# Gatron (Industries) Limited

HALF YEARLY REPORT
DECEMBER 31, 2018

# Contents

# Corporate Information

## Board of Directors

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

## Audit Committee Members

| | | |
|---|---|---|
| Iqbal Bilwani | - | Chairman |
| Haji Haroon Bilwani | | |
| Usman Bilwani | | |
| Muhammad Waseem | | |

## HR & Remuneration Committee Members

| | | |
|---|---|---|
| Usman Bilwani | - | Chairman |
| Iqbal Bilwani | | |
| Muhammad Waseem | | |

## Company Secretary / Chief Financial Officer

Mohammad Yasin Bilwani

## Auditors

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

## Legal Advisor

Naeem Ahmed Khan
Advocates
Quetta.

## Share Registrar

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

## Bankers

Bank Alfalah Limited
Bank Al-Habib Limited
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
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, District 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

# Directors' Report

Dear Shareholders,

The Directors of Gatron (Industries) Limited are pleased to present the half yearly report together with the financial statements duly reviewed by the external auditors, for the half year ended December 31, 2018.

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

- Net sales Rs. 7,999 million,
- Operating profit Rs. 566 million,
- Investment Income Rs. 905 million,
- Profit before income tax Rs. 1,469 million,
- Profit after income tax Rs. 1,288 million,
- Earnings per share Rs. 33.58

Revenue of the Company increased by 54% as compared to corresponding period of last year. This is mainly due to increase in unit value of finished products on account of increasing trend of oil prices coupled with sharp rupee devaluation, an increase in production operating rate and sales volume of Polyester Filament Yarn (PFY).

The income from operations contributed only around 38% to the overall bottom line, while major contribution that is 62% coming from investment income.

As already informed in earlier Directors' Report and communicated to the Pakistan Stock Exchange on 22$^{nd}$ October 2018, your company is increasing yarn capacity in phases until 2021, to fulfill the domestic demand and to substitute imports. During the reporting period, yarn production on the basis of 75 denier has increased by almost 12% as compared to last financial year. With the arrival of further machinery in February and July 2019, the production is expected to cross 60,000 tons/year. However, the recent decrease in Regulatory Duty (RD) on PFY from 5% to 2.5% may become a stumbling block for local PFY manufacturers to continue their further phases of expansion. Moreover, it will also be hurting the country's endeavor to substitute imports to reduce the trade deficit and the reliance on foreign currency borrowing.

Margin over raw material has so far not changed appreciably and good part of current profitability is due to reasons mentioned earlier in the report, so when rupee de-valuation against US dollar and raw material prices settle down, the profits may shrink in subsequent periods.

Preforms segment results remained satisfactory in view of international margins. However, the current winter season stayed longer with rains and snow this year, which has affected the targeted Performs sale. However in coming summer months its sale will Insha'Allah increase and Preforms segment expected to contribute appreciably in the overall performance of the company in remaining period of this financial year.

On the Balance Sheet front as compared to June 30, 2018 stocks increased by Rs. 588 million to reach amounting to Rs. 3,323 million. Debtors increased by Rs. 106 million to reach Rs. 1,235 million while creditors increased by Rs. 610 million to reach Rs. 2,826 million.

## CHALLENGES FACED AND FUTURE OUTLOOK

- Federal Government in its recent mini budget has reduced RD on PFY from 5% to 2.5%. It will hurt the investment already made in the initial phases of the expansion and will definitely make it challenging for local PFY manufacturing industry to proceed with the further phases of target expansion in production capacity to a level which will meet above 70% of indigenous demand by 2021-22 and increase local employment beyond the 10,000 jobs already provided by the industry.

- Maintaining the current import duty with consistent RD for PFY will help in the growth of domestic PFY industry to cater over 70% of total domestic demand in 2020-21 and reduce the import bill and reliance on international borrowings. Due to limited size of cotton crop, the aim of the country should be to clothe more than 200 million population with locally produced textile raw-materials. It is worthwhile to note that the major raw material of Filament Yarn vis PTA is also produced in Pakistan and with the upcoming new Saudi refinery the basic chemicals for PTA vis Paraxylene may also be produced from crude oil within the country, achieving the self-reliance and full chain of crude oil to polyester clothes within the country.

- As reported in previous reports, the Anti-Dumping Duties (ADDs) continue to be ineffective due to litigation on composition of National Tariff Commission (NTC) (resulting in repeated stay orders in different High Courts) and the generous attitude of NTC of helping in circumvention of the duties, whereby NTC sets aside the Anti-Dumping Duties for all importers without any security, rather than only the petitioners getting the stay.

- Surprisingly the Commerce Ministry which is pro-active in reducing the regulatory duties (and reducing the protection level for the industry), it has not taken any action to prevent this circumvention of anti-dumping duties. These ADDs are already set at a very low level of 3.25% to 4.9% on the major 3 Chinese suppliers, while the injury to the Pakistan Filament Yarn Industry was exceeding 20% by the Chinese dumped imports as calculated by the NTC in anti-dumping investigation. It is also worthwhile to note that the dumping duty on China imposed by Turkey and India on these same producers was in excess of 10%.

- As already reported in previous Directors' Reports that there also appears an element of subsidy schemes helping the Chinese and Malaysian exporters to export at much low prices. The NTC did not initiate the countervailing proceedings due to some legal limitation, on the previous application by the Filament Yarn Industry. Many countries like Canada and USA have calculated anti-subsidy duties on China on various polyester products which demonstrate that Chinese producers have available subsidy on their exports. Of course USA, Canada and Europe have also imposed anti-subsidy duties on numerous other Chinese products besides polyester.

- The Company's significant funds are stuck in Sales Tax and Income Tax refunds, which unnecessarily affecting liquidity of the Company.

- To overcome shortage of water supply from Hub Dam, water is being arranged from alternate sources which has increased manufacturing cost.

## OTHER MATTERS

- During the period operations of wholly owned subsidiary Messrs. Gatro Power (Private) Limited remained satisfactory. The subsidiary company paid cash dividends amounting to Rs. 452 million during the period.

- During the period associated company i.e. Messrs Novatex Limited has announced interim cash dividend @ 80% for the year ending on June 30, 2019.

- During the period a new wholly owned subsidiary company Messrs. G-pac Energy (Private) Limited has been incorporated whose principal business is to generate and sell electric power.

## APPROPRIATION

The Board of Directors has approved an interim cash dividend @ 95% to all the shareholders of the company.

## EARNING PER SHARE

The earning per share of the Company for the half year ended December 31, 2018 is Rs. 33.58.

## MATERIAL CHANGES AND COMMITMENTS

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

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENS

The condensed interim consolidated financial statements of the Group along with Directors Report has also been included in this report.

## AUDITORS' REVIEW REPORT

The Auditors' of the Company, M/s. Kreston Hyder Bhimji & Co, Chartered Accountant have issued an unqualified review report to the members of the Company on financial statements for the half year ended December 31, 2018.

