cash and cash equivalents at the end	37	(1,473,961)	(808,123)

The notes 1 to 44 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Statement of Changes in Equity

For the year ended June 30, 2009

(Pak Rupees in Thousands)

	Paid-up capital	Capital Reserves: Share premium	Capital Reserves: Others	Capital Reserves: Sub Total	General reserve	Unappropriated profit	Total
Balances as at June 30, 2007	383,645	383,645	73,891	457,536	1,080,000	261,796	2,182,977
Profit after income tax for the year ended June 30, 2008	-	-	-	-	-	156,644	156,644
Final cash dividend for the year ended June 30, 2007 at Rs.1.50 per share i.e. @15%	-	-	-	-	-	(57,547)	(57,547)
Balances as at June 30, 2008	383,645	383,645	73,891	457,536	1,080,000	360,893	2,282,074
Profit after income tax for the year ended June 30, 2009	-	-	-	-	-	379,320	379,320
Final cash dividend for the year ended June 30, 2008 at Rs.1.50 per share i.e. @15%	-	-	-	-	-	(57,547)	(57,547)
Transfer to Capital reserves	-	-	1,109	1,109	-	(1,109)	-
Transfer to General reserve	-	-	-	-	130,000	(130,000)	-
Balances as at June 30, 2009	**383,645**	**383,645**	**75,000**	**458,645**	**1,210,000**	**551,557**	**2,603,847**

The notes 1 to 44 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Notes to the Financial Statments

For the year ended June 30, 2009

1 THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are being quoted at all the Stock Exchanges of Pakistan since 1992. The registered office of the Company is situated at Room No. 32, 1st floor , Ahmed Complex, Jinnah Road, Quetta. The principal business of the Company is manufacturing of Polyester Polymer and its various downstream products viz. Filament / Texturised Polyester Yarn and Polyester Chips Bottle Grade (P.E.T. Resin) converted into Polyester P.E.T. Preforms. Messrs. Gatro Power (Private) Limited is engaged in power generation and is Company's wholly owned subsidiary company.

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, (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives of the Companies Ordinance, 1984. In case the requirements differ, the provisions of and directives of the Companies Ordinance,1984 shall prevail.

2.2 The new standards, interpretations thereof and amendments therein

The International Accounting Standards Board [IASB] announces new standards, interpretations thereof and amendments in the International Accounting Standards [IASs] and International Financial Reporting Standards [IFRSs], from time to time. The amendments in the following IASs, IFRSs and IFRICs, in relation to subjects mentioned below, have already been published by the IASB, becoming mandatorily applicable, from accounting periods beginning on or after the dates specified hereunder, which may or may not be relevant to Company's operations and may or may not have any significant impact besides enhanced disclosure.

IFRS 1	First time adoption of IFRS (Revised)	From July 1, 2009
IFRS 2	Share - based Payment (Amendments)	from January 1, 2009
IFRS 3	Business combinations (Revised)	from July 1, 2009
IFRS 4	Insurance contracts (Amendments)	from January 1, 2009
IFRS 5	Non-current assets held-for-sale and discontinued operations (Amendments)	from January 1, 2009
IFRS 7	Financial instruments: Disclosure (Amendments)	from January 1, 2009
IFRS 8	Operating segments	from January 1, 2009
IAS 1	Presentation of financial statements (Revised)	from January 1, 2009
IAS 7	Statement of cash flows (Amendments)	from January 1, 2009
IAS 12	Income taxes (Amendments)	from January 1, 2009
IAS 16	Property, plant and equipment (Amendments)	from January 1, 2009
IAS 18	Revenue (Amendments)	from January 1, 2009
IAS 19	Employee Benefits (Amendments)	from January 1, 2009
IAS 20	Government grants and disclosure of government assistance (Amendments)	from January 1, 2009

IAS 21	The effects of changes in foreign rates (Amendments)	from January 1, 2009
IAS 23	Borrowing costs (Revised)	from January 1, 2009
IAS 27	Consolidated and separate financial statements (Amendments)	from July 1, 2009
IAS 27	Investments in associates (Amendments)	from January 1, 2009
IAS 31	Interest in joint ventures (Amendments)	from January 1, 2009
IAS 32	Financial instruments: Presentation (Amendments)	from January 1, 2009
IAS 33	Earnings per share (Amendments)	from January 1, 2009
IAS 34	Interim financial reporting (Amendments)	from January 1, 2009
IAS 36	Impairment of assets (Amendments)	from January 1, 2009
IAS 38	Intangible assets (Amendments)	from January 1, 2009
IAS 39	Financial instruments: Recognition and measurement (Amendments) from	January 1, 2009
IAS 40	Investments property (Amendments)	from January 1, 2009
IAS 41	Agriculture (Amendments)	from January 1, 2009
IFRIC 1	Changes in existing decommisioninig, restoration and similar liabilities (Amendments)	from January 1, 2009
IFRIC 2	Member's share in corporate entities and similar liabilities (Amendments)	from January 1, 2009
IFRIC 4	Determining whether and Arrangement contains a Lease	from July 1, 2010
IFRIC 12	Service Concession Arrangements	from July 1, 2010
IFRIC 14	The Limit on a defined benefit asset minimum funding requirements and their interaction (Amendments)	from January 1, 2009
IFRIC 15	Agreement for the Construction of real estate	from January 1, 2009
IFRIC 16	Hedge of net investment in a foreign operation	from October 1, 2008
IFRIC 17	Distribution of non-cash assets to owners	from July 1, 2009
IFRIC 18	Transfer of Assets from customers	from July 1, 2009

2.3 Basis of measurement

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

2.4 Significant Accounting Estimates and Judgments

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

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

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

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

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

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

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

g) **Derivatives**
The company enters into interest rate swap agreements. The calculation involves use of estimates with regard to future rates of interest, which fluctuates with the market rates.

2.5 Functional and reporting currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost. No amortization is provided on leasehold land since the leases are renewable at the option of the lessee at nominal cost and their realisable values are expected to be higher than respective carrying values. Depreciation is charged on diminishing balance method at the rates mentioned in Note 4, whereby the depreciable amount of an asset is written off over its estimated useful life.

Previously, full year depreciation was being charged on addition during the year except in case of significant addition or expansion where the charge for depreciation was made with reference to the date of commencement of operation of such asset. No depreciation was charged on asset deleted or retired during the year. However, the Company has changed its estimate to account for its depreciation on addition from the month of the asset is available for use upto the month prior to disposal.

The change in accounting estimate has been applied prospectively in accordance with the treatment specified in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had this estimate not been changed, the profit for the year would have been lower by Rs. 7.884 million and Property, Plant and Equipment would have been lower by Rs. 7.884 million.

Subsequent costs (including those on account of major repairs) are included in the asset's carrying amount or recognized 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 and individual assets costing upto Rs.10,000 are fully taken to profit and loss account.

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

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

Finance Lease

Leases of property, plant and equipment, where all the substantial risks and rewards incidental to ownership are transferred to the company, are classified as finance leases. Assets subject to finance leases 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 are accounted for as liabilities. Assets acquired under the finance leases are depreciated over the useful life of the respective asset in the manner and at the rates applicable to the company owned assets. Implicit finance cost is allocated to accounting periods falling during the lease term so as to always produce a constant periodic rate.

3.2 Impairment of Assets

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

3.3 Investments

Subsidiary and Associated Companies

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

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

3.4 **Stores, spare parts and loose tools**

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

3.5 **Stock in Trade**

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

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

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

3.6 **Trade debts**

Trade debts are initially recognised at fair value and subsequently measured at cost less provision for doubtful debts. A provision for doubtful debts is established when there is objective evidence that the Company will not be able to collect all 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 recognised in the profit and loss account. When a trade debt is uncollectible, it is written off against the provision.

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. Cash and cash equivalents are carried at cost.

3.8 **Employee's post employment benefits**

a) **Defined Contribution Plan**
The Company and the eligible employees contribute equally to recognised provident funds.

b) **Defined Benefit Plan**
The Company operates an unfunded defined gratuity scheme, being not mandatory under the law, for its employees and working directors who attain the minimum qualification period. The obligation has been determined through actuarial calculation and the latest actuarial valuation was conducted on the balances as at June 30, 2008.

The actuary used the Projected Unit Credit Method of valuation. The valuation discount rate taken at 12% and salary increases assumed to average 10% per annum in the long term.

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

3.9 Compensated unavailed leaves

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

3.10 Income Tax

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

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

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

3.11 Trade and other payables

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

3.12 Provisions

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

3.13 Borrowings and their cost

Borrowings are recorded at the proceeds received.

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

3.14 Foreign currency transactions and translation

Foreign currency transactions are recorded into Pak Rupees using the prevailing exchange rates. As on balance sheet date, monetary assets and liabilities in foreign currencies are recorded 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 recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. The revenue from diverse sources is recognised as explained below:

- Sale is recognized on dispatch of goods to customer.
- Post acquisition dividend income is recognized when the right of receipt is established. Pre acquisition dividend is adjusted against the purchase prices.
- Storage and handling income is recognized when the material is received in the storage tanks.

3.16 Dividend and appropriation to reserves

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

3.17 Financial instruments

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

3.18 Derivative financial instruments

The Company enters into derivatives financial instruments such as agreements for interest rate swap to hedge the risk associated with interest rate fluctuations. Such derivatives financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivative is carried as asset when the fair value is positive and as liability when the fair value is negative on the balance sheet date. Any gains or losses arising from change in fair value of derivative that do not qualify for hedge accounting are taken directly to profit and loss account.

3.19 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 recognized amounts and the Company intends either to settle on a net basis or to realize the asset and discharge the liability simultaneously.

4 PROPERTY, PLANT AND EQUIPMENT

		(Pak Rupees in Thousands) 2009	2008
Operating assets	4.1	**2,383,012**	2,323,328
Capital work in progress	4.5	**38,684**	120,791
Stores and spares held for capital expenditure	4.6	**7,601**	2,973
		2,429,297	2,447,092

4.1 Operating assets

PARTICULARS	Land Freehold	Land Leasehold	Building On freehold land	Building On leasehold land	Office premises	Plant and machinery	Furniture and fixture	Factory equipment	Office equipment	Motor vehicles Owned	Motor vehicles Held under finance lease	TOTAL
	----- (Pak rupees in thousand) -----											
Net carrying value basis												
Year ended June 30, 2009												
Opening net book value	2,605	14,614	1,893	164,785	9,902	2,054,480	3,924	6,784	21,163	42,793	385	2,323,328
Additions at cost	22,938			17,066	-	240,015	3,888	4,441	4,896	30,320		323,564
Disposal at NBV	-	866	-		-	-	1	-	11	4,056		4,934
Depreciation	-	-	189	17,635	990	219,737	1,105	2,061	5,831	11,321	77	258,946
Closing net book value	25,543	13,748	1,704	164,216	8,912	2,074,758	6,706	9,164	20,217	57,736	308	2,383,012
Gross carrying value basis												
At June 30, 2009												
Cost	25,543	13,748	14,248	403,886	9,902	5,335,503	29,102	38,992	61,944	110,759	939	6,044,566
Accumulated depreciation		-	12,544	239,670	990	3,260,745	22,396	29,828	41,727	53,023	631	3,661,554
Net book value	25,543	13,748	1,704	164,216	8,912	2,074,758	6,706	9,164	20,217	57,736	308	2,383,012
Net carring value basis												
Year ended June 30, 2008												
Opening net book value	2,605	14,614	2,104	175,319	9,902	2,136,556	4,357	5,372	14,945	32,472	481	2,419,027
Additions at cost				7,775		153,743	548	3,108	11,545	23,579		200,298
Disposal at NBV						32,294			36	2,560		34,890
Depreciation	-	-	211	18,309	-	223,625	981	1,696	5,291	10,698	96	261,107
Closing net book value	2,605	14,614	1,893	164,785	9,902	2,054,480	3,924	6,784	21,163	42,793	385	2,323,328
Gross carrying value basis												
At June 30, 2008												
Cost	2,605	14,614	14,248	386,820	9,902	5,095,488	25,226	34,551	57,175	91,284	939	5,732,852
Accumulated depreciation	-	-	12,355	222,035	-	3,041,008	21,302	27,767	36,012	48,491	554	3,409,524
Net book value	2,605	14,614	1,893	164,785	9,902	2,054,480	3,924	6,784	21,163	42,793	385	2,323,328
Depreciation rate												
% per annum	-	-	10	10	10	10	20	20	20 to 30	20	20	

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

	(Pak Rupees in Thousands) 2009	2008
Cost of sales	**250,021**	253,622
Distribution and Selling Expenses	**1,534**	1,483
Adminstrative Expenses	**7,391**	6,002
	258,946	261,107

4.3 Additions in Plant & Machinery includes capitaliazation of borrowing cost incurred upto the date of commissioning, amounting to Rs. 0.568 million (2008:Rs.3.190 million).

