

Annual  
Report **2014**



**Gatron (Industries) Limited**



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

**To achieve corporate success while achieving this vision.**



# MISSION

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

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

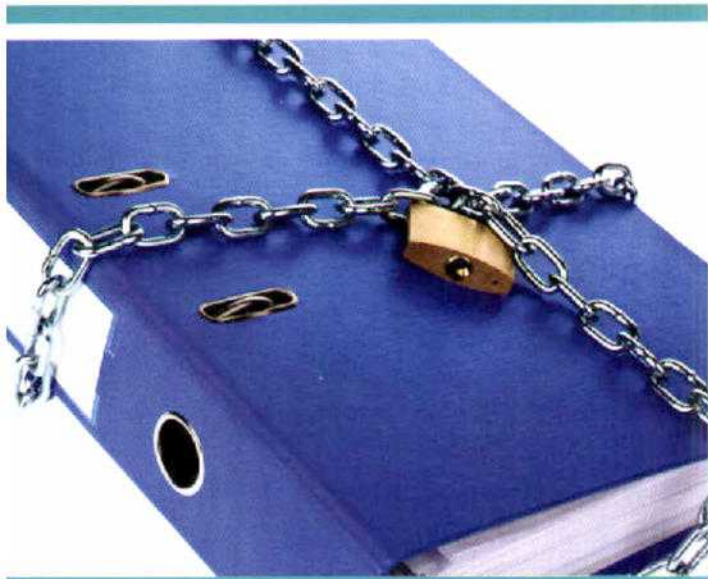
To be a good employer by creating a work environment which motivates the employees and promotes team work to encourage the employees to pursue the fulfillment of the vision and mission of the company.

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

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

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

# CORPORATE INFORMATION



## **Board of Directors**

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

## **Audit Committee Members**

Iqbal Bilwani - Chairman  
Haji Haroon Bilwani  
Zakaria Bilwani  
Usman Bilwani

## **HR & Remuneration Committee Members**

Usman Bilwani - Chairman  
Iqbal Bilwani  
Shabbir Diwan

## **Chief Financial Officer**

Rizwan Diwan

## **Company Secretary**

Mohammad Yasin Bilwani

## **Auditors**

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

### Legal Advisor

Naeem Ahmed Khan  
Advocates  
Quetta.

### Share Registrar

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

### Bankers

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

### Plant

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

### Registered Office

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

### Liaison/Correspondence Office

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

### Email

headoffice@gatron.com

### Website

www.gatron.com



## Notice of Annual General Meeting

Notice is hereby given that the Thirty fourth Annual General Meeting of Gatron (Industries) Limited will be held on Monday, October 20, 2014 at 12:00 noon at Serena Hotel, Quetta to transact the following business:

### **ORDINARY BUSINESS**

1. To confirm the minutes of the Extra Ordinary General Meeting of the Company held on January 11, 2014.
2. To receive, consider and adopt the audited accounts of the Company for the year ended June 30, 2014 together with the Auditors' Report thereon and Directors' Report for the year then ended.
3. To approve payment of final cash dividend at Rs. 3.00 per share (30%) as recommended by the Board of Directors and also interim cash dividend at Rs.2.50 per share (25%) already paid, making a total Rs.5.50 per share (55%) for the year ended June 30, 2014.
4. To appoint Company's Auditors for the year ending June 30, 2015 and fix their remuneration.

### **SPECIAL BUSINESS**

5. To discuss, consider and pass the following two Ordinary Resolutions, with or without modifications.

#### **Resolution # 1: (Toll Service Agreements)**

"Resolved that executed Toll Service Agreements dated July 01, 2005, December 01, 2008 and September 01, 2011 entered into between the Company and M/s. Novatex Limited, an associated company be and are hereby ratified and approved ex-post facto".

"Further Resolved that ex-post facto signing approval is hereby accorded for the above toll service agreements."

"Further Resolved that any of the Directors and/or the Company Secretary of the Company be and are hereby authorized singly to do all acts which are necessary and incidental for any compliance with the matters set out above."

#### **Resolution # 2: (Rent Agreement)**

"Resolved that Rent Agreement dated June 01, 2012 with M/s. Novatex Limited, an associated company be and is hereby ratified and approved ex post facto."

"Further Resolved that ex-post facto signing approval is hereby accorded for the above rent agreement."

"Further Resolved that any of the Directors and/or the Company Secretary of the Company be and are hereby authorized singly to do all acts which are necessary and incidental for any compliance with the matters set out above."

## OTHER BUSINESS

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

By Order of the Board

**Mohammad Yasin Bilwani**  
Company Secretary

September 13, 2014

### Notes:

1. The Share Transfer Books of the Company will remain closed from October 11, 2014 to October 20, 2014 (both days inclusive). Transfers received in order at the office of the Share Registrar before the close of business on October 10, 2014 will be considered in time for the purpose of entitlement of final cash dividend.
2. A member entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend, speak and vote on his/her behalf. Proxies in order to be effective must be received at the office of the company not less than 48 hours before the time of holding the meeting. Proxy form is annexed.
3. A member, who has deposited his/her shares in Central Depository Company of Pakistan Limited, must bring his/her Participant ID number and account/sub account number along with original computerized National Identity Card (CNIC) or original Passport at the time of attending the meeting.
4. In case of corporate entity, the Board of Directors' resolution/power of attorney with specimen signature of the nominee shall be produced at the time of attending the meeting.
5. Members who have not submitted copy of valid CNIC and NTN are once again advised to submit the same without further delay to ensure compliance with the Securities & Exchange Commission of Pakistan Notification SRO 19(I)/2014 dated January 10, 2014 read with Notification SRO 831(I)/2012 dated July 05, 2012.
6. Pursuant to the provisions of the Finance Act 2014 effective July 1, 2014, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:
 

a) Rate of tax deduction for filers of income tax returns	- 10%
b) Rate of tax deduction for non-filers of income tax returns	- 15%

All individuals/companies/association of persons who hold shares in physical form and/or in script-less form on Central Depository System of Central Depository Company of Pakistan are requested to send a valid copy of their CNIC and NTN Certificate to the Company's Shares Registrar to allow the company to ascertain the status of the shareholders.

Where the required documents are not submitted, the company will be constrained to treat the non-complying shareholders as a non-filers thereby attracting a higher rate of withholding tax.

7. The shareholders are advised to notify to the company's share registrar of any change in their addresses.
8. Statement under Section 160(1)(b) of the Companies Ordinance, 1984 pertaining to special business is being sent to the Members with this Notice of the Meeting.



**STATEMENT UNDER SECTION 160 (1)(b)  
OF THE COMPANIES ORDINANCE, 1984.**

- 1) As per Securities and Exchange Commission of Pakistan directive dated March 24, 2014, the following agreements entered into under the authority of the Board of Directors of the Company with M/s. Novatex Limited, an associated company are placed before the members for their consideration and ex-post facto approval.

**Toll Service Agreements**

The Board of Directors in its meeting held on August 24, 2002 resolved to execute tolling arrangements/agreements with M/s. Novatex Limited, an associated company to allow it to produce Yarn grade chips as well as Bottle grade chips at the same time, while before 2002 the company was only producing one of these two chips at the same time. This was already informed to the members in the Directors report to the Shareholders on November 26, 2001 and September 21, 2002. The Board of Directors had also authorized the company to make any other arrangements/agreements with M/s. Novatex Limited to fully optimize its plant capacity. Accordingly, the company has executed some agreements and is accordingly paying and receiving amounts as "toll services charges" which have been and are being regularly disclosed in the relevant years' annual audited reports.

**Rent Agreement**

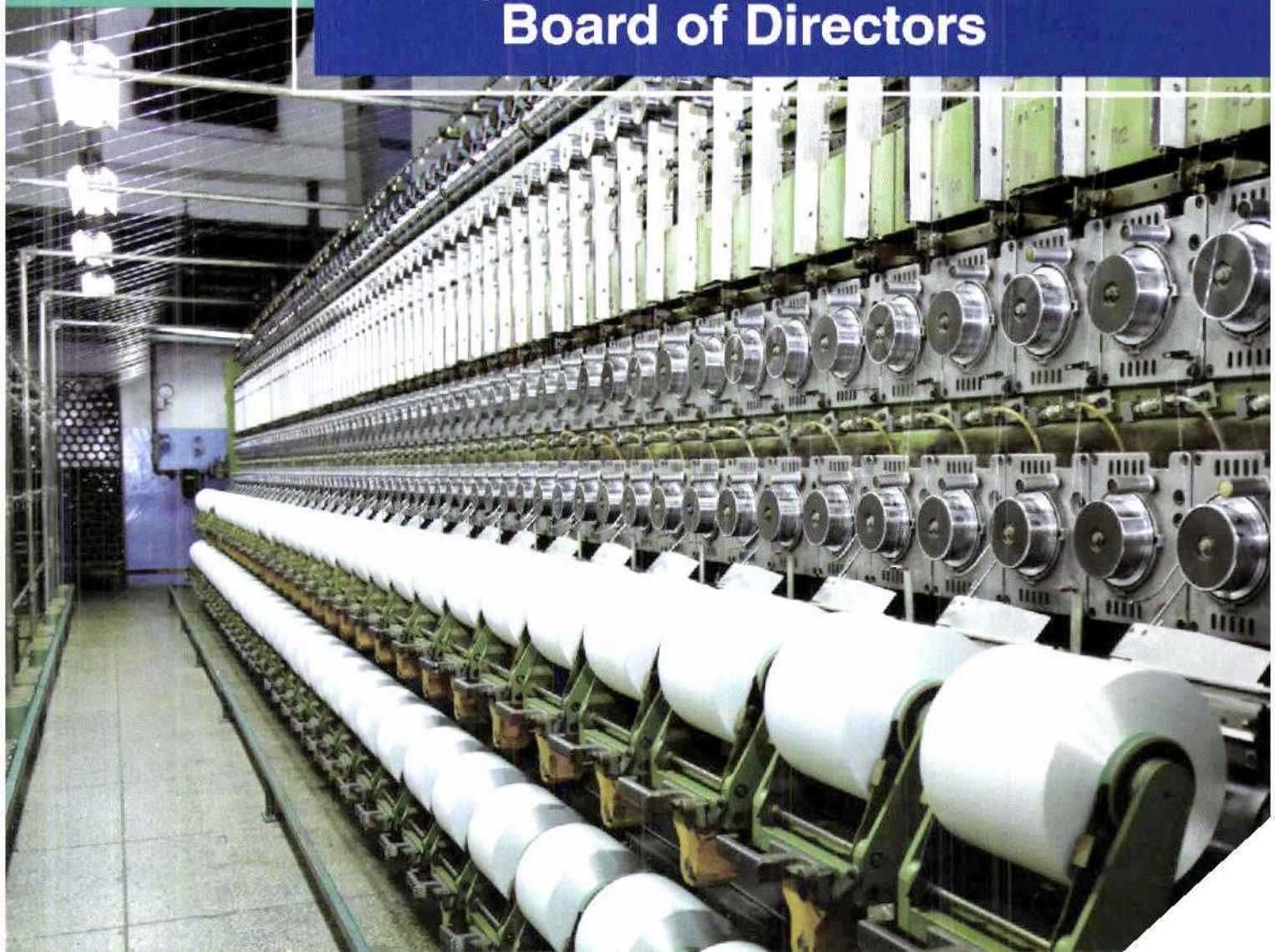
The liaison office of the company was housed, since the year 1986, at 8th Floor of Textile Plaza, M. A. Jinnah/Dunolly Road, Karachi. The company had acquired some other offices in Textile Plaza on rental and/or on ownership basis, due to increase in number of staff.

Apart from security and shortage of space, there had been numerous administrative issues due to scattered offices on various floors as well as lack of various facilities, consequently affecting the work of the employees. A fire had burnt down nearly 50% of the office and the records of the company in mid July, 2006, while minor short circuit incidents continue to occur thereafter. The Board of Directors of the Company approved on February 18, 2012, the acquisition of offices on rental basis in G&T Tower located at Beaumont Road near PIDC, Karachi. Rent agreement in this respect was executed on June 01, 2012 with M/s. Novatex Limited, an associated company (the owner of the G&T Tower). The disbursement of rentals in this regard have been and is being properly disclosed in the respective annual reports.

2. Certain directors are interested in these agreements to the extent of their common directorship, shareholding and remuneration.
3. All the aforementioned agreements, namely the Tolling Agreements, Rent Agreement will remain open for inspection of the members who may visit the office of the company on working days between 11:00 am to 1:00 pm for review from the date of publication of this notice till the conclusion of the Annual General Meeting. Moreover, these agreements will also be available for inspection of members at the Annual General Meeting.



## Report of the Board of Directors



## Directors' Report

Dear Shareholders,

The Directors of your Company are pleased to present the annual report together with the audited financial statements of the Company for the year ended June 30, 2014.

The financial synopsis for the year ended is as below:

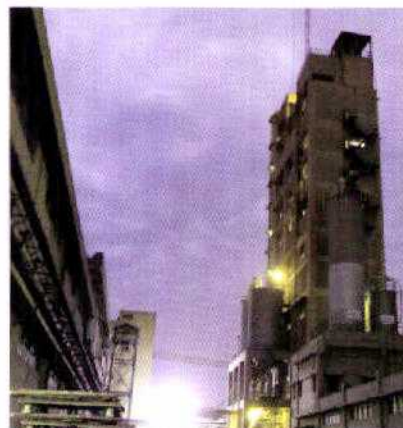
- Net sales Rs. 11,764 million,
- Operating profit Rs. 56 million,
- Financial charges Rs. 119 million,
- Net loss before investment income Rs. 63 million,
- Investment income Rs. 226 million,
- Profit before income tax Rs. 163 million,
- Profit after income tax Rs. 146 million,
- Earnings Per Share Rs. 3.80

### FINANCIAL REVIEW

The net sales in monetary terms increased by Rs. 416 million over the corresponding period to reach at Rs. 11,764 million this year. The production and sales of Yarn in terms of quantity was less than the last year and the stock of finished Yarn was on the rise. However, higher average exchange rate increased the unit value per kg and a push by rising Preform sales led the overall sales being similar to last year. The power crisis in Punjab, escalating overheads and availability of low priced imports of Yarn as well as smuggled fabric remained key issues at the customer front. On the feed stock front international prices of PTA and MEG remained volatile. A sharp decline in the second half of this financial year was followed by recovery in prices in June/July 2014 before again falling sharply in August/ September 2014 (at the time of writing this report) to a point which has resulted in inventory losses in finished goods. This coupled with exchange rate volatility made inventory a major factor in the losses and gains in operations.

Manufacturing overheads continued to escalate, driven by higher power cost. Gas price hike at the start of the year was followed by increase in GIDC cess midway into the fiscal year. A further hike in GIDC was finalized from Rs. 100 to Rs. 150 per MMBTU for industrial use and Rs. 100 to Rs. 200 per MMBTU for power generation in the recent federal budget. This has been challenged in court by the industry as a whole similar to the previous increase. If the increase in GIDC is considered then it will create a further significant dent in net operating results of your company in addition to the challenges created by the hike in gas rates. Rising minimum wage level, accelerated inflation and poor security conditions are other negative impacts on profitability.

The Twisting section of the company, which was converting around 2% of the yarn produced to twisted yarn, has been shut down because the variable costs of the unit are now higher than the sale price, due to the escalating input costs and a lackluster market particularly due to availability of low priced smuggled fabrics.



Additional challenge during the year came in the form of depleting level of water at Hub Dam, which led to decrease/shut in regular supply. Resultantly, the Company had to arrange to transport water from well sources, adding to the conversion costs. The Company also had to order reverse osmosis plants which were paid for after June 2014. As of writing this report significant rains have not occurred in the Hub dam area, which will increase the challenge on this front in the ensuing months with monsoon season now at its tail end. Further, plant underwent a notable unplanned shutdown on account of rain related damage in Q1. A prolonged technical disruption occurred in 3Q in the polymer plant. Since this plant is feeding product through direct spinning to the yarn section this led to increase in lower grade and waste production.

Financial charges headed north on account of increased investments to replace 30 years old machinery in yarn section and revamping of molds in the molding section.

On the Balance Sheet front, stocks of the Company declined by Rs. 330 million to Rs. 2,315 million on account of lower valuation due to decline in international feed-stock prices and lower US\$/Rupee parity. Debtors too declined marginally by Rs. 67 million, to remain at Rs.1,089 million at the year end. The Company also subscribed to the right shares in the associated company to maintain its shareholding in the said company.

Presently the investment income of the company is overcoming the negative results in operation and sustaining its final profitability and dividend payout and company expects the investments to do the same in the future. The 100% owned power generating subsidiary is also facing the increased gas prices and GIDC. However, it is able to pass it on to the parent company through higher power tariffs, since the prevailing power tariffs of electricity bulk supply in the country allow enough rooms to do so.

Last year's comparative figures have been restated due to mandatory applicability of revised IAS-19 'Employee Benefits'. The amendment removes the options for accounting for the liability and requires that the liabilities arising from such plans is recognized in full, and actuarial gains and losses being recognized in other comprehensive income (eliminate corridor method for recognition of actuarial gains and losses). The impact of this change has been taken in current Financial Statement as per the requirements of standards.

The Board of Directors deliberated in view of recent development and in the interest of the company, to keep the restructuring of preform business into a separate entity in abeyance.

## CAPITAL EXPENDITURES

- In lieu of shortage of water supply from Hub Dam, a containerized RO plant has been commissioned in the period, to allow receiving more water from underground well sources for the production process. Another plant has been ordered in view of insignificant rains in the catchment area of Hub Dam in the current monsoon season.



- As noted above the 30 years old texturizing machines were replaced with four new texturizing machines in the yarn section. This replacement of old machines will help increase quality of the product as well as increase efficiency and lower the overheads for that respective production quantity. In the coming years the company intends to stage wise continue this program of replacement in other yarn production machinery as and when the new replaced equipment offers significant operational savings and efficiency.



- Similarly with increasing power costs and the raw material transport costs to the factory location, the PET resin production on 80 tons/day SSP plant is slowly reaching a point where it may not be feasible to operate. The current world scale resin plants being put up are 600 to 900 tons/day single line. Your company is studying various options to ensure availability of PET resin at competitive costs for the preform section while utilizing the smaller SSP for more unique products.
- On the Preform side while investments have been made and are further required to be made in molds to produce preforms with a new changed lower grammage and height neck introduced by Pepsi and Coke on their drinks bottles in 2014. The molds of the older neck - already at the end their useful life of 5 to 7 years, will become dead once the demand for the previous taller and high grammage neck also phases out from other sections of the market. This may also prompt the management to dispose off the old model molding machines acquired more than 10 years ago instead of ordering new molds for these old model machines.

### CHALLENGES FACED AND FUTURE OUTLOOK

- As noted above your company is investing in replacing the old machinery wherever savings in efficiency and costs by the new machines pay back the investment in a reasonable single digit number of years.

- However in the meantime, the shrinking margin of spread over raw material continues to be a strain on the core profitability of the company. Large expansions of Polyester Filament Yarn capacities in China coupled with lax control on import and smuggling yarn and fabric are likely to keep pressure on the operating results of the Company. The Chinese filament yarn producers supply yarn at around \$450/ton over PTA/MEG which includes sea freight. In Pakistan the cost of producing chips with packing, auxiliary raw materials, and power costs alone are \$470/ton over PTA and MEG. Therefore the import duty on Filament yarn is the thin wall of protection against the blizzard of imports. The demand of yarn in Pakistan is also affected by the smuggling of fabric from India under Afghan Transit Trade and other routes. The Indian Government gives a rebate of 12% on export of fabric from India, which is based on deemed duty basis. The exporters of fabric from India over-invoice while exporting out of India to UAE earning 24 to 30% rebate, thus allowing them dispose the same for consumption in Pakistan at throwaway prices later on.



- The electricity rates at 14 cents/kwh now implemented by the Government are far higher than the 10 cents/kwh rates of China and India, meaning that yarn production costs will make Pakistan even more uncompetitive against imports from these countries, with power comprising over 40% of the conversion costs over raw material in case of polyester yarn.
- As noted above the hike in gas, wages, and other inflationary increases at a rate of 10-18% along with not enough devaluation in the rupee value means that production costs in dollar terms have risen at a higher than those of other producers in other countries. This will mean higher injury level by imports of PFY and other products competing against your company's products. As such the government policy should be to keep either inflation or cost increases below 3% or else if it cannot do so, then let the rupee gradually be depreciated to keep costs of doing business in the country somewhat parallel to other countries around the world.
- The shortage of water at the Hub Dam reservoir has increased the cost of water, where the shortfall was being arranged from well sources through tankers. If the sufficient rain does not come in the next 12 months, there may be a danger of the well water supply also drying out.
- The Government of Pakistan will likely reinitiate work on awarding of NDMA (Non Discriminatory Market Access) status to India in the coming months. Your company is in favor of such trade; however, to gauge the maximum benefit for both countries in an equitable manner, duty drawbacks and rebates should also be on an equitable basis as highlighted in previous reports. Fast track recourse should be available against dumping from India as well meaningful access for Pakistani products in India by not applying visible and invisible non-tariff barriers. The exporters of yarn and fabric in India get duty drawback which is more than the duty that they pay to the Indian government (deemed duty drawback), something which the polyester industry in Pakistan is not being given by Government of Pakistan. This will further put the industry in Pakistan in a disadvantage, unless the Government of Pakistan immediately imposes regulatory duty to the level of the Indian deemed duty drawback, on polyester products from India which your industry is emphasizing to the Pakistan government to do while granting NDMA status to India.
- The polyester fabric in Pakistan is produced by the Art silk twisting and weaving units located in Karachi, Gujranwala, Faisalabad which is a SME sector. As such if above measures are not taken than this SME weaving sector as well as the dyeing finishing and the filament yarn industry will be adversely effected, particularly since for SME's it is quite cumbersome to apply for anti-dumping duties to NTC which has a very detailed data requirement and requires 30% of the weavers in Pakistan to file the application.
- Having NTBs in a SAFTA environment with low duties will give a lopsided status in favour of India, since Pakistan trade, industry, institutions, customs and government are not geared up to have similar NTBs in Pakistan.
- Mandatory payment of 10% of output Sales tax, along with mismatch of input tax on power/packing material v/s Output on finished goods, continues to create a refund position, negatively affecting the cash flow position of the Company. Further, implementation of Sindh Sales tax on services reinforced in the budget continues to burden on the administrative front.

- 1% turn over tax instead of 0.5% as compared to last year, put extra burden on profit after tax figure and it is expected that this will continue in period to come.
- Taxation measures taken in budget 2014-15 specially Alternative Corporate Tax are not taking as pro-business and may affect your company in coming period.

### OTHER MATTERS

The overall performance of 100% owned subsidiary M/s Gatro Power (Pvt) Limited supplying power to the Company, is average. The Board of Directors of M/s. Gatro Power (Pvt) Limited has proposed for payment of final cash dividend of Rs.4.00 per share (40%) for the year 2013-14. This is in addition to interim cash dividend of Rs. 7.00 per share (70%) already paid, accumulating to a total dividend for the year of Rs.11.00 per share (110%).

### HUMAN RESOURCES DEVELOPMENT

People are the most valuable resource of an organization, they are the engine that drives innovation, execution, and ultimately success for the organization. We recognize that well trained and motivated people are not only central to the operations of our company but they are fundamental to our long term growth and success. We believe that growth as a company is largely dependent on growth of our people. With renewed emphasis on staff competitiveness and increased focus on people development, we are committed to equip them with skills necessary for their professional growth. During the year, several initiatives have been taken to enhance the competence of our people, including the establishment of new state of art training facility at our Head Office, development and roll out of a comprehensive training program for the professional development of our employees and customized individual counseling. The efforts have been well received by the employees of the company.



### INFORMATION & COMMUNICATION TECHNOLOGY (ICT)

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

During the period under review, communication links with our business units were consolidated and strengthen up by including fiber optic connectivity in addition to existing radio links. This was also done to overcome tighter PTA regulation restricting companies to operate their radios within a narrow ISM frequency band. Furthermore backup of database system was automated to carry out online replication of data. These were done to enable us gradually move towards our ultimate objective of creating a Private Cloud, which could take over the entire business operation, and making it available round-the-clock for dealing with business transactions and carrying out video conferences and meetings for our stakeholders without restriction of geographical boundaries.