## ACKNOWLEDGMENT

We, on behalf of the Board of Directors would like to take this opportunity to thank our valued customers for the trust they continued to place on us, the management team for its sincere efforts and all stakeholders, Bankers, Dealers, Vendors, Associates and Shareholders for helping build Gatron (Industries) Limited into a valuable company.

**Peer Mohammad Diwan**
Chief Executive

**Haji Haroon Bilwani**
Chairman / Director

February 15, 2019

☆ زیر جائزہ مدت کے دوران متعلقہ کمپنی میسرز ٹُوٹیکس لمیٹڈ نے 30 جون، 2019ء کو اختتام پزیر ہونے والے سال کے لیئے 80 فیصد نقد عبوری منافع منقسمہ کا اعلان کیا۔

☆ زیر جائزہ مدت کے دوران ایک نئی مکمل ملکیتی ماتحت ادارہ میسرز جی پیک انرجی (پرائیوٹ) لمیٹڈ قائم کیا گیا جس کا بنیادی کاروبار توانائی پیدا کرنا اور بیچنا ہے۔

## تصرف

بورڈ آف ڈائریکٹرز نے تمام شیئر ہولڈرز کے لئے 95 فیصد کا عبوری نقد منافع دینے کی منظوری دی ہے۔

## منافع فی حصہ

31 دسمبر 2018ء کو اختتام پزیر ہونے والی ششماہی مدت کیلئے منافع فی حصہ مبلغ 33.58 روپے رہا۔

## اہم تبدیلیاں اور معاہدے

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

## جامع مالیاتی گوشوارے

زیر نظر ششماہی رپورٹ میں گروپ ہٰذا کے جامع مالیاتی گوشوارے (consolidated financial statements) بمعہ ڈائریکٹرز رپورٹ منسلک کر دیئے گئے ہیں۔

## آڈیٹرز کی جائزہ رپورٹ

کمپنی کے آڈیٹرز میسرز کریسٹن حیدر بھیم جی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس نے کمپنی کے ممبران کو غیر کوالیفائیڈ جائزہ رپورٹ جاری کی ہے۔

## اظہار تشکر

ہم بورڈ آف ڈائریکٹرز کی جانب سے اپنے معزز صارفین کا شکریہ ادا کرتے ہیں جنہوں نے ہم پر اعتماد کیا۔ ساتھ ہی اپنی مینجمنٹ ٹیم کی پرخلوص محنت پر اور اپنے تمام متعلقہ افراد بشمول بینکرز، ڈیلرز، وینڈرز، ایسوسی ایٹس اور حصص یافتگان کے بھی شکر گزار ہیں جنہوں نے گیٹرون کی ترقی میں اپنا کردار بخوبی نبھایا۔

| | |
|---|---|
| پیر محمد دیوان<br>افسر اعلیٰ | حاجی ہارون بلوانی<br>چیئرمین/ڈائریکٹر |

مورخہ: فروری 15، 2019ء

## درپیش چیلنجز اور مستقبل پر ایک نظر

☆ وفاقی حکومت نے اپنے حالیہ منی بجٹ میں PFY پر لاگو ریگولیٹری ڈیوٹی کو 5 فیصد سے گھٹا کر 2.5 فیصد کر دیا۔ اس اقدام سے نہ صرف کاروبار کو وسعت دینے کے لئے ابتدائی مراحل میں کی جانے والی سرمایہ کاری کو ٹھیس پہنچے گی بلکہ یہ مقامی PFY مینوفیکچرر انڈسٹری کے لیئے پیداواری صلاحیت میں توسیع کے ہدف کو مرحلہ وار 22-2021 تک مقامی طلب کا 70 فیصد سے زائد پورا کرنے اور 10,000 سے زائد لوگوں کو برسر روزگار بنانے میں رکاوٹ بھی ثابت ہو سکتی ہے۔

PFY کی درآمد پر موجودہ درآمدادی ڈیوٹی اور ریگولیٹری ڈیوٹی کو برقرار رکھنے سے مقامی PFY تیار کرنے والوں کو ترقی کا موقع ملے گا اور وہ جہاں ایک جانب ملکی طلب کا 70 فیصد تک مقامی پیداوار سے 21–2020 میں پورا کر سکیں گے وہیں ملکی درآمدی بل میں واضح کمی آئے گی اور بیرونی قرضوں کی مجموعی صورت حال بھی بہتر ہوگی۔ کاٹن کی فصل کم کاشت کی جانے کی وجہ سے یہ ضروری ہے کہ 200 ملین مقامی آبادی کی ملبوسات کے لیئے مقامی خام مال سے تیار ٹیکسٹائل مصنوعات استعمال کی جائیں۔ یہاں یہ بتانا بھی ضروری ہے کہ فلامنٹ یارن میں استعمال ہونے والا PTA جیسا اہم خام مال بھی پاکستان میں بنایا جاتا ہے اور اب جبکہ سعودی ریفائنری کا قیام عمل میں لایا جا رہا ہے تو PTA کا اہم خام مال پیرازایلین کیمیکل بھی ملک میں استعمال ہونے والے خام تیل سے بنایا جائے گا جس کے نتیجے میں خود انحصاری حاصل ہو سکے گی اور خام تیل سے لیکر پولیسٹر ملبوسات تک کی مصنوعات ملک میں دستیاب ہونگی۔

☆ جیسا کہ پہلے کی رپورٹس میں بتایا گیا ہے کہ اینٹی ڈمپنگ ڈیوٹیز (ADDs) مسلسل غیر فعال ہیں کیونکہ نیشنل ٹیرف کمیشن (NTC) کی ٹیرف کمپوزیشن پر درآمد کنندگان نے مختلف ہائی کورٹس سے حکم امتناعی حاصل کئے ہیں اُوپر سے NTC کے ضیافانہ رویہ جس میں اُس نے تمام درآمد کنندگان پر بغیر کسی سیکورٹی کے اینٹی ڈمپنگ ڈیوٹیز کو ہٹا دیا ہے بجائے اس کے کہ صرف اُن پر سے ہٹاتے جنہوں نے عدالتوں سے حکم امتناعی حاصل کر رکھا ہے۔

حیران کن طور پر وفاقی وزارت برائے کامرس جو ریگولیٹری ڈیوٹیاں کم کرنے میں پیش پیش ہے (جو صنعت کی حفاظتی سطح کو کم کرتی ہے) اُس نے بھی stayholders کو ریلیف دینے کے بجائے اینٹی ڈمپنگ ڈیوٹیز کو سب پر سے ہٹا دینے کے معاملے پر کوئی اقدام نہیں لیا۔ یہ ADDs تین بڑے چینی سپلائرز پر کم سطح 3.25 فیصد تا 4.9 فیصد ہے جبکہ متذکرہ اینٹی ڈمپنگ تحقیقات میں NTC نے تعین کیا تھا کہ پاکستان فلامنٹ یارن انڈسٹری کو چائنیز ڈمپڈ امپورٹس کے ذریعہ نقصان 20 فیصد سے زیادہ ہے۔ ان ہی چائنیز پروڈیوسرز پر ترکی اور انڈیا نے 10 فیصد سے زیادہ اینٹی ڈمپنگ ڈیوٹی عائد کی ہوئی ہے۔