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

(Pak Rupees in Thousands)

Description	Cost	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyers
VEHICLES					
Honda City ADW 267	785	165	485	Negotiation	**Mr. Rauf** 314/A1/C3, Haroon Royal City, Phase 3, Block-17, Gulistan-e-Johar, Karachi.
Suzuki Alto APU-330	508	393	508	Negotiation	**Mr. Hissam-ud-din** R-164, Gulshan-Mehmar, Sector# Z-6, Karachi.
Suzuki Mehran AQK-235	399	319	350	Insurance Claim	**M/s. EFU General Insurance** Karachi.
Honda Civic VTI ADN-`20	1,268	270	300	Negotiation	**Mr. Tariq Ismail** 95, Block# 3, P.C Barar Society, Karachi
Honda City AKE-564	886	401	622	Negotiation	**Syed Hussain** B-273, Gulistan-e-Juhar, Block-15, Karach .
Toyota Corolla AEF-739	849	189	504	Negotiation	**Mr. Zubair** 474, Block-16, F.B.Area, Karachi.
Toyota Corolla AFJ-887	849	236	590	Negotiation	**Mr. Mohammad Iqbal** 72/113, Kaghzi Bazar, Methadar, Karachi.
Honda City AED-497	785	175	451	Negotiation	**Mr. Muhammad Hanif** 201, 73 M/2, P.E.C.H.S., Karachi
Honda Civic ART-843	1,759	1,700	1,759	Insurance Claim	**M/s. EFU General Insurance** Karachi.
02 TCM Fork Lifter Model#FD30Z8C & FD20Z3C	1,730	52	400	Negotiation	**M/s. Khan Afzal & Sons** B-35, Block U, North Nazimabad, Karachi.
Items having book value upto Rs.50,000/-	1,027	156	616		**Various**
Sub Total	**10,845**	**4,056**	**6,585**	-	-
LAND	866	866	6,000	Negotiation	**M/s. Gatro Power (Pvt) Ltd** Plot No.M-2/1, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub Chowki, Distt. Lasbella, Balochistan, Pakistan
Sub Total	**866**	**866**	**6,000**	-	-
Office Equipment					
Items having book value upto Rs.50,000/-	127	11	33		**Various**
Sub Total	**127**	**11**	**33**	-	-
Furniture & Fixture					
Items having book value upto Rs.50,000/-	12	1	2		**Various**
Sub Total	**12**	**1**	**2**	-	-
Total	**11,850**	**4,934**	**12,620**	-	-
Total 2008	**57,602**	**34,890**	**23,960**		

4.5 Capital Work-in-Progress (Pak Rupees in Thousands)

		Balance at beginning	Additions	Transfer to Operating assets	Balance at end
Free hold land		21,500	1,438	(22,938)	-
Factory building on lease hold land		11,651	5,638	(17,066)	223
Office premises		1,000	-	-	1,000
Plant and machinery	4.5.1	82,752	191,580	(240,015)	34,317
Furniture and fixtures		-	3,888	(3,888)	-
Factory equipment		388	4,907	(4,441)	854
Office Equipment		-	5,143	(4,896)	247
Motor vehicles		3,500	28,863	(30,320)	2,043
		120,791	241,457	(323,564)	38,684

4.5.1 It includes borrowing cost of Rs. Nil (2008 : 0.304 million)

4.6 Stores and spares held for capital expenditure

	Balance at beginning	Additions	Transfer to Capital work in progress	Balance at end
Stores & spares	2,973	232,744	(228,116)	7.601

5 LONG TERM INVESTMENTS
Related Parties

		(Pak Rupees in Thousands) 2009	2008
In Wholly owned Subsidiary Company (Private Limited Company)	5.1	**150,500**	150,500
In Associated Company (Unlisted Public Limited Company)	5.2	**150,000**	150,000
		300,500	300,500

5.1 The value of the investment on the basis of the net assets of the Subsidiary Company as disclosed in its audited balance sheet as at June 30, 2009 amounted to Rs.699.877 million (2008: Rs.826.682 million) .

5.2 The value of 15 million shares (being 36.83% holding of the total issued share capital of Associated Company) on the basis of the net assets of the Associated Company, namely Messrs. Novatex Limited, as disclosed in its audited balance sheet as at June 30, 2009 amounted to Rs. 1,781.013 million (2008:Rs.1,622.021 million). Comparative figure of net assets of the Associated Company has been restated which was reported earlier on the basis of financial statements for the period ended March 31, 2008.

6 LONG TERM LOANS - Considered good
Secured - Interest free

		(Pak Rupees in Thousands) 2009	2008
To employees other than Chief Executive & Directors	6.2	**6,498**	5,590
Recoverable within one year		**(5,848)**	(5,033)
Recoverable within three years		**650**	557

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

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

		(Pak Rupees in Thousands) 2009	2008
Balance at beginning		389	275
Disbursements		713	868
Repayments		(520)	(754)
Balance at end		582	389

6.2.1 The maximum aggregate amount of loan due from executives at any month end during the year was Rs. 0.854 million (2008:Rs. 0.488 million).

7 LONG TERM SECURITY DEPOSITS

For asset acquired under lease	7.1	-	94
For utilities and others		868	879
		868	973

7.1 Balance at beginning		94	94
Recoverable within one year		(94)	-
Balance at end		-	94

8 STORES, SPARE PARTS AND LOOSE TOOLS

In hand:

Stores		44,060	42,589
Spare parts		258,897	237,225
Loose tools		997	1,113
		303,954	280,927
Provision for slow moving stores, spare parts and loose tools	8.1	(5,223)	(3,584)
		298,731	277,343
In transit		3,317	12,208
		302,048	289,551

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

Balance at beginning	3,584	3,554
Charge for the year	1,774	265
Reversals	(135)	(235)
Balance at end	5,223	3,584

9 STOCK IN TRADE

Raw material	624,205	555,285
Raw material in transit	56,984	102,279
Goods in process	513,510	457,807
Finished goods	761,813	604,016
	1,956,512	1,719,387

		(Pak Rupees in Thousands) 2009	2008
10 TRADE DEBTS			
Considered good			
Secured	10.1	**156,530**	181,577
Unsecured		**387,579**	462,234
		544,109	643,811
Considered doubtful			
Unsecured		**3,646**	3,671
Provision for doubtful debts	10.2	**(3,646)**	(3,671)
		-	-
		544,109	643,811

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

		2009	2008
10.2 Provision for doubtful debts			
Balance at beginning		**3,671**	3,392
Charge for the year		**2,122**	2,063
Reversals		**(962)**	(1,784)
Write offs		**(1,185)**	-
Balance at end		**3,646**	3,671

		2009	2008
11 LOANS AND ADVANCES - Considered good			
Secured			
Loans recoverable within one year from employees and executive	6	**5,848**	5,033
Advances to employees	11.1	**698**	635
		6,546	5,668
Unsecured			
Advances:			
to suppliers and contractors		**16,023**	37,858
for imports		**304**	227
		16,327	38,085
		22,873	43,753

11.1 These represent advance monthly salaries under the terms of employment.

		2009	2008
12 TRADE DEPOSITS AND PREPAYMENTS			
Prepayments		**10,497**	29,615
Security deposits	7.1 & 12.1	**1,822**	731
Margins held by banks		**-**	2,787
		12,319	33,133

12.1 It included security deposit Rs. 0.094 million (2008: Rs.Nil) against leased asset.

		2009	2008
13 OTHER RECEIVABLES - Considered good			
Receivable from suppliers		**108,035**	183,060
Derivatives fair value		**1,438**	-
Claims receivable from suppliers		**2,641**	1,334
Others		**2,676**	4,340
		114,790	188,734

(Pak Rupees in Thousands)

14 INCOME TAX PAYMENTS LESS PROVISION

	2009	2008
Tax receivable at beginning	18,154	5,111
Net Tax payments	26,532	30,229
	44,686	35,340
Less: Provision for tax	(35,369)	(17,186)
Tax receiveable at end	9,317	18,154

15 TAXES AND DUTIES REFUNDABLE FROM FEDERAL GOVERNMENT

	2009	2008
Income tax	5,276	5,276
Customs duty on raw material	40,418	64,451
Sales tax refundable - net of SED	49,534	4,824
Other receivables from Federal Government	-	13,914
	95,228	88,465

16 CASH AND BANK BALANCES

	Note	2009	2008
Cash			
In hand:		1,075	3,715
With banks in current accounts : Local currency		42,433	89,785
Foreign currency	16.1	1,530	1,229
		45,038	94,729

16.1 These represent balances of US$:15,344.48 and Euro €:2,497.30 (2008 : US$:16,031.33 and Euro €:1,299.05).

17 PAID UP CAPITAL

		2009	2008
30,136,080	Ordinary shares of Rs.10/-each allotted for consideration paid in cash	301,361	301,361
8,228,400	Ordinary shares of Rs.10/-each allotted fully paid bonus shares	82,284	82,284
38,364,480		383,645	383,645

These include 1,620,387 shares (2008 : 1,620,387 shares) held by a related party, Messrs. Gani & Tayub (Private) Limited.

18 CAPITAL RESERVES

	Note	2009	2008
Share premium	18.1	383,645	383,645
Others	18.2	75,000	73,891
		458,645	457,536

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 company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

18.2 This represents reserve for replacement of plant and machinery.

19 GENERAL RESERVE

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

		(Pak Rupees in Thousands) 2009	2008
20 LONG TERM FINANCING - Secured from banking companies			
MCB Bank Limited	20.1	**47,500**	142,500
MCB Bank Limited	20.2	**75,000**	125,000
National Bank of Pakistan	20.3	**125,000**	175,000
Habib Bank Limited	20.4	**116,630**	127,684
United Bank Limited	20.5	**200,000**	53,966
Citibank N.A.		-	16,000
		564,130	640,150
Current maturities shown under current liability		**(226,658)**	(224,889)
Payable within five years		**337,472**	415,261

20.1 Original principal sum of Rs.380 million was obtained in November 2004 being repayable in 8 equal half yearly installments, commencing after a grace period of twelve months and expiring in November 2009. The mark up rate is six month average KIBOR ask rate of preceding one month plus 0.5% per annum. The outstanding principal sum and accrued markup thereon are secured by way of a pari passu hypothecation charge on all the present and future movable / fixed assets of the Company.

The Company had entered into interest rate swap agreement with United Bank Limited for a notional amount of Rs.380 million, amortising upto November 2009. Under the agreement, the Company would receive at six month KIBOR prevailing on each settlement date on outstanding notional amount and pay 7.35% per annum calculated on outstanding notional amount, which will be settled semi annually. The Company has the option of unwinding the swap transaction if the above loan is prepaid. As at the balance sheet date, the net fair value of this interest rate swap was Rs.1.438 million (2008: Rs.7.913 million) in favour of the Company.

20.2 Original principal sum of Rs.200 million was obtained in November 2005 being repayable alongwith markup in 8 equal half yearly installments, commencing after a grace period of twelve months and expiring in November 2010. The mark up rate is six month average KIBOR ask rate of preceding one month plus 1% per annum. The outstanding principal sum and accrued markup thereon are secured by way of a pari passu hypothecation charge on all the present and future plant & machinery of the Company.

20.3 Original principal sum of Rs.200 million was obtained in September 2006 being repayable alongwith markup in 8 equal half yearly installments, commencing after a grace period of twelve months and expiring in September 2011. The mark up rate is six month average KIBOR ask rate of preceding 10 days plus 1% per annum. The outstanding principal sum and accrued markup thereon are secured by way of a pari passu hypothecation charge on all the present and future plant, machinery and equipments of the Company.

20.4 Original principal sum of Rs.127.684 million was obtained during November 2007 to June 2008 and Rs. 3.525 million was obtained in July 2008 being repayable in 9 equal half yearly installments, commencing after a grace period of twelve months and expiring in May 2013. The mark up rate is six month average KIBOR ask rate of preceding one month plus 1.2% per annum. The outstanding principal sum and accrued markup thereon are secured by way of a pari passu hypothecation charge on all the present and future plant, machinery and equipments of the Company.