On the application systems' side some new applications were developed and some old ones were revisited in order to further improve visibility and control of our business operation. Refresher trainings being integral to system compliance were also imparted to end users to increase their confidence and ownership over company's systems and procedures.

## RISK MANAGEMENT

Risk management is the process of understanding, evaluating and addressing relevant risks to maximize the chances of objectives being achieved and ensuring company is sustainable in the long run.

The company steps risk management process starting with identification of risky areas and then finding ways to control them in a way best suited to company objectives. We are at all times exposed to variety of risks, which include natural catastrophes, human errors and exposure from various hazards. Best possible efforts are made to ensure that overall exposure is within accepted limits. This is achieved by setting strong internal controls and then continuous monitoring of any deviations.



Insurance of physical assets is an important task of risk management department. This significantly reduces the burden of recovery costs when unforeseen incidents do occur time with minimal impact on profits.

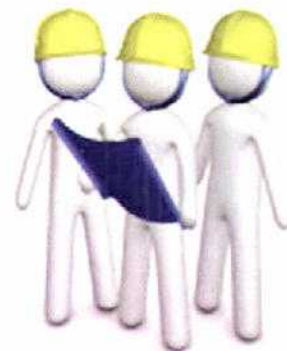
## HEALTH, SAFETY ENVIRONMENT (HSE)

The Company's Health, Safety & Environment Department is led by qualified and certified Team Leaders. Objectives have been made for reducing unsafe and unhealthy work practices and conditions. A Safety Operation Committee consisting of Senior Management has been formed for this regard, which conducts meeting on monthly basis.

As per proactive approach, a review of hazards identification and fire and safety risk assessment is regularly carried out for the reduction of work place hazards as well as incidents and accidents. Statistic data analysis and follow up for corrective/ preventive safety measures are taken to reduce accidents. In addition Comprehensive Occupational Health and Safety Training Sessions including Fire Fighting Drills are conducted for our all employees.

The Company having dedicated fire fighters in each shift, in addition to an Emergency Response Team (ERT Team) which may respond accordingly in case of Fire Emergency, oil spillage emergency, rain emergency, earth quake emergency etc. The Company also keeps adequate stock availability of Firefighting Foam, Aquous Film Forming Foam for Hydrocarbon Fires & Chemical Fires.

The Company recognizes the importance of a healthy work force, Safe workplaces as well as Property Protection by developing a hazards free and peaceful environment as well as maintaining Fire and Safety Equipments on site by dedicated Staff, for all the time readiness and effectiveness. In addition First Aid on site, Mobilization by Ambulance to hospital as well as medical arrangements/measures are also being taken accordingly.



## CORPORATE GOVERNANCE

The Company is a public limited company established under the laws of Pakistan. The shares of the Company are listed on the three stock exchanges of the country, the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and Islamabad Stock Exchange Limited.

The Board of Directors is responsible for setting the goals, objectives and strategies the Company has to adopt and for formulating the policies and guidelines towards achieving those goals and objectives.

The Board is accountable to the shareholders for the discharge of its fiduciary function. The Management is responsible for the implementation of the aforesaid goals and strategies in accordance with the policies and guidelines laid down by the Board of Directors. In order to facilitate a smooth running of the day to day affairs of the Company, the Board entrusts the Chief Executive with necessary powers and responsibilities who in turn is assisted by an Executive Management Team comprising the Chief Financial Officer and Heads of businesses and functions. The Board is also assisted by a number of sub-committees comprising mainly non-executive directors

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company's Corporate Social Responsibility (CSR) activities reflect its philosophy of implementing sound business practices; innovating to realize products, services and content that inspire and excite; assisting the communities in which we operate; and helping to shape a better, more sustainable society. The Company believes that these activities both benefit society and enhance corporate value.

Society's expectations of the company constantly evolve in line with the diversification of markets and customer lifestyles, advances in company products and services, and the changing concerns of the company's stakeholders. As the company presses forward with strategies aimed at strengthening its operating foundation and achieving its business targets, it will also continue to promote bold initiatives, including in its CSR agenda.



During the period Company has made donations amounting to Rs.21.434 million which includes:

1. Donation of Rs. 8.546 million to Gatron Foundation (related party). The Company through the Gatron Foundation contributed towards health related activities specially eye diseases treatment for under privileged members of the society, flood relief activities and provided food and water to flood hit areas.

2. Donation of Rs. 12 million to Institute of Business Administration (IBA) for development of infrastructure as well as the faculty and teaching method.

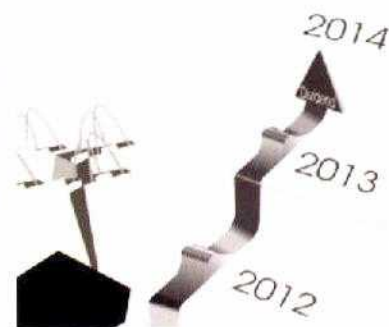
### TOLL SERVICE / RENT AGREEMENTS

As per Securities and Exchange Commission of Pakistan's directive, the toll service/rent agreements entered in to under the authority of the Board Resolutions are being placed before the members for their consideration and ex-post facto approval in the coming Annual General Meeting of the Company.

### DIVIDEND

Taking into account the ongoing strength of our financial position, current capital investment plans, as well as the consistent dividend policy, the Board has proposed the final cash dividend of Rs.3.00 per share for the financial year ended June 30, 2014. This is in addition to interim dividend of Rs.2.50 per share.

The approval of the members for the dividend shall be obtained in the 34th Annual General Meeting of the Company. These financial statements do not include the effect of this proposed final cash dividend.



### MATERIAL CHANGES AND COMMITMENTS

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

### AUDITORS

The existing external Auditors, M/s. Kreston Hyder Bhimji & Co., Chartered Accountants, retire at the conclusion of the 34th Annual General Meeting. Being eligible, they have offered themselves for re-appointment.

As suggested by the Audit Committee, the Board recommends the appointment of M/s. Kreston Hyder Bhimji & Co., Chartered Accountants as Auditors of the Company for the year ending June 30, 2015.

### FINANCIAL STATEMENTS

The Auditors of the Company M/s. Kreston Hyder Bhimji & Co., Chartered Accountants, have issued an unqualified review report to the members of the company. As regard to the emphasis paragraph of the Auditors' Report, the detailed explanations have already been given in notes 26.1(a) of the financial statements for the year ended June 30, 2014.

The Auditors have made emphasis paragraph in their audit report regarding the Company's management view, that the law on workers' participation in profits, necessitates participation of the workers, in the manner laid down in the law, from net profit [from which all the expenses, including cesses, levies and taxes, have been fully deducted] available for participation and attributable to workers role.

### CONSOLIDATED FINANCIAL STATEMENTS

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

**STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK**

- The financial statements for the year ended June 30, 2014 prepared by the Management of the Company, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- Proper books of accounts have been maintained by the company;
- Appropriate accounting policies have been consistently applied except explained in notes 4 to the financial statement in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- Significant deviations from last year in operating results of the company are disclosed in this report;
- There are no significant doubts upon the company's ability to continue as a going concern;
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations;
- Key operating and financial data of last six years in summarized form is annexed;
- The fair value of the provident funds investments as at June 30, 2014 was Rs. 319.269 million.
- During the year six Board meetings, four Audit committee meetings and three HR & Remuneration committee meeting were held. Attendance by each director / member was as follows:

<b>Board of Directors</b>	<b>Number of meetings attended</b>
Haji Haroon Bilwani	5
Mr. Peer Mohammad Diwan	5
Mr. Abdul Razak Diwan	5
Mr. Zakaria Bilwani	6
Mr. Usman Bilwani	6
Mr. Iqbal Bilwani	6
Mr. Shabbir Diwan	6
Mr. Muhammad Taufiq Bilwani	3 out of 5*

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

(\*Muhammad Taufiq Bilwani was appointed in the Board meeting dated July 10, 2014, therefore, he was not present in that meetings.)

<b>Audit Committee</b>	<b>Number of meetings attended</b>
Mr. Iqbal Bilwani	4
Haji Haroon Bilwani	3
Mr. Zakaria Bilwani	4
Mr. Usman Bilwani	3

#### **HR & Remuneration Committee**

Mr. Usman Bilwani	3
Mr. Iqbal Bilwani	3
Mr. Shabbir Diwan	3

#### **PATTERN OF SHAREHOLDING**

A statement showing pattern of shareholding of the company and additional information as at June 30, 2014 is included in the report.

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

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

#### **PERFORMANCE EVALUATION OF THE BOARD**

The Board strives to continuously improve its and board committees' effectiveness. In this respect, the board has set the mechanism during the year as required under the Code of Corporate Governance for evaluation of its performance and also board committees. The Board also reviews developments in corporate governance to ensure that the company always remains aligned with best practices.

#### **BOARD OF DIRECTORS**

- Mr. Mohammad Taufiq Bilwani was appointed on the Board of Directors in place of Mr. Muhammed Arif Bilwani w.e.f. July 10, 2013 and the Board of Directors fixed his remuneration for full time working director.
- During the year under review a senior director Mr. Abdul Razak Diwan has willingly offered for dis-continuation of his monthly remuneration with effect from December 31, 2013. However, his services for the Company will remain continue.
- The Board of Directors in its meeting held on September 13, 2014 while approving annual accounts also approved remuneration of the Chairman of the Company for his non-executive functions.

The above information have already been communicated to the shareholders of the Company under Section 218 of the Companies Ordinance, 1984 respectively.

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

Your company contributed an amount in excess of Rs.829 million into the Government on account of sales tax, income tax, imports duties and other statutory levies, not including the significant amount of withholding tax deducted by the Company from employees, suppliers and contractors and submitted to Government treasury.

### **INDUSTRIAL RELATIONS**

The relations between the Employees and the Management remained cordial during the year under review. Your Directors wish to place on record their appreciation of the contribution made by the Employees at all levels.

### **ACKNOWLEDGMENTS**

Your Directors wish to place on record their appreciation of the wholehearted co-operation received by the Company from the various departments of the Central & State Governments, Company's Bankers and Financial & Investment Institutions during the period under review. And also our Shareholders, who have always shown their confidence and faith in the Company.

**On behalf of the Board**

**Peer Mohammad Diwan  
Chief Executive**

September 13, 2014





## FOCUS ON SUSTAINABILITY

The Management of Gatron (Industries) Limited is well aware about its responsibility for business sustainability and managing the triple bottom line - a process by which the organizations manage their economic, social and environmental risks, obligations and opportunities.

The Management of Gatron (Industries) Limited has formed the following approaches for each of the mentioned performance category:

### Economic

The goal of sustainability requires a more extended time-line for ROI (Return on Investment), but once initial investments are made, they can actually lead to increased profitability over the long term.

### Economizing Utilities

**Water** is an important natural resource and a major utility at your company. To meet the short falls in municipality supply and to achieve a constant quality of water required for satisfactory, long and trouble free equipment service life, the company has made significant investments in RO (Reverse Osmosis) plants. In addition to the two plants already processing tube well water from Sakran, Baluchistan, the company has added another latest portable containerized RO plant which is one of the only few installed in the country.

**Air** is another important natural resource and a major utility at the company. Latest Centrifugal compressors have been installed for power saving, low maintenance cost and achieving improved quality air at a constant supply pressure required for smooth plant operations. For cost saving, a common loop has been designed to supply air.

**Light** is also one of the major utilities at the company. Conventional outdoor lights, bulbs and tube lights have been replaced with energy savers at the plant floor and working offices. Further, LVD (Low Voltage Discharge Induction Light) type of Flood lights and Street lights are under study to replace the hi-bay lights to save energy further.

### Enhancing quality control

With inception of latest Spectrophotometer in laboratory we will increase our in house analysis capacity, which was previously being operated on single equipment. With this investment we will significantly reduce our testing cost (number of outside factory test will decrease) and increase our testing to yield a better control over our processing parameters.

### Equipment up-gradation

Foreseeing the equipment obsolesce, problems of spares sourcing in the coming years and increasing maintenance costs, the company is in process of upgrading 20+ years old winders in Spinning with latest state of the art WINGS - Winders.

In Texturing old machines are being replaced with latest version machines. 4 new machines have been put in production this year in June 2014.

## Economic Performance & Contribution

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

In 2013-14, Gatron generated over Rupees 25,399 million of economic value, of which the majority was distributed through the course of our business to our employees, shareholders and investors, suppliers and governments as well as to local communities through our Corporate Social Investment activities.

### Economic Contribution in 2013-14

Pak Rupee in  
Thousand

<b>Revenues</b> Revenue plus dividend receipts and proceeds of sales of assets.	12,010,180
<b>Operating Costs</b> Cost of materials, services and facilities.	11,183,064
<b>Employee wages and benefits</b> Cost of employees' salaries and benefits.	908,046
<b>Payments to providers of Capital</b> All financial payments made to the providers of the Company's capital	360,657
<b>Payments to Governments</b> Tax paid, including remittance taxes and excise taxes and withholding taxes	915,158
<b>Community Investments</b> Voluntary contributions and investment of funds in the broader community	21,434
<b>Economic Contribution</b>	<b>25,398,539</b>

We aim to pay the right and correct amount of tax according to the laws of the Country. During the year Gatron has contributed in excess of Rs. 829 million to the national exchequer through various taxes and duties.

## Social

Investment in socially ethical practices may initially seem costly but typically leads to enhanced recruitment, branding and public relations, which all tend to lead to increased profitability over the long haul.

With above discussed basic approach, the company thrives to ensure equal opportunity employment. The company reviews and aligns human resource policies and practices in accordance with best practices in the industry and country. Strict adherence is kept with employee safety and labor laws. Policies are implemented that counter corruption and fraudulent activities. Further, the company emphasizes on training employees in modern health and safety standards while focus on education and development of local communities ensuring compliance with human rights initiatives is also a priority.

## Care for communities

Our business responsibility is beyond our basic obligation to the Shareholders; a responsibility to a broader body that comprised of its key stakeholders. The people of the communities in which we operate:

- Employee
- Customers
- Suppliers
- NGOs
- Government

Our employees are backbone of our organization. The company is growing in collimation with employees. We provide them satisfactory compensation, benefits, professional growth thus ensuring job satisfaction, growth and security.

We are committed to provide health, education, employment generation and infrastructure development supports to the communities to help build a prosperous, educated and healthy Pakistan.

The company aims to learn from its customers, employees and their surrounding community. We are working actively with suppliers and customers to reduce the transportation cost. This is done through changes in packing sizes and bulk containers shipments. To develop business sustainability with our suppliers we are providing regular orders, timely payments, recognition & feedback, performance evaluation and long term association.

Our Company regularly conducts technical evaluations of its vendors and contractors in order to rationalize its operations in a more efficient and effective manner.

We contribute to our government by ensuring compliance with local & national laws & regulations, adhering to corporate governance guidelines, contribution in taxation and pecuniary resource. We are supporting both government & NGOs in case of natural catastrophes and socially uplifting the society. We also extend support in providing financial aid to under privileged members of the society and its deserving employees. We have contributed our role as a responsible corporate citizen and regularly contribute towards social and welfare activities through donation to various charitable institutions / NGOs.

During the year the company has made donations amounting to Rs. 21.434 million which includes:

1. Donation of Rs. 8.546 million to Gatron Foundation (related party). The company through the Gatron Foundation contributed towards health related activities specially eye diseases treatment for under privileged members of the society.
2. Donation of Rs. 12 million to Institute of Business Administration (IBA) for development of infrastructure as well as the faculty and teaching method.

## Environmental

At Gatron we are following the principle of 4 Rs (Reduce, Reuse, Recycle and Responsible disposal). We are ensuring strict compliance with environmental standards and striving for achieving reduction of carbon footprints and exhaust emissions from operations.

**Consume less & Share better**

We maximize our resource utilization by recovering and reusing most of our non-product outputs, reducing our requirement for fresh materials. Reuse of paper tubes, cartons, chips bagging materials and wooden cases and printing papers is being done to minimize consumption and wastage. The waste generated, is either recycled within the plant or disposed-off in an environment friendly way. Water conservation and reduction in effluents is ensured by recycling water from various streams for horticulture purposes. We take adequate safety measures and strive to avoid significant spills by monitoring our production sites. We try to contain spill and recover it. This year, we had no significant spills or leaks.

**Produce responsibly**

We monitor the environmental and social impact of the products we use and produce through life cycle analysis. We perpetually strive to provide our customers with a quality product that has a minimal health, safety and environmental impact, at affordable prices. We evaluate the impacts of our product.

We are striving to achieve paperless office environment, conflict-free resource supply and carbon-free operations. Total energy re-cycle in our power generation and operations with alternate fuels are a few examples.

**Preserve Mother Nature**

Environmental management system has provided the structure and processes that help embed environmental efficiency into our culture and mitigate risks. Environment friendly business practices to conserve the environment have always been on the forefront at Gatron.

Our practices are eco-friendly that satisfies all the international Environmental standards. During the year successful audits were conducted by SGS certification body for ISO 9001, 14001 & HACCP, ISO 22000, PAS 223 certification.

We monitor our gaseous emissions (SO<sub>x</sub>, NO<sub>x</sub> & CO) and suspended particulate matter (SPM), as per regulatory norms. Investment has been made in procuring appropriate analyzer TESTO 340, TESTO AG Germany.

Where possible, procurement of chemicals and laboratory reagents is done in separate drums which are disposed in an environment friendly way.

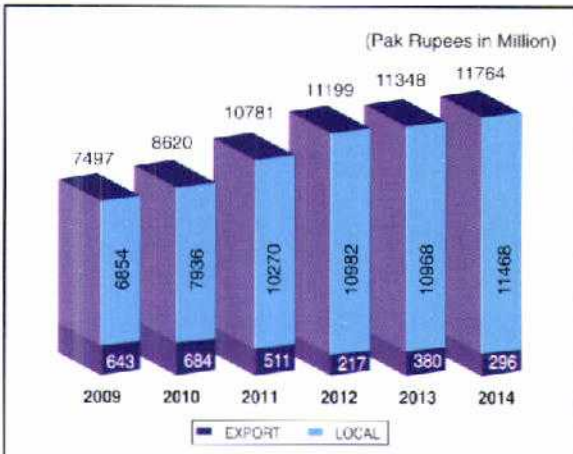
## Financial Highlights

Particulars	2013 *	2012 *	2011	2010	2009	2008
<b>Operating Results</b>						
<b>Pak Rupees in Thousand</b>						
Sales	11,348,105	11,199,270	10,780,531	8,620,045	7,497,075	7,056,483
Gross Profit	496,980	1,117,653	871,698	566,874	567,999	785,307
Operating Profit	22,015	645,017	553,148	295,505	264,323	384,320
Profit after taxation	321,603	652,820	626,444	410,975	379,320	156,644
<b>Percentage</b>						
Dividend	40.00	95.00	50.00	20.00	15.00	15.00
<b>Financial Position</b>						
<b>Pak Rupees in Thousand</b>						
Paid up Capital	383,645	383,645	383,645	383,645	383,645	383,645
Reserves & unappropriated profit	3,508,016	3,359,053	3,123,345	2,573,630	2,220,202	1,898,429
Property, Plant & Equipment	1,719,259	1,860,764	2,047,881	2,357,159	2,429,297	2,447,092
Current Assets	4,690,308	3,725,008	3,713,325	2,671,278	3,102,234	3,119,717
Current Liabilities	2,393,858	1,675,047	2,013,047	1,603,698	2,396,989	2,652,657
Net Current Assets	2,296,450	2,049,961	1,700,278	1,067,580	705,245	467,060
Long Term Liabilities	-	-	79,158	298,815	337,472	415,405
Deferred Liabilities	426,083	470,357	463,770	470,731	495,241	518,703
<b>Financial Ratios &amp; Percentages</b>						
<b>Percentages</b>						
Gross Profit Ratio	4.38	9.98	8.09	6.58	7.58	11.13
Return on Capital Employed	5.92	23.28	22.49	14.24	16.26	10.98
Return on Equity	8.26	17.44	17.86	13.90	14.57	6.86
<b>Number of Times</b>						
Inventory Turnover	4.53	4.94	5.96	4.81	3.77	3.91
Debtors Turnover	11.60	11.24	12.57	16.15	12.62	12.05
Total Assets Turnover	1.80	1.87	1.89	1.54	1.28	1.27
Fixed Assets Turnover	6.34	5.73	4.89	3.60	3.07	2.87
Interest Cover	0.25	31.36	8.53	1.71	1.03	2.55
<b>Ratio</b>						
Debt-Equity	0 : 100	0 : 100	02 : 98	09 : 91	11 : 89	15 : 85
Current Ratio	1.96 : 1	2.22 : 1	1.84 : 1	1.67 : 1	1.29 : 1	1.18 : 1
<b>Per Share Results and Returns</b>						
<b>Pak Rupees</b>						
Break-up Value	101.44	97.56	91.41	77.08	67.87	59.48
Earnings per Share – Basic and diluted	8.38	17.02	16.33	10.71	9.89	4.08
Dividend per Share	4.00	9.50	5.00	2.00	1.50	1.50
<b>Percentages</b>						
Dividend Yield	2.34	10.17	9.51	4.76	2.48	1.83
Dividend Pay Out	47.73	55.82	30.62	18.67	15.17	36.76
<b>Number of Times</b>						
Price Earning Ratio – Year end price	20.41	5.49	3.22	3.92	6.12	20.14
<b>Share Performance</b>						
<b>Pak Rupees</b>						
Highest	201.00	95.78	58.80	77.00	81.72	186.65
Lowest	88.79	49.00	36.80	35.77	32.50	75.05
At year end	171.00	93.45	52.60	42.00	60.50	82.17

\* Based on restated amounts

# Graphical Presentation

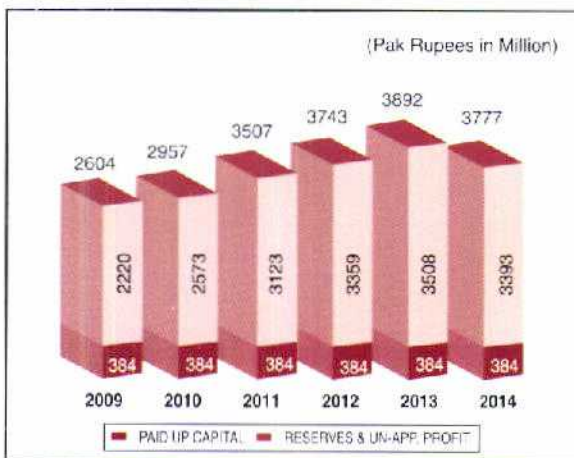
**SALES**



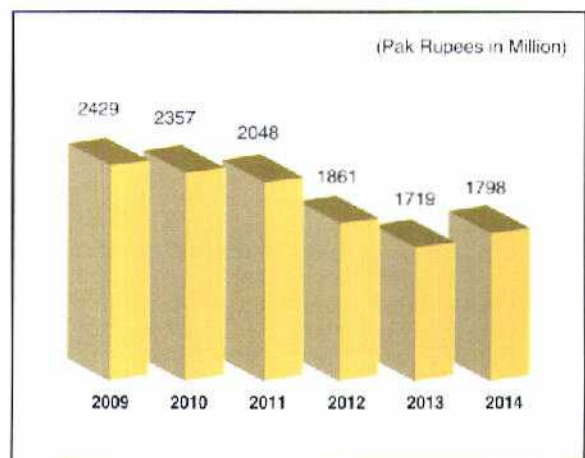
**BREAK UP VALUE OF SHARE**



**SHAREHOLDERS' EQUITY**



**PROPERTY, PLANT AND EQUIPMENT**



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


We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2014 prepared by the Board of Directors of **Gatron (Industries) Limited** to comply with the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges, where the Company is listed.

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

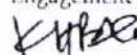
As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2014.