☆ جیسا کہ گزشتہ ڈائریکٹرز رپورٹس میں ذکر کیا گیا کہ سبسڈی اسکیموں کا ایک ایسا عنصر محسوس ہوتا ہے جس کی وجہ سے چینی اور ملائشیائی برآمد کنندگان کو انتہائی ارزاں نرخ پر برآمدات کرنے میں مدد ملتی ہے۔ مقامی فلامنٹ یارن صنعت کی جانب سے اس معاملہ کے متعلق گزشتہ داخل کردہ درخواست پر چند قانونی پابندیوں کے باعث NTC بروقت اقدام کرنے سے قاصر رہا دیگر ممالک جیسا کہ کینیڈا نے چین کی دیگر پولیسٹر مصنوعات پر اینٹی سبسڈی ڈیوٹی عائد کی ہے جس سے پتہ چلتا ہے کہ چینی پروڈیوسرز کی برآمدات میں سبسڈی شامل ہے۔ امریکہ، کینیڈا اور یورپ نے چین کی دیگر مصنوعات پر بھی اینٹی سبسڈی ڈیوٹی عائد کر رکھی ہے۔

☆ کمپنی کی خطیر رقم سیلز ٹیکس اور انکم ٹیکس ری فنڈ میں پھنسی ہوئی ہے جو کمپنی کی لیکوئڈٹی پر اثر انداز ہو رہی ہے۔

☆ حب ڈیم سے پانی کی فراہمی کی قلت پر قابو پانے کے لیئے، متبادل ذرائع سے پانی کا بندوبست کیا جا رہا ہے جس سے پیداواری لاگت میں خاطر خواہ اضافہ ہو رہا ہے۔

## دیگر امور

☆ زیر جائزہ مدت کے دوران کمپنی کے مکمل ملکیتی ماتحت ادارے میسرز گیٹرو پاور (پرائیویٹ) لمیٹڈ کے آپریشنز تسلی بخش رہے۔ اِس ذیلی ادارے نے اس مدت کے دوران مبلغ 452 ملین روپے کا نقد منافع ادا کیا۔

# ڈائریکٹرز کی جائزہ رپورٹ

معزز ممبران،

گیٹرون (انڈسٹریز) لمیٹڈ کے ڈائریکٹرز 31 دسمبر 2018ء کو اختتام پزیر ہونے والی ششماہی مدت کے لیئے رپورٹ ہمراہ مالیاتی گوشوارے جسکا کمپنی کے آڈیٹرز نے جائزہ لیا پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

زیر جائزہ مدت کا مالیاتی خلاصہ درج ذیل ہے :

| | |
|---|---|
| خالص فروخت | مبلغ 7,999 ملین روپے |
| آپریٹنگ منافع | مبلغ 566 ملین روپے |
| آمدنی بذریعہ سرمایہ کاری | مبلغ 905 ملین روپے |
| منافع قبل از انکم ٹیکس | مبلغ 1,469 ملین روپے |
| منافع بعد از انکم ٹیکس | مبلغ 1,288 ملین روپے |
| آمدنی فی حصہ | مبلغ 33.58 روپے |

کمپنی کی مجموعی فروخت میں گزشتہ سال کی اسی مدت کے مقابلے میں 54 فیصد اضافہ دیکھا گیا۔ اس اضافے کے بنیادی محرکات میں تیل کی عالمی قیمتوں میں اضافے کا رجحان اور روپے کی قدر میں نمایاں کمی کے باعث تیار ہونے والی مصنوعات کی یونٹ ویلیو میں اضافہ کے ساتھ ساتھ پیداواری صلاحیت کے استعمال میں اضافہ اور پولیسٹر فلامنٹ یارن (PFY) کی فروخت کے حجم میں بڑھوتی شامل ہیں۔

کمپنی کی مجموعی آمدن میں آپریشنز سے حاصل ہونے والی آمدنی کا حجم صرف 38 فیصد رہا جبکہ آمدنی بذریعہ سرمایہ کاری نے 62 فیصد کے بڑے حصے کو حاصل کرنے میں مدد دی۔

جیسا کہ پچھلی ڈائریکٹرز رپورٹ اور 22 اکتوبر 2018ء میں اسٹاک ایکسچینج کو ارسال کردہ اطلاع میں کہا گیا تھا کہ آپ کی کمپنی مرحلہ وار 2021 تک اپنی یارن کی پیداواری صلاحیت میں اضافہ کرتی جائے گی تا کہ مقامی طلب کو پورا کیا جا سکے اور درآمدات کم سے کم ہو سکیں۔ زیر جائزہ مدت کے دوران 75 ڈینئر کی بنیاد پر یارن کی پیداوار میں گزشتہ مالی سال کے مقابلے تقریباً 12 فیصد اضافہ ہوا۔ فروری اور جولائی، 2019 کے درمیان درآمد کی جانے والی مشینری کے پہنچ جانے کے بعد توقع کی جا رہی ہے کہ پیداوار 60,000 ٹن/سالانہ سے زائد ہو جائے گی۔ تاہم پولیسٹر فلامنٹ یارن پر لاگو ریگولیٹری ڈیوٹی (RD) میں 5 فیصد سے 2.5 فیصد کی مقامی PFY تیار کرنے والوں کے لئے مزید سرمایہ کاری میں رکاوٹ بن سکتی ہے۔ ویسے بھی ایسے اقدامات سے ملک میں درآمدات کو کم کرنے، تجارتی خسارہ میں کمی اور غیر ملکی کرنسی میں قرض پر کم سے کم انحصار کی کوششوں کو ٹھیس پہنچتی ہے۔

خام مال کے مارجن میں کوئی خاطر خواہ تبدیلی نہیں ہوئی ہے اور کمپنی کے موجودہ اچھے منافع بخش ہونے کی وجوہات اُوپر بیان کی جا چکی ہیں مگر جب ڈالر کے مقابلے میں روپے کی قدر اور خام مال کی قیمتوں میں ٹھہراؤ آئے گا تب آنے والی مدتوں میں منافع میں کمی واقع ہو سکتی ہے۔

پری فارم سیگمنٹ کے نتائج بھی عالمی مارجنز کی بنیاد پر حوصلہ افزاء رہے تاہم موجودہ جاڑے کا موسم توقعات کے برخلاف زیادہ عرصے تک برف باری اور بارشوں کے ساتھ ساتھ موجود رہا جس کی وجہ سے پری فارمز کی فروخت کے اہداف حاصل نہ کئے جا سکے۔ لیکن آنے والے موسم گرما میں انشاء اللہ اس کی فروخت میں اضافہ ہوگا اور پری فارمز سیگمنٹ مالی سال کے باقی عرصے میں کمپنی کی مجموعی کارکردگی میں قابل ذکر اضافہ کرے گا۔