20.5 Original principal sum of Rs.53.966 million was obtained during June 2008 and Rs. 146.034 million was obtained during July 2008 to November 2008 being repayable in 8 equal half yearly installments, commencing after a grace period of twelve months and expiring in June 2013. The mark up rate is six month average KIBOR ask rate of preceding one month plus 0.9% per annum. The outstanding principal sum and accrued markup thereon are secured by way of a pari passu hypothecation charge on all the present and future plant, machinery and equipments of the Company.

21 LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE

	(Pak Rupees in Thousands) 2009		2008	
	Minimum lease payment	**Present value**	Minimum lease payment	Present value
Outstanding lease obligation	**146**	**144**	350	336
Current maturity shown under current liability	**(146)**	**(144)**	(204)	(192)
	-	-	146	144
Future finance cost	-	-	(2)	-
Payable within five years	-	-	144	144

The Company had entered into a finance lease agreement with a financial institution for lease of a motor vehicle. The liability under this agreement is payable in equal monthly installments upto September 2009 and is subject to discount rate of 8% per annum implicit in the lease. The Company intends to exercise its option to purchase the leased motor vehicle upon expiry of lease term.

22 DEFERRED LIABILITIES

		(Pak Rupees in Thousands) 2009	2008
Income tax	22.1	**436,312**	466,057
Defined benefit plan	22.2	**58,929**	52,646
		495,241	518,703

22.1 This comprises of the following:

Deferred tax liability arising in respect of tax depreciation allowances and lease rentals	**439,149**	468,596
Deferred tax asset arising in respect of : Provision for doubtful debts	**(1,166)**	(1,285)
Provision for slow moving stores, spare parts and loose tools	**(1,671)**	(1,254)
	436,312	466,057

22.2 Actuarial valuation of the plan was carried out as at June 30, 2008. The calculation for provision of defined benifit plan are as under:-

Provision			
Balance at beginning		**52,646**	47,615
Expense	22.2.1	**10,952**	10,921
Payment		**(4,669)**	(5,890)
Balance at end		**58,929**	52,646
Reconciliation			
Obligation		**69,323**	63,352
Unrecognized actuarial loss		**(10,394)**	(10,706)
Provision		**58,929**	52,646

		(Pak Rupees in Thousands) 2009	2008
22.2.1 **Expense**			
Service cost		**3,038**	4,551
Interest cost		**7,602**	6,132
Past service cost		-	-
Recognition of actuarial loss		**312**	238
		10,952	10,921

23 TRADE AND OTHER PAYABLES

		2009	2008
Trade creditors	23.1	**134,470**	171,090
Bills payable		**256,342**	1,075,944
Creditors for capital expenditure		**3,939**	9,053
Advance payments from customers		**47,634**	25,925
Derivatives fair value		-	8,040
Workers' Profit Participation Fund	23.2	**550**	12,558
Workers' Welfare Fund		**10,297**	8,537
Accrued expenses		**84,852**	110,914
Infrastructure Cess on imports	23.3	**76,845**	62,410
Unclaimed dividend		**6,420**	6,257
		621,349	1,490,728

23.1 These include Rs. 72.645 million (2008: Rs. 26.335 million) payable to a related party, Messrs. Novatex Limited and Rs. Nil (2008: Rs. 101.273 million) payable to wholly owned subsidiary, Messrs. Gatro Power (Pvt) Limited.

23.2 Workers' Profit Participation Fund	2009	2008
Balance at beginning	**12,558**	9,636
Interest on funds utilized in the Company's business	**41**	74
Allocation	**550**	12,558
Payments	**(12,599)**	(9,710)
Balance at end	**550**	12,558

23.3 Infrastructure Cess on imports	2009	2008
Balance at beginning	**62,410**	47,404
Provision made during the year	**14,435**	15,006
Balance at end	**76,845**	62,410

The Company had filed a petition in the Honourable High Court of Sindh at Karachi challenging the levy of Infrastructure Cess on imports. The Divisional Bench announced Judgement adjudicated 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 judgement of Honorable High Court of Sindh. The leave has been granted to both the parties. The Company has submitted bank guarantee for this charge on the directives of the courts. This guarantee is secured against charge on stocks and book debts. However, provision has been made in the accounts as an abundant precaution.

	(Pak Rupees in Thousands)	
24 ACCRUED MARK UP	2009	2008
Markup on long term financing and finance lease	**10,648**	23,855
Markup on short term borrowings	**19,191**	10,141
	29,839	33,996

25 SHORT TERM BORROWINGS - secured
From banking companies under mark up arrangements

Running finance	**1,449,799**	-
Finance under F.E. Circular No.25 of SBP	**69,200**	632,852
Export re-finance	-	270,000
	1,518,999	902,852

25.1 The Company has aggregate facilities of short term borrowings amounting to Rs.3.480 million (2008: Rs.2,140 million) from various commercial banks (as listed in Note 25.3) out of which Rs.1,961 million (2008: Rs 1,237 million) remained unutilized at the year end. The mark up rates for running finance ranged between Rs.0.3751 to Rs.0.4658 per Rs.1000/- per day. The mark up rates for finance obtained under F.E. Circular No. 25 of SBP it ranged between 3.05875% to 3.26563 % per annum. These facilities are renewable annually at respective maturities.

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

25.3 The finances have been obtained or are available from Bank Alfalah Limited, Barclays Bank PLC, Citibank N.A., Faysal Bank Limited, Habib Bank Limited, Habib Metropolitan Bank Limited, MCB Bank Limited, National Bank of Pakistan, NIB Bank Limited, Standart Chartered Bank (Pakistan) Ltd, Samba Bank Limited, The HSBC Middle East Bank Limited, The Royal Bank of Scotland Limited and United Bank Limited.

26 CONTINGENCIES AND COMMITMENTS

26.1 Guarantees

Bank guarantees issued, by the banks on behalf of the Company amounted to Rs.1.070 million (2008:Rs.1.070 million).

26.2 Commitments

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

Property, plant and equipment	**177,328**	48,985
Raw material	**123,152**	169,735
Spare parts	**17,160**	41,540
	317,640	260,260

27 SALES

Local sales, tax and duty	27.1	**7,101,379**	6,311,418
Less: Sales tax		**232,917**	192,981
Special excise duty		**14,530**	12,825
Local Sales		**6,853,932**	6,105,612
Export Sales		**643,143**	950,871
		7,497,075	7,056,483

27.1 These include local zero rated supplies.

			(Pak Rupees in Thousands)	
28	COST OF SALES		2009	2008
	Raw material consumed		5,024,010	4,753,866
	Stores, spare parts and loose tools consumed		144,499	136,411
	Third party processing charges		164,476	76,920
	Salaries, wages, allowances and benefits	28.1	418,116	349,794
	Power , fuel and gas		1,005,105	649,523
	Rent, rates and taxes		1,265	1,221
	Insurance		27,828	19,414
	Cartage & Transportation		48,770	39,234
	Repairs and maintenance		46,082	42,701
	Communications		1,027	1,000
	Water supply		1,818	1,929
	Fees & subscription		2,220	4,112
	Travelling		6,970	5,609
	Sundry		16,974	6,821
	Depreciation	4.2	250,021	253,622
	Duty draw back		(479)	(687)
	Scrap sales		(16,126)	(24,623)
			7,142,576	6,316,867
	Opening stock of goods-in-process		457,807	332,258
	Closing stock of goods-in-process		(513,510)	(457,807)
	Cost of goods manufactured		7,086,873	6,191,318
	Opening stock of finished goods		604,016	683,874
	Closing stock of finished goods		(761,813)	(604,016)
			6,929,076	6,271,176

28.1 These include Rs.9.200 million (2008 : Rs.7.687 million) and Rs.4.907 million (2008 : Rs.4.250 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan, respectively.

			2009	2008
29	DISTRIBUTION AND SELLING EXPENSES			
	Salaries, allowances and benefits	29.1	15,299	13,288
	Insurance		3,670	3,046
	Rent, rates and taxes		1,487	1,477
	Handling, freight and transportation		97,928	88,969
	Advertisement and sales promotion		1,164	1,276
	Communications		512	676
	Travelling		1,125	896
	Legal and professional fees		24	409
	Fees and subscription		433	302
	Sundry		7,820	3,208
	Depreciation	4.2	1,534	1,483
			130,996	115,030

29.1 These include Rs.0.528 million (2008 : Rs.0.446 million) and Rs.1.378 million (2008 : Rs.1.534 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan, respectively.

		(Pak Rupees in Thousands) 2009	2008
30 ADMINISTRATIVE EXPENSES			
Salaries, allowances and benefits	30.1	**57,726**	54,568
Rent, rates and taxes		**753**	1,227
Insurance		**1,203**	986
Repairs and maintenance		**2,515**	4,887
Travelling		**2,217**	2,810
Communications		**2,599**	2,719
Legal and professional fees		**2,018**	1,978
Fees and subscription		**626**	345
Utilities		**4,124**	2,007
Printing and stationery		**2,175**	1,784
Transportation		**3,165**	3,287
Sundry		**3,750**	3,443
Depreciation	4.2	**7,391**	6,002
		90,262	86,043

30.1 These include Rs.2.525 million (2008 : Rs.2.010 million) and Rs.4.667 million (2008 : Rs.5.137 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan, respectively.

31 OTHER OPERATING EXPENSES

Loss on retirement and disposal of property, plant and equipment		-	15,777
Provision for doubtful trade debts-net off reversals		**1,160**	279
Provision for slow moving stores, spare parts and loose tools-net off reversals		**1,639**	30
Derivatives fair value - loss		-	14,193
Exchange Loss - net		**87,846**	154,176
Donation	31.1	**7,865**	4,422
Workers' Profit Participation Fund		**550**	12,558
Workers' Welfare Fund		**1,760**	6,998
Auditors' remuneration	31.2	**833**	218
		101,653	208,651

31.1 These include donation of Rs. 6.402 million (2008:Rs. 3.862 million) to Messrs. Gatron Foundation in which Chief Executive and seven directors of the Company are governors. None of the directors or their spouses has any interest in any donee fund, in so far as other donations are concerned.

31.2 Auditors' remuneration

Audit fee - Annual accounts	**750**	120
Limited review, audit of consolidated financial statements, provident funds and certification fee	**63**	77
Out of pocket expenses	**20**	21
	833	218

32	OTHER OPERATING INCOME	(Pak Rupees in Thousands) 2009	2008
	Income from financial assets		
	Capital gain on disposal of investments at fair value through profit or loss	-	64
	Income from non -financial assets		
	Storage and handling income	906	3,144
	Gain on disposal of property, plant and equipment	7,686	4,847
		8,592	7,991
	Others		
	Liabilities no more payable written back	1,093	602
	Derivatives fair value - gain	9,478	-
	Miscellaneous income	72	80
		10,643	682
		19,235	8,737

33	FINANCE COST	2009	2008
	Markup on long term financing	130,125	89,252
	Finance charges on finance lease	12	27
	Markup on short term borrowings	122,910	60,550
	Interest on Workers' Profit Participation Fund	41	74
	Bank charges	2,541	2,812
		255,629	152,715

34	INVESTMENT INCOME	2009	2008
	Dividend income from subsidiary - M/s Gatro Power (Private) Limited	376,250	-

35	INCOME TAX	2009	2008
	For the current year	7,225	17,186
	For the prior year	28,144	-
	Deferred	(29,745)	57,775
		5,624	74,961
	Relationship between income tax and profit before income tax :		
	Profit before income tax	384,944	231,605
	Income tax rate	35%	35%
	Income tax on profit before income tax	134,730	81,062
	Net income tax effect:		
	on downscaling / (upscaling) of Tax WDV	(43,677)	48,176
	in pertinence to exports under Final Tax Regime	(3,251)	(30,726)
	in relation to (admissible) / inadmissible expense and exempt income	(110,322)	13,542
	Deferred income tax (credit) / debit on account of minimum tax	-	(18,683)
	Income tax credit on brought forward loss	-	(18,410)
	Prior year provision for income tax	28,144	-
	Income tax for the year	5,624	74,961

	(Pak Rupees in Thousands) 2009	2008
36 EARNINGS PER SHARE - Basic and diluted		
Profit after income tax	**379,320**	156,644
(Number of Shares)	**(Number of Shares)**	
Number of Ordinary shares	**38,364,480**	38,364,480
	Rupees	**Rupees**
Earnings per share - Basic and diluted	**9.89**	4.08