  
KRESTON HYDER BHIMJI & CO.  
Chartered Accountants

Engagement Partner: Shaikh Mohammad Tanvir



Karachi: 13 SEP 2014

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## Statement of Compliance with the Code of Corporate Governance



**Name of the Company:** Gatron (Industries) Limited  
**Year Ended:** June 30, 2014

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

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

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

Category	Names
Executive Directors	Mr. Peer Mohammad Diwan, Chief Executive Mr. Abdul Razak Diwan Mr. Zakaria Bilwani Mr. Shabbir Diwan Mr. Muhammad Taufiq Bilwani
Non-Executive Directors	Haji Haroon Bilwani, Chairman Mr. Usman Bilwani Mr. Iqbal Bilwani

The condition of clause 1(b) of CCG in relation to independent director will be applicable after next election of directors which is due in December, 2014.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year one casual vacancy occurred on the Board which was co-opted by the Board of Directors on July 10, 2013.
5. The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive(s) and non-executive directors, have been taken by the board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. In accordance with the criteria specified in clause (xi) of CCG, seven Directors of the Company are exempted from the requirements of Directors training program while one Director has already completed Training Program through ICAP.
10. The board has already ratified appointments of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises four members, of whom three 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 as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom two are non-executive directors and the Chairman of the committee is a non-executive director.

18. The board has set up an effective internal audit function and personnel involved are considered suitable, qualified and experienced for the purpose and are conversant with the policies and procedures of the company and they are involved in the internal audit function on full time basis.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of final result, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

For and on behalf of the Board of Directors

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

September 13, 2014

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **GATRON (INDUSTRIES) LIMITED** ("the Company") as at June 30, 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. in our opinion:
  - i. the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for change described in Note 4 with which we concur;
  - ii. the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii. the business conducted, investments made and the expenditures incurred during the year were in accordance with the objects of the company;
- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required, and respectively give a true and fair view of the state of the company's affairs as at June 30, 2014 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- d. in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XXVIII of 1980) was deducted by the Company and deposited in the central zakat fund established under section 7 of that Ordinance.

### Emphasis of matter paragraph

We draw attention to the contents of notes 26.1 (a) of the annexed financial statements relating to the manner of determining the provision for WPPF, the ultimate outcome whereof cannot be presently ascertained, and its provision for further liability, that may arise, has been made in the annexed Financial Statements. Our opinion is not qualified in respect of this matter.

*Kreston Hyder Bhimji & Co.*  
**KRESTON HYDER BHIMJI & CO.**  
Chartered Accountants

Karachi: 13 SEP 2014

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[www.hyderbhimji.com](http://www.hyderbhimji.com)

## Balance Sheet

AS AT JUNE 30, 2014

		(Pak Rupees in Thousand)		
	Notes	2014	2013 Restated	2012 Restated
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Property, plant and equipment	5	1,797,791	1,719,259	1,860,764
Long term investments	6	597,769	300,632	300,750
Long term loans	7	211	152	561
Long term deposits	8	1,671	1,251	1,019
		<b>2,397,442</b>	<b>2,021,294</b>	<b>2,163,094</b>
<b>Current Assets</b>				
Stores, spare parts and loose tools	9	494,777	426,851	366,610
Stock in trade	10	2,315,281	2,644,785	2,145,909
Trade debts	11	1,088,765	1,155,689	800,947
Loans and advances	12	36,668	43,729	21,112
Trade deposits and short term prepayments	13	15,248	15,858	6,201
Other receivables	14	239,448	246,213	214,364
Income tax refundable payments less provision	15	-	43,014	-
Advance income tax		-	51,217	51,152
Taxes refund due from Federal Government	16	100,204	10,544	13,442
Cash and bank balances	17	103,971	52,408	105,271
		<b>4,394,362</b>	<b>4,690,308</b>	<b>3,725,008</b>
<b>TOTAL ASSETS</b>		<b>6,791,804</b>	<b>6,711,602</b>	<b>5,888,102</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL &amp; RESERVES</b>				
Share capital	18	383,645	383,645	383,645
Capital reserves	19	458,645	458,645	458,645
General reserve	20	2,500,000	2,500,000	1,910,000
Unappropriated profit		434,566	549,371	990,408
		<b>3,776,856</b>	<b>3,891,661</b>	<b>3,742,698</b>
<b>LIABILITIES</b>				
<b>Non-current Liabilities</b>				
Deferred liabilities	21	400,528	426,083	470,357
<b>Current Liabilities</b>				
Trade and other payables	22	1,173,025	1,439,226	1,408,793
Accrued mark up	23	25,880	19,765	11
Short term borrowings	24	1,387,334	934,867	156,514
Provision for income tax less payments	25	28,181	-	109,729
		<b>2,614,420</b>	<b>2,393,858</b>	<b>1,675,047</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	26			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>6,791,804</b>	<b>6,711,602</b>	<b>5,888,102</b>

The notes 1 to 47 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, 2014 were 1 US\$ = Rs. 98.75, 1 Euro € = Rs. 134.73 and 1 Pound £ = Rs. 168.13

## Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2014

	Notes	(Pak Rupees in Thousand)	
		2014	2013 Restated
Sales	27	11,763,699	11,348,105
Cost of sales	28	11,183,064	10,851,125
<b>Gross profit</b>		<b>580,635</b>	<b>496,980</b>
Distribution and selling expenses	29	238,248	199,251
Administrative expenses	30	236,541	216,106
Other operating expenses	31	64,548	65,909
		<b>539,337</b>	<b>481,266</b>
		<b>41,298</b>	<b>15,714</b>
Other income	32	14,303	6,301
<b>Operating profit</b>		<b>55,601</b>	<b>22,015</b>
Finance cost	33	118,547	77,588
		<b>(62,946)</b>	<b>(55,573)</b>
Investment income - Dividend	34	225,750	285,950
<b>Profit before income tax</b>		<b>162,804</b>	<b>230,377</b>
Income tax	35	17,048	(91,226)
<b>Profit after income tax</b>		<b>145,756</b>	<b>321,603</b>
<b>Earnings per share - Basic and diluted ( Rupees )</b>	36	<b>3.80</b>	<b>8.38</b>

(1) The Board of Directors has recommended final cash dividend for the year ended June 30, 2014 of Rs.3.00 per share (i.e. 30%). This is in addition to interim cash dividend of Rs.2.50 per share (i.e. 25%).

(2) The notes 1 to 47 annexed herewith form an integral part of these financial statements.

**HAJI HAROON BILWANI**  
Chairman

**PEER MOHAMMAD DIWAN**  
Chief Executive

## Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2014

	(Pak Rupees in Thousand)	
	2014	2013 Restated
Profit after income tax	145,756	321,603
Other comprehensive income		
<i>Items that will never be reclassified to profit or loss</i>		
Remeasurement of defined benefit liability having nil tax impact	(11,192)	-
Total comprehensive income	<u>134,564</u>	<u>321,603</u>

The notes 1 to 47 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, 2014

	Note	(Pak Rupees in Thousand)	
		2014	2013 Restated
<b>Cash Flow from/(towards) Operating Activities</b>			
Profit before income tax		162,804	290,377
Adjustments for:			
Depreciation		273,941	285,430
Provision for defined benefit plan		25,073	22,598
Gain on disposal of property, plant and equipment		(8,557)	(4,633)
Loss on disposal of property, plant and equipment		99	68
Impairment in long term investments		73	158
Provision for doubtful trade debts-net		36,129	10,862
Provision for slow moving stores, spare parts and loose tools-net		2,436	177
Dividend income		(225,750)	(285,950)
Finance cost		118,547	77,588
		<u>221,991</u>	<u>106,298</u>
		384,795	396,675
Decrease/(increase) in current assets:			
Stores, spare parts and loose tools		(70,362)	(60,418)
Stock in trade		329,504	(498,876)
Trade debts		30,795	(365,604)
Loans and advances		6,433	(21,837)
Trade deposits and short term prepayments		610	(9,657)
Other receivables		6,765	(31,849)
Taxes refund due from Federal Government		10,356	2,898
		<u>314,101</u>	<u>(985,343)</u>
(Decrease)/increase in Trade and other payables		<u>(267,400)</u>	<u>30,810</u>
Cash flow from/(towards) operations		<u>431,496</u>	<u>(617,858)</u>
(Payments for)/Receipts of :			
Long term loans		569	(371)
Long term deposits		(420)	(232)
Defined benefit plan		(4,583)	(7,138)
Dividend		(248,225)	(172,603)
Finance cost		(112,432)	(57,834)
Income tax		(51,889)	(121,316)
Net cash flow from/(towards) operating activities		<u>14,516</u>	<u>(977,352)</u>
<b>Cash Flow (towards)/from Investing Activities</b>			
Additions in property, plant and equipment		(364,691)	(149,813)
Proceeds from disposal of property, plant and equipment		20,731	10,039
Increase in Investments		(297,210)	(40)
Dividend received		225,750	285,950
Net cash flow (towards)/from investing activities		<u>(415,420)</u>	<u>146,136</u>
<b>Net decrease in cash and cash equivalents</b>		<u>(400,904)</u>	<u>(831,216)</u>
<b>Cash and cash equivalents at the beginning</b>		<u>(882,459)</u>	<u>(51,243)</u>
<b>Cash and cash equivalents at the end</b>	37	<u>(1,283,363)</u>	<u>(882,459)</u>

The notes 1 to 47 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, 2014

(Pak Rupees in Thousand)

	Paid-up capital	Capital Reserves			General reserve	Unappropriated profit	Total
		Share premium	Others	Sub Total			
Balances as at July 01, 2012 as originally reported	383,645	383,645	75,000	458,645	1,910,000	1,023,348	3,775,638
Impact of change in accounting policy-note 4	-	-	-	-	-	(32,940)	(32,940)
Balances as at July 01, 2012 -restated	383,645	383,645	75,000	458,645	1,910,000	990,408	3,742,698
Total comprehensive income for the year ended June 30, 2013 -restated	-	-	-	-	-	321,603	321,603
Transfer to General reserve	-	-	-	-	590,000	(590,000)	-
<b>Transactions with owners</b>							
Final cash dividend for the year ended June 30, 2012 at Rs. 4.50 per share i.e. @45%	-	-	-	-	-	(172,640)	(172,640)
Balances as at June 30, 2013 -restated	383,645	383,645	75,000	458,645	2,500,000	549,371	3,691,661
Balances as at July 01, 2013 as originally reported	383,645	383,645	75,000	458,645	2,500,000	560,534	3,692,824
Impact of change in accounting policy-note 4	-	-	-	-	-	(31,163)	(31,163)
Balances as at July 01, 2013 -restated	383,645	383,645	75,000	458,645	2,500,000	549,371	3,661,661
Total comprehensive income for the year ended June 30, 2014	-	-	-	-	-	134,564	134,564
<b>Transactions with owners</b>							
Final cash dividend for the year ended June 30, 2013 at Rs. 4.00 per share i.e. @40%	-	-	-	-	-	(153,458)	(153,458)
Interim cash dividend for the year ended June 30, 2014 at Rs. 2.50 per share i.e. @25%	-	-	-	-	-	(95,911)	(95,911)
	-	-	-	-	-	(249,369)	(249,369)
Balances as at June 30, 2014	383,645	383,645	75,000	458,645	2,500,000	434,566	3,770,856

The notes 1 to 47 annexed herewith form an integral part of these financial statements.

MAN HUSSAIN

CHIEF FINANCIAL OFFICER

## Notes to the Financial Statements

FOR THE YEAR ENDED JUNE 30, 2014

### 1 THE COMPANY AND ITS OPERATIONS

The Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are quoted at 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 Filament Yarn alongwith its raw material viz. Yarn Grade Polyester Chips. However, the Company also produces other varieties of Polyester Chips viz Bottle Grade as well as PET Preforms. The Company also owns wholly owned subsidiaries i.e. Messrs. Gatro Power (Private) Limited which is engaged in power generation. Whereas, other two subsidiaries Messrs. GT Universal Limited and Messrs. Global Synthetics Limited, have yet to commence its operations.

The Board of Directors deliberated in view of recent development and in the interest of the Company, to keep the restructuring of preform business into a separate entity in abeyance.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

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

#### 2.2 Changes in accounting standards, interpretations and pronouncements

##### a) Standards, interpretations and amendments to published approved accounting standards that became effective during the year

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

IAS-1	Financial Statements Presentation - Amendment
IAS-16	Property, Plant and Equipment - Amendment
IAS-19	Employees Benefits
IAS - 27	Separate Financial Statements
IAS - 28	Investments in Associates and Joint Ventures
IAS - 32	Financial Instrument: Presentation - Amendment
IAS - 34	Interim Financial Reporting- Amendment
IFRS -7	Financial Instruments: Disclosures - Amendment
IFRIC-20	Stripping costs in the production phase of Surface Mine

These standards, amendments and interpretation are not expected to have significant impact except IAS 19, IAS 27, IAS 28 and IAS 34 on the company's financial statements other than certain additional disclosures and which are briefly described below:

IAS 19 - 'Employees Benefits': The amendment removes the options for accounting for the liability and requires that the liabilities arising from such plans is recognized in full, and actuarial gains and losses being recognized in other comprehensive income (eliminate corridor method for recognition of actuarial gains and losses). It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short term and other long term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

IAS 27 - 'Separate Financial Statements' 2011 - amendment: The Standard requires that when an entity prepares separate financial statements; investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganizations and includes a number of disclosure requirements.

IAS 28 - 'Investments in Associates and Joint Ventures' - Amendments: This standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines significant influence and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

IAS 34 - 'Interim Financial Reporting' (Amendment) - 'Interim reporting of segment information for total assets and total liabilities' - This amendment aligns the disclosure requirement for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

In addition to above, certain new cycle of improvements are applicable in current year, are either considered not to be relevant or are not expected to have significant impact to the company's financial statements and hence have not been detailed.

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

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

		<b>Effective for the period beginning on or after</b>
IAS -16	Property, Plant and Equipment - Amendment	January 01, 2016
IAS - 19	Employees Benefits - Amendment	July 01, 2014
IAS - 32	Financial Instrument: Presentation - Amendment	January 01, 2014
IAS - 36	Impairment of Assets - Amendment	January 01, 2014
IAS - 38	Intangible Assets - Amendment	January 01, 2016
IAS - 39	Financial Instrument: Recognition and Measurement - Amendment	January 01, 2014
IFRS -9	Financials Instruments: Classification and Measurement	January 01, 2015
IFRIC - 21	Levies	January 01, 2014

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

In addition to above, certain new cycle of improvements will apply prospectively for period beginning on or after 01, July 2014, are either considered not to be relevant or are not expected to have significant impact to the company's financial statements and hence have not been detailed.

### 2.3 Basis of measurement

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

### 2.4 Significant Accounting Estimates and Judgments

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

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

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

#### a) Property, plant and equipment

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

#### b) Trade debts

The estimates of doubtful trade debts, are made, using and appropriately judging the relevant inputs and applying parameters as stated in note 3.6, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effect of variation is recorded as and when it takes place.

#### c) Stock in trade

The Company reviews the net realisable value of stock-in-trade to assess any diminution in the carrying values on each financial year end. Net realisable value is determined with respect to estimated selling prices less estimated expenditure to make the sales.

#### d) Stores, spare parts and loose tools

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

**e) Defined benefit plan**

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

**f) Income tax**

In making the estimate for income tax liabilities, the management considers current income tax law and the decisions of appellate authorities. Deferred tax estimate is made considering future applicable tax rate, as disclosed in note 3.10 to the financial statements.

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

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

**h) Contingencies**

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

**2.5 Functional and reporting currency**

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

**3 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as stated in note 4.

**3.1 Property, plant and equipment**

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

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

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

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

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

### **3.2 Impairment of assets**

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

### **3.3 Investments**

#### **Subsidiary and Associated Companies**

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

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

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

These are valued at monthly weighted average cost. Items in transit are valued at cost comprising of invoice value and other incidental charges incurred thereon till the balance sheet date. Adequate provision is made for slow moving and obsolete items based on parameter set out by the management as stated in note 2.4 (d). The major value spares and stand by equipments are capitalized and depreciate according to their useful life.

### **3.5 Stock in trade**

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

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

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

### 3.6 Trade debts

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

### 3.7 Cash and cash equivalents

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

### 3.8 Employees' post employment benefits

#### a) Defined contribution plan

The Company and the eligible employees contribute equally to recognised Provident Funds.

#### b) Defined benefit plan

The Company operates an unfunded defined gratuity scheme, being not mandatory under the law, for its employees and working directors who attain the minimum qualification period. The obligation is determined through actuarial valuation and the latest actuarial valuation was conducted on the balances as at June 30, 2014. Change in policy as reflected in note 4.

The actuary has used the Projected Unit Credit Method of valuation. The valuation discount rate has been taken at 13.25% and salary increases assumed to average 11.25% per annum in the long term.

### 3.9 Compensated unavailed leaves

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

### 3.10 Income Tax

#### Current

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

### **Deferred**

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

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

### **3.11 Trade and other payables**

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

### **3.12 Provision**

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

### **3.13 Borrowings and their cost**

Borrowings are recorded as the proceeds received.

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

### **3.14 Foreign currency transactions and translation**

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

### **3.15 Revenue recognition**

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

- Sale and processing services are recognised on dispatch of goods to customer.
- Dividend income is recognised when the right of receipt is established.
- Storage and handling income is recognised on accrual basis after receipt of material.

### **3.16 Dividend and appropriation to reserves**

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

### 3.17 Financial instruments

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

### 3.18 Offsetting of financial assets and financial liabilities

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

### 3.19 Segment information

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

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

Segment capital expenditure if any, is the total cost incurred during the year to acquire property, plant and equipment.

## 4 CHANGE IN ACCOUNTING POLICIES

### Employee benefits

With effect from 01 January 2013, the revised IAS 19 'Employee Benefits' became effective and require actuarial gains and losses to be recognized immediately in other comprehensive income. Previously, actuarial gains and losses over and above the corridor limit were amortized over the expected average remaining working lives of employees as allowed under the relevant provision of previous IAS 19. Further, any past service cost is now recognized immediately in the profit and loss as soon as the change in the benefit plans are made and previously, only vested past service cost was recognized immediately in profit and loss account and non-vested cost was amortised to profit and loss account over the vesting period. The standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost bases on the net defined benefits assets or liability and the discount rate, measured at the beginning of the year.

### Effect of changes

The effects of changes stated in note 21.2 have been accounted for retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in restatement of financial statements of prior periods. Resultantly, the cumulative effect of adjustments that arose as at 01 July 2012 have been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustment through other comprehensive income and profit or loss is restated and disclosed as part of the Statement of Comprehensive Income and Profit and Loss Account respectively. The Balance Sheet also presents the prior year numbers as restated, due to the said change.

		(Pak Rupees in Thousand)	
		2013	2012
<b>Effect on Balance sheet</b>			
<b>Staff retirement benefits</b>			
As previously reported		118,277	101,040
Impact due to change in accounting policy		31,163	32,940
As restated		149,440	133,980
 <b>Unappropriated profit</b>			
As previously reported		580,534	1,023,348
Impact due to change in accounting policy		(31,163)	(32,940)
As restated		549,371	990,408
 <b>Effect on profit and loss account</b>			
Profit before tax as previously reported		228,600	862,207
Increase in profit before tax due to provision for staff retirement benefits		1,777	527
As restated		230,377	862,734
		<b>2014</b>	<b>2013</b>
<b>5</b>	<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Operating fixed assets	5.1	1,757,504	1,634,040
Capital work in progress	5.4	40,287	85,219
		1,797,791	1,719,259

## 5.1 Operating fixed assets

Particulars	Land		Building		Office premises	Plant and machinery	Furniture and fixture	Factory equipment	Office equipment	Motor vehicles	Store and spares held for capital expenditure	TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land								
(Pak rupees in thousand)												
<b>Net carrying value</b>												
<b>Year ended June 30, 2014</b>												
Opening net book value	25,320	13,748	1,119	124,981	5,847	1,362,061	3,495	8,049	11,867	60,331	17,222	1,634,040
Additions at cost	-	-	-	-	-	3,605	531	989	957	52,930	-	58,992
Transfer from capital work in progress	-	-	-	2,127	-	320,599	-	27,525	435	-	-	350,686
Disposals at NBV	-	-	-	-	-	89	214	-	1,319	10,651	-	12,273
Depreciation	-	-	112	12,693	585	231,402	719	5,851	2,813	17,183	2,583	273,941
<b>Closing net book value</b>	<b>25,320</b>	<b>13,748</b>	<b>1,007</b>	<b>114,415</b>	<b>5,262</b>	<b>1,454,774</b>	<b>3,063</b>	<b>30,712</b>	<b>9,137</b>	<b>85,427</b>	<b>14,639</b>	<b>1,757,504</b>
<b>Gross carrying value</b>												
<b>At June 30, 2014</b>												
Cost	25,320	13,748	14,248	427,644	9,902	5,975,215	17,281	87,294	58,607	160,074	18,795	6,788,098
Accumulated depreciation	-	-	13,241	313,229	4,640	4,520,441	14,199	36,572	49,470	74,647	4,156	5,030,594
<b>Net book value</b>	<b>25,320</b>	<b>13,748</b>	<b>1,007</b>	<b>114,415</b>	<b>5,262</b>	<b>1,454,774</b>	<b>3,063</b>	<b>30,712</b>	<b>9,137</b>	<b>85,427</b>	<b>14,639</b>	<b>1,757,504</b>
<b>Net carrying value</b>												
<b>Year ended June 30, 2013</b>												
Opening net book value	25,320	13,748	1,243	138,868	5,497	1,550,346	4,084	8,418	13,925	50,189	-	1,812,638
Additions at cost	-	-	-	-	-	3,415	256	1,332	1,722	26,988	29,909	63,682
Transfer from capital work in progress	-	-	-	-	-	59,738	-	-	-	-	-	59,738
Disposals at NBV / transfer	-	-	-	-	-	-	-	-	98	5,376	11,114	16,588
Depreciation	-	-	124	13,887	650	251,438	845	1,761	3,662	11,470	1,573	285,430
<b>Closing net book value</b>	<b>25,320</b>	<b>13,748</b>	<b>1,119</b>	<b>124,981</b>	<b>5,847</b>	<b>1,362,061</b>	<b>3,495</b>	<b>8,049</b>	<b>11,867</b>	<b>60,331</b>	<b>17,222</b>	<b>1,634,040</b>
<b>Gross carrying value</b>												
<b>At June 30, 2013</b>												
Cost	25,320	13,748	14,248	425,517	9,902	5,553,347	16,309	36,770	63,323	131,577	18,795	6,412,856
Accumulated depreciation	-	-	13,129	300,536	4,055	4,291,286	14,614	30,721	51,456	71,246	1,573	4,778,816
<b>Net book value</b>	<b>25,320</b>	<b>13,748</b>	<b>1,119</b>	<b>124,981</b>	<b>5,847</b>	<b>1,362,061</b>	<b>3,495</b>	<b>8,049</b>	<b>11,867</b>	<b>60,331</b>	<b>17,222</b>	<b>1,634,040</b>
Depreciation rate % per annum	-	-	10	10	10	15 to 25	20	20	20 to 30	20	15	

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

	(Pak Rupees in Thousand)		
	2014	2013	2012
Cost of sales	28	266,557	279,066
Distribution and selling expenses	29	1,051	939
Administrative expenses	30	6,333	5,425
		<b>273,941</b>	<b>285,430</b>

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

(Pak Rupees in Thousand)