30 جون 2018ء کے مقابلے میں اِسٹاک کے ذخیرے کی مالیت میں 588 ملین روپے کا اضافہ ہوا جو 3,323 ملین روپے تک پہنچ گیا۔ قابل وصول قرضوں کی مالیت 106 ملین روپے بڑھ کر 1,235 ملین روپے تک پہنچ گئی۔ جبکہ قرضداری 610 ملین روپے بڑھ کر 2,826 ملین روپے تک پہنچی۔

KRESTON
HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

# AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM UN-CONSOLIDATED FINANCIAL STATEMENTS

**Introduction:**

We have reviewed the accompanying condensed interim un-consolidated statement of financial position of **GATRON (INDUSTRIES) LIMITED** ("the Company") as of December 31, 2018, and the related condensed interim un-consolidated statement of profit or loss, condensed interim un-consolidated statement of comprehensive income, condensed interim un-consolidated statement of changes in equity and condensed interim un-consolidated statement of cash flows and notes to the financial statements for the half year ended (here-in-after referred to as the "condensed interim un-consolidated financial statements"). Management is responsible for the preparation and presentation of these condensed interim un-consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim un-consolidated financial statements based on our review. The figures for the quarters ended December 31, 2018 and December 31, 2017 in the condensed interim un-consolidated financial statements have not been reviewed, as we are required to review only the cumulative figures for the six months' period ended December 31, 2018.

**Scope of Review:**

We conducted our review in accordance with the International Standard on Review engagements 2410, "Review of condensed Interim financial information Performed by the Independent Auditor of the Entity". A review of condensed Interim un-consolidated financial statements consists of making inquiries primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion:**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim un-consolidated financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner of the review resulting in this independent auditor's report is Mohammad Hanif Razzak.

**KRESTON HYDER BHIMJI & CO.**
CHARTERED ACCOUNTANTS

Karachi: the February 15, 2019

# Condensed Interim Un-consolidated Statement Of Financial Position

AS AT DECEMBER 31, 2018

| | Note | December 2018 (Un-audited) | June 2018 (Audited) |
|---|---|---|---|
| | | (Rupees in Thousand) | |
| **ASSETS** | | | |
| **Non - current Assets** | | | |
| Property, plant and equipment | 5 | 2,014,720 | 1,843,643 |
| Long term investments | | 602,518 | 597,563 |
| Long term loans | | 8 | 88 |
| Long term deposits | | 1,802 | 1,832 |
| | | 2,619,048 | 2,443,126 |
| **Current Assets** | | | |
| Stores, spare parts and loose tools | | 602,908 | 539,823 |
| Stock in trade | 6 | 3,323,320 | 2,734,755 |
| Trade debts | 15 | 1,234,969 | 1,128,940 |
| Loans and advances | | 110,246 | 99,778 |
| Trade deposits and short term prepayments | 15 | 87,295 | 36,010 |
| Other receivables | 15 | 326,798 | 137,324 |
| Dividend receivable from associated company | 15 | 453,600 | - |
| Advance income tax | | - | 30,000 |
| Sales and income tax refund due from Federal Government | | 239,208 | 305,252 |
| Cash and bank balances | | 55,558 | 47,399 |
| | | 6,433,902 | 5,059,281 |
| **TOTAL ASSETS** | | 9,052,950 | 7,502,407 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 7 | 383,645 | 383,645 |
| Capital reserve - share premium | | 383,645 | 383,645 |
| General reserve | | 3,250,000 | 2,075,000 |
| Unappropriated profit | | 1,227,948 | 1,431,079 |
| | | 5,245,238 | 4,273,369 |
| **LIABILITIES** | | | |
| **Non - current Liabilities** | | | |
| Deferred liabilities | 8 | 361,739 | 337,260 |
| **Current Liabilities** | | | |
| Trade and other payables | 9 & 15 | 2,826,216 | 2,216,006 |
| Unclaimed dividend | | 13,524 | 11,238 |
| Accrued mark up | | 428 | 142 |
| Short term borrowings | | 514,388 | 580,017 |
| Provision for income tax less payments | | 91,417 | 84,375 |
| | | 3,445,973 | 2,891,778 |
| **CONTINGENCIES AND COMMITMENTS** | 10 | | |
| **TOTAL EQUITY AND LIABILITIES** | | 9,052,950 | 7,502,407 |

The notes 1 to 18 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

| HAJI HAROON BILWANI | PEER MOHAMMAD DIWAN | MOHAMMAD YASIN BILWANI |
|---|---|---|
| Chairman | Chief Executive | Chief Financial Officer |

# Condensed Interim Un-consolidated Statement Of Profit Or Loss (Un-audited)

## FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

(Rupees in Thousand)

| | Note | Oct-2018 to Dec-2018 | Oct-2017 to Dec-2017 | Jul-2018 to Dec-2018 | Jul-2017 to Dec-2017 |
|---|---|---|---|---|---|
| Sales | | **4,173,520** | 2,524,254 | **7,999,281** | 5,209,077 |
| Cost of sales | | **3,886,710** | 2,308,200 | **7,129,837** | 4,839,225 |
| **Gross profit** | | **286,810** | 216,054 | **869,444** | 369,852 |
| Distribution and selling costs | | **34,812** | 31,236 | **83,595** | 60,906 |
| Administrative expenses | | **75,982** | 70,363 | **127,478** | 120,759 |
| Other operating expenses | | **51,761** | 23,024 | **96,582** | 35,638 |
| | | **162,555** | 124,623 | **307,655** | 217,303 |
| | | **124,255** | 91,431 | **561,789** | 152,549 |
| Other income | | **1,495** | 619 | **4,202** | 2,491 |
| **Operating profit** | | **125,750** | 92,050 | **565,991** | 155,040 |
| Finance costs | | **862** | 2,749 | **1,961** | 10,861 |
| | | **124,888** | 89,301 | **564,030** | 144,179 |
| Investment income - Dividend | 11 | **679,350** | 225,750 | **905,100** | 225,750 |
| **Profit before income tax** | | **804,238** | 315,051 | **1,469,130** | 369,929 |
| Income tax - Current & prior | 12 | **109,266** | 28,522 | **172,343** | 46,761 |
| - Deferred | | **13,036** | (15,044) | **8,411** | (12,838) |
| | | **122,302** | 13,478 | **180,754** | 33,923 |
| **Profit after income tax** | | **681,936** | 301,573 | **1,288,376** | 336,006 |
| **Earnings per share -** | | | | | |
| **Basic and diluted ( Rupees )** | | **17.78** | 7.86 | **33.58** | 8.76 |