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

37 CASH AND CASH EQUIVALENTS

	Note	2009	2008
Cash and bank balances	16	**45,038**	94,729
Short term borrowings	25	**(1,518,999)**	(902,852)
		(1,473,961)	(808,123)

38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES
FINANCIAL ASSETS AND LIABILITIES

(Pak Rupees in Thousands)

	Interest/mark-up bearing			Non-Interest/mark-up bearing				
	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	2009 Total	2008 Total
Financial Assets								
Long term investments	-	-	-		300,500	300,500	300,500	300,500
Loans and advances	-	-	-	6,546	650	7,196	7,196	6,225
Deposits	-	-	-	1,822	868	2,690	2,690	4,491
Trade debts	-	-	-	544,109	-	544,109	544,109	643,8[illegible]1
Other receivables	-	-	-	112,792	-	112,792	112,792	168,085
Cash and bank balances	-	-		45,038	-	45,038	45,038	94,729
	-	-	-	710,307	302,018	1,012,325	1,012,325	1,237,341
Financial Liabilities								
Long term financing	226,658	337,472	564,130	-	-	-	564,130	640,[illegible]50
Liability against asset subject to finance lease	144	-	144	-	-	-	144	336
Trade and other payables	-	-	-	573,715	-	573,715	573,715	1,456,763
Accrued mark up	-	-	-	29,839	-	29,839	29,839	33,996
Short term borrowings	1,518,999	-	1,518,999	-	-	-	1,518,999	902,852
	1,745,801	337,472	2,083,273	603,554	-	603,554	2,686,827	3,034,097

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

38.1 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

38.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

A Market Risk

i Foreign exchange risk

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

The Company is exposed to foreign exchange risk arising from currency value fluctuations, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Company's foreign exchange risk exposure in relation to bank balances, certain foreign trade transactions and loans.

ii Price risk

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

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

iii Interest / Markup rate risk

Interest / Markup rate risk arises from the possibility of changes in Interest / Markup rates which may effect the value of financial instruments. The Company has long term finance and short term borrowings at fixed and variable rates. Certain variable rates on long term finance have been hedged under Interest Rate swap agreements to mitigate against the adverse movement of interest rates more fully explained in Note 20.1.

B Credit risk

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

C Liquidity risk

Liquidity risk arises 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, 2009, the Company has Rs. 3,480 million available borrowing limit from financial institutions . Unutilised borrowing facilities of Rs.1,961 million and also has Rs. 45 million being balances at banks. Based on the above, management believes the liquidity risk to be insignificant.

38.3 CAPITAL RISK MANAGEMENT

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

The Company's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2009 and 2008 were as follows:

	(Pak Rupees in Thousands)	
	2009	**2008**
Total borrowings	**2,083,129**	1,543,002
Cash and bank	**(45,038)**	(94,729)
Net debt	**2,038,091**	1,448,273
Total equity	**2,603,847**	2,282,074
Total capital	**4,641,938**	3,730,347
Gearing ratio	**44%**	39%

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

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

39 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 Thousands)

	Chief Executive		Directors		Executives		TOTAL	
	2009	2008	**2009**	2008	**2009**	2008	**2009**	2008
Managerial remuneration	**7,093**	6,023	**12,098**	10,271	**34,802**	20,226	**53,993**	36,520
Post employment benefits	**3,075**	2,072	**5,540**	3,723	**6,156**	3,107	**14,771**	8,902
Utilities	**38**	28	**163**	140	**18**	21	**219**	189
Other benefits	**-**	-	**1,319**	886	**17,821**	9,087	**19,140**	9,973
	10,206	8,123	**19,120**	15,020	**58,797**	32,441	**88,123**	55,584
Number of persons								
for remuneration	1	1	3	3	30	19	34	23

39.1 Aggregate amount of meeting fee to 4 non-executive Directors (2008: 4 non-executive Directors) was Rs.100,000 (2008: Rs 52,000).

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

40 PLANT CAPACITY AND ACTUAL PRODUCTION

Polyester Polymer and its various products:

		2009	2008
		(Matric Tons)	
Annual capacity (Based on 75 denier Yarn and 39 gms Preform)		**56,812**	56,812
Actual production	40.1	**57,117**	56,543

40.1 The production of 57,117 metric tons comprises 40,245 metric tons (2008: 36,483 metric tonnes) of Polyester Filament Yarn (various deniers) and 16,872 metric tons (2008: 20,060 metric tons) of Pet preforms (various gms). Polyester Filament Yarn is made from Polyester Chips. More than significant portion of Polyester Chips is produced in house. The Pet Preforms were made from self produced PET Resin. PET Resin was produced exclusively for in house consumption.

41 TRANSACTIONS WITH RELATED PARTIES

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

	2009	2008
	(Pak Rupees in Thousands)	
Purchase of power from wholly owned subsidiary	**777,162**	533,540
Purchase of other goods, materials and services	**154,772**	54,887
Payment of dividend	**2,431**	2,431
Receipt of dividend	**376,250**	-
Receipt on account of rent/storage and handling and reimbursement of expenses	**34,951**	3,150
Charges on account of handling	**4,353**	4,074
Sale of goods, materials and services	**10,670**	39,849
Payment of donation	**6,402**	3,862

Transactions and outstanding balances, as applicable in relation to Defined Contribution Plan (DCP), Worker's Profits Participation Fund (WPPF) and Key Management Personnel (KMP) have been disclosed in notes 28.1, 29.1, 30.1, DCP; 23.2, WPPF; 6.1 and 39 KMP; respectively. Key management personnel 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 key management personnel.

42 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors, in its meeting held on October 20, 2009, has recommended a cash dividend of Rs.1.50 per share (2008: Rs. 1.50 per share cash dividend) for approval of the members at the Annual General Meeting scheduled to be held on November 20, 2009. Since it is a non adjusting event, the financial statements for the year ended June 30, 2009 do not include the effect of the recommended cash dividend.

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 20, 2009 by the Board of Directors of the Company.

44 GENERAL

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

HAJI HAROON BILWANI	PEER MOHAMMAD DIWAN
Chairman	Chief Executive

Pattern of Shareholding

As at June 30, 2009

Sr. No.	No. of Shareholders	Shareholding From	Shareholding To	Total Shares Held
1	314	1	100	19,893
2	732	101	500	337,771
3	301	501	1,000	197,356
4	96	1,001	5,000	192,260
5	7	5,001	10,000	44,990
6	3	10,001	15,000	36,400
7	1	15,001	20,000	15,100
8	1	25,001	30,000	27,500
9	1	55,001	60,000	57,750
10	1	65,001	70,000	70,000
11	1	70,001	75,000	74,700
12	3	110,001	115,000	345,000
13	1	120,001	125,000	121,840
14	2	130,001	135,000	266,000
15	2	190,001	195,000	381,484
16	2	225,001	230,000	459,880
17	1	350,001	355,000	350,414
18	1	470,001	475,000	470,117
19	1	570,001	575,000	574,751
20	1	580,001	585,000	581,921
21	1	620,001	625,000	622,982
22	1	630,001	635,000	630,320
23	1	660,001	665,000	664,950
24	1	800,001	805,000	801,851
25	1	965,001	970,000	965,500
26	1	1,025,001	1,030,001	1,027,700
27	1	1,075,001	1,080,000	1,076,922
28	1	1,115,001	1,120,000	1,119,640
29	1	1,255,001	1,260,000	1,259,067
30	1	1,600,001	1,605,000	1,602,920
31	1	1,615,001	1,620,000	1,619,624
32	1	1,620,001	1,625,000	1,620,387
33	1	1,645,001	1,650,000	1,646,122
34	1	2,045,001	2,050,000	2,046,349
35	1	2,240,001	2,245,000	2,240,195
36	1	2,280,001	2,285,000	2,281,100
37	1	2,795,001	2,800,000	2,796,884
38	1	2,805,001	2,810,000	2,808,070
39	1	3,445,001	3,450,000	3,445,400
40	1	3,460,001	3,465,000	3,463,370
Total	**1492**			**38,364,480**

Shareholders' Categories	No. of Shareholders	Shares Held	Holding Percentage
Individual	1,464	25,531,603	66.56
Joint Stock Companies	16	4,265,867	11.12
Financial Institutions	6	4,810	0.01
Insurance Companies	1	200	0.00
Investment Companies	3	8,552,540	22.29
Modaraba companies	2	9,460	0.02
Total	**1,492**	**38,364,480**	**100.00**

Details of Pattern of Shareholding

As per requirement of Code of Corporate Governance

	Shares Held
Associated Company	
M/s. Gani & Tayub (Private) Limited	1,620,387
NIT	4,550
Directors, CEO, their spouses and minor children	
Haji Haroon Bilwani	2,240,195
Mr. Peer Mohammad Diwan	2,796,884
Mr. Abdul Razak Diwan	3,445,400
Mr. Zakaria Bilwani	1,620,624
Mr. Usman Bilwani	1,647,122
Mr. Iqbal Bilwani	1,260,067
Mr. Mohammad Arif Bilwani	665,950
Mr. Shabbir Diwan	421,414
Mst. Majida Haroon	230,880
Bai Amina	57,750
Mst. Razia Ahmed	631,320
Executives	1,256,090
Public Sector Companies and Corporations	2,645,530
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds	8,562,410
Shareholders holding 10% or more	Nil
Trading in Shares	Nil

Gatron (Industries) Limited
and Subsidiary Company

GATRON

Consolidated
Financial Statements
For the year ended June 30, 2009

DIRECTORS' REPORT

The Directors of your company are pleased to present the 2008-09 consolidated audited financial statements of the group comprising of Gatron (Industries) Limited and its wholly owned subsidiary Messrs. Gatro Power (Private) Limited.

The thorough review on the performance of Gatron (Industries) Limited for the year ended June 30, 2009 has been presented in separate Directors' Report.

SYNOPSIS OF FINANCIAL RESULTS:

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

Operating Results and Appropriations for the year ended June 30, 2009.

	(Pak Rupees in Thousands)
Profit before income tax	253,005
Income Tax	(5,624)
Share of profit after income tax in associated company	158,992
Profit after income tax	406,373
Un-appropriated profit brought forward	2,379,096
Dividend	(57,547)
Transfer to capital reserve	(1,109)
Transfer to general reserve	(130,000)
Un-appropriated profit carried forward	2,596,813
State of Affairs as on June 30, 2009	
Property, Plant and Equipment	3,038,119
Other non-current assets	1,782,531
Current assets	3,272,306
Total assets	8,092,956
Deduct:	
Non-current liabilities	832,783
Current liabilities	2,481,070
Total liabilities	3,313,853
Net assets financed by shareholder's equity	4,779,103
Earning per share (Rupees)	10.59

In the year 2008-09 the wholly owned subsidiary paid 250% cash dividend amounting to Rs.376.250 million. The results of the Power producing subsidiary of the company are a reflection of the ramping up of the new generators of gas (and decreased dependence on furnace oil for power generation) as well as the power tariff changes in the country.

The sums of Rs. 244.311 millions and Rs. 158.992 millions being the profits, respectively attributable to the wholly owned subsidiary and the accretion in the value of shares in associated company, have been included in the group profit after income tax of Rs. 406.373 million as depicted above.

On behalf of the Board

Peer Mohammad Diwan
Chief Executive

October 20, 2009

HYDER BHIMJI & CO.

CHARTERED ACCOUNTANTS

Member of
KRESTON INTERNATIONAL
with affiliated offices worldwide

Standard Insurance House
I. I. Chundrigar Road
P.O. Box: 6904
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Email: bhimji@multinet.com.pk

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 GATRO POWER (PVT) LIMTIED (the Subsidiary) as at June 30, 2009 and the related consolidated Profit and Loss Account, 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 the Holding Company. We have also expressed separate opinion on these financial statements of GATRON (INUSTRIES) LIMITED and GATRO POWER (PVT) LIMITED. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements examined by us, present fairly the financial statements position of GATRON (INDUSTRIES) LTD and it subsidiary company as at June 30, 2009 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Without qualifying our opinion we drawn attention to the contents of note 27.1(a) relating to the contingencies. The ultimate outcome of these matters can not presently be ascertained, and no provision for any liability that may result has been made in the financial statements.

HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS
Engagement Partner : Hyder Ali Bhimji

Karachi: October 20, 2009

Website: http://www.bhimji.com.pk
www.kreston.com

Lahore: Amin Building, 65 The Mall, Phones: 7353392, 7352661, 7321043. Fax: 92-42-7122378

Consolidated Balance Sheet

As At June 30, 2009

	Notes	2009	2008
		(Pak Rupees in Thousands)	
ASSETS			
Non-current Assets			
Property, plant and equipment	5	3,038,119	3,007,216
Long term investments	6	1,781,013	1,622,021
Long term loans	7	650	557
Long term security deposits	8	868	973
		4,820,650	4,630,767
Current Assets			
Stores, spare parts and loose tools	9	336,952	333,647
Stock in trade	10	1,956,512	1,719,387
Trade debts	11	544,109	643,811
Loans and advances	12	17,189	44,596
Trade deposits and prepayments	13	13,509	38,947
Other receivables	14	137,147	188,747
Income tax payments less provision	15	9,388	18,160
Taxes and duties refundable from Federal Government	16	84,645	79,955
Cash and bank balances	17	172,855	270,410
		3,272,306	3,337,660
TOTAL ASSETS		8,092,956	7,968,427
EQUITY AND LIABILITIES			
SHARE CAPITAL & RESERVES			
Authorised capital			
44,000,000 Ordinary shares of Rs.10 each		440,000	440,000
Paid up capital	18	383,645	383,645
Capital reserves	19	458,645	457,536
General reserve	20	1,340,000	1,210,000
Unappropriated profit		2,596,813	2,379,096
		4,779,103	4,430,277
LIABILITIES			
Non-current Liabilities			
Long term financing	21	337,472	415,261
Liability against asset subject to finance lease	22	-	144
Deferred liabilities	23	495,311	518,747
		832,783	934,152
Current Liabilities			
Trade and other payables	24	705,430	1,442,069
Accrued mark up	25	29,839	33,996
Short term borrowings	26	1,518,999	902,852
Current portions of :			
Long term financing	21	226,658	224,889
Liability against asset subject to finance lease	22	144	192
		2,481,070	2,603,998
CONTINGENCIES AND COMMITMENTS	27		
TOTAL EQUITY AND LIABILITIES		8,092,956	7,968,427

The notes 1 to 44 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Conversion rates as at June 30, 2009 were 1 US$ = Rs. 81.30, 1 Euro € = Rs.114.82 and 1 Pound ? = Rs.135.38

Consolidated Profit and Loss Account

For the year ended June 30, 2009

	Notes	2009 (Pak Rupees in Thousands)	2008
Sales	28	**7,497,075**	7,056,483
Cost of sales	29	**6,675,679**	6,154,733
Gross profit		**821,396**	901,750
Distribution and selling expenses	30	**130,996**	115,030
Administrative expenses	31	**91,005**	86,590
Other operating expenses	32	**104,407**	212,651
		326,408	414,271
		494,988	487,479
Other operating income	33	**13,646**	8,712
Operating profit		**508,634**	496,191
Finance cost	34	**255,629**	152,715
Profit before income tax		**253,005**	343,476
Income tax	35	**(5,624)**	(74,961)
Share of profit after income tax in associated company		**158,992**	304,706
Profit after income tax		**406,373**	573,221
Earnings per share - Basic and diluted (Rupees)	36	**10.59**	14.94

(1) The Board of Directors of Parent Company has recommended a cash dividend for the year ended June 30, 2009 of Rs.1.50 per share (i.e. 15%)

(2) The notes 1 to 44 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Consolidated Cash Flow Statement

For the year ended June 30, 2009

	Note	2009	2008
		(Pak Rupees in Thousands)	
Cash Flow (towards) / from Operating Activities			
Profit before income tax		253,005	343,476
Adjustments for:			
Depreciation		317,776	288,052
Provision for defined benefit plan		10,978	11,049
Gain on disposals of property, plant and equipment		(2,552)	(4,983)
Loss on retirement and disposal of property, plant and equipment		1,899	15,777
Provision for doubtful trade debts-net off reversals		1,160	279
Provision for slow moving stores, spare parts and loose tools-net off reversals		2,215	671
Derivatives fair value - (gain) / loss		(9,478)	14,193
Finance cost		255,629	152,715
		577,627	477,753
		830,632	821,229
(Increase) / decrease in current assets			
Stores, spare parts and loose tools		(5,520)	(38,221)
Stock in trade		(237,125)	(235,024)
Trade debts		98,542	(117,010)
Loans and advances		28,222	(9,124)
Trade deposits and prepayments		25,438	(12,218)
Other receivables		53,038	(91,437)
Taxes and duties refundable from Federal Government		(4,685)	(70,415)
		(42,090)	(573,449)
(Decrease) / increase in Trade and other payables		(722,188)	511,771
Cash flow from operations		66,354	759,551
Payments for / (receipt of) :			
Defined benefit plan		4,669	6,574
Finance cost		259,786	143,035
Income tax		26,602	11,283
Dividend		57,384	57,450
Long term loans		908	(153)
Long term security deposits		(105)	129
Net cash flow (towards) / from operating activities		(282,890)	541,233
Cash Flow (towards) / from Investing Activities			
Purchase of property, plant and equipment		(379,870)	(310,551)
Proceeds from disposals of property, plant and equipment		25,270	24,610
Net cash flow towards investing activities		(354,600)	(285,941)
Cash Flow (towards) / from Financing Activities			
Long term financing - proceeds		149,559	181,650
- repayments		(225,579)	(202,000)
Repayments of finance lease liability		(192)	(177)
Net cash flow towards financing activities		(76,212)	(20,527)
Net (decrease) / increase in cash and cash equivalents		(713,702)	234,765
Cash and cash equivalents at the beginning		(632,442)	(867,207)
Cash and cash equivalents at the end	37	(1,346,144)	(632,442)

The notes 1 to 44 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Consolidated Statement of Changes in Equity
For the year ended June 30, 2009

(Pak Rupees in Thousands)

	Paid-up capital	Capital Reserves			General reserve	Unappropriated profit	Total
		Share premium	Others	Sub Total			
Balances as at June 30, 2007	383,645	383,645	73,891	457,536	1,210,000	1,863,422	3,914,603
Profit after income tax for the year ended June 30, 2008	-	-	-	-	-	506,829	506,829
Final cash dividend for the year ended June 30, 2007 at Rs.1.50 per share i.e. @ 15%	-	-	-	-	-	(57,547)	(57,547)
Balances as at June 30, 2008 as previously stated	383,645	383,645	73,891	457,536	1,210,000	2,312,704	4,363,885
Share of profit from associateted Company after income tax for three months ended June 30, 2008	-	-	-	-	-	66,392	66,392
Balances as at June 30, 2008 as restated	383,645	383,645	73,891	457,536	1,210,000	2,379,096	4,430,277
Profit after income tax for the year ended June 30, 2009	-	-	-	-	-	406,373	406,373
Final cash dividend for the year ended June 30, 2008 at Rs.1.50 per share i.e. @ 15%	-	-	-	-	-	(57,547)	(57,547)
Transfer to Capital reserves	-	-	1,109	1,109	-	(1,109)	-
Transfer to General reserves	-	-	-	-	130,000	(130,000)	-
Balances as at June 30, 2009	**383,645**	**383,645**	**75,000**	**458,645**	**1,340,000**	**2,596,813**	**4,779,103**

(1) Included in un appropriated profit , is a sum of Rs 1,631.013 million, representing proportionate share in un-appropriated profits of associated company upto June 30, 2009, which is not available for distribution to the shareholder of the Parent Company, until realized.

(2) The notes 1 to 44 annexed herewith form an integral part of these financial statements.

HAJI HAROON BILWANI
Chairman

PEER MOHAMMAD DIWAN
Chief Executive

Notes to the Consolidated Financial Statements

For the year ended June 30, 2009

1 THE Group AND ITS OPERATIONS

The Group consists of :

Gatron (Industries) Limited
Gatro Power (Private) Limited

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

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

2 BASIS OF CONSOLIDATION

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

3 BASIS OF PREPARATION

3.1 STATEMENT OF COMPLIANCE

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

3.2 The new standards, interpretations thereof and amendments therein

The International Accounting Standards Board [IASB] announces new standards, interpretations thereof and amendments in the International Accounting Standards [IASs] and International Financial Reporting Standards [IFRSs], from time to time. The amendments in the following IASs, IFRSs and IFRICs, in relation to subjects mentioned below, have already been published by the IASB, becoming mandatorily applicable, from accounting periods beginning on or after the dates specified hereunder, which may or may not be relevant to Company's operations and may or may not have any significant impact besides enhanced disclosure.

IFRS 1	First time adoption of IFRS (Revised)	From July 1, 2009
IFRS 2	Share - based Payment (Amendments)	from January 1, 2009
IFRS 3	Business combinations (Revised)	from July 1, 2009
IFRS 4	Insurance contracts (Amendments)	from January 1, 2009
IFRS 5	Non-current assets held-for-sale and discontinued operations (Amendments)	from January 1, 2009
IFRS 7	Financial instruments: Disclosure (Amendments)	from January 1, 2009

IFRS 8	Operating segments	from January 1, 2009
IAS 1	Presentation of financial statements (Revised)	from January 1, 2009
IAS 7	Statement of cash flows (Amendments)	from January 1, 2009
IAS 12	Income taxes (Amendments)	from January 1, 2009
IAS 16	Property, plant and equipment (Amendments)	from January 1, 2009
IAS 18	Revenue (Amendments)	from January 1, 2009
IAS 19	Employee Benefits (Amendments)	from January 1, 2009
IAS 20	Government grants and disclosure of government assistance (Amendments)	from January 1, 2009
IAS 21	The effects of changes in foreign rates (Amendments)	from January 1, 2009
IAS 23	Borrowing costs (Revised)	from January 1, 2009
IAS 27	Consolidated and separate financial statements (Amendments)	from July 1, 2009
IAS 27	Investments in associates (Amendments)	from January 1, 2009
IAS 31	Interest in joint ventures (Amendments)	from January 1, 2009
IAS 32	Financial instruments: Presentation	from January 1, 2009
IAS 33	Earnings per share (Amendments)	from January 1, 2009
IAS 34	Interim financial reporting (Amendments)	from January 1, 2009
IAS 36	Impairment of assets (Amendments)	from January 1, 2009
IAS 38	Intangible assets (Amendments)	from January 1, 2009
IAS 39	Financial instruments: Recognition and measurement (Amendments)	from January 1, 2009
IAS 40	Investments property (Amendments)	from January 1, 2009
IAS 41	Agriculture (Amendments)	from January 1, 2009
IFRIC 1	Changes in existing decommisioninig, restoration and similar liabilities (Amendments)	from January 1, 2009
IFRIC 2	Member's share in corporate entities and similar liabilities (Amendments)	from January 1, 2009
IFRIC 4	Determining whether and Arrangement contains a Lease	from July 1, 2010
IFRIC 12	Service Concession Arrangements	from July 1, 2010
IFRIC 14	The Limit on a defined benefit asset minimum funding requirements and their interaction (Amendments)	from January 1, 2009
IFRIC 15	Agreement for the Construction of real estate	from January 1, 2009
IFRIC 16	Hedge of net investment in a foreign operation	from October 1, 2008
IFRIC 17	Distibution of non-cash assets to owners	from July 1, 2009
IFRIC 18	Transfer of assets from customers	from July 1, 2009

3.3 Basis of measurement

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

3.4 Significant Accounting Estimates and Judgments

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

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

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

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

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

c) Stock in Trade
The Group reviews the net realizable value of stock-in-trade to assess any diminution in the carrying values on each financial year end. Any change in the estimates in future years might affect the carrying amount of stock in trade with a corresponding affect on impairment. Net realizable 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 appropraitely judging the relevant inputs and applying the parameters, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effects of variation is given as and when it takes place.

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

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

g) Derivatives
The Parent Company enters into interest rate swap agreements. The calculation involves use of estimates with regard to future rates of interest, which fluctuates with the market rates.

3.5 **Functional and reporting currency**

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

4 SIGNIFICANT ACCOUNTING POLICIES

4.1 Property, plant and equipment

These are stated at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost. No amortization is provided on leasehold land since the leases are renewable at the option of the lessee at nominal cost and their realisable values are expected to be higher than respective carrying values. Depreciation is charged on diminishing balance method at the rates mentioned in Note 5 , whereby the depreciable amount of an asset is written off over its estimated useful life.

Previously, full year depreciation was charged on addition during the year except in case of significant addition or expansion where the charge for depreciation was made with referance to the date of commencement of operation of such asset. No depreciation was charged on asset deleted or retired during the year. However, the group has changed its estimate to account for its depreciation on addition from the month of the asset is available for use upto the month prior to disposal.