Description	Cost	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyers
<b>PLANT &amp; MACHINERY</b>					
Water Chillers	2,336	89	661	Negotiation	<b>Mr. Altaf</b> Flat # A-12, 3rd Floor, Fatima Jinnah Colony, Jamshed Road, Karachi.
<b>Sub Total</b>	<b>2,336</b>	<b>89</b>	<b>661</b>	<b>--</b>	<b>--</b>
<b>FURNITURE &amp; FIXTURE</b>					
Window / Split Airconditioners	1,549	214	117	Negotiation	<b>M/s. Fresh Air Technical Associates</b> Plot# 15, 25th Street, Tauheed Commercial, DHA, Phase V, Karachi.
<b>Sub Total</b>	<b>1,549</b>	<b>214</b>	<b>117</b>	<b>--</b>	<b>--</b>
<b>OFFICE EQUIPMENT</b>					
F G Wilson Diesel Generator Model : P60 60KVA	759	79	150	Negotiation	<b>M/s. A K Power Engineering</b> Shop A-40, Sector 15-B, Baba-e-Arif, Phase-2, Nagan Chowrangi, Karachi.
Catterpillar Generator Set 3406C 365KVA	4,671	1,184	1,400	Negotiation	<b>M/s. A K Power Engineering</b> Shop A-40, Sector 15-B, Baba-e-Arif, Phase-2, Nagan Chowrangi, Karachi.
Items having book value upto Rs.50 thousand each	688	56	110	Various	<b>Various</b>
<b>Sub Total</b>	<b>6,118</b>	<b>1,319</b>	<b>1,660</b>	<b>--</b>	<b>--</b>
<b>MOTOR VEHICLES</b>					
Honda City APK-329	899	235	567	Company Policy	<b>Mr.Nadeem Siraj</b> (Employee)
Suzuki Cultus AQE-152	677	169	406	--do--	<b>Mr.Shaheen</b> (Employee)
Honda Civic AQP-575	1,394	341	1,009	--do--	<b>Mr.Muhammad Zubair</b> (Employee)
Suzuki Cultus APH-134	571	137	551	--do--	<b>Mr.Muhammad Ashraf</b> (Employee)
Toyota Corolla AQW-215	1,056	318	577	--do--	<b>Mr.Abdul Rauf</b> (Employee)
Toyota Corolla ARU-269	1,389	469	692	--do--	<b>Mr.Muhammad Hanif</b> (Employee)
Suzuki Cultus APL-304	617	140	586	--do--	<b>Mr.Syed Munawar Iqbal</b> (Employee)
Suzuki Aito AXE-377	732	482	660	--do--	<b>Mr.Muhammad Shoaib</b> (Employee)

(Pak Rupees in Thousand)

Description	Cost	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyers
Suzuki Liana AQG-395	824	184	532	--do--	<b>Mr.Sarwat Rasheed</b> (Employee)
Toyota Corolla AQK-520	996	220	639	--do--	<b>Mr.Idrees Dagah</b> (Employee)
Toyota Corolla AQM-508	1,038	228	560	--do--	<b>Mr.Nayaz Ahmed</b> (Employee)
Suzuki Cultus APM-190	576	126	556	--do--	<b>Mr.Muhammad Munaf</b> (Employee)
Suzuki Alto APE-302	473	101	473	--do--	<b>Mr.Muhammad Yousuf</b> (Employee)
Van - Mazda CN-0432	200	144	475	Negotiation	<b>Mr.Ahmed Ali</b> House# 144, Usmania Colony, Nazimabad# 1, Karachi.
Toyota Corolla LEC-08-6037	910	235	546	--do--	<b>Mr.Muhammad Waqas</b> Moh.Knwala, Daska, District Siaikot
Toyota Corolla AEO-450	1,169	94	300	--do--	<b>Mr.Jalal Yousuf</b> House# A-86, Block 10, Gulshan-e-Iqbal, Karachi.
Hyundai Grace Van 2600cc WAA-441	1,199	131	450	--do--	<b>M/s. Margalla Motors</b> 166-A, Sir Syed Road, Block 3, PECHS, Karachi.
Toyota Corolla AZN-227	1,672	1,562	1,672	Insurance Claim	<b>M/s. EFU General Insurance</b> Karachi.
Suzuki Cultus AYM-957	990	802	925	--do--	<b>M/s. EFU General Insurance</b> Karachi.
Toyota Corolla AYZ-539	1,537	1,315	1,450	--do--	<b>M/s. EFU General Insurance</b> Karachi.
Honda CD-70 KGX-0222	69	63	69	--do--	<b>M/s. EFU General Insurance</b> Karachi.
Toyota Hilux CU-3441	1,803	1,477	1,803	--do--	<b>M/s. EFU General Insurance</b> Karachi.
Toyota Corolla BAX-703	1,608	1,447	1,608	--do--	<b>M/s. EFU General Insurance</b> Karachi.
Items having book value upto Rs.50 thousand each	2,034	231	1,187	Various	<b>Various</b>
<b>Sub Total</b>	<b>24,433</b>	<b>10,651</b>	<b>18,293</b>	--	--
<b>Total - 2014</b>	<b>34,436</b>	<b>12,273</b>	<b>20,731</b>	--	--
<b>Total - 2013</b>	<b>15,123</b>	<b>5,474</b>	<b>10,039</b>	--	--

(Pak Rupees in Thousand)

**5.4 Capital Work-in-Progress**

	Balance as at July 1, 2013	Additions	Transfer to Operating fixed assets	Balance as at June 30, 2014
Factory building on lease hold land	1,594	4,394	(2,127)	3,861
Plant and machinery	83,625	273,400	(320,599)	36,426
Factory equipment	-	27,525	(27,525)	-
Office equipment	-	435	(435)	-
	<u>85,219</u>	<u>305,754</u>	<u>(350,686)</u>	<u>40,287</u>

	Balance as at July 1, 2012	Additions	Transfer to Operating fixed assets	Balance as at June 30, 2013
Factory building on lease hold land	-	1,594	-	1,594
Plant and machinery	48,126	95,237	(59,738)	83,625
	<u>48,126</u>	<u>96,831</u>	<u>(59,738)</u>	<u>85,219</u>

(Pak Rupees in Thousand)

2014                      2013

**6 LONG TERM INVESTMENTS  
Related Parties**

**Wholly owned Subsidiary Companies**

22.575 million (2013: 22.575 million) shares including 7.525 million bonus shares in Messrs. Gatro Power (Private) Limited	6.1	<b>150,500</b>	150,500
25,000 (2013: 25,000) shares in Messrs. G T Universal Limited - Unlisted	6.2	<b>250</b>	250
25,000 (2013: 4000) shares in Messrs. Global Synthetics Limited - Unlisted	6.3	<b>250</b>	40
		<b>151,000</b>	150,790
Impairment loss		<b>(231)</b>	(158)
		<u><b>150,769</b></u>	<u>150,632</u>

**Associated Companies**

56.7 million (2013: 27 million) shares including 12 million bonus shares in Messrs. Novatex Limited - Unlisted	6.4	<b>447,000</b>	150,000
		<u><b>597,769</b></u>	<u>300,632</u>

- 6.1 The value of investment on the basis of the net assets, as disclosed in its audited financial statements as at June 30, 2014 amounted to Rs.694.101 million (2013: Rs.557.062 million).
- 6.2 The value of investment on the basis of the net assets, as disclosed in its audited financial statements as at June 30, 2014 amounted to Rs.0.091 million (2013: Rs.0.126 million).
- 6.3 The value of the investment on the basis of the net assets, as disclosed in its audited financial statements as at June 30, 2014 amounted to Rs.0.178 million (2013: Rs.0.006 million).
- 6.4 The value of 56.7 million (2013: 27 million) shares being 36.83% (2013: 36.83%) holding of the total issued share capital of Associated Company, on the basis of the net assets, as disclosed in its un-audited financial statements as at March 31, 2014 amounted to Rs.3,780.174 million (March 2013: Rs.3,163.411 million).

## (Pak Rupees in Thousand)

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

	2014	2013
To employees other than Chief Executive & Directors	4,142	4,711
Amount due in twelve months shown under current assets	<u>(3,931)</u>	<u>(4,559)</u>
Recoverable within three years	<u>211</u>	<u>152</u>

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

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

Balance at beginning	308	590
Disbursements during the year	74	216
Recoveries during the year	<u>(382)</u>	<u>(498)</u>
Balance at end	<u>-</u>	<u>308</u>

7.2.1 The maximum aggregate amount of loan due from executives at any month end during the year was Rs.0.336 million (2013: Rs.0.659 million).

**8 LONG TERM DEPOSITS**

Security deposits for utilities and others	<u>1,671</u>	<u>1,251</u>
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**9 STORES, SPARE PARTS AND LOOSE TOOLS**

In hand:

Stores	115,356	118,961
Spare parts	340,567	311,874
Loose tools	<u>1,677</u>	<u>4,163</u>
	457,600	434,998

Provision for slow moving stores, spare parts and loose tools 9.1 (15,388) (12,952)

	442,212	422,046
In transit	<u>52,565</u>	<u>4,805</u>
	<u>494,777</u>	<u>426,851</u>

		(Pak Rupees in Thousand)	
		2014	2013
9.1	Provision for slow moving stores, spare parts and loose tools		
	Balance at beginning	12,952	12,775
	Charge for the year	2,816	492
	Reversals due to consumption	(380)	(315)
	Balance at end	15,388	12,952
<b>10</b>	<b>STOCK IN TRADE</b>		
	Raw material	714,877	775,256
	Raw material in transit	5,923	16,310
	Goods in process	10.1 628,472	747,624
	Finished goods	10.2 966,009	1,105,595
		2,315,281	2,644,785
10.1	These include items costing Rs.403.373 million (2013: Nil) valued at net realisable value of Rs.392.523 million (2013: Nil)		
10.2	These include items costing Rs.816.457 million (2013: Rs.91.281 million) valued at net realisable value of Rs.759.728 million (2013: Rs.63.605 million)		
<b>11</b>	<b>TRADE DEBTS</b>		
	<b>Considered good</b>		
	Secured		
	Local	81,697	18,813
	Export	74,432	70,302
	11.1	156,129	89,115
	Unsecured	932,636	1,066,574
		1,088,765	1,155,689
	<b>Considered doubtful</b>		
	Unsecured	60,446	24,963
	Provision for doubtful debts	11.2 (60,446)	(24,963)
		-	-
		1,088,765	1,155,689
11.1	These are secured against letters of credit issued by banks in favour of the Company.		
11.2	Provision for doubtful debts		
	Balance at beginning	24,963	14,101
	Charge for the year	58,843	22,944
	Reversals since recovered	(22,714)	(12,082)
	Write offs	(646)	-
	Balance at end	60,446	24,963
<b>12</b>	<b>LOANS AND ADVANCES - Considered good</b>		
	<b>Secured</b>		
	Amount recoverable in twelve months from employees and executives	7 3,931	4,559
	Advances to employees	12.1 390	532
		4,321	5,091
	<b>Unsecured</b>		
	Advances:		
	to suppliers and contractors	12.2 28,741	38,433
	for imports	3,606	205
		32,347	38,638
		36,668	43,729

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

12.2 These include advances against purchase of vehicles amounting to Rs.4.731 million (2013: Rs.3.453 million)

(Pak Rupees in Thousand)

		2014	2013
<b>13</b>	<b>TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>		
	Security deposits	3,756	615
	Prepayments	11,492	15,243
		<u>15,248</u>	<u>15,858</u>

13.1 These include prepayments to a related party i.e. Messrs. Novatex Limited of Rs.11.223 million (2013: Rs.14.963 million) being the amount of advance rent.

**14 OTHER RECEIVABLES - Considered good**

	Receivable from suppliers	14.1	168,259	186,760
	Claims receivable from suppliers		678	1,430
	Claims receivable from Insurance Companies		3,411	1,758
	Sales tax		65,515	54,227
	Others	14.2	1,585	2,038
			<u>239,448</u>	<u>246,213</u>

14.1 These include balances of US\$:1.707 million (2013: US\$:1.745 million)

14.2 These include Rs.0.405 million (2013: Rs.0.360 million) and Nil (2013: Rs.0.044 million) receivable from related parties i.e. Messrs. Gatro Power (Private) Limited and Global Synthetics Limited respectively.

**15 INCOME TAX REFUNDABLE PAYMENTS LESS PROVISION**

	Balance at beginning	-	(109,729)
	Payments during the year	-	121,316
	Adjustments for the year		(65)
			<u>11,522</u>
	Prior year tax reversal	-	31,492
	Balance at end	-	<u>43,014</u>

**16 TAXES REFUND DUE FROM FEDERAL GOVERNMENT**

	Income tax	100,016	-
	Sales tax refundable	188	10,544
		<u>100,204</u>	<u>10,544</u>

**17 CASH AND BANK BALANCES**

Cash :			
	In hand	1,604	1,727
	At banks in current accounts: Local currency	101,600	49,526
	Foreign currency	767	1,155
		<u>103,971</u>	<u>52,408</u>

17.1 These represent balances of US\$:6,236.92 and Euro €:1,129.98 (2013 : US\$:10,235.02 and Euro €:1,129.98).

		(Pak Rupees in Thousand)	
		2014	2013
<b>18</b>	<b>SHARE CAPITAL</b>		
<b>18.1</b>	<b>Authorised capital</b>		
44,000,000	Ordinary shares of Rs. 10 each	<u>440,000</u>	<u>440,000</u>
<b>18.2</b>	<b>Issued, subscribed and paid up capital</b>		
30,136,080	Ordinary shares of Rs.10/-each allotted for consideration paid in cash	<u>301,361</u>	<u>301,361</u>
8,228,400	Ordinary shares of Rs.10/-each allotted as fully paid bonus shares	<u>82,284</u>	<u>82,284</u>
		<u><b>383,645</b></u>	<u><b>383,645</b></u>

These include 1,620,387 (2013 : 1,620,387) shares held by an associated company, Messrs. Gani & Tayub (Private) Limited.

**19 CAPITAL RESERVES**

Share premium	19.1	<u>383,645</u>	<u>383,645</u>
Others	19.2	<u>75,000</u>	<u>75,000</u>
		<u><b>458,645</b></u>	<u><b>458,645</b></u>

**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 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 Thousand)		
		2014	2013	2012
			Restated	Restated
<b>21</b>	<b>DEFERRED LIABILITIES</b>			
Income tax-net	21.1	<u>219,406</u>	276,643	336,377
Defined benefit plan	21.2	<u>181,122</u>	<u>149,440</u>	<u>133,980</u>
		<u><b>400,528</b></u>	<u><b>426,083</b></u>	<u><b>470,357</b></u>

**21.1** This comprises of the following major timing differences:

Deferred tax liability arising in respect of accelerated tax depreciation allowances	<u>244,431</u>	289,534	345,783
Deferred tax asset arising in respect of :			
Provision for doubtful debts	(19,947)	(8,487)	(4,935)
Provision for slow moving stores, spare parts and loose tools	<u>(5,078)</u>	<u>(4,404)</u>	<u>(4,471)</u>
	<u><b>219,406</b></u>	<u><b>276,643</b></u>	<u><b>336,377</b></u>

- 21.2 Actuarial valuation of the plan was carried out as at June 30, 2014. The calculation for provision of defined benefit plan is as under:-

(Pak Rupees in Thousand)				
		2014	2013 Restated	2012 Restated
<b>Movement of the liability recognised in the balance sheet</b>				
Balance at beginning		149,440	133,980	80,776
Expense	21.2.1	25,073	22,598	25,164
Remeasurement: actuarial losses on obligation		11,192	-	33,467
Payment		(4,583)	(7,138)	(5,427)
Balance at end		<u>181,122</u>	<u>149,440</u>	<u>133,980</u>
<b>21.2.1 Expense</b>				
Service cost		8,151	5,851	12,935
Interest cost		16,922	16,747	12,229
		<u>25,073</u>	<u>22,598</u>	<u>25,164</u>

## 22 TRADE AND OTHER PAYABLES

		2014	2013
Trade creditors	22.1	123,959	386,129
Bills payable		481,580	585,628
Accrued expenses	22.2 & 22.3	182,847	151,422
Advance payments from customers		250,106	207,685
Creditors for capital expenditures		55	-
Security deposits from contractors		2,115	8,191
Workers' Welfare Fund		5,518	4,906
Infrastructure Cess on imports	22.4	74,613	59,885
Unclaimed dividend		10,146	9,002
Other liabilities	22.5	42,086	26,378
		<u>1,173,025</u>	<u>1,439,226</u>

22.1 These include Nil (2013: Rs.19.907 million) payable to related parties i.e. Messrs. Novatex Limited.

22.2 These include Rs.13.226 million (2013: Nil), Rs.2.357 million (2013: Nil) and Rs.0.409 million (2013: Rs.0.393 million) payable to related parties i.e. Messrs. Gatro Power (Pvt) Limited, Messrs. Novatex Limited and Messrs. Gani & Tayub (Private) Limited respectively.

22.3 The Government of Pakistan increased the Gas Infrastructure Development Cess (GIDC) from July-2012 from Rs.13/- to Rs.100/- per MMBTU. This was subsequently reduced by the Government to Rs.50/- per MMBTU from September-2012. The Company alongwith several other companies has filed a suit in the Sindh High Court challenging the increase in GIDC. The Sindh High Court has been pleased to stay recovery of the enhanced GIDC and hence the Company has not paid the enhanced GIDC. Additionally, the Government through Finance Act 2014, has increased the amount of GIDC for both captive power and industrial consumption to Rs.200 & Rs.150 per MMBTU respectively. This time also the Company alongwith several other companies has filed a suit in the Sindh High Court, challenging the increase in GIDC and Sindh High Court granted stay accordingly. Based on the legal advise, the management believes that the case will be decided in favour of the Company. However, the Company has provided Rs.25.444 million (2013: Rs.10.500 million) in the accounts as an abundant precaution.

22.4 Infrastructure Cess on imports	(Pak Rupees in Thousand)	
	2014	2013
Balance at beginning	59,885	89,481
Provision/(reversal) made during the year	27,937	(16,804)
Payment made during the year	(13,209)	(12,792)
Balance at end	<u>74,613</u>	<u>59,885</u>

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

In due course of time, the Government of Sindh withdrew its petition from the Supreme Court. Later on the Supreme Court vide its order dated May 20, 2011 set aside the order passed by the High Court of Sindh. Consequently a new petition was filed by the Company in the High Court of Sindh. Through an interim order dated May 31, 2011, the High Court of Sindh ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. Till balance sheet date, the Company has provided bank guarantee amounting to Rs.74.865 million (2013: Rs.59.865 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006. Based on the legal advise, the management believes that the case will be decided in favour of the Company. However, full provision after December 27, 2006 has been made in the accounts as an abundant precaution.

22.5 These include Rs.24.318 million (2013: Rs.23.497 million) received from employees under company car policy.

**23. ACCRUED MARK UP**

Mark up on short term borrowings	<u>25,880</u>	<u>19,765</u>
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**24. SHORT TERM BORROWINGS - Secured**

From banking companies under mark up arrangements

Running finance	1,287,334	849,867
Export re-finance	100,000	85,000
	<u>1,387,334</u>	<u>934,867</u>

24.1 The Company has aggregate facilities of short term borrowings amounting to Rs.4,555 million (2013: Rs.4,905 million) from various commercial banks (as listed in Note 24.3) out of which Rs.3,387 million (2013: Rs.4,085 million) remained unutilised at the year end. The Company also has Rs.325 million (2013: Rs.325 million) swinging facility with an Associate Company, out of which Rs.219 million (2013: Rs.115 million) utilized by the Company at the year end. The mark up rates for running finance and export re-finance ranged between Rs.0.2721 to Rs.0.3186 per Rs.1000/- per day and 8.45% to 8.65% per annum respectively. These facilities are renewable annually at respective maturities.

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

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

		(Pak Rupees in Thousand)	
		2014	2013
<b>25</b>	<b>PROVISION FOR INCOME TAX LESS PAYMENTS</b>		
	Balance at beginning	15	(43,014)
	Provision for the year		74,285
			<u>31,271</u>
	Payment during the year		(51,889)
	Adjustment for the year		48,799
	Balance at end		<u>28,181</u>

**26 CONTINGENCIES AND COMMITMENTS****26.1 Contingencies**

- a) The Company makes provision for Workers' Profit Participation Fund, based on the management's considered view that the law on workers' participation in profits, necessitates participation of the workers, in the manner laid down in the law, from net profit [from which all the expenses, including cesses, levies and taxes, are fully deducted] and which is available for participation and attributable to workers role which may be subject to interpretation by the relevant authority. The quantum of the differential amount upto June 30, 2014 involved is Rs.27.623 million (2013: Rs.27.623 million) and no provision for that amount is considered in the financial statements as the management is confident that no further liability will arise on this account. Accordingly, the Company has discharged its liability and so far no negative inference has been communicated to the Company.
- b) FBR initiated action against few buyers of Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Company had to pay Rs.27.762 million and had also to give post-dated cheques of Rs.83.287 million under protest in favour of Chief Commissioner Inland Revenue.

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

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

- c) Bank guarantees issued by the banks on behalf of the Company in favour of:

The Director Excise & Taxation, Karachi	74,865	59,865
The Electric Inspector, President Licencing Board, Quetta	10	10
	<u>74,875</u>	<u>59,875</u>

**26.2 Commitments**

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

Foreign currency:

Property, plant and equipment	104,555	-
Raw material	243,838	132,905
Spare parts and others	32,961	11,614
	<u>381,354</u>	<u>144,519</u>

Local currency:

Raw material	101,183	-
Spare parts and others	30,992	30,992
	<u>132,175</u>	<u>30,992</u>
	<u>513,529</u>	<u>175,511</u>

(Pak Rupees in Thousand)

		2014	2013
<b>27 SALES</b>			
Gross local sales		12,100,068	11,339,719
Third party processing charges		54,995	49,896
		12,155,063	11,389,615
Less: Sales tax	27.1	687,593	421,779
Local sales		11,467,470	10,967,836
Export sales		296,229	380,269
		<u>11,763,699</u>	<u>11,348,105</u>

27.1 These include local reduced rate supplies.

**28 COST OF SALES**

Raw material consumed		7,558,228	8,096,250
Stores, spare parts and loose tools consumed		174,857	152,710
Outsource processing charges		159,127	143,645
Salaries, wages, allowances and benefits	28.1	745,992	674,867
Power, fuel and gas		1,760,435	1,501,900
Rent, rates and taxes		2,632	1,316
Insurance		32,146	32,826
Cartage & Transportation		112,111	102,706
Repairs and maintenance		82,061	57,414
Communications & Computer expenses		1,603	2,229
Water supply		12,181	1,836
Travelling		2,479	1,870
Legal, professional & subscription fees		4,640	2,832
Sundry		26,260	16,627
Depreciation	5.2	266,557	279,066
		10,941,309	11,068,094
Duty draw back		(129)	(97)
Scrap sales	28.2	(16,854)	(26,602)
		10,924,326	11,041,395
Opening stock of goods-in-process		747,624	699,572
Closing stock of goods-in-process		(628,472)	(747,624)
Cost of goods manufactured		11,043,478	10,993,343
Opening stock of finished goods		1,105,595	963,377
Closing stock of finished goods		(966,009)	(1,105,595)
		<u>11,183,064</u>	<u>10,851,125</u>

28.1 These include Rs.14.471 million (2013 : Rs.13.537 million) and Rs.9.130 million (2013 : Rs.7.013 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

28.2 Net off sales tax amounting to Rs.2.359 million (2013: Rs.4.274 million)

**29 DISTRIBUTION AND SELLING EXPENSES**

Salaries, allowances and benefits	29.1	29,930	26,755
Insurance		3,866	3,860
Rent, rates and taxes		990	520
Handling, freight and transportation		168,869	159,255
Advertisement and sales promotion		914	1,728
Communications		263	332
Travelling		1,114	2,049
Legal, professional & subscription fees		366	515
Sundry	29.2	30,885	3,298
Depreciation	5.2	1,051	939
		<u>238,248</u>	<u>199,251</u>

**29.1** These include Rs.0.827 million (2013 : Rs.0.812 million) and Rs.3.887 million (2013: Rs.3.158 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

**29.2** These include amount of Rs.27.762 million of sales tax paid under protest. Also refer in note 26.1 (b).

		(Pak Rupees in Thousand)	
<b>30 ADMINISTRATIVE EXPENSES</b>		<b>2014</b>	<b>2013</b>
Salaries, allowances and benefits	30.1	132,124	120,322
Rent, rates and taxes		45,220	45,453
Insurance		1,272	1,002
Repairs and maintenance		8,665	9,511
Travelling		5,303	5,512
Communications		2,407	2,313
Legal, professional & subscription fees		16,562	7,863
Utilities		6,429	6,305
Printing and stationery		2,278	2,203
Transportation		3,899	4,008
Sundry		6,049	6,189
Depreciation	5.2	6,333	5,425
		<u>236,541</u>	<u>216,106</u>

**30.1** These include Rs.4.660 million (2013 : Rs.4.013 million) and Rs.12.056 million (2013 : Rs.12.427 million) representing contribution to defined contribution plan by the Company and expenditure on defined benefit plan respectively.