The notes 1 to 18 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

| **HAJI HAROON BILWANI** | **PEER MOHAMMAD DIWAN** | **MOHAMMAD YASIN BILWANI** |
|---|---|---|
| Chairman | Chief Executive | Chief Financial Officer |

# Condensed Interim Un-consolidated Statement Of Comprehensive Income (Un-audited)

## FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

| | Oct-2018 to Dec-2018 | Oct-2017 to Dec-2017 | Jul-2018 to Dec-2018 | Jul-2017 to Dec-2017 |
|---|---|---|---|---|
| | (Rupees in Thousand) | | | |
| Profit after income tax | **681,936** | 301,573 | **1,288,376** | 336,006 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | **681,936** | 301,573 | **1,288,376** | 336,006 |

The notes 1 to 18 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

**HAJI HAROON BILWANI**
Chairman

**PEER MOHAMMAD DIWAN**
Chief Executive

**MOHAMMAD YASIN BILWANI**
Chief Financial Officer

# Condensed Interim Un-consolidated Statement Of Changes In Equity (Un-audited)

## FOR THE HALF YEAR ENDED DECEMBER 31, 2018

(Rupees in Thousand)

| | Share Capital | Capital reserve Share Premium | General reserve | Unappropriated profit | Total |
|---|---|---|---|---|---|
| Balances as at July 01, 2017 | 383,645 | 383,645 | 2,075,000 | 529,248 | 3,371,538 |
| Total comprehensive income for the half year ended December 31, 2017 | - | - | - | 336,006 | 336,006 |
| **Transactions with owners** | | | | | |
| Interim cash dividend for the year ended June 30, 2018 at Rs.2.00 per share i.e. @20% | - | - | - | (76,729) | (76,729) |
| Balances as at December 31, 2017 | 383,645 | 383,645 | 2,075,000 | 788,525 | 3,630,815 |
| Total comprehensive income for the half year ended June 30, 2018 | - | - | - | 642,554 | 642,554 |
| Balances as at June 30, 2018 | 383,645 | 383,645 | 2,075,000 | 1,431,079 | 4,273,369 |
| Total comprehensive income for the half year ended December 31, 2018 | - | - | - | 1,288,376 | 1,288,376 |
| Transfer to General reserve | - | - | 1,175,000 | (1,175,000) | - |
| **Transactions with owners** | | | | | |
| Final cash dividend for the year ended June 30, 2018 at Rs.8.25 per share i.e. @82.50% | - | - | - | (316,507) | (316,507) |
| **Balances as at December 31, 2018** | **383,645** | **383,645** | **3,250,000** | **1,227,948** | **5,245,238** |

The notes 1 to 18 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

| HAJI HAROON BILWANI | PEER MOHAMMAD DIWAN | MOHAMMAD YASIN BILWANI |
|---|---|---|
| Chairman | Chief Executive | Chief Financial Officer |

# Condensed Interim Un-consolidated Statement Of Cash Flows (Un-audited)

## FOR THE HALF YEAR ENDED DECEMBER 31, 2018

| | (Rupees in Thousand) | |
|---|---|---|
| | **Jul-2018 to Dec-2018** | Jul-2017 to Dec-2017 |
| **Cash Flows from/(towards) Operating Activities** | | |
| Profit before income tax | **1,469,130** | 369,929 |
| Adjustments for: | | |
| Depreciation | **137,460** | 148,749 |
| Provision for defined benefit plan | **18,559** | 15,797 |
| Gain on disposal of property, plant and equipment | **(3,403)** | (2,075) |
| Loss on disposal of property, plant and equipment | **33** | - |
| Impairment in long term investments | **84** | 2 |
| Provision for doubtful trade debts - net | **394** | 7,162 |
| Provision for slow moving stores, spare parts and loose tools - net | **3,135** | 2,706 |
| Investment income - Dividend | **(905,100)** | (225,750) |
| Finance costs | **1,961** | 10,861 |
| | **(746,877)** | (42,548) |
| | **722,253** | 327,381 |
| (Increase)/decrease in current assets: | | |
| Stores, spare parts and loose tools | **(66,220)** | (15,533) |
| Stock in trade | **(588,565)** | (76,151) |
| Trade debts | **(106,423)** | 857,950 |
| Loans and advances | **(11,245)** | (3,688) |
| Trade deposits and short term prepayments | **(51,285)** | (18,294) |
| Other receivables | **(189,474)** | 151,549 |
| | **(1,013,212)** | 895,833 |
| Increase/(decrease) in Trade and other payables | **626,426** | (222,860) |
| Cash flows from operations | **335,467** | 1,000,354 |
| (Payments for)/receipts of: | | |
| Long term loans | **857** | 289 |
| Long term deposits | **30** | - |
| Defined benefit plan | **(2,491)** | (14,149) |
| Finance costs | **(1,675)** | (12,590) |
| Income tax | **(85,449)** | (28,873) |
| Group taxation impact | **(24)** | (147) |
| Net cash flows from operating activities | **246,715** | 944,884 |
| **Cash Flows from/(towards) Investing Activities** | | |
| Additions in property, plant and equipment | **(313,536)** | (85,372) |
| Proceeds from disposal of property, plant and equipment | **8,369** | 5,570 |
| Investment made | **(5,039)** | - |
| Dividend received | **451,500** | 225,750 |
| Net cash flows from investing activities | **141,294** | 145,948 |
| **Cash Flows towards Financing Activities** | | |
| Dividend paid | **(314,221)** | (31,164) |
| Net cash flows towards financing activities | **(314,221)** | (31,164) |
| **Net increase in cash and cash equivalents** | **73,788** | 1,059,668 |
| **Cash and cash equivalents at the beginning of the period** | **(532,618)** | (2,111,373) |
| **Cash and cash equivalents at the end of the period** | **(458,830)** | (1,051,705) |
| **CASH AND CASH EQUIVALENTS COMPRISE OF :** | | |
| Cash and bank balances | **55,558** | 39,985 |
| Short term borrowings | **(514,388)** | (1,091,690) |
| | **(458,830)** | (1,051,705) |

The notes 1 to 18 annexed herewith form an integral part of these condensed interim un-consolidated financial statements.

| **HAJI HAROON BILWANI** | **PEER MOHAMMAD DIWAN** | **MOHAMMAD YASIN BILWANI** |
|---|---|---|
| Chairman | Chief Executive | Chief Financial Officer |

# Notes To The Condensed Interim Un-consolidated Financial Statements (Un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2018

## 1 THE COMPANY AND ITS OPERATIONS

**1.1** The Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are quoted at the Pakistan Stock Exchange since 1992. The principal business of the Company is manufacturing of Polyester Filament Yarn through its self-produced Polyester Polymer/Chips. The Company also produces Pet Preforms and is also capable of producing PET Bottle Grade Chips. The registered office of the Company is situated at Room No. 32, 1st floor, Ahmed Complex, Jinnah Road, Quetta whereas the plant of the Company is situated at Plot No 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District Lasbela, Balochistan and Liaison office of the Company is situated at 11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

**1.2** The Company wholly owns following Subsidiary Companies:

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

## 2 BASIS OF PREPARATION

**2.1** These condensed interim un-consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprises of International Accounting Standards (IAS) 34, interim financial reporting, issued by International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 and provision of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2** These condensed interim un-consolidated financial statements are the separate condensed interim un-consolidated financial statements of the Company in which investments in subsidiaries and associate have been accounted for at cost less accumulated impairment losses, if any.