The change in accounting estimate has been applied prospectively in accordance with the treatment specified in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had this estimate not been changed, the profit for the year would have been lower by Rs. 7.485 million and Property, Plant and Equipment would have been lower by Rs. 7.485 million.

Subsequent costs (including those on account of major repairs) are included in the asset's carrying amount or recognized 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 and individual assets costing upto Rs.10,000 are fully taken to profit and loss account.

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

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

Finance lease

Leases of property, plant and equipment, where all the substantial risks and rewards incidental to ownership are transferred to the Parent Company, are classified as finance leases. Assets subject to finance leases 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 are accounted for as liabilities. Assets acquired under the finance leases are depreciated over the useful life of the respective asset in the manner and at the rates applicable to the Parent Company owned assets. Implicit finance cost is allocated to accounting periods falling during the lease term so as to always produce a constant periodic rate.

4.2 Impairment of Assets

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

4.3 Investments

Associated Company

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

4.4 Stores, spare parts and loose tools

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

4.5 Stock in Trade

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

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

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

4.6 Trade debts

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

4.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and bank balances and short term borrowings. Cash and cash equivalents are carried at cost.

4.8 Employee's post employment benefits

a) Defined Contribution Plan
The Group and the eligible employees contribute equally to recognised provident funds.

b) Defined Benefit Plan
The Group operates an unfunded defined gratuity scheme, being not mandatory under the law, for its employees and working directors who attain the minimum qualification period. The obligation has been determined through actuarial valuation and the latest acturial valuation was conducted on the balances as at June 30, 2008.

The actuary has used the Projected Unit Credit Method of valuation. The valuation discount rate has been taken at 12% and salary increases assumed to average 10% per annum in the long term.

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

4.9 Compensated unavailed leaves

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

4.10 Income Tax

Current

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

Profits and gains derived by the Subsidiary Company 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.

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

4.11 Trade and other payables

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

4.12 Provisions

Provisions are recognized 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.

4.13 Borrowings and their cost

Borrowings are recorded at the proceeds received.

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

4.14 Foreign currency transactions and translation

Foreign currency transactions are recorded into Pak Rupees using the prevailing exchange rates. As on balance sheet date, monetary assets and liabilities in foreign currencies are recorded 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 recognized 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 is recognized on dispatch of goods to customer.

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

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

4.16 Dividend and appropriation to reserves

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

4.17 Financial instruments

All the financial assets and financial liabilities are recognized 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 Derivative financial instruments

The Parent Company enters into derivatives financial instrument such as agreement for interest rate swap to hedge the risk associated with interest rate fluctuations. Such derivative financial instrument is initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Derivative is carried as asset when the fair value is positive and as liability when the fair value is negative on the balance sheet date. Any gains or losses arising from change in fair value of derivative that do not qualify for hedge accounting are taken directly to profit and loss account.

4.19 Offsetting of financial assets and financial liabilities

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

5 PROPERTY, PLANT AND EQUIPMENT

		(Pak Rupees in Thousands) 2009	2008
Operating assets	5.1	**2,986,512**	2,878,355
Capital work in progress	5.5	**44,006**	125,800
Stores and spares held for capital expenditure	5.6	**7,601**	3,061
		3,038,119	3,007,216

5.1 Operating assets

PARTICULARS	Land		Building		Office premises	Plant and machinery	Furniture and fixture	Factory equipment	Office equipment	Motor vehicles		TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land						Owned	Held under finance lease	
	(Pak rupees in thousand)											
Net carring value basis												
Year ended June 30, 2009												
Opening net book value	2,605	14,614	1,893	165,875	9,902	2,608,357	3,954	6,806	21,171	42,793	385	2,878,355
Additions at cost	22,938	600	-	17,066	-	365,480	3,888	4,441	4,928	31,209	-	450,550
Disposal at NBV	-	-	-	-	-	20,549	-	-	12	4,056	-	24,617
Depreciation / impairment	-	-	189	17,744	990	275,347	1,111	2,065	5,843	11,410	77	317,776
Closing net book value	25,543	15,214	1,704	165,197	8,912	2,674,941	6,730	9,182	20,245	58,536	308	2,986,512
Gross carrying value basis												
At June 30, 2009												
Cost	25,543	15,214	14,248	408,273	9,902	6,144,411	29,272	39,126	61,994	111,648	939	6,560,570
Accumulated depreciation	-	-	12,544	243,076	990	3,469,470	22,542	29,944	41,749	53,112	631	3,574,058
Net book value	25,543	15,214	1,704	165,197	8,912	2,674,941	6,730	9,182	20,245	58,536	308	2,986,512
Net carring value basis												
Year ended June 30, 2008												
Opening net book value	2,605	14,614	2,104	176,530	9,902	2,676,246	4,394	5,399	14,955	32,986	481	2,940,215
Additions at cost	-	-		7,775		215,040	548	3,108	11,545	23,579	-	261,595
Disposal at NBV	-	-		-	-	32,294	-		36	3,074		35,404
Depreciation	-	-	211	18,430	-	250,635	988	1,701	5,293	10,698	96	288,052
Closing net book value	2,605	14,614	1,893	165,875	9,902	2,608,357	3,954	6,806	21,171	42,793	385	2,878,355
Gross carrying value basis												
At June 30, 2008												
Cost	2,605	14,614	14,248	391,207	9,902	5,806,092	25,396	34,685	57,193	91,284	939	6,448,165
Accumulated depreciation	-	-	12,355	225,332	-	3,197,735	21,442	27,879	36,022	48,491	554	3,569,810
Net book value	2,605	14,614	1,893	165,875	9,902	2,608,357	3,954	6,806	21,171	42,793	385	2,878,355
Depreciation rate % per annum	-	-	10	10	10	5 to 10	20	20	20 to 30	20	20	

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

	(Pak Rupees in Thousands) 2009	2008
Cost of sales (including Rs.30.5 million (2008 : NIL) being imapairment loss)	**308,851**	280,567
Distribution and Selling Expenses	**1,534**	1,483
Adminstrative Expenses	**7,391**	6,002
	317,776	288,052

5.3 Additions in Plant & Machinery includes capitaliazation of borrowing cost incurred upto the date of commissioning, amounting to Rs. 0.568 million (2008:Rs.3.190 million).

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

(Pak Rupees in Thousands)

Description	Cost	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyers
VEHICLES					
Honda City ADW-267	785	165	485	Negotiation	**Mr. Rauf** 314/A1/C3, Haroon Royal City, Phase-3, Block-17, Gulistan-e-Johar, Karachi.
Suzuki Alto APU-330	508	393	508	Negotiation	**Mr. Hissam-ud-din** R-164, Gulshan-Mehmar, Sector# Z-6, Karachi.
Suzuki Mehran AQK 235	399	319	350	Insurance Claim	**M/s. EFU General Insurance** Karachi.
Honda Civic VTI ADN-120	1,268	270	300	Negotiation	**Mr. Tariq Ismail** 95, Block# 3, P.C Barar Society, Karachi.
Honda City AKE-564	886	401	622	Negotiation	**Syed Hussain** B-273, Gulistan-e-Juhar, Block-15, Karachi.
Toyota Corolla AEF-739	849	189	504	Negotiation	**Mr. Zubair** 474, Block-16, F.B.Area, Karachi.
Toyota Corolla AFJ-887	849	236	590	Negotiation	**Mr. Mohammad Iqbal** 72/113, Kaghzi Bazar, Methadar, Karachi.
Honda City AED-497	785	175	451	Negotiation	**Mr. Muhammad Hanif** 201, 73 M/2, P.E.C.H.S., Karachi
Honda Civic ART-843	1,759	1,700	1,759	Insurance Claim	**M/s. EFU General Insurance** Karachi.
02 TCM Fork Lifter Model#FD30Z8C & FD20Z3C	1,730	52	400	Negotiation	**M/s. Khan Afzal & Sons** B-35, Block U, North Nazimabad, Karachi.
Items having book value upto Rs.50,000/-	1,027	156	616		Various
Sub Total	**10,845**	**4,056**	**6,585**	-	-
Office Equipement					
Items having book value upto Rs.50,000/-	127	11	33		**Various**
Sub Total	**127**	**11**	**33**	-	-
Furniture & Fixture					
Items having book value upto Rs.50,000/-	12	1	2		**Various**
Sub Total	**12**	**1**	**2**	-	-
Plant & Machinery					
Duetz / MWM, Gas Generating Set	25,642	19,284	17,500	Negotiation	**M/s. Akhtari International** D-2 Rizwan Plaza, Block M, North Nazimabad, Karachi.
Waste Recovery Boiler	1,519	1,265	1,150	Negotiation	**M/s. Akhtari International** D-2 Rizwan Plaza, Block M, North Nazimabad, Karachi.
Sub Total	**27,161**	**20,549**	**18,650**	-	-
Total	**38,145**	**24,617**	**25,270**	-	-
Total - 2008	**58,604**	**35,404**	**24,610**		

5.5 Capital Work-in-Progress (Pak Rupees in Thousands)

		Balance at beginning	Additions	Transfer to Operating assets	Balance at end
Free hold land		21,500	1,438	(22,938)	-
Lease hold land		-	600	(600)	-
Factory building on lease hold land		11,651	5,638	(17,066)	223
Office premises		1,000	-	-	1,000
Plant and machinery	5.5.1	87,761	317,358	(365,480)	39,639
Furniture and fixtures		-	3,888	(3,888)	-
Factory equipment		388	4,907	(4,441)	854
Office Equipment		-	5,175	(4,928)	247
Motor vehicles		3,500	29,752	(31,209)	2,043
		125,800	368,756	(450,550)	44,006

5.5.1 It includes borrowing cost of Rs. Nil (2008 : Rs. 0.304 millions)

5.6 Stores and spares held for capital expenditure

	Balance at beginning	Additions	Transfer to Capital work in progress	Balance at end
Stores & spares	3,061	355,285	(350,745)	7,601

6 LONG TERM INVESTMENT
Related Party

	2009	2008
	(Pak Rupees in Thousands)	
In Associated Company - Unlisted Public Limited Company		
At the beginning of the year	**1,622,021**	1,317,315
Share of profit after income tax for the year	**158,992**	304,706
	1,781,013	1,622,021

This represents value of 15 million fully paid ordinary shares of Rs 10. each invested in an associated company namely Messrs. Novatex Limited representing 36.83% of its total issued/paid up capital. Comparative figure for share of profit after income tax for the year of the Associated Company has been restated which was reported earlier on the basis of financial statements of the Associated Company for the period ended March 31,2008.

7 LONG TERM LOANS - Considered good
Secured - Interest free

		2009	2008
To employees other than Chief Executive & Directors	7.2	**6,498**	5,590
Recoverable within one year		**(5,848)**	(5,033)
Recoverable within three years		**650**	557

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

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

	(Pak Rupees in Thousands) 2009	2008
Balance at beginning	**389**	275
Disbursements	**713**	868
Repayments	**(520)**	(754)
Balance at end	**582**	389

7.2.1 The maximum aggregate amount of loan due from executives at any month end during the year was Rs.0.854 million (2008:Rs.0.488 million)

8 LONG TERM SECURITY DEPOSITS

		2009	2008
For asset acquired under lease	8.1	**-**	94
For utilities and others		**868**	879
		868	973

	2009	2008
8.1 Balance at beginning	**94**	94
Recoverable within one year	**(94)**	-
Balance at end	**-**	94

9 STORES, SPARE PARTS AND LOOSE TOOLS

In hand:

		2009	2008
Stores		**49,456**	52,458
Spare parts		**287,960**	272,496
Loose tools		**2,682**	1,120
		340,098	326,074
Provision for slow moving stores, spare parts and loose tools	9.1	**(7,067)**	(4,852)
		333,031	321,222
In transit		**3,921**	12,425
		336,952	333,647

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

	2009	2008
Balance at beginning	**4,852**	4,181
Charge for the year	**2,350**	906
Reversals	**(135)**	(235)
Balance at end	**7,067**	4,852

10 STOCK IN TRADE

	2009	2008
Raw material	**624,205**	555,285
Raw material in transit	**56,984**	102,279
Goods in process	**513,510**	457,807
Finished goods	**761,813**	604,016
	1,956,512	1,719,387

		(Pak Rupees in Thousands) 2009	2008
11 TRADE DEBTS			
Considered good			
Secured	11.1	156,530	181,577
Unsecured		387,579	462,234
		544,109	643,811
Considered doubtful			
Unsecured		3,646	3,671
Provision for doubtful debts	11.2	(3,646)	(3,671)
		-	-
		544,109	643,811