### 31 OTHER OPERATING EXPENSES

Loss on disposal of property, plant and equipment		99	68
Provision for doubtful trade debts - net	11.2	36,129	10,862
Provision for slow moving stores, spare parts and loose tools - net	9.1	2,436	177
Impairment in long term investments		73	158
Exchange loss - net		-	25,094
Corporate social responsibilities	31.1	21,434	21,552
Workers' Welfare Fund - current		3,256	4,906
Workers' Welfare Fund - prior		-	1,902
Auditors' remuneration	31.2	1,121	1,190
		<u>64,548</u>	<u>65,909</u>

**31.1** These include donation of Rs.8.546 million (2013: Rs.8.655 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	1,000	1,000
Limited review, audit of consolidated financial statements, provident funds and certification fee	63	122
Out of pocket expenses	58	68
	<u>1,121</u>	<u>1,190</u>

	(Pak Rupees in Thousand)	
	2014	2013
<b>32 OTHER INCOME</b>		
<b>Income from non -financial assets</b>		
Storage and handling income	439	1,189
Gain on disposal of property, plant and equipment	8,557	4,633
	<u>8,996</u>	<u>5,822</u>
<b>Others</b>		
Liabilities no more payable written back	3,457	341
Exchange gain - net	1,615	-
Miscellaneous income	235	138
	<u>5,307</u>	<u>479</u>
	<u>14,303</u>	<u>6,301</u>
<b>33 FINANCE COST</b>		
Mark up on short term borrowings	116,743	73,734
Interest on Workers' Profit Participation Fund	-	620
Bank charges	1,804	3,234
	<u>118,547</u>	<u>77,588</u>
<b>34 INVESTMENT INCOME - DIVIDEND</b>		
Dividend income from wholly owned subsidiary - M/s. Gatro Power (Private) Limited	<u>225,750</u>	<u>285,950</u>
<b>35 INCOME TAX</b>		
For the current year	74,285	-
For the prior year	-	(31,492)
	<u>74,285</u>	<u>(31,492)</u>
Deferred	(57,237)	(59,734)
	<u>17,048</u>	<u>(91,226)</u>
<b>Relationship between income tax and profit before income tax :</b>		
Profit before income tax	162,804	230,377
Income tax rate	34%	35%
Income tax on profit before income tax	55,353	80,632
Tax effect of:		
permanent differences	(76,755)	(100,082)
minimum tax	114,675	-
tax credits	(43,294)	(6,691)
income assessed under final tax regime	(3,547)	(10,466)
change in statutory tax rate for next year	(6,649)	(8,137)
others	(22,735)	(14,990)
prior year reversal for income tax	-	(31,492)
Income tax for the year	<u>17,048</u>	<u>(91,226)</u>

	(Pak Rupees in Thousand)	
	2014	2013
<b>36 EARNINGS PER SHARE - Basic and diluted</b>		
Profit after income tax	145,756	321,603
	( Number of Shares )	
Number of Ordinary shares	38,364,480	38,364,480
	Rupees	Rupees
Earnings per share - Basic and diluted	<u>3.80</u>	<u>8.38</u>

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

### 37 CASH AND CASH EQUIVALENTS

Cash and bank balances	17	103,971	52,408
Short term borrowings	24	<u>(1,387,334)</u>	<u>(934,867)</u>
		<u>(1,283,363)</u>	<u>(882,459)</u>

### 38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### FINANCIAL ASSETS AND LIABILITIES

(Pak Rupees in Thousand)

	Interest/mark-up bearing			Non-Interest/mark-up bearing			2014 Total	2013 Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total		
<b>Financial Assets</b>								
Long term investments	-	-	-	-	597,769	597,769	597,769	300,632
Loans and advances	-	-	-	4,321	211	4,532	4,532	5,243
Deposits	-	-	-	3,756	1,671	5,427	5,427	1,866
Trade debts	-	-	-	1,088,765	-	1,088,765	1,088,765	1,155,689
Other receivables	-	-	-	173,933	-	173,933	173,933	191,986
Cash and bank balances	-	-	-	103,971	-	103,971	103,971	52,408
	-	-	-	1,374,746	599,651	1,974,397	1,974,397	1,707,824
<b>Financial Liabilities</b>								
Trade and other payables	-	-	-	842,788	-	842,788	842,788	1,166,750
Accrued mark up	-	-	-	25,880	-	25,880	25,880	19,765
Short term borrowings	1,387,334	-	1,387,334	-	-	-	1,387,334	934,867
	1,387,334	-	1,387,334	868,668	-	868,668	2,256,002	2,121,382

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.



	Average rate		Reporting date rate	
	2014	2013	2014	2013
	(Pak Rupees in Thousand)			
<b>Effect on profit &amp; loss account</b>				
USD to PKR	53,198	48,113	51,095	49,102
Euro to PKR	12,903	251	12,424	258
AED to PKR	(2,361)	(686)	(2,261)	(698)
CHF to PKR	369	-	358	-
JPY to PKR	346	-	331	-
	<u>64,455</u>	<u>47,678</u>	<u>61,947</u>	<u>48,662</u>

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

## ii Price risk

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

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

## iii Interest / Markup rate risk

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

	Effective rate (in %)		(Pak Rupees in Thousand) Carrying amount	
	2014	2013	2014	2013
<b>Financial Liabilities</b>				
<b>Variable rate instruments</b>				
Short term borrowings	8.77 - 10.46	9.13 - 11.31	<u>1,387,334</u>	<u>934,867</u>

## Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variable, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2013.

	Profit and loss	
	100 bp increase	100 bp decrease
<b>As at June 30, 2014</b>		
Cash flow sensitivity - Variable rate financial liabilities	<u>(13,873)</u>	<u>13,873</u>
<b>As at June 30, 2013</b>		
Cash flow sensitivity - Variable rate financial liabilities	<u>(9,349)</u>	<u>9,349</u>

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

**B Credit risk**

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

**Exposure to credit risk**

The carrying amount of the financial assets represent the maximum credit exposure before any credit enhancements. Out of total financial assets of Rs.1,974.397 million (2013 : Rs.1,707.824 million), the financial assets which are subject to credit risk amounted to Rs.1,375.024 million (2013: Rs.1,405.465 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	(Pak Rupees in Thousand)	
	2014	2013
Loans and advances	4,532	5,243
Deposits	5,427	1,866
Trade debts	<u>1,088,765</u>	<u>1,155,689</u>
Other receivables	<u>173,933</u>	<u>191,986</u>
	<u>1,262,698</u>	<u>1,347,675</u>
Bank balances	<u>102,367</u>	<u>50,681</u>
	<u>1,375,024</u>	<u>1,405,465</u>

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

Not past due	895,197	798,980
Past due 1-30 days	75,418	152,529
Past due 31-90 days	165,625	339,877
Past due 91-180 days	69,315	47,860
Past due 180 days	<u>117,589</u>	<u>33,392</u>
	<u>1,323,144</u>	<u>1,372,638</u>
Provision for doubtful debts	<u>(60,446)</u>	<u>(24,963)</u>
	<u>1,262,698</u>	<u>1,347,675</u>

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

Bank	Rating Agency	Rating	
		Short term	Long term
Bank Al-Falah Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
Barclays Bank PLC Pakistan	S&P	A-1	A
Citibank N.A	Moody's	P-1	A2
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
HSBC Bank Middle East Ltd	Moody's	P-1	A2
JS Bank Limited	PACRA	A1	A+
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
National Bank of Pakistan	JCR-VIS	A-1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+

### C Liquidity risk

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

The Company manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2014, the Company has Rs.4,555 million plus Rs.325 million swinging facility with Associate Company, available borrowing limit from financial institutions. The Company has unutilised borrowing facilities of Rs.3,387 million in addition to balances at banks of Rs.104 million. Based on the above, management believes the liquidity risk to be insignificant. The following are the contractual maturities of financial liabilities, including interest payments.

	Carrying Amount	Contractual Cash Flow	Six months or less	Beyond six months
----- (Pak Rupees in Thousand) -----				
<b>2014</b>				
Trade and other payables	842,788	842,788	842,788	-
Accrued mark up	25,880	25,880	25,880	-
Short term borrowings	1,387,334	1,387,334	1,387,334	-
	<u>2,256,002</u>	<u>2,256,002</u>	<u>2,256,002</u>	<u>-</u>
<b>2013</b>				
Trade and other payables	1,166,750	1,166,750	1,166,750	-
Accrued mark up	19,765	19,765	19,765	-
Short term borrowings	934,867	934,867	934,867	-
	<u>2,121,382</u>	<u>2,121,382</u>	<u>2,121,382</u>	<u>-</u>

### 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 gearing ratio as at June 30, 2014 and 2013 were as follows:

	(Pak Rupees in Thousand)	
	2014	2013
Total borrowings	1,387,334	934,867
Cash and bank balances	(103,971)	(52,408)
Net debt	1,283,363	882,459
Total equity	3,776,856	3,891,661
Total capital	5,060,219	4,774,120
Gearing ratio	25%	18%

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

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

### 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 Thousand)							
	Chief Executive		Directors		Executives		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
Managerial remuneration	14,189	12,644	24,597	22,886	97,040	83,097	135,826	118,627
Post employment benefits	4,488	5,159	5,885	9,411	15,116	13,835	25,489	28,405
Utilities	88	62	152	124	31	48	271	234
Other benefits	-	-	2,166	1,142	48,374	42,156	50,540	43,298
	18,765	17,865	32,800	33,563	160,561	139,136	212,126	190,564

#### Number of persons

for remuneration	1	1	4	3	65	59	70	63
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- 39.1 Aggregate amount of meeting fee to 3 non-executive Directors (2013: 4 non-executive Directors) was Rs.85 thousand (2013: Rs 65 thousand).
- 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.
- 39.3 An Associated Company reimbursed Rs.22.024 million (2013: Rs.28.038 million) in respect of services provided by certain directors and executives during the year.

#### 40 SEGMENT REPORTING

##### 40.1 Reportable segments

The Company's reportable segments are as follows:

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

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

##### 40.2 Segment results:

The segment information for the reportable segments for the year ended June 30, 2014 is as follows:

(Pak Rupees in Thousand)

	Polyester Filament Yarn	Polyester PET Preforms	Total 2014	Polyester Filament Yarn	Polyester PET Preforms	Total 2013
Sales	8,729,689	3,034,010	11,763,699	8,812,617	2,535,488	11,348,105
Segment result	(84,604)	190,450	105,846	(111,163)	192,786	81,623

Reconciliation of segment results with profit before income tax:

Total results for reportable segments		105,846				81,623
Other operating expenses		(64,548)				(65,909)
Other income		14,303				6,301
Finance cost		(118,547)				(77,588)
Investment income - Dividend		225,750				285,950
<b>Profit before income tax</b>		<b>162,804</b>				<b>230,377</b>

Assets and liabilities by segments are as follows:

Segment assets	4,234,083	1,269,740	5,503,823	4,164,637	1,618,004	5,782,641
Segment liabilities	334,761	116,076	450,837	615,872	163,532	779,404

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

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Total for reportable segments	5,503,823	450,837	5,782,641	779,404
Unallocated assets/liabilities	1,287,981	2,564,111	928,961	2,040,537
<b>Total as per balance sheet</b>	<b>6,791,804</b>	<b>3,014,948</b>	<b>6,711,602</b>	<b>2,819,941</b>

Other segment information is as follows:

	Polyester Filament Yarn	Polyester PET Preforms	Total 2014	Polyester Filament Yarn	Polyester PET Preforms	Total 2013
Depreciation	198,652	75,289	273,941	202,606	82,824	285,430
Capital expenditures incurred						
during the year	306,334	18,543	324,877	125,075	14,707	139,782
Unallocated capital expenditure incurred						
during the year			39,814			10,031
Total			364,691			149,813

40.3 97.48% (2013: 96.65%) out of total sales of the Company relates to customers in Pakistan.

40.4 All non-current assets of the Company as at June 30, 2014 are located in Pakistan.

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

		( Metric Tons )	
		2014	2013
41	<b>PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
	Annual capacity (Based on 75 denier Yarn and 39 gms Preform)	51,797	51,797
	Actual production	52,699	55,536
41.1	<b>Polyester Filament Yarn</b>		
	Annual capacity	24,191	24,191
	Actual production	39,434	40,886
41.2	<b>Polyester P.E.T. Preforms</b>		
	Annual capacity	27,606	27,606
	Actual production	13,265	14,650

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

41.2.1 The capacity is determined based on 39 gms 12 months production. Actual production represents production of various grammage. The actual production versus annual capacity is lower on account of very low preform demand/production in winter months of the year. The actual production of preforms (various grammage) in pieces was 404.890 million (2013: 461.719 million) against annual capacity (based on 39 gms) of 707.858 million pieces.

		(Pak Rupees in Thousand)	
		2014	2013
<b>42</b>	<b>TRANSACTIONS WITH RELATED PARTIES</b>		
During the year, details of transactions with related parties are as follows:			
Subsidiary Companies	Purchase of power	<b>1,536,722</b>	1,296,054
	Investment in shares	<b>210</b>	40
	Receipt of dividend	<b>225,750</b>	285,950
	On account of rent/storage & handling and reimbursement of expenses	<b>21,800</b>	21,144
Associated Company	Purchase / sale of services	<b>206,131</b>	186,654
	Purchase of other material	<b>566</b>	3,726
	Investment in shares	<b>297,000</b>	-
	On account of rent	<b>44,890</b>	44,890
	On account of reimbursement of expenses	<b>42,075</b>	45,430
Other Related Parties	Payment of dividend	<b>10,533</b>	7,292
	Charges on account of handling	<b>5,128</b>	5,638
	Payment of donation	<b>8,546</b>	8,655

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

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

Transactions and outstanding balances, as applicable in relation to Defined Contribution Plan (DCP) and Key Management Personnel (KMP) have been disclosed in notes 28.1, 29.1, 30.1 of DCP; 7.2 and 39 of KMP respectively. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Company considers its Chief Executive, Executive Directors and other executives to be KMP.

#### 43 PROVIDENT FUND RELATED DISCLOSURES

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

Size of the Funds - Total Assets	<b>322,239</b>	306,912
Cost of Investments made	<b>289,869</b>	287,256
Fair Value of investments	<b>319,269</b>	306,790
Percentage of investments made	<b>99.08%</b>	99.96%

(Pak Rupees in Thousand)

	2014		2013	
	Amount	%	Amount	%
<b>43.1 The Break-up of fair value of investments is:</b>				
Shares in Listed Companies	1	0.00%	1	0.00%
Government Securities	239,530	75.03%	232,325	75.73%
Debt Securities	16,802	5.26%	20,631	6.72%
Mutual Funds	21,479	6.73%	-	0.00%
Bank Deposits	41,457	12.98%	53,833	17.55%
	<b>319,269</b>	<b>100.00%</b>	<b>306,790</b>	<b>100.00%</b>

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

#### 44 NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2014 and 2013 respectively are as follows:

	(Number of employees)	
	2014	2013
Average number of employees during the year	1,099	1,148
Number of employees as at June 30	1,074	1,127

#### 45 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors, in its meeting held on September 13, 2014, has recommended final cash dividend of Rs.3.00 per share (2013: Rs.4.00 per share final cash dividend). This is in addition to interim cash dividend of Rs.2.50 per share (2013: Nil) already paid resulting a total cash dividend for the year of Rs.5.50 per share (2013: Rs.4.00 per share). The approval of the members for the final cash dividend will be obtained in the Annual General Meeting. Since it is a non adjusting event, the financial statements for the year ended June 30, 2014 do not include the effect of the recommended cash dividend.

#### 46 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 13, 2014 by the Board of Directors of the Company.

#### 47 GENERAL

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

**HAJI HAROON BILWANI**  
Chairman

**PEER MOHAMMAD DIWAN**  
Chief Executive

## Pattern of Shareholding

AS ON JUNE 30, 2014

Serial No.	No. of Shareholders	Shareholding		Total Shares Held
		From	To	
1	307	1	100	17,458
2	656	101	500	304,450
3	248	501	1,000	161,041
4	74	1,001	5,000	145,960
5	9	5,001	10,000	60,988
6	3	10,001	15,000	36,114
7	1	15,001	20,000	15,100
8	1	20,001	25,000	22,940
9	2	65,001	70,000	137,719
10	3	110,001	115,000	345,000
11	2	130,001	135,000	266,000
12	1	190,001	195,000	190,504
13	1	215,001	220,000	217,320
14	1	225,001	230,000	229,880
15	1	285,001	290,000	287,750
16	1	350,001	355,000	350,414
17	1	470,001	475,000	470,117
18	1	580,001	585,000	581,921
19	2	630,001	635,000	1,263,302
20	1	660,001	665,000	664,950
21	1	670,001	675,000	671,451
22	1	970,001	975,000	973,000
23	1	1,025,001	1,030,000	1,027,700
24	1	1,170,001	1,175,000	1,172,422
25	1	1,255,001	1,260,000	1,259,067
26	1	1,520,001	1,525,000	1,520,565
27	1	1,600,001	1,605,000	1,602,920
28	1	1,615,001	1,620,000	1,619,624
29	1	1,620,001	1,625,000	1,620,387
30	2	2,045,001	2,050,000	4,093,397
31	1	2,240,001	2,245,000	2,240,195
32	1	2,280,001	2,285,000	2,281,100
33	1	2,795,001	2,800,000	2,796,884
34	1	2,805,001	2,810,000	2,808,070
35	1	3,445,001	3,450,000	3,445,400
36	1	3,460,001	3,465,000	3,463,370
	<b>1,333</b>			<b>38,364,480</b>

Shareholders' Categories	No. of Shareholders	Shares Held	Holding Percentage
Individuals	1,315	25,547,703	66.59
Joint Stock Companies	10	3,232,907	8.43
Financial Institutions	3	3,430	0.01
Insurance Companies	1	200	0.00
Investment Companies	4	9,580,240	24.97
<b>Total</b>	<b>1,333</b>	<b>38,364,480</b>	<b>100.00</b>

## Detail of Pattern of Shareholding

	<b>Shares Held</b>
<b>Associated Company</b>	
M/s. Gani & Tayub (Private) Limited	1,620,387
<b>Mutual Funds</b>	None
<b>NIT</b>	3,050
<b>Directors and their spouse(s) and minor children</b>	
Haji Haroon Bilwani	2,240,195
Mr. Peer Mohammad Diwan	2,796,884
Mr. Abdul Razak Diwan	3,445,400
Mr. Zakaria Bilwani	1,620,624
Mr. Usman Bilwani	2,048,048
Mr. Iqbal Bilwani	1,260,067
Mr. Shabbir Diwan	421,414
Mr. Muhammad Taufiq Bilwani	119,200
Mst. Majida Haroon	230,880
Bai Amina	287,750
Mst. Razia Ahmed	639,803
<b>Executives</b>	1,538,815
<b>Public Sector Companies</b>	2,640,110
<b>Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds</b>	8,553,230
<b>Shareholders holding 5% or more</b>	
Mst. Zohra Hajiani	2,046,349
Mr. Usman Bilwani	2,047,048
Haji Haroon Bilwani	2,240,195
M/s. Redwood Investments Ltd.	2,281,100
M/s. Treatbase Limited	2,630,620
Mr. Peer Mohammad Diwan	2,796,884
M/s. Ventures Asia LLC	2,808,070
Mr. Abdul Razak Diwan	3,445,400
M/s. Eurobond Investments Limited	3,463,370
<b>No trading in the shares by Directors/Executives of the Company, except following transmission of shares of his late mother</b>	
Mr. Mohammad Yasin Bilwani (Company Secretary)	1,000

# Consolidated Financial Statements





## Directors' Report

On behalf of the Board of Directors of Messrs. Gatron (Industries) Limited, we are pleased to present the audited Consolidated Financial Statements of the Group for the year ended June 30, 2014.

### The Group

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

### Gatro Power (Private) Limited

Operations of wholly owned subsidiary M/s. Gatro Power (Pvt) Limited remained satisfactory. However, it will be affected, if the abnormal and irrational increase in GIDC from Rs. 13 to Rs. 150 and Rs. 200 per MMBTU for industrial user and captive power respectively, upheld by the Court. The Company paid 110% cash dividend amounting to Rs. 225.750 million during the reporting period.

### GT Universal Limited

The Company has not yet commenced its operations till date.

### Global Synthetics Limited

The Company has not yet commenced its operations till date.

### Consolidated Financials

(Pak Rupees in Thousand)

#### Operating results for the year ended June 30, 2014

Profit before income tax	299,959
Income Tax	17,048
Share of profit after income tax in associated company	319,763
Profit after income tax	602,674
Remeasurement of defined benefit liability	11,307
Total comprehensive income	591,367
Un- appropriated profit brought forward	3,679,209
Un- appropriated profit carried forward	4,021,207

#### State of affairs as on June 30, 2014

Property, plant and equipment	2,264,015
Other non-current assets	3,782,056
Current assets	4,987,787
Total assets	11,033,858
Deduct:	
Non-current liabilities	400,852
Current liabilities	2,984,509
Total liabilities	3,385,361
Net assets financed by shareholders' equity	7,648,497

The sum of Rs. 362.904 million and Rs. 319.763 million attributed to the wholly owned subsidiary and associated company respectively, have been included in the Group profit after income tax of Rs. 602.674 million as depicted above.

On behalf of the Board

Peer Mohammad Diwan  
Chief Executive

September 13, 2014

## AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

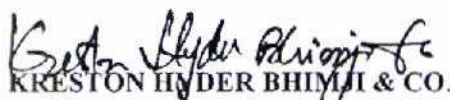
We have audited the annexed Consolidated Financial statements comprising Consolidated Balance Sheet of GATRON (INDUSTRIES) LIMITED (The Holding Company) and its Subsidiary Companies Gatro Power (Private) Limited, Global Synthetics Limited and GT Universal Limited as at June 30, 2014 and the related Consolidated Profit and Loss Account, Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the Financial Statements of GATRON (INDUSTRIES) LIMITED and its Subsidiary Companies Gatro Power (Private) Limited, Global Synthetics Limited and GT Universal Limited. These Consolidated Financial Statements are the responsibility of the holding company's management. Our responsibility is to express an opinion on these Financial Statements based on our audit.

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

In our opinion, the Consolidated Financial Statements present fairly the financial position of GATRON (INDUSTRIES) LIMITED and its Subsidiary Companies as at June 30, 2014 and the results of their operations for the year then ended.

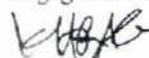
### Emphasis of matter paragraph

We draw attention to the contents of notes 27.1 (a) and (c) of the annexed consolidated financial statements relating to provision in respect of WPPF, the ultimate outcome whereof cannot be presently ascertained, and no provision for any liability, that may arise, has been made in the annexed Financial Statements, Our opinion is not qualified in respect of this matter.