**2.3** These condensed interim un-consolidated financial statements are unaudited and do not include all the information and disclosures of the annual financial statements and should be read in conjunction with the audited financial statements of the Company for the year ended June 30, 2018.

**2.4** The figures included in the condensed interim un-consolidated statement of profit or loss for the quarters ended December 31, 2018 and 2017 and in the notes forming part thereof have not been reviewed by the auditors of the Company, as they have reviewed the accumulated figures for the half years ended December 31, 2018 and 2017.

**2.5 Changes in accounting standards, interpretations and amendments to published approved accounting standards**

**a) Amendments to published approved accounting standards which are effective during the half year ended December 31, 2018:**

There are certain amendments and an interpretation to approved accounting and reporting standards which are mandatory for the Company's annual accounting period beginning on July 1, 2018; however, these do not have any significant impact on these condensed interim un-consolidated financial statements hence not detailed. Further following new standards have become effective during the period due to which certain changes in accounting policies have been made;

IFRS 9 'Financial instruments' - This standard replaces IAS-39 “Financial Instruments: Recognition and Measurement” and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting for financial assets and financial liabilities. The adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach, i.e., the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

The Company's financial assets mainly include trade debts, loans and advances, deposits, receivables and bank balances held with commercial banks. Considering the nature of the financial assets, the Company has applied the standard's simplified approach for assessment of expected credit losses and the Company has concluded there is no material impact of the impairment on its financial assets, other than trade debts for which appropriate allowance is already made, to these condensed interim un-consolidated financial statements. Effect of other provisions of this IFRS is also immaterial on these condensed interim un-consolidated financial statements.

IFRS 15 'Revenue from Contracts with customers' applies to all revenue arising from contracts with customers, unless those contracts are not in the scope of other standards and it has superseded IAS 11 “Construction Contracts”, IAS 18 “Revenue” and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with customers based on the principle that an entity should recognize revenue representing the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company has concluded that this standard does not have significant impact on these condensed interim un-consolidated financial statements and it is already in compliance with the significant provisions of this standard.

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

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2019. However, these amendments will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these condensed interim un-consolidated financial statements.

**2.6 Functional and reporting currency**

These condensed interim un-consolidated financial statements are presented in Pakistani Rupee, which is the Company's functional currency.

## 3 ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these condensed interim un-consolidated financial statements were the same as those applied to the audited financial statements as at and for the year ended June 30, 2018.

## 4 SIGNIFICANT ACCOUNTING POLICIES

These condensed interim un-consolidated financial statements have been prepared, following the same accounting policies as were applied in the preparation of the audited financial statements as at and for the year ended June 30, 2018.

| | (Rupees in Thousand) | |
|---|---|---|
| | **December 2018 (Un-audited)** | June 2018 (Audited) |
| **5 PROPERTY, PLANT AND EQUIPMENT** | | |
| Operating fixed assets (note 5.1) | **1,871,930** | 1,687,066 |
| Capital work in progress (note 5.2) | **142,790** | 156,577 |
| | **2,014,720** | 1,843,643 |

**5.1** Following are the cost of additions and net book value (NBV) of assets disposed off during the period:

**Additions at cost during the period including transferred from Capital work in progress**

| | **Half year ended December 2018** | Half year ended December 2017 |
|---|---|---|
| Plant and machinery | **270,142** | 162,364 |
| Furniture and fixture | **2,510** | 594 |
| Factory equipment | **16,983** | 6,606 |
| Office equipment | **1,425** | 832 |
| Motor vehicles | **36,263** | 13,417 |
| | **327,323** | 183,813 |

**Disposals at NBV during the period**

| | | |
|---|---|---|
| Plant and machinery | **1,465** | - |
| Motor vehicles | **3,534** | 3,495 |
| | **4,999** | 3,495 |

**5.2** Additions to capital work in progress and transfers during the period amounted to Rs.256.310 million and Rs.270.097 million respectively (December 2017: additions to capital work in progress and transfers amounted to Rs.62.113 million and Rs.160.692 million respectively).

## 6 STOCK IN TRADE

These include items costing Rs.126.751 million (June 2018: Rs.109.514 million) valued at net realisable value of Rs.94.844 million (June 2018: Rs.79.949 million).

## 7 SHARE CAPITAL

| (Number of Shares) | | | (Rupees in Thousand) | |
|---|---|---|---|---|
| **December 2018 (Un-audited)** | June 2018 (Audited) | | **December 2018 (Un-audited)** | June 2018 (Audited) |
| **7.1 Authorised capital** | | | | |
| **95,000,000** | 44,000,000 | Ordinary shares of Rs. 10 each | **950,000** | 440,000 |
| **7.2 Issued, subscribed and paid up capital** | | | | |
| **30,136,080** | 30,136,080 | Ordinary shares of Rs.10 each allotted for consideration paid in cash | **301,361** | 301,361 |
| **8,228,400** | 8,228,400 | Ordinary shares of Rs.10 each allotted as fully paid bonus shares | **82,284** | 82,284 |
| **38,364,480** | 38,364,480 | | **383,645** | 383,645 |

| 8 | DEFERRED LIABILITIES | (Rupees in Thousand) December 2018 (Un-audited) | June 2018 (Audited) |
|---|---|---|---|
| | Income tax - net | **10,969** | 2,558 |
| | Defined benefit plan | **350,770** | 334,702 |
| | | **361,739** | 337,260 |

## 9 TRADE AND OTHER PAYABLES

Trade and other payables includes provision in respect of following:

**a)** The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial and Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU with effect from September 01, 2015. The Company alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate has been restrained. In May 2016, The Single Bench of Sindh High Court decided the case in favour of the petitioners. However, in June 2016, defendants filed appeal before Double Bench of Sindh High Court which was also decided in favor of the Petitioners. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and Messrs. Sui Southern Gas Company Limited (SSGCL) billed @ Rs.600 per MMBTU. However the Company alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Company has provided bankers' verified cheque to Nazir of High Court amounting to Rs.47.667 million (June 2018: Rs.37.827 million). As an abundant precaution, the Company has made total provision of Rs.40.194 million (June 2018: Rs.35.374 million). On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories. The Company is in consultation with legal counsel, as to whether any legal action need to be taken in this regard. However, the Company meanwhile is paying full amount of the gas bills under protest as per this notification.