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

		2009	2008
11.2 Provision for doubtful debts			
Balance at beginning		3,671	3,392
Charge for the year		2,122	2,063
Reversals		(962)	(1,784)
Write offs		(1,185)	-
Balance at end		3,646	3,671

		2009	2008
12 LOANS AND ADVANCES - Considered good			
Secured			
Loans recoverable within one year from employees and executive	7	5,848	5,033
Advances to employees	12.1	698	635
		6,546	5,668
Unsecured			
Advances :			
to suppliers and contractors		10,293	38,686
for imports		350	242
		10,643	38,928
		17,189	44,596

12.1 These represent advance monthly salaries under terms of employment.

		2009	2008
13 TRADE DEPOSITS AND PREPAYMENTS			
Prepayments		11,687	34,791
Security deposits	8.1 & 13.1	1,822	731
Margins held by banks		-	3,425
		13,509	38,947

13.1 It includes security deposit Rs.0.094 million (2008: Nil) against leased asset.

	2009	2008
14 OTHER RECEIVABLES - Considered good		
Receivable from suppliers	108,035	183,060
Derivatives fair value	1,438	-
Claims receivable from suppliers	2,641	1,334
Receivable from Insurance Companies	22,275	-
Others	2,758	4,353
	137,147	188,747

		(Pak Rupees in Thousands) 2009	2008
15	**INCOME TAX PAYMENTS LESS PROVISION**		
	Tax receivable at beginning	18,160	5,116
	Net tax payments	26,597	30,230
		44,757	35,346
	Less: Provision for tax	(35,369)	(17,186)
	Tax receivable at end	9,388	18,160

		2009	2008
16	**TAXES AND DUTIES REFUNDABLE FROM FEDERAL GOVERNMENT**		
	Income tax	5,281	5,276
	Customs duty on raw material	40,418	64,451
	Sales tax refundable / (liability) - net of SED	38,946	(3,686)
	Other receivables from Federal Government	-	13,914
		84,645	79,955

		Note	2009	2008
17	**CASH AND BANK BALANCES**			
	Cash			
	In hand:		1,257	3,752
	With banks in current accounts : Local currency		170,068	265,429
	Foreign currency	17.1	1,530	1,229
			172,855	270,410

17.1 These represent balances of US$: 15,344.48 and Euro €: 2,497.30 (2008 : US$:16,031.33 and Euro €:1,299.05).

18 PAID UP CAPITAL

		2009	2008
30,136,080	Ordinary shares of Rs.10/-each alloted for consideration paid in cash	301,361	301,361
8,228,400	Ordinary shares of Rs.10/-each alloted fully paid bonus shares	82,284	82,284
38,364,480		383,645	383,645

These include 1,620,387 shares (2008 : 1,620,387 shares) held by a related party, Messrs. Gani & Tayub (Private) Limited.

19 CAPITAL RESERVES

	Note	2009	2008
Share premium	19.1	383,645	383,645
Others	19.2	75,000	73,891
		458,645	457,536

19.1 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.

19.2 This represents reserve for replacement of plant and machinery.

20 GENERAL RESERVE

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

		(Pak Rupees in Thousands) 2009	2008
21 LONG TERM FINANCING - Secured from banking companies			
MCB Bank Limited	21.1	47,500	142,500
MCB Bank Limited	21.2	75,000	125,000
National Bank of Pakistan	21.3	125,000	175,000
Habib Bank Limited	21.4	116,630	127,684
United Bank Limited	21.5	200,000	53,966
Citibank N.A.		-	16,000
		564,130	640,150
Current maturities shown under current liabilities		(226,658)	(224,889)
Payable within five years		337,472	415,261

21.1 Original principal sum of Rs.380 million was obtained in November 2004 being repayable in 8 equal half yearly installments, commencing after a grace period of twelve months and expiring in November 2009. The mark up rate is six month average KIBOR ask rate of preceding one month plus 0.5% per annum. The outstanding principal sum and accrued markup thereon are secured by way of a pari passu hypothecation charge on all the present and future movable / fixed assets of the Parent Company.

The Parent Company had entered into interest rate swap agreement with United Bank Limited for a notional amount of Rs.380 million, amortising upto November 2009. Under the agreement, the Parent Company would receive at six month KIBOR prevailing on each settlement date on outstanding notional amount and pay 7.35% per annum calculated on outstanding notional amount, which will be settled semi annually. The Parent Company has the option of unwinding the swap transaction if above loan is prepaid. As at the balance sheet date, the net fair value of this interest rate swap was Rs.1.438 million (2008 : Rs.7.913 million) in favour of the Parent Company.

21.2 Original principal sum of Rs.200 million was obtained in November 2005 being repayable alongwith markup in 8 equal half yearly installments, commencing after a grace period of twelve months and expiring in November 2010. The mark up rate is six month average KIBOR ask rate of preceding one month plus 1% per annum. The outstanding principal sum and accrued markup thereon are secured by way of a pari passu hypothecation charge on all the present and future Plant & Machinery of the Parent Company.

21.3 Original principal sum of Rs.200 million was obtained in September 2006 being repayable alongwith markup in 8 equal half yearly installments, commencing after a grace period of twelve months and expiring in September 2011. The mark up rate is six month average KIBOR ask rate of preceding 10 days plus 1% per annum. The outstanding principal sum and accrued markup thereon are secured by way of a pari passu hypothecation charge on all the present and future plant, machinery and equipments of the Parent Company.

21.4 Original principal sum of Rs.127.684 million was obtained in during November 2007 to June 2008 and Rs.3.525 million in July 2008 being repayable in 9 equal half yearly installments, commencing after a grace period of twelve months and expiring in May 2013. The mark up rate is six month average KIBOR ask rate of preceding one month plus 1.2% per annum. The outstanding principal sum and accrued markup thereon are secured by way of a pari passu hypothecation charge on all the present and future plant, machinery and equipments of the Parent Company.

21.5 Original principal sum of Rs.53.966 million was obtained in June 2008 and Rs.146.034 million during Jul 2008 to November 2008 being repayable in 8 equal half yearly installments, commencing after a grace period of twelve months and expiring in June 2013. The mark up rate is six month average KIBOR ask rate of preceding one month plus 0.9% per annum. The outstanding principal sum and accrued markup thereon are secured by way of a pari passu hypothecation charge on all the present and future plant, machinery and equipments of the Parent Company.

22 **LIABILITY AGAINST ASSET SUBJECT TO FINANCE LEASE**

	(Pak Rupees in Thousands)			
	2009		2008	
	Minimum lease payment	**Present value**	Minimum lease payment	Present value
Outstanding lease obligation	**146**	**144**	350	336
Current maturity shown under current liability	**(146)**	**(144)**	(204)	(192)
	-	-	146	144
Future finance cost	-	-	(2)	-
Payable within five years	-	-	144	144

The Parent Company had entered into a finance lease agreement with a financial institution for lease of a motor vehicle. The liability under this agreement is payable in equal monthly installments upto September 2009 and is subject to discount rate of 8% per annum implicit in the lease. The Parent Company intends to exercise its option to purchase the leased motor vehicle upon expiry of lease term.

23 **DEFERRED LIABILITIES**

		(Pak Rupees in Thousands)	
		2009	**2008**
Income tax	23.1	**436,312**	466,057
Defined benefit plan	23.2	**58,999**	52,690
		495,311	518,747

23.1 This comprises of the following:

Deferred tax liability arising in respect of tax depreciation allowances and lease rentals	**439,149**	468,596
Deferred tax asset arising in respect of :		
Provision for doubtful debts	**(1,166)**	(1,285)
Provision for slow moving stores, spare parts and loose tools	**(1,671)**	(1,254)
	436,312	466,057

23.2 Actuarial valuation of the plan was carried out as at June 30, 2008. The calculation for provision for defined benefit plan are as under:-

Provision			
Balance at beginning		**52,690**	48,215
Expense	23.2.1	**10,978**	11,049
Payment		**(4,669)**	(6,574)
Balance at end		**58,999**	52,690
Reconciliation			
Obligation		**69,383**	63,385
Unrecognized actuarial loss		**(10,384)**	(10,695)
Provision		**58,999**	52,690

		(Pak Rupees in Thousands) 2009	2008
23.2.1 Expense			
Service cost		**3,061**	4,605
Interest cost		**7,606**	6,205
Recognition of actuarial loss		**311**	239
		10,978	11,049

24 Trade and Other payables

		2009	2008
Trade creditors	24.1	**179,223**	98,484
Bills payable		**256,342**	1,075,944
Creditors for capital expenditure		**16,039**	22,613
Advance payments from customers		**47,634**	25,925
Derivatives fair value		-	8,040
Workers' Profit Participation Fund	24.2	**550**	12,558
Workers' Welfare Fund		**16,350**	14,427
Accrued expenses		**106,027**	115,411
Infrastructure Cess on imports	24.3	**76,845**	62,410
Unclaimed dividend		**6,420**	6,257
		705,430	1,442,069

24.1 These include Rs. 72.645 million (2008: Rs.26.335 million) payable to a related party, Messrs. Novatex Limited.

24.2 Workers' Profit Participation Fund

	2009	2008
Balance at beginning	**12,558**	9,636
Interest on funds utilized in the Parent Company's business	**41**	74
Allocation	**550**	12,558
Payments	**(12,599)**	(9,710)
Balance at end	**550**	12,558

24.3 Infrastructure Cess on imports

	2009	2008
Balance at beginning	**62,410**	47,404
Provision made during the year	**14,435**	15,006
Balance at end	**76,845**	62,410

The Parent Company had filed a petition in the Honourable High Court of Sindh at Karachi challenging the levy of Infrastructure Cess on imports. The Divisional Bench announced Judgement adjudicated 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 judgement of Honorable High Court of Sindh. The leave has been granted to both the parties. The Parent Company has submitted bank guarantee for this charge on the directives of the courts. This guarantee is secured against charge on stocks and book debts. However, provision has been made in the accounts as an abundant precaution.

		(Pak Rupees in Thousands) 2009	2008
25	**ACCRUED MARK-UP**		
	Markup on long term financing and finance lease	**10,648**	23,855
	Markup on short term borrowings	**19,191**	10,141
		29,839	33,996

26	**SHORT TERM BORROWINGS - secured** **From banking companies under mark up arrangements**		
	Running finance	**1,449,799**	-
	Finance under F.E. Circular No.25 of SBP	**69,200**	632,852
	Export re-finance	**-**	270,000
		1,518,999	902,852

26.1 The Parent Company has aggregate facilities of short term borrowings finance amounting to Rs.3,480 million (2008: Rs.2,140 million) from various commercial banks (as listed in Note 26.3) out of which Rs.1,961 million (2008: Rs.1,237 million) remained unutilized at the year end. The mark up rates for running finance ranged between Rs.0.3751 to Rs.0.4658 per Rs.1000/- per day. The mark up rates for finance obtained under F.E. Circular No. 25 of SBP it ranged between 3.05875% to 3.26563 % per annum. These facilities are renewable annually at respective maturities.

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

26.3 The finances have been obtained or are available from Bank Alfalah Limited, Barclays Bank PLC, Citibank N.A., Faysal Bank Limited, Habib Bank Limited, Habib Metropolitan Bank Limited, MCB Bank Limited, National Bank of Pakistan, NIB Bank Limited, Standart Chartered Bank (Pakistan) Limited, Samba Bank Limited, The HSBC Middle East Bank Limited, The Royal Bank of Scotland Limited and United Bank Limited.

27 CONTINGENCIES AND COMMITMENTS

27.1 Contingencies

a) The Subsidiary Company 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.

b) Bank guarantees issued by the bank on behalf of the Parent Company amounted to Rs.1.070 million (2008: Rs.1.070 million).