  
KRESTON HYDER BHIMJI & CO.  
Chartered Accountants

Engagement Partner: Shaikh Mohammad Tanvir

Karachi: 13 SEP 2014



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## Consolidated Balance Sheet

AS AT JUNE 30, 2014

				(Pak Rupees in Thousand)		
	Notes	2014	2013 Restated	2012 Restated		
<b>ASSETS</b>						
<b>Non-current Assets</b>						
Property, plant and equipment	6	2,264,015	2,233,628	2,290,143		
Long term investment	7	3,780,174	3,163,411	3,039,328		
Long term loans	8	211	152	561		
Long term deposits	9	1,671	1,251	1,019		
		<b>6,046,071</b>	<b>5,398,442</b>	<b>5,331,051</b>		
<b>Current Assets</b>						
Stores, spare parts and loose tools	10	666,645	638,330	497,169		
Stock in trade	11	2,315,281	2,644,785	2,145,909		
Trade debts	12	1,088,765	1,155,689	800,947		
Loans and advances	13	37,988	46,862	21,366		
Trade deposits and short term prepayments	14	109,480	44,195	20,081		
Other receivables	15	213,030	240,039	227,601		
Income tax refundable payments less provision	16	-	44,407	-		
Advance income tax		-	51,217	51,152		
Taxes refund due from Federal Government	17	102,390	11,337	13,833		
Cash and bank balances	18	454,208	107,515	233,609		
		<b>4,987,787</b>	<b>4,984,376</b>	<b>4,011,667</b>		
<b>TOTAL ASSETS</b>		<b>11,033,858</b>	<b>10,382,818</b>	<b>9,342,718</b>		
<b>EQUITY AND LIABILITIES</b>						
<b>SHARE CAPITAL &amp; RESERVES</b>						
Share capital	19	383,645	383,645	383,645		
Capital reserves	20	458,645	458,645	458,645		
General reserve	21	2,785,000	2,785,000	2,195,000		
Unappropriated profit		4,021,207	3,679,209	4,023,171		
		<b>7,648,497</b>	<b>7,306,499</b>	<b>7,060,461</b>		
<b>LIABILITIES</b>						
<b>Non-current Liabilities</b>						
Deferred liabilities	22	400,852	426,251	470,668		
<b>Current Liabilities</b>						
Trade and other payables	23	1,543,559	1,695,436	1,545,737		
Accrued mark up	24	25,880	19,765	11		
Short term borrowings	25	1,387,334	934,867	156,514		
Provision for income tax less payments	26	27,736	-	109,327		
		<b>2,984,509</b>	<b>2,650,068</b>	<b>1,811,589</b>		
<b>CONTINGENCIES AND COMMITMENTS</b>						
	27					
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>11,033,858</b>	<b>10,382,818</b>	<b>9,342,718</b>		

The notes 1 to 47 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, 2014 were 1 US\$ = Rs. 98.75, 1 Euro € = Rs. 134.73 and 1 Pound £ = Rs. 168.13

## Consolidated Profit and Loss Account

FOR THE YEAR ENDED JUNE 30, 2014

	Notes	(Pak Rupees in Thousand)	
		2014	2013 Restated
Sales	28	11,502,456	11,140,027
Cost of sales	29	10,547,026	10,374,751
<b>Gross profit</b>		<b>955,430</b>	<b>765,276</b>
Distribution and selling expenses	30	238,248	199,251
Administrative expenses	31	237,795	217,047
Other operating expenses	32	74,914	73,454
		<b>550,957</b>	<b>489,752</b>
		<b>404,473</b>	<b>275,524</b>
Other income	33	14,452	5,856
<b>Operating profit</b>		<b>418,925</b>	<b>281,380</b>
Finance cost	34	118,966	78,011
<b>Profit before income tax</b>		<b>299,959</b>	<b>203,369</b>
Income tax	35	17,048	(91,226)
Share of profit after income tax in associated company		319,763	124,083
<b>Profit after income tax</b>		<b>602,674</b>	<b>418,678</b>
<b>Earnings per share - Basic and diluted ( Rupees)</b>	36	<b>15.71</b>	<b>10.91</b>

(1) The Board of Directors of Parent Company has recommended final cash dividend for the year ended June 30, 2014 of Rs.3.00 per share (i.e. 30%). This is in addition to interim cash dividend of Rs.2.50 per share (i.e. 25%).

(2) The notes 1 to 47 annexed herewith form an integral part of these financial statements.

**HAJI HAROON BILWANI**  
Chairman

**PEER MOHAMMAD DIWAN**  
Chief Executive

## Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED JUNE 30, 2014

	(Pak Rupees in Thousand)	
	2014	2013 Restated
Profit after income tax	602,674	418,678
Other comprehensive income		
<i>Items that will never be reclassified to profit or loss</i>		
Remeasurement of defined benefit liability having nil tax impact	(11,307)	-
Total comprehensive income	<u>591,367</u>	<u>418,678</u>

The notes 1 to 47 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, 2014

	Note	(Pak Rupees in Thousand)	
		2014	2013 Restated
<b>Cash Flow from/(towards) Operating Activities</b>			
Profit before income tax		299,959	203,369
Adjustments for:			
Depreciation		325,391	329,472
Provision for defined benefit plan		25,114	22,678
Gain on disposal of property, plant and equipment		(8,557)	(4,633)
Loss on disposal of property, plant and equipment		99	68
Provision for doubtful trade debts-net		36,129	10,862
Provision for slow moving stores, spare parts and loose tools-net		2,697	160
Finance cost		118,966	78,011
		499,839	436,618
		799,798	639,987
Decrease/(increase) in current assets:			
Stores, spare parts and loose tools		(31,012)	(141,321)
Stock in trade		329,504	(498,876)
Trade debts		30,795	(365,604)
Loans and advances		8,246	(24,716)
Trade deposits and short term prepayments		(65,285)	(24,114)
Other receivables		27,009	(12,438)
Taxes refund due from Federal Government		10,356	2,898
		309,613	(1,064,171)
(Decrease)/increase in Trade and other payables		(133,282)	137,232
Cash flow from/(towards) operations		976,129	(286,952)
(Payments for)/Receipts of:			
Long term loans		569	(371)
Long term deposits		(420)	(232)
Defined benefit plan		(4,583)	(7,361)
Dividend		(248,225)	(172,603)
Finance cost		(112,851)	(58,257)
Income tax		(52,334)	(122,709)
Net cash flow from/(towards) operating activities		558,285	(648,485)
<b>Cash Flow (towards)/from Investing Activities</b>			
Additions in property, plant and equipment		(387,790)	(266,001)
Proceeds from disposal of property, plant and equipment		20,731	10,039
Increase in long term investment		(297,000)	-
Net cash flow towards investing activities		(664,059)	(255,962)
<b>Net decrease in cash and cash equivalents</b>		(105,774)	(904,447)
<b>Cash and cash equivalents at the beginning</b>		(827,352)	77,095
<b>Cash and cash equivalents at the end</b>	37	(933,126)	(827,352)

The notes 1 to 47 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, 2014

(Pak Rupees in Thousand)

	Paid-up capital	Capital Reserves			General reserve	Unappropriated profit	Total
		Share premium	Others	Sub Total			
Balances as at July 01, 2012 as originally reported	383,645	383,645	75,000	458,645	2,195,000	4,056,077	7,093,367
Impact of change in accounting policy-note 5	-	-	-	-	-	(32,906)	(32,906)
Balances as at July 01, 2012 -restated	383,645	383,645	75,000	458,645	2,195,000	4,023,171	7,060,461
Total comprehensive income for the year ended June 30, 2013 - restated	-	-	-	-	-	418,678	418,678
Transfer to General reserve	-	-	-	-	590,000	(590,000)	-
<b>Transactions with owners</b>							
Final cash dividend for the year ended June 30, 2012 at Rs.4.50 per share i.e. @ 45%	-	-	-	-	-	(172,640)	(172,640)
Balances as at June 30, 2013 -restated	383,645	383,645	75,000	458,645	2,785,000	3,679,209	7,306,499
Balances as at July 01, 2013 as originally reported	383,645	383,645	75,000	458,645	2,785,000	3,710,338	7,337,628
Impact of change in accounting policy-note 5	-	-	-	-	-	(31,129)	(31,129)
Balances as at July 01, 2013 - restated	383,645	383,645	75,000	458,645	2,785,000	3,679,209	7,306,499
Total comprehensive income for the year ended June 30, 2014	-	-	-	-	-	591,367	591,367
<b>Transactions with owners</b>							
Final cash dividend for the year ended June 30, 2013 at Rs.4.00 per share i.e. @40%	-	-	-	-	-	(153,458)	(153,458)
Interim cash dividend for the year ended June 30, 2014 at Rs.2.50 per share i.e. @25%	-	-	-	-	-	(95,911)	(95,911)
	-	-	-	-	-	(249,369)	(249,369)
Balances as at June 30, 2014	383,645	383,645	75,000	458,645	2,785,000	4,021,207	7,648,497

(1) Included in un-appropriated profit, is a sum of Rs 3,213,174 million, representing proportionate share in un-appropriated profits of associated company upto March 31, 2014, which is not available for distribution to the shareholder of the Parent Company, until realised.

(2) The notes 1 to 47 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, 2014

### 1 THE GROUP AND ITS OPERATIONS

The Group consists of :

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

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 Filament Yarn alongwith its raw material viz. Yarn Grade Polyester Chips. However, the Company also produces other varieties of Polyester Chips viz Bottle Grade as well as PET Preforms.

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

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

Global Synthetics Limited is a wholly owned subsidiary of Gatron (Industries) Limited to reconstruct the Company's preform business into a separate entity. The Board of Directors deliberated, in view of recent development and in the interest of the Group, to keep the restructuring of preform business in separate entity, still in abeyance.

### 2 BASIS OF CONSOLIDATION

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

### 3 BASIS OF PREPARATION

#### 3.1 Statement of compliance

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

#### 3.2 Changes in accounting standards, interpretations and pronouncements

##### a) Standards, interpretations and amendments to published approved accounting standards that became effective during the year

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

IAS-1	Financial Statements Presentation - Amendment
IAS-16	Property, Plant and Equipment - Amendment
IAS-19	Employees Benefits
IAS - 27	Separate Financial Statements
IAS - 28	Investments in Associates and Joint Ventures
IAS - 32	Financial Instrument: Presentation - Amendment
IAS - 34	Interim Financial Reporting- Amendment
IFRS -7	Financial Instruments: Disclosures - Amendment
IFRIC-20	Stripping costs in the production phase of Surface Mine

These standards, amendments and interpretation are not expected to have significant impact except IAS 19, IAS 27, IAS 28 and IAS 34 on the company's financial statements other than certain additional disclosures and which are briefly described below:

IAS 19 - 'Employees Benefits: The amendment removes the options for accounting for the liability and requires that the liabilities arising from such plans is recognized in full, and actuarial gains and losses being recognized in other comprehensive income (eliminate corridor method for recognition of actuarial gains and losses). It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short term and other long term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

IAS 27 - 'Separate Financial Statements' 2011 - amendment: The Standard requires that when an entity prepares separate financial statements; investments in subsidiaries, associates and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 Financial Instruments / IAS 39 Financial Instruments: Recognition and Measurement. The Standard also deals with the recognition of dividends, certain group reorganizations and includes a number of disclosure requirements.

IAS 28 - 'Investments in Associates and Joint Ventures' - Amendments: This standard supersedes IAS 28 Investments in Associates and prescribes the accounting for investments in associates and set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines significant influence and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

IAS 34 - 'Interim Financial Reporting' (Amendment) - 'Interim reporting of segment information for total assets and total liabilities' - This amendment aligns the disclosure requirement for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

In addition to above, certain new cycle of improvements are applicable in current year, are either considered not to be relevant or are not expected to have significant impact to the company's financial statements and hence have not been detailed.

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

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

		<b>Effective for the period beginning on or after</b>
IAS -16	Property, Plant and Equipment - Amendment	January 01, 2016
IAS - 19	Employees Benefits - Amendment	July 01, 2014
IAS - 32	Financial Instrument: Presentation - Amendment	January 01, 2014
IAS - 36	Impairment of Assets - Amendment	January 01, 2014
IAS - 38	Intangible Assets - Amendment	January 01, 2016
IAS - 39	Financial Instrument: Recognition and Measurement - Amendment	January 01, 2014
IFRS -9	Financials Instruments: Classification and Measurement	January 01, 2015
IFRIC - 21	Levies	January 01, 2014

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

In addition to above, certain new cycle of improvements will apply prospectively for period beginning on or after 01, July 2014, are either considered not to be relevant or are not expected to have significant impact to the company's financial statements and hence have not been detailed.

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

#### b) Trade debts

The estimates of doubtful trade debts, are made, using and appropriately judging the relevant inputs and applying parameters as stated in note 4.6, as the management considers appropriate, which, on actual occurrence of the subsequent event, may fluctuate. The effect of variation is recorded as and when it takes place.

**c) Stock in trade**

The Group reviews the net realisable value of stock-in-trade to assess any diminution in the carrying values on each financial year end. Net realisable value is determined with respect to estimated selling prices less estimated expenditure to make the sales.

**d) Stores, spare parts and loose tools**

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

**e) Defined benefit plan**

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

**f) Income tax**

In making the estimate for income tax liabilities, the management considers current income tax law and the decisions of appellate authorities. Deferred tax estimate is made considering future applicable tax rate, as disclosed in note 4.10 to the financial statements.

**g) Contingencies**

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

**3.5 Functional and reporting currency**

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

**4 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as stated in note 5.

**4.1 Property, plant and equipment**

These are stated at cost less accumulated depreciation and impairment if any, except free-hold land, lease-hold land and capital work in progress which are stated at cost. No amortisation is provided on leasehold land since the leases are renewable at the option of the lessee at nominal cost and their realisable values are expected to be higher than respective carrying values. Depreciation is charged on diminishing balance method at the rates mentioned in Note 6.1, whereby the depreciable amount of an asset is written off over its estimated useful life.

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

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

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

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

#### **4.2 Impairment of assets**

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

#### **4.3 Investments**

##### **Associated Company**

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

#### **4.4 Stores, spare parts and loose tools**

These are valued at monthly weighted average cost. Items in transit are valued at cost comprising of invoice value and other incidental charges incurred thereon till the balance sheet date. Adequate provision is made for slow moving and obsolete items based on parameter set out by the management as stated in note 3.4 (d). The major value spares and stand by equipments are capitalized and depreciate according to their useful life.

#### 4.5 Stock in trade

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

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

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

#### 4.6 Trade debts

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

#### 4.7 Cash and cash equivalents

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

#### 4.8 Employees' post employment benefits

##### a) Defined contribution plan

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

##### b) Defined benefit plan

The Group operates an unfunded defined gratuity scheme, being not mandatory under the law, for its employees and working directors who attain the minimum qualification period. The obligation is determined through actuarial valuation and the latest actuarial valuation is conducted on the balances as at June 30, 2014. Change in policy as reflected in note 5.

The actuary has used the Projected Unit Credit Method of valuation. The valuation discount rate has been taken at 13.25% and salary increases assumed to average 11.25% per annum in the long term.

#### 4.9 Compensated unavailed leaves

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

#### 4.10 Income Tax

##### Current

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

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

##### Deferred

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

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

#### 4.11 Trade and other payables

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

#### 4.12 Provision

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

#### 4.13 Borrowings and their cost

Borrowings are recorded as the proceeds received.

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

#### 4.14 Foreign currency transactions and translation

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

#### 4.15 Revenue recognition

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

- Sale and processing services are recognised on dispatch of goods to customer.
- Dividend income is recognised when the right of receipt is established.
- Storage and handling income is recognised on accrual basis after the receipt of material.

#### 4.16 Dividend and appropriation to reserves

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

#### 4.17 Financial instruments

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

#### 4.18 Offsetting of financial assets and financial liabilities

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

#### 4.19 Segment information

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

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

Segment capital expenditure have the total cost incurred during the year to acquire property, plant and equipment.

**5 CHANGE IN ACCOUNTING POLICIES**

**Employee benefits**

With effect from 01 January 2013, the revised IAS 19 'Employee Benefits' became effective and require actuarial gains and losses to be recognized immediately in other comprehensive income. Previously, actuarial gains and losses over and above the corridor limit were amortized over the expected average remaining working lives of employees as allowed under the relevant provision of previous IAS 19. Further, any past service cost is now recognized immediately in the profit and loss as soon as the change in the benefit plans are made and previously, only vested past service cost was recognized immediately in profit and loss account and non-vested cost was amortised to profit and loss account over the vesting period. The standard also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost bases on the net defined benefits assets or liability and the discount rate, measured at the beginning of the year.

**Effect of changes**

The effects of changes stated in note 22.2 have been accounted for retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors', resulting in restatement of financial statements of prior periods. Resultantly, the cumulative effect of adjustments that arose as at 01 July 2012 have been presented and disclosed as part of the statement of changes in equity, while the corresponding period adjustment through other comprehensive income and profit or loss is restated and disclosed as part of the Statement of Comprehensive Income and Profit and Loss Account respectively. The Balance Sheet also presents the prior year numbers as restated, due to the said change.

	(Pak Rupees in Thousand)	
	2013	2012
<b>Effect on Balance sheet</b>		
<b>Staff retirement benefits</b>		
As previously reported	118,479	101,385
Impact due to change in accounting policy	31,129	32,906
As restated	149,608	134,291
<b>Unappropriated profit</b>		
As previously reported	3,710,338	4,056,077
Impact due to change in accounting policy	(31,129)	(32,906)
As restated	3,679,209	4,023,171
<b>Effect on profit and loss account</b>		
Profit before tax as previously reported	201,592	859,825
Increase in profit before tax due to provision for staff retirement benefits	1,777	529
As restated	203,369	860,354

(Pak Rupees in Thousand)  
2014 2013**6 PROPERTY, PLANT AND EQUIPMENT**

Operating fixed assets	6.1	2,223,728	2,036,698
Capital work in progress	6.4	40,287	196,930
		<u>2,264,015</u>	<u>2,233,628</u>

**6.1 Operating fixed assets**

Particulars	Land		Building		Office premises	Plant and machinery	Furniture and fixture	Factory equipment	Office equipment	Motor vehicles	Store and spares held for capital expenditure	TOTAL
	Freehold	Leasehold	On freehold land	On leasehold land								
(Pak rupees in thousand)												
<b>Net carrying value</b>												
<b>Year ended June 30, 2014</b>												
Opening net book value	25,320	15,214	1,119	125,625	5,947	1,759,711	3,854	8,056	11,874	60,331	19,747	2,036,698
Additions at cost	-	-	-	-	-	4,734	531	1,490	1,014	54,642	-	62,381
Transfer from capital work in progress	-	-	-	2,127	-	432,226	-	27,525	435	-	-	462,313
Disposal at NBV	-	-	-	-	-	89	214	-	1,319	10,651	-	12,273
Depreciation	-	-	112	12,757	585	282,369	791	5,883	2,319	17,240	2,836	325,391
<b>Closing net book value</b>	<b>25,320</b>	<b>15,214</b>	<b>1,007</b>	<b>114,995</b>	<b>5,262</b>	<b>1,914,213</b>	<b>3,350</b>	<b>31,188</b>	<b>9,186</b>	<b>87,082</b>	<b>16,911</b>	<b>2,223,728</b>
<b>Gross carrying value</b>												
<b>At June 30, 2014</b>												
Cost	25,320	15,214	14,248	432,031	9,902	6,920,311	17,859	67,919	58,704	161,766	21,557	7,744,851
Accumulated depreciation	-	-	13,241	317,036	4,640	5,006,098	14,509	36,731	49,518	74,704	4,646	5,521,123
<b>Net book value</b>	<b>25,320</b>	<b>15,214</b>	<b>1,007</b>	<b>114,995</b>	<b>5,262</b>	<b>1,914,213</b>	<b>3,350</b>	<b>31,188</b>	<b>9,186</b>	<b>87,082</b>	<b>16,911</b>	<b>2,223,728</b>
<b>Net carrying value</b>												
<b>Year ended June 30, 2013</b>												
Opening net book value	25,320	15,214	1,243	138,563	6,497	1,977,500	4,096	8,427	13,335	50,189	-	2,042,004
Additions at cost	-	-	-	-	-	3,542	684	1,392	1,722	26,986	32,671	66,999
Transfer from capital work in progress	-	-	-	-	-	73,755	-	-	-	-	-	73,755
Disposal at NBV / transfer	-	-	-	-	-	-	-	-	98	5,376	11,114	16,588
Depreciation	-	-	124	13,958	650	295,086	926	1,763	3,685	11,470	1,810	329,472
<b>Closing net book value</b>	<b>25,320</b>	<b>15,214</b>	<b>1,119</b>	<b>125,625</b>	<b>5,847</b>	<b>1,759,711</b>	<b>3,854</b>	<b>8,056</b>	<b>11,874</b>	<b>60,331</b>	<b>19,747</b>	<b>2,036,698</b>
<b>Gross carrying value</b>												
<b>At June 30, 2013</b>												
Cost	25,320	15,214	14,248	429,904	9,902	6,485,667	18,907	38,904	63,373	131,577	21,557	7,254,593
Accumulated depreciation	-	-	13,129	304,279	4,055	4,725,976	15,053	30,848	51,499	71,246	1,810	5,217,895
<b>Net book value</b>	<b>25,320</b>	<b>15,214</b>	<b>1,119</b>	<b>125,625</b>	<b>5,847</b>	<b>1,759,711</b>	<b>3,854</b>	<b>8,056</b>	<b>11,874</b>	<b>60,331</b>	<b>19,747</b>	<b>2,036,698</b>

Depreciation rate:

% per annum: - - 10 10 10 10 to 25 20 20 20 to 30 20 10 to 15

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

		(Pak Rupees in Thousand)	
		2014	2013
Cost of sales	29	318,007	323,108
Distribution and Selling Expenses	30	1,051	939
Administrative Expenses	31	6,333	5,425
		325,391	329,472

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

(Pak Rupees in Thousand)

Description	Cost	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyers
<b>PLANT &amp; MACHINERY</b>					
Water Chiller	2,336	89	661	Negotiation	<b>Mr. Altaf</b> Flat # A-12, 3rd Floor, Fatima Jinnah Colony, Jamshed Road, Karachi.
<b>Sub Total</b>	<b>2,336</b>	<b>89</b>	<b>661</b>	--	--
<b>FURNITURE &amp; FIXTURE</b>					
Window / Split Airconditioners	1,549	214	117	Negotiation	<b>M/s. Fresh Air Technical Associates</b> Plot# 15, 25th Street Tauheed Commercial, DHA. Phase V, Karachi.
<b>Sub Total</b>	<b>1,549</b>	<b>214</b>	<b>117</b>	--	--
<b>OFFICE EQUIPMENT</b>					
F.G Wilson Diesel Generator Model : P60 60KVA	759	79	150	Negotiation	<b>M/s. A K Power Engineering</b> Shop A-40, Sector 15-B, Baba-e-Arif, Phase-2, Nagan Chowrangi, Karachi.
Catterpillar Generator Set 3406C 365KVA	4,671	1,184	1,400	Negotiation	<b>M/s. A K Power Engineering</b> Shop A-40, Sector 15-B, Baba-e-Arif, Phase-2, Nagan Chowrangi, Karachi.
Items having book value upto Rs.50 thousand each	688	56	110	Various	Various
<b>Sub Total</b>	<b>6,118</b>	<b>1,319</b>	<b>1,660</b>	--	--

(Pak Rupees in Thousand)

Description	Cost	Book Value	Sale Proceeds	Mode of Disposal	Particulars of Buyers
<b>MOTOR VEHICLES</b>					
Honda City	899	235	567	Company Policy	Mr.Nadeem Siraj (Employee)
APK-329					
Suzuki Cultus	677	169	406	--do--	Mr.Shaheen (Employee)
AQE-152					
Honda Civic	1,394	341	1,009	--do--	Mr.Muhammad Zubair (Employee)
AQP-575					
Suzuki Cultus	571	137	551	--do--	Mr.Muhammad Ashraf (Employee)
APH-134					
Toyota Corolla	1,056	318	577	--do--	Mr.Abdul Rauf (Employee)
AQW-215					
Toyota Corolla	1,389	469	692	--do--	Mr.Muhammad Hanif (Employee)
ARU-269					
Suzuki Cultus	617	140	586	--do--	Mr.Syed Munawar Iqbal (Employee)
APL-304					
Suzuki Alto	732	482	660	--do--	Mr.Muhammad Shoaib (Employee)
AXE-377					
Suzuki Liana	824	184	532	--do--	Mr.Sarwat Rasheed (Employee)
AQG-395					
Toyota Corolla	996	220	639	--do--	Mr.Idrees Dagah (Employee)
AQK-520					
Toyota Corolla	1,038	228	560	--do--	Mr.Nayaz Ahmed (Employee)
AQM-508					
Suzuki Cultus	576	126	558	--do--	Mr.Muhammad Munaf (Employee)
APM-190					
Suzuki Alto	473	101	473	--do--	Mr.Muhammad Yousuf (Employee)
APE-302					
Van - Mazda	200	144	475	Negotiation	Mr.Ahmed Ali House# 144, Usmania Colony, Nazimabad# 1, Karachi.
CN-0432					
Toyota Corolla	910	235	546	--do--	Mr.Muhammad Waqas Moh Khwala, Daska, District Siaikot
LEC-08-6037					
Toyota Corolla	1,169	94	300	--do--	Mr.Jalal Yousuf House# A-86, Block 10, Gulshan-e-Iqbal, Karachi.
AEQ-450					
Hyundai Grace Van 2600cc	1,199	131	450	--do--	M/s.Margalla Motors 166-A, Sir Syed Road, Block-3, P.E.C.H.S., Karachi.
WAA-441					
Toyota Corolla	1,672	1,562	1,672	Insurance	M/s. EFU General Insurance Karachi.
AZN-227				Claim	
Suzuki Cultus	990	802	925	--do--	M/s. EFU General Insurance Karachi.
AYM-957					
Toyota Corolla	1,537	1,315	1,450	--do--	M/s. EFU General Insurance Karachi.
AYZ-539					
Honda CD-70	69	63	69	--do--	M/s. EFU General Insurance Karachi.
KGX-0222					
Toyota Hilux	1,803	1,477	1,803	--do--	M/s. EFU General Insurance Karachi.
CU-3441					
Toyota Corolla	1,608	1,447	1,608	--do--	M/s. EFU General Insurance Karachi.
BAX-703					
Items having book value upto Rs.50 thousand each	2,034	231	1,187	Various	Various
<b>Sub Total</b>	<b>24,433</b>	<b>10,651</b>	<b>18,293</b>	--	--
<b>Total - 2014</b>	<b>34,436</b>	<b>12,273</b>	<b>20,731</b>	--	--
<b>Total - 2013</b>	<b>15,123</b>	<b>5,474</b>	<b>10,039</b>	--	--

(Pak Rupees in Thousand)

**6.4 Capital Work-in-Progress**

	Balance as at July 1, 2013	Additions	Transfer to Operating fixed assets	Balance as at June 30, 2014
Factory building on lease hold land	1,594	4,394	(2,127)	3,861
Plant and machinery	195,336	273,316	(432,226)	36,426
Factory equipment	-	27,525	(27,525)	-
Office Equipment	-	435	(435)	-
	<u>196,930</u>	<u>305,670</u>	<u>(462,313)</u>	<u>40,287</u>
	Balance as at July 1, 2012	Additions	Transfer to Operating fixed assets	Balance as at June 30, 2013
Factory building on lease hold land	-	1,594	-	1,594
Plant and machinery	48,139	220,952	(73,755)	195,336
	<u>48,139</u>	<u>222,546</u>	<u>(73,755)</u>	<u>196,930</u>

(Pak Rupees in Thousand)

**7 LONG TERM INVESTMENT  
Related Party**

	2014	2013
In Associated Company - Unlisted Public Limited Company		
At the beginning of the year	3,163,411	3,039,328
Investment in shares	297,000	-
Share of profit after income tax for the period	319,763	124,083
	<u>3,780,174</u>	<u>3,163,411</u>

This represents value of 56.7 million (2013: 27 million shares) including 12 million Bonus shares invested in an associated company namely Messrs. Novatex Limited representing 36.83% (2013: 36.83%) of its total issued/paid up capital.