**b)** In August 2013, OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power and accordingly, SSGCL started charging rate prescribed for captive power to the Company with effect from September 2013. The Company alongwith several other companies filed suit in the Sindh High Court on December 21, 2015 against OGRA, SSGCL and others challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and SSGCL billed @ Rs.600 per MMBTU. However the Company alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Company has provided bankers' verified cheque to Nazir of High Court, refer note 9 (a). As an abundant precaution, the Company has made provision of Rs.15.977 million (June 2018: Rs.14.213 million) pertaining to the period of November 2015 to September 2018 and did not create receivable of Rs.13.629 million in respect of period from August 2013 to October 2015. On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories. The Company is in consultation with legal counsel, as to whether any legal action need to be taken in this regard. However, the Company meanwhile is paying full amount of the gas bills under protest as per this notification.

c) Provision of Sindh Sales Tax on rent payable to an associated company Messrs. Novatex Limited amounted to Rs.5.092 million (June 2018: Rs.4.815 million). The associated company had file a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Single Bench of Sindh High Court decided the case in favour of the associated company. However, the Sindh Revenue Board filed an appeal against the decision before the double bench of Sindh High Court.

d) The Company had filed a petition in the Sindh High Court at Karachi on May 25, 2011 against Province of Sindh and Excise and Taxation Department, challenging the levy of Infrastructure Cess on imports. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. In April 2017, the Government of Sindh has promulgated the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The Company has also challenged the new Act in the Sindh High Court on October 23, 2017 against Province of Sindh and Excise and Taxation Department and similar stay has been granted by the Honorable Sindh High Court. Till reporting date, the Company has provided bank guarantee amounting to Rs.163.365 million (June 2018: Rs.148.365 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 these condensed interim un-consolidated financial statements as an abundant precaution.

e) The Federal Board of Revenue (FBR) vide SRO 491(I)/2016 dated June 30, 2016 made certain amendments in SRO 1125(I)/2011 dated December 31, 2011 including disallowance of input tax adjustment on packing material of textile products. Consequently, input tax adjustment on packing material of textile product was not being allowed for adjustment with effect from July 01, 2016 till June 30, 2018. The Company had challenged the disallowance of input tax adjustment on packing material in the Sindh High Court on January 16, 2017 against Federation of Pakistan and others. The Honorable Sindh High Court has granted interim relief order and allowed the Company to claim input tax adjustment.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company. However, as an abundant precaution, the Company has made provision of Rs.65.752 million (June 2018: Rs.65.752 million).

f) The FBR vide SRO 450(I)/2013 dated May 27, 2013 made certain amendments in SRO 490(I)/2004 dated June 12, 2004 and disallowed input tax adjustment on building materials with effect from May 28, 2013. The Company had challenged the restriction so placed before the Islamabad High Court on December 21, 2015 against Federation of Pakistan. The Court has granted interim relief order and allowed the Company to claim input tax adjustment on building material.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Company. However, as an abundant precaution, the Company has made provision of Rs.6.923 million (June 2018: Rs.5.192 million).

g) Provision of Gas Infrastructure Development Cess Rs.6.203 million (June 2018: Rs.5.757 million) and rate difference of gas tariff Rs.1.718 million (June 2018: Rs.1.597 million) on account of common expenses payable to an associated company Messrs. Novatex Limited.

## 10 CONTINGENCIES AND COMMITMENTS

The detail of contingencies and commitments as at reporting date are as follows:

### 10.1 Contingencies

**a)** FBR initiated action against few buyers of the Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Company had to pay Rs.27.762 million and had also to submit post-dated cheques of Rs.83.287 million under protest in favour of Chief Commissioner Inland Revenue.

The Company had, however, challenged the action before the Honorable Sindh High Court on December 23, 2013 against Federation of Pakistan and others realizing the facts of the case, circumstances and legal position, the Honorable Sindh High Court has granted interim relief whereby encashment of above mentioned post dated cheques has been restrained.

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

**b)** The Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015 in May 2015, which seeks to impose GIDC levy since 2011. The Company alongwith several other companies filed suit in the Sindh High Court on July 16, 2015 against OGRA and others challenging the validity and promulgation of GIDC Act 2015. The Single Bench of Honorable Sindh High Court had decided the case in favour of petitioners. However, defendants have filed appeal on November 10, 2016 before the Double Bench of Sindh High Court.

Considering previous decision of Honorable Supreme Court and legal advisor opinion, the Company is confident that the case will be decided in favour of the petitioners. Total amount of enhanced GIDC upto December 31, 2018 worked out at Rs.130.659 million (June 2018: Rs.115.218 million), however the Company accounted for Rs.91.321 million (June 2018: Rs.75.880 million) pertaining to the period of July 2014 to December 2018 for Captive Power and June 2015 to December 2018 for Industrial as an abundant precaution in view of reason stated above.

**c)** The Company along with several other companies has filed a Constitution Petition in the Sindh High Court on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others against a notice issued by the EOBI to the Company to pay contribution at the revised rate of wages with retrospective effect. The Honorable Sindh High Court has already restrained EOBI from taking any coercive action against the Company. No provision of the amount involved i.e Rs.20.098 million (June 2018: Rs.18.504 million) has been made in these condensed interim un-consolidated financial statements as the Company is confident of the favorable outcome of the Petition.

**d)** The Company filed four appeals on 2nd, 9th, 17th May and 20th June 2018 before the Commissioner Inland Revenue (Appeals) (CIR(A)) – 2, Large Taxpayers Unit, Karachi for the tax periods July 2012 to December 31, 2016 against the assessment orders passed by the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayers Unit, passed under section 11 (2) of the Sales Tax Act, 1990 through which cumulative demand for the aforesaid periods amounting to Rs.55.423 million excluding default surcharge was created. In the assessment orders, major areas on which impugned demand has been raised relates to disallowance of input tax on purchases and recovery of sales tax on sales to subsequently suspended / blacklisted person. The Company has already deposited Rs.28 million under protest into the Government treasury for stay against the full recovery. The CIR(A) has issued judgment in respect of impugned order for tax periods July 2012 to June 2013 wherein the entire order of the Tax Officer has been held as illegal and unconstitutional. No provision has been made in these condensed interim un-consolidated financial statements as the Company is confident that the matter will be decided in favour by the appellate authorities.

**e)** Income tax department issued order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2012 wherein income tax demand of Rs. 37.773 million was raised on various issues. Out of the total amount, the Company has paid Rs.3.777 million under protest. Appeal was filed before the CIR(A) and the CIR(A) has decided the case partially in favor of the Company whereas major issues have been decided in favor of the tax department. Based on the judgment of the CIR(A), the revised demand comes out to Rs. 28.2 million. Against the order of the CIR(A), the Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) and the learned ATIR, vide its judgment dated January 1, 2019 has decided all the remaining issues in favor of the Company. Based on the said judgment of the ATIR, partial demand of Rs. 3.777 million earlier paid by the Company under protest is now refundable. As of now, the tax department has not yet filed appeal against the said judgment of ATIR.