27.2 Commitments

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

	2009	2008
Property, plant and equipment	**177,328**	128,779
Raw material	**123,152**	169,735
Spare parts	**98,862**	47,206
	399,342	345,720

28 SALES

	Note	2009	2008
Local sales, tax and duty	28.1	**7,101,379**	6,311,418
Less: Sales tax		**232,917**	192,981
Special excise duty		**14,530**	12,825
Local Sales		**6,853,932**	6,105,612
Export Sales		**643,143**	950,871
		7,497,075	7,056,483

28.1 These include local zero rated supplies.

		(Pak Rupees in Thousands) 2009	2008
29 COST OF SALES			
Raw material consumed		**5,024,010**	4,753,866
Stores, spare parts and loose tools consumed		**165,899**	149,636
Third party processing charges		**164,476**	76,920
Salaries, wages, allowances and benefits	29.1	**419,663**	352,774
Power, fuel and gas		**631,047**	447,296
Rent, rates and taxes		**1,265**	1,221
Insurance		**33,479**	24,026
Cartage & Transportation		**48,770**	39,234
Repairs and maintenance		**65,048**	66,226
Communications		**1,027**	1,000
Water supply		**1,818**	1,929
Fees & subscription		**2,220**	4,112
Travelling		**6,970**	5,609
Sundry		**31,533**	21,398
Depreciation	5.2	**308,851**	280,567
Duty draw back		**(479)**	(687)
Scrap sales		**(16,418)**	(24,703)
		6,889,179	6,200,424
Opening stock of goods-in-process		**457,807**	332,258
Closing stock of goods-in-process		**(513,510)**	(457,807)
Cost of goods manufactured		**6,833,476**	6,074,875
Opening stock of finished goods		**604,016**	683,874
Closing stock of finished goods		**(761,813)**	(604,016)
		6,675,679	6,154,733

29.1 These include Rs. 9.299 million (2008 : Rs.7.828 million) and Rs.4.928 million (2008 : Rs.4.375 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan, respectively.

30 DISTRIBUTION AND SELLING EXPENSES

		2009	2008
Salaries, allowances and benefits	30.1	**15,299**	13,288
Insurance		**3,670**	3,046
Rent, rates and taxes		**1,487**	1,477
Handling, freight and transportation		**97,928**	88,969
Advertisement and sales promotion		**1,164**	1,276
Communications		**512**	676
Travelling		**1,125**	896
Legal and professional fees		**24**	409
Fees and subscription		**433**	302
Sundry		**7,820**	3,208
Depreciation	5.2	**1,534**	1,483
		130,996	115,030

30.1 These include Rs. 0.528 million (2008 : Rs.0.446 million) and Rs. 1.378 million (2008 : Rs. 1.534 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan, respectively.

(Pak Rupees in Thousands)

31 ADMINISTRATIVE EXPENSES

		2009	2008
Salaries, allowances and benefits	31.1	**58,150**	54,897
Rent, rates and taxes		**754**	1,228
Insurance		**1,203**	986
Repairs and maintenance		**2,515**	4,887
Travelling		**2,217**	2,810
Communications		**2,599**	2,719
Legal and professional fees		**2,037**	1,992
Fees and subscription		**626**	345
Utilities		**4,124**	2,007
Printing and stationery		**2,175**	1,784
Transportation		**3,165**	3,287
Sundry		**4,049**	3,646
Depreciation	5.2	**7,391**	6,002
		91,005	86,590

31.1 These include Rs. 2.547 million (2008 : Rs.2.028 million) and Rs. 4.672 million (2008 : Rs.5.140 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

32 OTHER CHARGES

		2009	2008
Loss on retirement and disposal of property, plant and equipment		**1,899**	15,777
Provision for doubtful trade debts-net off reversal		**1,160**	279
Provision for slow moving stores, spare parts and loose tools-net off reversal		**2,215**	671
Derivatives fair value - loss		**-**	14,193
Exchange Loss - net		**87,862**	154,673
Donation	32.1	**7,865**	4,422
Workers' Profit Participation Fund		**550**	12,558
Workers' Welfare Fund		**1,923**	9,760
Auditors' remuneration	32.2	**933**	318
		104,407	212,651

32.1 These include donation of Rs.6.402 million (2008: Rs. 3.862 million) to Messrs. Gatron Foundation in which Chief Executive and seven directors of the Parent Company are governors. None of the directors of the Parent Company or their spouses has any interest in any donee fund, in so far as other donations are concerned.

32.2 Auditors' remuneration

	2009	2008
Audit fee - Annual accounts	**850**	220
Limited review, audit of consolidated financial statements, provident funds and certification fee	**63**	77
Out of pocket expenses	**20**	21
	933	318

33 OTHER INCOME	(Pak Rupees in Thousands) 2009	2008
Income from financial assets		
Capital gain on disposal of investments at fair value through profit or loss	-	64
Income from non -financial assets		
Storage and handling income	427	2,665
Gain on disposal of property, plant and equipment	2,552	4,983
	2,979	7,648
Others		
Liabilities no more payable written back	1,123	926
Derivatives fair value - gain	9,478	-
Miscellaneous income	66	74
	10,667	1,000
	13,646	8,712

34 FINANCE COST	2009	2008
Markup on long term financing	130,125	89,252
Finance charges on finance lease	12	27
Markup on short term borrowings	122,910	60,550
Interest on Workers' Profit Participation Fund	41	74
Bank charges	2,541	2,812
	255,629	152,715

35 INCOME TAX	2009	2008
For the current year	7,225	17,186
For the prior year	28,144	-
Deferred	(29,745)	57,775
	5,624	74,961

Relationship between income tax and profit before income tax :

	2009	2008
Profit before income tax	253,005	343,476
Income tax rate	35%	35%
Income tax on profit before income tax	88,552	120,216
Net income tax effect:		
on downscaling / (upscaling) of Tax WDV	(43,677)	48,176
in pertinence to exports under Final Tax Regime	(3,251)	(30,726)
in relation to inadmissible expense and exempt income	21,365	13,542
Deferred income tax (credit) / debit on account of minimum tax	-	(18,683)
Income tax credit on brought forward loss	-	(18,410)
Prior year provision for income tax	28,144	-
Income tax effect of income exempt from subsidiary	(85,509)	(39,154)
Income tax for the year	5,624	74,961

(Pak Rupees in Thousands)

	2009	2008
36 EARNINGS PER SHARE - BASIC AND DILUTED		
Profit after income tax	**406,373**	573,221
	(Number of Shares)	
Number of Ordinary shares	**38,364,480**	38,364,480
	Rupees	**Rupees**
Earnings per share - Basic and diluted	**10.59**	14.94

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

37 CASH AND CASH EQUIVALENTS

	Note	2009	2008
Cash and bank balances	17	**172,855**	270,410
Short term borrowings	26	**(1,518,999)**	(902,852)
		(1,346,144)	(632,442)

38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

FINANCIAL ASSETS AND LIABILITIES

(Pak Rupees in Thousands)

	Interest/mark-up bearing			Non-Interest/mark-up bearing				
	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total	2009 Total	2008 Total
Financial Assets								
Long term investment	-	-	-	-	1,781,013	1,781,013	1,781,013	1,622,021
Loans and advances	-	-	-	6,546	650	7,196	7,196	6,225
Deposits	-	-	-	1,822	868	2,690	2,690	5,129
Trade debts	-	-	-	544,109	-	544,109	544,109	643,811
Other receivables	-	-	-	135,149	-	135,149	135,149	188,098
Cash and bank balances	-	-	-	172,855	-	172,855	172,855	270,410
	-	-	-	860,481	1,782,531	2,643,012	2,643,012	2,735,694
Financial Liabilities								
Long term financing	226,658	337,472	564,130	-	-	-	564,130	640,150
Liability against asset subject to finance lease	144	-	144	-	-	-	144	336
Trade and other payables	-	-	-	657,796	-	657,796	657,796	1,408,104
Accrued mark up	-	-	-	29,839	-	29,839	29,839	33,996
Short term borrowings	1,518,999	-	1,518,999	-	-	-	1,518,999	902,852
	1,745,801	337,472	2,083,273	687,635	-	687,635	2,770,908	2,985,438

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

38.1 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

38.2 FINANCIAL RISK MANAGEMENT OBJECTIVES

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

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

A Market Risk

i Foreign exchange risk

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

The Parent Company is exposed to foreign exchange risk arising from currency value fluctuations, primarily with respect to the United States Dollar (USD) and Euro. Currently, the Parent Company's foreign exchange risk exposure in relation to bank balances, certain foreign trade transactions and loans.

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 equity securities.

iii Interest / Markup rate risk

Interest / Markup rate risk arises from the possibility of changes in Interest / Markup rates which may effect the value of financial instruments. The Parent Company has long term finance and short term borrowings at fixed and variable rates. Certain variable rate on long term finance have been hedged under Interest Rate swap agreements to mitigate against the adverse movement of interest rates more fully explained in Note 21.1.

B Credit risk

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

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, 2009, the Parent Company had Rs. 3,480 million available borrowing limit from financial institutions. Including unutilised borrowing facilities of Rs.1,961 million and the Group has also Rs. 173 million being balances at banks. Based on the above, management believes the liquidity risk to be insignificant.

38.3 CAPITAL RISK MANAGEMENT

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

The Group's strategy was to maintain leveraged gearing. The gearing ratio as at June 30, 2009 and 2008 were as follows:

	2009	2008
	(Pak Rupees in Thousands)	
Total borrowings	2,083,129	1,543,002
Cash and bank	(172,855)	(270,410)
Net debt	1,910,274	1,272,592
Total equity	4,779,103	4,430,277
Total capital	6,689,377	5,702,869
Gearing ratio	29%	22%

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

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

39 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 Thousands)

	Chief Executive		Directors		Executives		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008
Managerial remuneration	7,093	6,023	12,098	10,271	34,802	20,226	53,993	36,520
Post Employment benefits	3,075	2,072	5,540	3,723	6,156	3,107	14,771	8,902
Utilities	38	28	163	140	18	21	219	189
Other benefits	-	-	1,319	886	17,821	9,087	19,140	9,973
	10,206	8,123	19,120	15,020	58,797	32,441	88,123	55,584
Number of persons								
for remuneration	1	1	3	3	30	19	34	23

39.1 Aggregate of meeting fee to 4 non-executive Directors (2008: 4 non-executive Directors) was Rs.100,000 (2008:Rs.52,000).

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

40 PLANT CAPACITY AND ACTUAL PRODUCTION

	Note	2009	2008
		(Matric Tons)	
Polyester Polymer and its various products			
Annual capacity (Based on 75 denier Yarn and 39 gms Preform)		**56,812**	56,812
Actual production	40.1	**57,117**	56,543
		(KWH in thousand)	
Electric Power			
Annual capacity	40.2	**193,945**	168,490
Actual production		**135,992**	129,779

40.1 The production of 57,117 metric tons comprises 40,245 metric tons (2008: 36,483 metric tonnes) of Polyester Filament Yarn (various deniers) and 16,872 metric tons (2008: 20,060 metric tons) of Pet preforms (various gms). Polyester Filament Yarn is made from Polyester Chips. More than significant portion of Polyester Chips is produced in house. The Pet Preforms were made from self produced PET Resin. PET Resin was produced exclusively for in house consumption.

40.2 It includes capacities of standby generators.

41 TRANSACTIONS WITH RELATED PARTIES

During the year, details of transactions with related parties are as follows:	2009	2008
	(Pak Rupees in Thousands)	
Purchase of other goods, materials and services	**154,772**	54,887
Payment of dividend	**2,431**	2,431
Receipt on account of rent/storage and handling and reimbursement of expenses	**20,954**	2,665
Charges on account of handling	**4,353**	4,074
Sale of goods, materials and services	**4,583**	27,884
Payment of donation	**6,402**	3,862

Transactions and outstanding balances, as applicable in relation to Defined Contribution Plan (DCP), Worker's Profits Participation Fund (WPPF) and Key Management Personnel (KMP) have been disclosed in notes 29.1, 30.1, 31.1, DCP; 24.2, WPPF; 7.1 and 39 KMP; respectively. Key management personnel 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 key management personnel.

42 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Parent Company in the meeting held on October 20, 2009 has recommended a cash dividend of Rs.1.50 per share (2008: Rs. 1.50 per share cash dividend) for approval of the members at the Annual General Meeting scheduled to be held on November 20, 2009. Since it is a non adjusting event, the financial statements for the year ended June 30, 2009 do not include the effect of the recommended cash dividend.

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 20, 2009 by the Board of Directors of the Parent Company.

44 GENERAL

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

HAJI HAROON BILWANI	PEER MOHAMMAD DIWAN
Chairman	Chief Executive

Proxy Form

(Twenty Ninth 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 Twenty Ninth Annual General Meeting of the Company to be held on Friday, November 20, 2009 and at any adjournment thereof. As witness my/our hands this ______________________ day of , ______________________ 2009

Signed by the said ______________________________

in the presence of ______________________________

Signature on
Rs. 5/-
Revenue Stamp

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.