In compliance with IAS-28 "Investment in Associates and Joint Ventures", the above investment has been valued, using equity method. The annual audit of associate's accounts as on June 30, 2014, was still in progress, at the time, when Board of Directors of the Parent Company approved the consolidated accounts of the Group. Upon request of the Parent Company, the associate company has communicated its unaudited, estimated financial results, as on March 31, 2014 for the purpose of application of equity method. The accumulated addition of Rs.3,213.174 million (March 2013 : Rs.2,893.411 million), to the Parent Company's unappropriated profit, is not available for distribution, to the shareholders of the Parent Company, until realised.

		(Pak Rupees in Thousand)	
		2014	2013
<b>8</b>	<b>LONG TERM LOANS - Considered good Secured - Interest free</b>		
	To employees other than Chief Executive & Directors	4,142	4,711
	Amount due in twelve months shown under current assets	<u>(3,931)</u>	<u>(4,559)</u>
	Recoverable within three years	<u>211</u>	<u>152</u>

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

**8.2** It includes loans to executives and its reconciliation is here under:

Balance at beginning	308	590
Disbursements during the year	74	216
Recoveries during the year	<u>(382)</u>	<u>(498)</u>
Balance at end	<u>-</u>	<u>308</u>

**8.2.1** The maximum aggregate amount of loan due from executives at any month end during the year was Rs.0.336 million (2013: Rs.0.659 million)

## **9 LONG TERM DEPOSITS**

Security deposits for utilities and others	<u>1,671</u>	<u>1,251</u>
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## **10 STORES, SPARE PARTS AND LOOSE TOOLS**

In hand:

Stores	157,442	146,856
Spare parts	468,624	489,261
Loose tools	3,441	5,924
	<u>629,507</u>	<u>642,041</u>

Provision for slow moving stores, spare parts and loose tools	10.1	<u>(16,909)</u>	<u>(14,212)</u>
		<u>612,598</u>	<u>627,829</u>

In transit		<u>54,047</u>	<u>10,501</u>
		<u>666,645</u>	<u>638,330</u>

**10.1** Provision for slow moving stores, spare parts and loose tools

Balance at beginning	14,212	14,052
Charge for the year	3,078	508
Reversals due to consumption	<u>(381)</u>	<u>(348)</u>
Balance at end	<u>16,909</u>	<u>14,212</u>

		(Pak Rupees in Thousand)	
		2014	2013
<b>11</b>	<b>STOCK IN TRADE</b>		
	Raw material	714,877	775,256
	Raw material in transit	5,923	16,310
	Goods in process	628,472	747,624
	Finished goods	966,009	1,105,595
		<u>2,315,281</u>	<u>2,644,785</u>

11.1 These include items costing Rs.403.373 million (2013: Nil) valued at net realisable value of Rs.392.523 million (2013: Nil)

11.2 These includes items costing Rs.816.457 million (2013: Rs.91.281 million) valued at net realisable value of Rs.759.728 million (2013: Rs.63.605 million)

**12 TRADE DEBTS**

**Considered good**

<b>Secured</b>			
	Local	81,697	18,813
	Export	74,432	70,302
		156,129	89,115
	Unsecured	932,636	1,066,574
		<u>1,088,765</u>	<u>1,155,689</u>
<b>Considered doubtful</b>			
	Unsecured	60,446	24,963
	Provision for doubtful debts	(60,446)	(24,963)
		-	-
		<u>1,088,765</u>	<u>1,155,689</u>

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

<b>12.2</b>	<b>Provision for doubtful debts</b>		
	Balance at beginning	24,963	14,101
	Charge for the year	58,843	22,944
	Reversals since recovered	(22,714)	(12,082)
	Write offs	(646)	-
	Balance at end	<u>60,446</u>	<u>24,963</u>

**13 LOANS AND ADVANCES - Considered good**

**Secured**

	Amount recoverable in twelve months from employees and executives	8	3,931	4,559
	Advances to employees	13.1	390	532
			<u>4,321</u>	<u>5,091</u>

**Unsecured**

	Advances :			
	to suppliers and contractors	13.2	30,052	41,533
	for imports		3,615	238
			<u>33,667</u>	<u>41,771</u>
			<u>37,988</u>	<u>46,862</u>

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

13.2 These include advances against purchase of vehicles amounting to Rs.4.731 million (2013: Rs.3.453 million)

(Pak Rupees in Thousand)

		2014	2013
<b>14</b>	<b>TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>		
	Security deposits	3,796	765
	Prepayments 14.1	105,684	43,430
		<u>109,480</u>	<u>44,195</u>

14.1 These include prepayments to a related party i.e. Messrs. Novatex Limited of Rs.11.223 million (2013: Rs.14.963 million) being the amount of advance rent.

**15 OTHER RECEIVABLES - Considered good**

	Receivable from suppliers 15.1	168,259	186,760
	Claims receivable from suppliers	729	1,594
	Claim receivable from Insurance Companies	3,411	1,758
	Sales tax	39,449	48,145
	Others	1,182	1,782
		<u>213,030</u>	<u>240,039</u>

15.1 These includes balances of US\$:1.707 million (2013: US\$:1.745 million)

**16 INCOME TAX REFUNDABLE PAYMENTS LESS PROVISION**

	Balance at beginning 26	-	(109,327)
	Payments during the year	-	122,709
	Adjustments for the year	-	(467)
		-	12,915
	Prior year tax reversal	-	31,492
	Balance at end	-	<u>44,407</u>

**17 TAXES AND DUTIES REFUND DUE FROM FEDERAL GOVERNMENT**

	Income tax	102,202	793
	Sales tax refundable	188	10,544
		<u>102,390</u>	<u>11,337</u>

**18 CASH AND BANK BALANCES**

	Cash :		
	In hand	1,793	1,857
	At banks in current accounts : Local currency	451,648	104,503
	Foreign currency 18.1	767	1,155
		<u>454,208</u>	<u>107,515</u>

18.1 These represent balances of US\$:6,236.92 and Euro €:1,129.98 (2013 : US\$:10,235.02 and Euro € :1,129.98).

(Pak Rupees in Thousand)  
2014 2013

**19 SHARE CAPITAL**

**19.1 Authorised capital**

44,000,000	Ordinary shares of Rs. 10 each	<u>440,000</u>	<u>440,000</u>
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**19.2 Issued, subscribed and paid up capital**

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

These include 1,620,387 (2013 : 1,620,387) shares held by an associated company, Messrs. Gani & Tayub (Private) Limited.

**20 CAPITAL RESERVES**

Share premium	20.1	383,645	383,645
Others	20.2	75,000	75,000
		<u>458,645</u>	<u>458,645</u>

**20.1** 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.

**20.2** This represents reserve for replacement of plant and machinery.

**21 GENERAL RESERVE**

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

		2014	2013 Restated	2012 Restated
<b>22 DEFERRED LIABILITIES</b>				
Income tax-net	22.1	219,406	276,643	336,377
Defined benefit plan	22.2	181,446	149,608	134,291
		<u>400,852</u>	<u>426,251</u>	<u>470,668</u>

**22.1** This comprises of the following major timing differences:

Deferred tax liability arising in respect of accelerated tax depreciation allowances	244,431	289,534	345,783
Deferred tax asset arising in respect of : Provision for doubtful debts	(19,947)	(8,487)	(4,935)
Provision for slow moving stores, spare parts and loose tools	(5,078)	(4,404)	(4,471)
	<u>219,406</u>	<u>276,643</u>	<u>336,377</u>

- 22.2 Actuarial valuation of the plan is carried out as at June 30, 2014. The calculation for provision of defined benefit plan is as under:-

	(Pak Rupees in Thousand)		
	2014	2013 Restated	2012 Restated
<b>Movement of the liability recognised in the balance sheet</b>			
Balance at beginning	149,608	134,291	80,964
Expense	22.2.1 25,114	22,678	25,319
Remeasurement: actuarial losses on obligation	11,307	-	33,435
Payment	(4,583)	(7,361)	(5,427)
Balance at end	<u>181,446</u>	<u>149,608</u>	<u>134,291</u>

#### 22.2.1 Expense

Service cost	8,173	5,892	13,059
Interest cost	16,941	16,786	12,260
	<u>25,114</u>	<u>22,678</u>	<u>25,319</u>

23 TRADE AND OTHER PAYABLES		2014	2013
Trade creditors	23.1 & 23.2	354,285	518,212
Bills payable		481,580	585,628
Accrued expenses	23.3 & 23.4	281,266	224,160
Advance payments from customers		250,106	207,685
Creditors for capital expenditures		55	19,794
Security deposits from contractors		2,115	8,191
Workers' Welfare Fund	23.5	47,133	36,489
Infrastructure Cess on imports	23.6	74,613	59,885
Unclaimed dividend		10,146	9,002
Other liabilities	23.7	42,260	26,390
		<u>1,543,559</u>	<u>1,695,436</u>

23.1 These include Nil (2013: Rs.19.907 million) payable to related parties i.e. Messrs. Novatex Limited.

23.2 The Government of Pakistan increased the Gas Infrastructure Development Cess (GIDC) from July-2012 from Rs.13/- to Rs.100/- per MMBTU. This was subsequently reduced by the Government to Rs.50/- per MMBTU from September-2012. The Subsidiary Company alongwith several other companies has filed a suit in the Sindh High Court challenging the increase in GIDC. The Sindh High Court has been pleased to stay recovery of the enhanced GIDC and hence the Subsidiary Company has not paid the enhanced GIDC. Additionally, the Government through Finance Act 2014, has increased the amount of GIDC for both captive power and industrial consumption to Rs. 200 & Rs.150 per MMBTU respectively. This time also the Subsidiary Company alongwith several other companies has filed a suit in the Sindh High Court, challenging the increase in GIDC and Sindh High Court granted stay accordingly. Based on the legal advise, the management believes that the case will be decided in favour of the Subsidiary Company. However, the Subsidiary Company has provided Rs.152.167 million (2013: Rs.64.750 million) in the accounts as an abundant precaution.

**23.3** The Government of Pakistan increased the Gas Infrastructure Development Cess (GIDC) from July-2012 from Rs.13/- to Rs.100/- per MMBTU. This was subsequently reduced by the Government to Rs.50/- per MMBTU from September-2012. The Parent Company alongwith several other companies has filed a suit in the Sindh High Court challenging the increase in GIDC. The Sindh High Court has been pleased to stay recovery of the enhanced GIDC and hence the Parent Company has not paid the enhanced GIDC. Additionally, the Government through Finance Act 2014, has increased the amount of GIDC for both captive power and industrial consumption to Rs. 200 & Rs.150 per MMBTU respectively. This time also the Parent Company alongwith several other companies has filed a suit in the Sindh High Court, challenging the increase in GIDC and Sindh High Court granted stay accordingly. Based on the legal advise, the management believes that the case will be decided in favour of the Parent Company. However, the Parent Company has provided Rs.25.444 million (2013: Rs.10.500 million) in the accounts as an abundant precaution.

**23.4** These include Rs.2.357 million (2013: Nil) and Rs.0.409 million (2013: Rs.0.393 million) payable to related parties i.e. Messrs. Novatex Limited and Messrs. Gani & Tayub (Private) Limited respectively.

**23.5 Workers' Welfare Fund**

The Subsidiary Company i.e. Gatro Power (Private) Limited, owing to numerous, constitutional, legal and other reasons, is fully confident and has unflinching conviction, that Workers' Welfare Fund is not payable by the Subsidiary Company, since 2008-09 and intends impugning the charge. in the court of law with utmost vehemence. The provision amounting to Rs.41.615 million (2013: Rs.31.583 million) is being carried only as an abundant precaution and does not signify acceptance, by the Subsidiary Company, of the aforesaid Workers' Welfare Fund liability.

<b>23.6 Infrastructure Cess on imports</b>	<b>(Pak Rupees in Thousand)</b>	
	<b>2014</b>	<b>2013</b>
Balance at beginning	<b>59,885</b>	89,481
Provision/(reversal) made during the year	<b>27,937</b>	(16,804)
Payment made during the year	<b>(13,209)</b>	(12,792)
Balance at end	<b>74,613</b>	59,885

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

In due course of time, the Government of Sindh withdrew its petition from the Supreme Court. Later on the Supreme Court vide its order dated May 20, 2011 set aside the order passed by the High Court of Sindh. Consequently a new petition was filed by the Parent Company in the High Court of Sindh. Through an interim order dated May 31, 2011, the High Court of Sindh ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. Till balance sheet date, the Parent Company has provided bank guarantee amounting to Rs.74.865 million (2013: Rs.59.865 million) in favour of Excise and Taxation Department, in respect of consignments cleared after December 27, 2006. Based on the legal advise, the management believes that the case will be decided in favour of the Parent Company. However, full provision after December 27, 2006 has been made in the accounts as an abundant precaution.

23.7 These include Rs. 24.467 million (2013: Rs.23.497 million) received from employees under car policy.

		(Pak Rupees in Thousand)	
		2014	2013
<b>24</b>	<b>ACCRUED MARK UP</b>		
	Mark up on short term borrowings	<u>25,880</u>	<u>19,765</u>
<b>25</b>	<b>SHORT TERM BORROWINGS - Secured</b>		
	From banking companies under mark up arrangements		
	Running finance	<u>1,287,334</u>	849,867
	Export re-finance	<u>100,000</u>	85,000
		<u><u>1,387,334</u></u>	<u><u>934,867</u></u>

25.1 The Parent Company has aggregate facilities of short term borrowings amounting to Rs.4,555 million (2013: Rs.4,905 million) from various commercial banks (as listed in Note 25.3) out of which Rs.3,387 million (2013: Rs.4,085 million) remained unutilised at the year end. The Parent Company also has Rs.325 million (2013: Rs.325 million) swinging facility with an Associate Company, out of which Rs.219 million (2013: Rs.115 million) utilized by the Parent Company at the year end. The mark up rates for running finance and export re-finance ranged between Rs.0.2721 to Rs.0.3186 per Rs.1000/- per day and 8.45% to 8.65% per annum respectively. 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 Parent Company.

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

## 26 PROVISION FOR INCOME TAX LESS PAYMENTS

Balance at beginning	16	(44,407)	-
Provision for the year		<u>74,285</u>	-
		29,878	-
Payments during the year		(52,334)	-
Adjustments for the year		<u>50,192</u>	-
Balance at end		<u><u>27,736</u></u>	-

## 27 CONTINGENCIES AND COMMITMENTS

### 27.1 Contingencies

- a) The Parent Company makes provision for Workers' Profit Participation Fund, based on the management's considered view that the law on workers' participation in profits, necessitates participation of the workers, in the manner laid down in the law, from net profit [from which all the expenses, including cesses, levies and taxes, are fully deducted] and which is available for participation and attributable to workers role which may be subject to interpretation by the relevant authority. The quantum of the differential amount upto June 30, 2014 involved is Rs. 27.623 million (2013: Rs.27.623 million) and no provision for that amount is considered in the financial statements as the management is confident that no further liability will arise on this account. Accordingly, the Parent Company has discharged its liability and so far no negative inference has been communicated to the Parent Company.
- b) FBR initiated action against few buyers of Parent Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Parent Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Parent Company had to pay Rs.27.762 million and had also to give post-dated cheques of Rs. 83.287 million under protest in favour of Chief Commissioner Inland Revenue.

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

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

- c) The Subsidiary Company i.e. Gatro Power (Private) Limited has not made any provision in respect of Workers' Profit Participation Fund on the ground that there are no workers as defined in The Companies Profits (Workers' Participation) Act, 1968 and accordingly the said Act does not apply to the Subsidiary Company. The Subsidiary Company is confident that no liability will arise on this account.
- d) Bank guarantees issued by the banks on behalf of the Parent Company in favour of:

	(Pak Rupees in Thousand)	
	2014	2013
The Director Excise & Taxation, Karachi	74,865	59,865
The Electric Inspector, President Licencing Board, Quetta	10	10
	<u>74,875</u>	<u>59,875</u>

27.2 Commitments	(Pak Rupees in Thousand)	
	2014	2013
The Group's commitments, against which the banks have opened Letters of Credit, in favor of different suppliers, are as follows:		
Foreign currency :		
Property, plant and equipment	104,555	-
Raw material	243,838	132,905
Spare parts and others	44,362	11,614
	392,755	144,519
Local currency :		
Raw material	101,183	-
Spare parts and others	161,937	161,937
	263,120	161,937
	655,875	306,456

## 28 SALES

Gross local sales	12,100,068	11,339,719
Third party processing charges	54,995	49,896
	12,155,063	11,389,615
Less: Sales tax	948,836	629,857
Local sales	11,206,227	10,759,758
Export sales	296,229	380,269
	11,502,456	11,140,027

28.1 These include local reduced rate supplies.

## 29 COST OF SALES

Raw material consumed	7,558,228	8,096,250
Stores, spare parts and loose tools consumed	219,028	190,163
Outsource processing charges	159,127	143,645
Salaries, wages, allowances and benefits	751,598	679,944
Power, fuel and gas	909,599	831,444
Rent, rates and taxes	2,632	1,316
Insurance	41,905	41,835
Cartage & Transportation	112,111	102,706
Repairs and maintenance	162,233	133,014
Communications & Computer expenses	1,603	2,229
Water supply	12,181	1,836
Travelling	2,479	1,870
Legal, professional & subscription fees	4,640	2,832
Sundry	50,110	39,736
Depreciation	318,007	323,108
	10,305,481	10,591,928
Duty draw back	(129)	(97)
Scrap sales	(17,064)	(26,810)
	10,288,288	10,565,021
Opening stock of goods-in-process	747,624	699,572
Closing stock of goods-in-process	(628,472)	(747,624)
Cost of goods manufactured	10,407,440	10,516,969
Opening stock of finished goods	1,105,595	963,377
Closing stock of finished goods	(966,009)	(1,105,595)
	10,547,026	10,374,751

29.1 These include Rs.14.581 million (2013 : Rs.13.632 million) and Rs.9.153 million (2013: Rs.7.084 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

29.2 Net off sales tax amounting to Rs.2.396 million (2013: Rs.4.307 million)

		(Pak Rupees in Thousand)	
		2014	2013
<b>30</b>	<b>DISTRIBUTION AND SELLING EXPENSES</b>		
	Salaries, allowances and benefits	29,930	26,755
	Insurance	3,866	3,860
	Rent, rates and taxes	990	520
	Handling, freight and transportation	168,869	159,255
	Advertisement and sales promotion	914	1,728
	Communications	263	332
	Travelling	1,114	2,049
	Legal, professional & subscription fees	366	515
	Sundry	30,885	3,298
	Depreciation	1,051	939
		<u>238,248</u>	<u>199,251</u>

30.1 These include Rs.0.827 million (2013 : Rs.0.812 million) and Rs.3.887 million (2013: Rs. 3.158 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

30.2 These include amount of Rs.27.762 million of sales tax paid under protest. Also refer in note 27.1 (b).

**31 ADMINISTRATIVE EXPENSES**

	Salaries, allowances and benefits	133,123	121,184
	Rent, rates and taxes	45,246	45,502
	Insurance	1,272	1,002
	Repairs and maintenance	8,665	9,511
	Travelling	5,303	5,512
	Communications	2,407	2,313
	Legal, professional & subscription fees	16,562	7,863
	Utilities	6,429	6,305
	Printing and stationery	2,278	2,203
	Transportation	3,899	4,008
	Sundry	6,278	6,219
	Depreciation	6,333	5,425
		<u>237,795</u>	<u>217,047</u>

31.1 These include Rs.4.710 million (2013 : Rs.4.057 million) and Rs.12.074 million (2013: Rs.12.436 million) representing contribution to defined contribution plan by the Group and expenditure on defined benefit plan respectively.

		(Pak Rupees in Thousand)	
		2014	2013
<b>32</b>	<b>OTHER OPERATING EXPENSES</b>		
	Loss on disposal of property, plant and equipment	99	68
	Provision for doubtful trade debts - net 12.2	36,129	10,862
	Provision for slow moving stores, spare parts and loose tools - net 10.1	2,697	160
	Exchange loss - net	-	25,340
	Corporate social responsibilities 32.1	21,434	21,552
	Workers' Welfare Fund - current	13,288	12,257
	Workers' Welfare Fund - prior	-	1,902
	Auditors' remuneration 32.2	1,267	1,313
		<u>74,914</u>	<u>73,454</u>
<b>32.1</b>	These include donation of Rs.8,546 million (2013: Rs. 8,655 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.		
<b>32.2</b>	<b>Auditors' remuneration</b>		
	Audit fee - Annual accounts	1,146	1,123
	Limited review, audit of consolidated financial statements provident funds and certification fee	63	122
	Out of pocket expenses	58	68
		<u>1,267</u>	<u>1,313</u>
<b>33</b>	<b>OTHER INCOME</b>		
	<b>Income from non -financial assets</b>		
	Storage and handling income	-	750
	Gain on disposal of property, plant and equipment	8,557	4,633
		8,557	5,383
	<b>Others</b>		
	Liabilities no more payable written back	3,457	341
	Exchange gain - net	2,209	-
	Miscellaneous income	229	132
		5,895	473
		<u>14,452</u>	<u>5,856</u>
<b>34</b>	<b>FINANCE COST</b>		
	Mark up on short term borrowings	116,743	73,734
	Interest on Workers' Profit Participation Fund	-	620
	Bank charges	2,223	3,657
		<u>118,966</u>	<u>78,011</u>

	(Pak Rupees in Thousand)	
	2014	2013
<b>35 INCOME TAX</b>		
For the current year	74,285	-
For the prior year	-	(31,492)
	74,285	(31,492)
Deferred	(57,237)	(59,734)
	<u>17,048</u>	<u>(91,226)</u>

**Relationship between income tax and profit before income tax :**

Profit before income tax	299,959	203,369
Income tax rate	34%	35%
Income tax on profit before income tax	101,986	71,179
Tax effect of:		
minimum tax	114,675	-
tax credits	(43,294)	(6,691)
income assessed under final tax regime	(3,547)	(10,466)
change in statutory tax rate for next year	(6,649)	(8,137)
others	(22,760)	(15,044)
prior year reversal for income tax	-	(31,492)
income exempt from subsidiary	(123,387)	(90,598)
loss from subsidiaries	24	23
Income tax for the year	<u>17,048</u>	<u>(91,226)</u>

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

**36 EARNINGS PER SHARE - BASIC AND DILUTED**

Profit after income tax	602,674	418,678
	( Number of Shares )	
Number of Ordinary shares	38,364,480	38,364,480
	Rupees	Rupees
Earnings per share - Basic and diluted	<u>15.71</u>	<u>10.91</u>

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

**37 CASH AND CASH EQUIVALENTS**

Cash and bank balances	18	454,208	107,515
Short term borrowings	25	(1,387,334)	(934,867)
		<u>(933,126)</u>	<u>(827,352)</u>

**38 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES****FINANCIAL ASSETS AND LIABILITIES**

(Pak Rupees in Thousand)

	Interest/mark-up bearing			Non-Interest/mark-up bearing			2014 Total	2013 Total
	Maturity upto one year	Maturity after one year	Sub-Total	Maturity upto one year	Maturity after one year	Sub-Total		
<b>Financial Assets</b>								
Long term investment	-	-	-	-	3,780,174	3,780,174	<b>3,780,174</b>	3,163,411
Loans and advances	-	-	-	4,321	211	4,532	<b>4,532</b>	5,243
Deposits	-	-	-	3,796	1,871	5,467	<b>5,467</b>	2,016
Trade debts	-	-	-	1,088,765	-	1,088,765	<b>1,088,765</b>	1,155,689
Other receivables	-	-	-	173,581	-	173,581	<b>173,581</b>	191,894
Cash and bank balances	-	-	-	454,208	-	454,208	<b>454,208</b>	107,515
	-	-	-	1,724,671	3,782,056	5,506,727	<b>5,506,727</b>	4,625,768
<b>Financial Liabilities</b>								
Trade and other payables	-	-	-	1,171,707	-	1,171,707	<b>1,171,707</b>	1,391,377
Accrued mark up	-	-	-	25,880	-	25,880	<b>25,880</b>	19,765
Short term borrowings	1,387,334	-	1,387,334	-	-	-	<b>1,387,334</b>	934,867
	1,387,334	-	1,387,334	1,197,587	-	1,197,587	<b>2,584,921</b>	2,346,009

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

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

**A Market Risk****i Foreign exchange risk**

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

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

	(Pak Rupees in Thousand)	
	2014	2013
Bills Payable	481,580	585,628
Creditors for capital expenditure	-	12,844
Trade Debts	(74,432)	(70,302)
Receivable from suppliers	(168,259)	(172,068)
Foreign currency bank accounts	(767)	(1,155)
	<u>238,122</u>	<u>354,947</u>
Commitments - Outstanding letters of credit	392,755	144,519
<b>Net exposure</b>	<u>630,877</u>	<u>499,466</u>

The following significant exchange rates have been applied

	Average rate		Reporting date rate	
	2014	2013	2014	2013
				Rupees
USD to PKR	102.90	96.91	98.75	98.80
Euro to PKR	139.93	125.73	134.73	129.11
AED to PKR	28.02	26.38	26.89	26.90
CHF to PKR	114.24	-	110.82	-
JPY to PKR	1.02	-	0.97	-

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

	Average rate		Reporting date rate	
	2014	2013	2014	2013
				(Pak Rupees in Thousand)
<b>Effect on profit &amp; loss account</b>				
USD to PKR	53,198	49,373	51,095	50,386
Euro to PKR	13,261	251	12,768	258
AED to PKR	(2,361)	(686)	(2,261)	(698)
CHF to PKR	1,189	-	1,154	-
JPY to PKR	346	-	331	-
	<u>65,633</u>	<u>48,938</u>	<u>63,087</u>	<u>49,946</u>

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

**ii Price risk**

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

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

### iii Interest / Markup rate risk

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

	2014 Effective rate (in %)	2013 Effective rate (in %)	(Pak Rupees in Thousand)	
			2014 Carrying amount	2013 Carrying amount
<b>Financial Liabilities</b>				
<b>Variable rate instruments</b>				
Short term borrowings	8.77 - 10.46	9.13 - 11.31	1,387,334	934,867

#### Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have decreased / (increased) profit for the year by the amounts shown below. This analysis assumes that all other variable, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for 2013.

	Profit and loss	
	100 bp increase	100 bp decrease
<b>As at June 30, 2014</b>		
Cash flow sensitivity - Variable rate financial liabilities	(13,873)	13,873
<b>As at June 30, 2013</b>		
Cash flow sensitivity - Variable rate financial liabilities	(9,349)	9,349

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

### B Credit risk

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

#### Exposure to credit risk

The carrying amount of the financial assets represent the maximum credit exposure before any credit enhancements. Out of total financial assets of Rs.5,506.727 million (2013 : Rs.4,625.768 million), the financial assets which are subject to credit risk amounted to Rs.1,724.760 million (2013: Rs.1,460.500 million). The carrying amounts of financial assets exposed to credit risk at reporting date are as under:

	(Pak Rupees in Thousand)	
	2014	2013
Loans and advances	4,532	5,243
Deposits	5,467	2,016
Trade debts	1,088,765	1,155,689
Other receivables	173,581	191,894
	1,262,346	1,347,583
Bank balances	452,415	105,658
	1,724,760	1,460,500

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

Not past due	894,792	798,724
Past due 1-30 days	75,418	152,529
Past due 31-90 days	165,625	339,877
Past due 91-180 days	69,315	47,860
Past due 180 days	117,642	33,556
	1,322,792	1,372,546
Provision for doubtful debts	(60,446)	(24,963)
	1,262,346	1,347,583

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

Bank	Rating Agency	Rating	
		Short term	Long term
Bank Al-Falah Limited	PACRA	A1+	AA
Bank Al-Habib Limited	PACRA	A1+	AA+
Barclays Bank PLC Pakistan	S&P	A-1	A
Citibank N.A	Moody's	P-1	A2
Faysal Bank Limited	PACRA	A1+	AA
Habib Bank Limited	JCR-VIS	A-1+	AAA
Habib Metropolitan Bank Limited	PACRA	A1+	AA+
HSBC Bank Middle East Ltd	Moody's	P-1	A2
JS Bank Limited	PACRA	A1	A+
MCB Bank Limited	PACRA	A1+	AAA
Meezan Bank Limited	JCR-VIS	A-1+	AA
National Bank of Pakistan	JCR-VIS	A-1+	AAA
NIB Bank Limited	PACRA	A1+	AA-
Samba Bank Limited	JCR-VIS	A-1	AA-
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA
United Bank Limited	JCR-VIS	A-1+	AA+

### C Liquidity risk

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

The Group manages liquidity risk by maintaining sufficient cash and ensuring the fund availability through adequate credit facilities. At June 30, 2014, the Parent Company has Rs.4,555 million plus Rs.325 million swinging facility with Associate Company, available borrowing limit from financial institutions. The Group has unutilised borrowing facilities of Rs. 3,387 million in addition to balances at banks of Rs.452 million. Based on the above, management believes the liquidity risk to be insignificant. The following are the contractual maturities of financial liabilities, including interest payments.

	Carrying Amount	Contractual Cash Flow	Six months or less	Beyond six months
----- (Pak Rupees in Thousand) -----				
<b>2014</b>				
Trade and other payables	1,171,707	1,171,707	1,171,707	-
Accrued mark up	25,880	25,880	25,880	-
Short term borrowings	1,387,334	1,387,334	1,387,334	-
	<u>2,584,921</u>	<u>2,584,921</u>	<u>2,584,921</u>	<u>-</u>
<b>2013</b>				
Trade and other payables	1,391,377	1,391,377	1,391,377	-
Accrued mark up	19,765	19,765	19,765	-
Short term borrowings	934,867	934,867	934,867	-
	<u>2,346,009</u>	<u>2,346,009</u>	<u>2,346,009</u>	<u>-</u>

### 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 gearing ratio as at June 30, 2014 and 2013 were as follows:

	(Pak Rupees in Thousand)	
	2014	2013
Total borrowings	1,387,334	934,867
Cash and bank	(454,208)	(107,515)
Net debt	<u>933,126</u>	<u>827,352</u>
Total equity	7,648,497	7,306,499
Total capital	<u>8,581,623</u>	<u>8,133,851</u>
Gearing ratio	11%	10%

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

	Chief Executive		Directors		Executives		TOTAL	
	2014	2013	2014	2013	2014	2013	2014	2013
Managerial remuneration	14,189	12,644	24,597	22,886	99,255	84,336	138,041	119,866
Post Employment benefits	4,488	5,159	5,885	9,411	15,218	13,835	25,591	28,405
Utilities	88	62	152	124	31	48	271	234
Other benefits	-	-	2,166	1,142	49,548	42,785	51,714	43,927
	18,765	17,865	32,800	33,563	164,052	141,004	215,617	192,432

**Number of persons**

for remuneration      1      1      4      3      67      60      72      64

**39.1** Aggregate amount of meeting fee to 3 non-executive Directors (2013: 4 non-executive Directors) was Rs.85 thousand (2013: Rs.65 thousand).

**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.

**39.3** An Associated Company reimbursed Rs.22.024 million (2013: Rs.28.038 million) in respect of services provided by certain directors and executives during the year.

**40 SEGMENT REPORTING**

**40.1 Reportable segments**

The Group's reportable segments are as follows:

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

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

**40.2 Segment results:**

The segment information for the reportable segments for the year ended June 30, 2014 is as follows:

(Pak Rupees in Thousand)

	Polyester Polymer					Power generation		Group		
	Polyester Filament Yarn	Polyester PET Preform	Total 2014	Polyester Filament Yarn	Polyester PET Preform	Total 2013	2014	2013	2014	2013
Sales	8,729,689	3,034,010	11,763,699	8,812,617	2,535,488	11,348,105	1,536,722	1,296,054	13,300,421	12,644,159
Segment result	(84,615)	190,435	105,820	(111,173)	192,752	81,579	373,122	268,954	478,942	348,533

Reconciliation of segment sales &amp; results with sales &amp; profit before income tax:

Total sales for reportable segments									13,300,421	12,644,159
Elimination of inter-segment sales from subsidiary									(1,797,965)	(1,504,132)
<b>Sales</b>									<b>11,502,456</b>	<b>11,140,027</b>
Total results for reportable segments		105,820			81,579	373,122	268,954	478,942	348,533	
Other operating expenses		(64,594)			(65,832)	(10,393)	(7,697)	(74,987)	(73,629)	
Other income		14,303			6,301	594	17	14,897	6,318	
Finance cost		(118,547)			(77,588)	(419)	(423)	(118,966)	(78,011)	
Investment income - Dividend		225,750			285,950	-	-	225,750	285,950	
		162,732			230,310	362,904	268,851	525,636	489,161	
Elimination of intra group transaction								(225,677)	(285,792)	
<b>Profit before income tax</b>								<b>299,959</b>	<b>203,369</b>	

Assets and liabilities by segments are as follows:

Segment assets	4,234,219	1,269,941	5,504,160	4,164,785	1,618,054	5,782,839	1,104,588	819,859	6,608,748	6,602,698
Segment liabilities	334,806	116,099	450,905	615,895	163,576	779,471	410,487	262,797	861,392	1,042,268

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

	2014		2013	
	Assets	Liabilities	Assets	Liabilities
	----- (Pak Rupees in Thousand) -----			
Total for reportable segments	6,608,748	861,392	6,602,698	1,042,268
Unallocated assets/liabilities	4,621,155	2,564,111	3,942,372	2,040,537
Elimination of intra group balances	(196,045)	(40,142)	(162,252)	(6,486)
Total as per balance sheet	<b>11,033,858</b>	<b>3,385,361</b>	<b>10,382,818</b>	<b>3,076,319</b>

Other segment information is as follows:

(Pak Rupees in Thousand)

	Polyester Polymer					Power generation		Group		
	Polyester Filament Yarn	Polyester PET Preform	Total 2014	Polyester Filament Yarn	Polyester PET Preform	Total 2013	2014	2013	2014	2013
Depreciation	198,652	75,289	273,941	202,606	82,824	285,430	51,450	44,042	325,391	329,472
Capital expenditures										
incurred during the year	306,334	18,543	324,877	125,075	14,707	139,782	23,099	116,188	347,976	255,970
Unallocated capital expenditures										
incurred during the year									39,814	10,031
Total									<b>387,790</b>	<b>266,001</b>

40.3 All non-current assets of the Group as at June 30, 2014 are located in Pakistan.

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

		( Metric Tons )	
		2014	2013
<b>41</b>	<b>PLANT CAPACITY AND ACTUAL PRODUCTION</b>		
	Annual capacity (Based on 75 denier Yarn and 39 gms Preform)	<b>51,797</b>	51,797
	Actual production	<b>52,699</b>	55,536
<b>41.1</b>	<b>Polyester Filament Yarn</b>		
	41.1.1		
	Annual capacity	<b>24,191</b>	24,191
	Actual production	<b>39,434</b>	40,886
<b>41.2</b>	<b>Polyester P.E.T. Preforms</b>		
	41.2.1		
	Annual capacity	<b>27,606</b>	27,606
	Actual production	<b>13,265</b>	14,650
			(KWH in Thousand)
<b>41.3</b>	<b>Electric Power</b>		
	41.3.1		
	Annual capacity	<b>213,222</b>	193,945
	Actual production	<b>151,959</b>	153,153

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

41.2.1 The capacity is determined based on 39 gms 12 months production. Actual production represents production of various grammage. The actual production versus annual capacity is lower on account of very low preform demand/production in winter months of the year. The actual production of preforms (various grammage) in pieces was 404.890 million (2013: 461.719 million) against annual capacity (based on 39 gms) of 707.858 million pieces.

41.3.1 The capacity includes capacities of standby generators.

(Pak Rupees in Thousand)

**42 TRANSACTIONS WITH RELATED PARTIES**

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

		2014	2013
Associated Company	Purchase / sale of services	206,131	186,654
	Purchase of other material	566	3,726
	Investment in shares	297,000	-
	On account of rent	44,890	44,890
	On account of reimbursement of expenses	42,075	45,430
Other Related Parties	Payment of dividend	10,533	7,292
	Charges on account of handling	5,128	5,638
	Payment of donation	8,546	8,655

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

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

Transactions and outstanding balances, as applicable in relation to Defined Contribution Plan (DCP) and Key Management Personnel (KMP) have been disclosed in notes 29.1, 30.1, 31.1 of DCP; 8.2 and 39 of KMP; respectively. KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. The Group considers its Chief Executive, Executive Directors and other executives to be KMP.

**43 PROVIDENT FUND RELATED DISCLOSURES**

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

Size of the Funds - Total Assets	322,239	306,912
Cost of Investments made	289,869	287,256
Fair Value of investments	319,269	306,790
Percentage of investments made	99.08%	99.96%

(Pak Rupees in Thousand)

2014		2013	
Amount	%	Amount	%

**43.1 The Break-up of fair value of investments is:**

Shares in Listed Companies	1	0.00%	1	0.00%
Government Securities	239,530	75.03%	232,325	75.73%
Debt Securities	16,802	5.26%	20,631	6.72%
Mutual Funds	21,479	6.73%	-	0.00%
Bank Deposits	41,457	12.98%	53,833	17.55%
	319,269	100.00%	306,790	100.00%

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

**44 NUMBER OF EMPLOYEES**

The total average number of employees during the year and as at June 30, 2014 and 2013 respectively are as follows:

	(Number of employees)	
	2014	2013
Average number of employees during the year	1,102	1,151
Number of employees as at June 30	<u>1,077</u>	<u>1,131</u>

**45 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE**

The Board of Directors of the Parent Company, in its meeting held on September 13, 2014, has recommended final cash dividend of Rs.3.00 per share (2013: Rs.4.00 per share final cash dividend). This is in addition to interim cash dividend of Rs.2.50 per share (2013: Nil) already paid resulting a total cash dividend for the year of Rs.5.50 per share (2013: Rs.4.00 per share). The approval of the members for the final cash dividend will be obtained in the Annual General Meeting. Since it is a non adjusting event, the financial statements for the year ended June 30, 2014 do not include the effect of the recommended cash dividend.

**46 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on September 13, 2014 by the Board of Directors of the Parent Company.

**47 GENERAL**

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

**HAJI HAROON BILWANI**  
Chairman

**PEER MOHAMMAD DIWAN**  
Chief Executive



## Gatron (Industries) Limited

September 13, 2014

To: All Shareholders of the Company

### **DIVIDEND MANDATE FORM**

The Company vide its circular letters dated September 8, 2012 and September 12, 2013 published in the Printed Annual Accounts of the Company for the year ended June 30, 2012 and 2013 had requested to the shareholders of the Company to provide Dividend Mandate Form to credit the dividend in your bank account as per Section 250 of the Companies Ordinance, 1984 if so desire.

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

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

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

 Yes

 No

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

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

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

\_\_\_\_\_  
Signature of the Shareholder



**Gatron  
(Industries)  
Limited**

September 13, 2014

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

**COPY OF COMPUTERIZED NATIONAL IDENTITY CARD (CNIC)**

As per directions to all listed companies by Securities and Exchange Commission of Pakistan vide SRO No.779(I)/2011 and SRO No. 831(I)/2012 dated August 18, 2011 and July 05, 2012 respectively the "Dividend Warrant(s)" should bear the Computerized National Identity Card (CNIC) number of the registered member(s), except in the case of minor(s) and corporate members.

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

Accordingly, Members who have not yet submitted copy of their valid CNIC are once again requested to fill the required information in the lower portion of this page marked for the purpose and return the same to the Company's Share Registrar, M/s. C&K Management Associates (Private) Limited, Room No.404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530 by post or by sending email directly to the company at "shares@gatron.com" at an early date to enable us to comply with the law requirement.

In case of non-receipt of copy of valid CNIC and non-compliance of the above mentioned SROs of SECP, **the company may be constrained to withhold dispatch of dividend warrants to you in future.**

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

Thanking you,

Yours faithfully,

For **Gatron (Industries) Limited**

**Mohammad Yasin Bilwani**  
Company Secretary

Folio No. -----

Name: -----

CNIC No. -----

(copy attached)

## Proxy Form

I/We, \_\_\_\_\_ of \_\_\_\_\_  
 being member of **Gatron (Industries) Limited** and holder of \_\_\_\_\_  
 Ordinary shares as per Share Register Folio No. \_\_\_\_\_ and/or CDC  
 Participant ID No. \_\_\_\_\_ and Account/Sub-Account No. \_\_\_\_\_  
 hereby appoint \_\_\_\_\_ of \_\_\_\_\_ as my/our  
 proxy to attend, speak and vote for me/us and on my/our behalf at the 34th Annual General  
 Meeting of the Company to be held on Monday, October 20, 2014 and at any adjournment thereof.  
 Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2014.

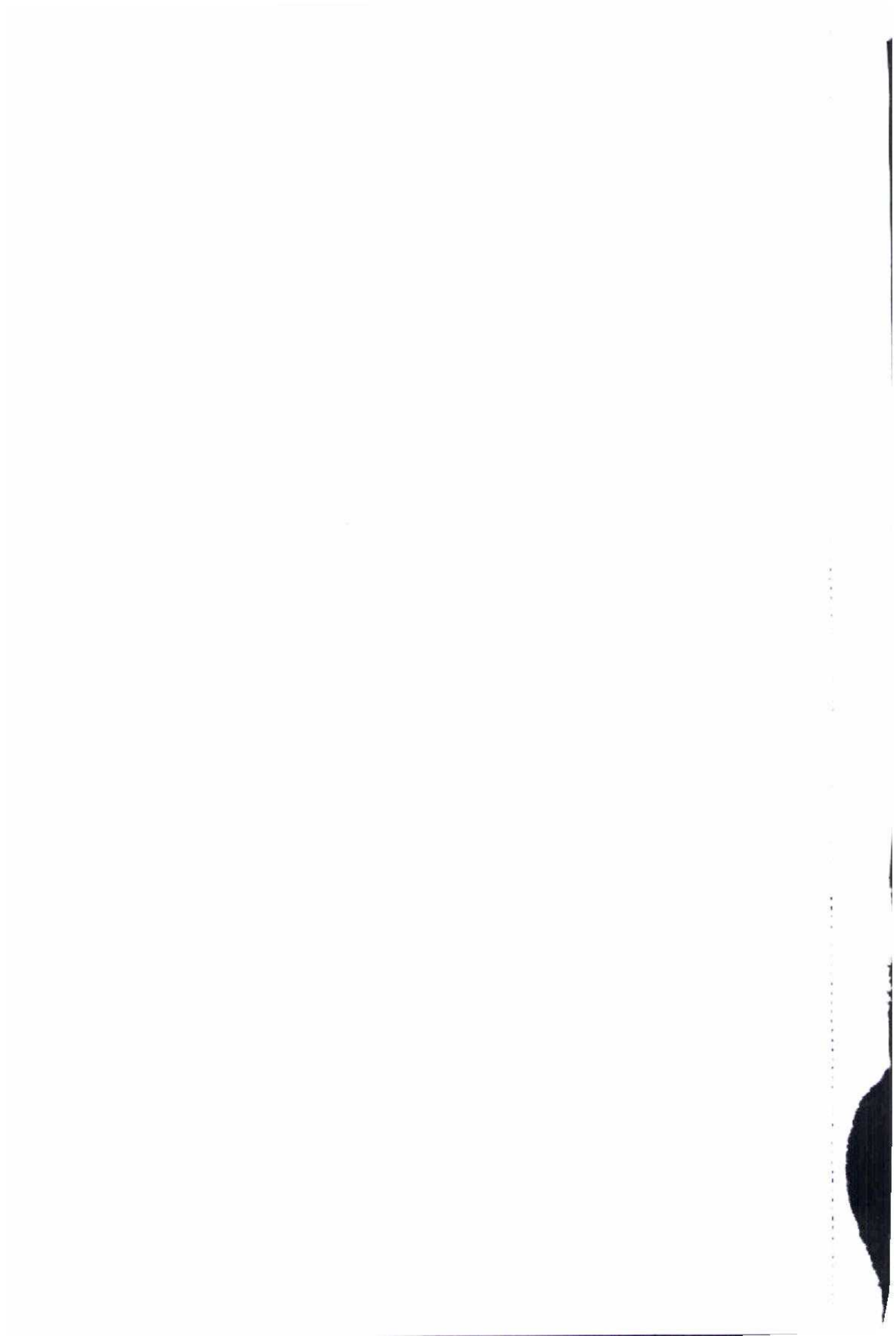
### Witness:

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

Signature on Revenue Stamp of Rs.5/-
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### Notes:

1. The proxy form in order to be valid must be signed across five rupees revenue stamp and should be deposited with the company not later than 48 hours before the time of holding the meeting.
2. The proxy must be a member of the company.
3. Signature should agree with the specimen signature, registered with the company.
4. CDC shareholders and their proxies must attach either an attested photocopy of their Computerized National Identity Card or Passport with this proxy form.







**GATRON (INDUSTRIES) LIMITED**

11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi-75530 - Pakistan  
Phone: (9221) 35659500-9 Fax: (9221) 35659516  
Email: [headoffice@gatron.com](mailto:headoffice@gatron.com) Website: [www.gatron.com](http://www.gatron.com)