**f)** Income Tax department issued order under section 122(1) of the Income Tax Ordinance, 2001 for the Tax Year 2015 wherein income tax demand of Rs. 25.888 million was raised on various issues. Out of the total amount, the Company has paid Rs.2.589 million under protest. Appeal has been filed before the CIR(A) and the same is still pending. Based on the advice of our legal counsel, no provision has been made in these condensed interim un-consolidated financial statements as the management is hopeful for a favorable outcome.

| | (Rupees in Thousand) | |
|---|---|---|
| | **December 2018 (Un-audited)** | June 2018 (Audited) |
| **10.2 Guarantees** | | |
| Bank Guarantees in favour of: | | |
| The Director Excise and Taxation, Karachi | **163,365** | 148,365 |
| The Electric Inspector, President Licencing Board, Quetta | **10** | 10 |
| Pakistan State Oil Company Limited | **40,000** | 30,000 |
| K-Electric Limited | **11,560** | 11,560 |
| Letters of Credit in favour of: | | |
| Sui Southern Gas Company Limited for Gas | **30,992** | 30,992 |
| | **245,927** | 220,927 |

**10.3 Commitments**

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

| | December 2018 (Un-audited) | June 2018 (Audited) |
|---|---|---|
| | (Rupees in Thousand) | |
| Foreign currency: | | |
| Property, plant and equipment | **777,711** | 345,212 |
| Raw material | **385,778** | 424,044 |
| Spare parts and others | **51,528** | 78,202 |
| | **1,215,017** | 847,458 |
| Local currency: | | |
| Raw material | **130,792** | 108,585 |
| | **1,345,809** | 956,043 |

## 11 INVESTMENT INCOME - DIVIDEND

| | Half year ended December 2018 | Half year ended December 2017 |
|---|---|---|
| From wholly owned subsidiary company - Messrs. Gatro Power (Private) Limited | **451,500** | 225,750 |
| From associated company - Messrs. Novatex Limited | **453,600** | - |
| | **905,100** | 225,750 |

## 12 INCOME TAX

Provision for taxation includes current year provision of Rs.197.333 million (December 2017 : Rs. 64.993 million), prior year of Rs. 3.833 million (December 2017 : Rs. 0.077 million) and has been net off with tax credit amounting to Rs.28.823 million (December 2017 : Rs. 18.309 million) available under section 65B of Income Tax Ordinance, 2001.

## 13 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

**MEASUREMENT OF FAIR VALUE**

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

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

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

Level 3 Inputs are unobservable inputs for the asset or liability.

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

## 14 SEGMENT REPORTING

### 14.1 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 costs and taxation are managed at Company level.

### 14.2 Segment results:

The segment information for the reportable segments for the half year ended December 31, 2018 is as follows:

(Rupees in Thousand)

| | December 2018 | | | December 2017 | | |
|---|---|---|---|---|---|---|
| | Polyester Filament Yarn | Polyester PET Preforms | Total | Polyester Filament Yarn | Polyester PET Preforms | Total |
| External sales | 6,292,933 | 1,706,348 | 7,999,281 | 3,727,387 | 1,481,690 | 5,209,077 |
| Segment result before depreciation | 577,742 | 218,089 | 795,831 | 153,907 | 183,029 | 336,936 |
| Less: Depreciation | (103,680) | (33,780) | (137,460) | (109,148) | (39,601) | (148,749) |
| Segment result after depreciation | 474,062 | 184,309 | 658,371 | 44,759 | 143,428 | 188,187 |

Reconciliation of segment results with Profit before income tax:

| | December 2018 | December 2017 |
|---|---|---|
| Total results for reportable segments | 658,371 | 188,187 |
| Other operating expenses | (96,582) | (35,638) |
| Other income | 4,202 | 2,491 |
| Finance costs | (1,961) | (10,861) |
| Investment income - Dividend | 905,100 | 225,750 |
| **Profit before income tax** | 1,469,130 | 369,929 |

Assets and liabilities by segments are as follows:

| | December 2018 (Un-audited) | | | June 2018 (Audited) | | |
|---|---|---|---|---|---|---|
| Segment assets | 4,226,838 | 2,683,516 | 6,910,354 | 3,927,058 | 2,015,436 | 5,942,494 |
| Segment liabilities | 607,785 | 355,056 | 962,841 | 711,383 | 676,663 | 1,388,046 |

Reconciliation of segments assets and liabilities with total in the condensed interim un-consolidated statement of financial position is as follows:

| | Assets | Liabilities | Assets | Liabilities |
|---|---|---|---|---|
| Total for reportable segments | 6,910,354 | 962,841 | 5,942,494 | 1,388,046 |
| Unallocated | 2,142,596 | 2,844,871 | 1,559,913 | 1,840,992 |
| **Total as per condensed interim un-consolidated statement of financial position** | 9,052,950 | 3,807,712 | 7,502,407 | 3,229,038 |

Other segment information is as follows:

| | December 2018 | | | December 2017 | | |
|---|---|---|---|---|---|---|
| Depreciation | 103,680 | 33,780 | 137,460 | 109,148 | 39,601 | 148,749 |
| Capital expenditures incurred during the period | 298,928 | 6,512 | 305,440 | 59,644 | 18,602 | 78,246 |
| Unallocated capital expenditure incurred during the period | | | 8,096 | | | 7,126 |
| **Total** | | | 313,536 | | | 85,372 |

**14.3** 99.27% (December 2017 : 99.35%) out of total sales of the Company relates to customers in Pakistan.

**14.4** All non - current assets of the Company as at December 31, 2018 are located in Pakistan.

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

## 15 TRANSACTIONS WITH RELATED PARTIES

The related parties include Subsidiaries, Associate and Other Related Group Companies, Key Management Personnel and Defined Contribution Plans (Provident Funds). The Company continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. Contributions to defined contribution plan (Provident Funds) are made as per the terms of employment. Remuneration of Key Management Personnel is in accordance with their terms of engagements. Details of transactions with related parties are as follows:

| Name | Nature of relationship | Basis of relationship | Nature of transaction | (Rupees in Thousand) Half year ended December 2018 | Half year ended December 2017 |
|---|---|---|---|---|---|
| Gatro Power (Private) Limited | Subsidiary Company | 100% ownership | Purchase of power | **934,924** | 736,018 |
| | | | Dividend income | **451,500** | 225,750 |
| | | | Plant operation arrangement | **18,000** | 18,000 |
| | | | Storage and handling | **-** | 242 |
| | | | Rent | **-** | 3 |
| | | | Reimbursement of expenses | **847** | 55 |
| G-Pac Energy (Private) Limited | Subsidiary Company | 100% ownership | Investment made | **5,039** | - |
| Novatex Limited | Associated Company | Common directorship | Rendering of services | **-** | 1,044 |
| | | | Obtaining of services | **332,489** | 179,479 |
| | | | Purchase of raw material | **-** | 1,431 |
| | | | Purchase of property, plant & equipment | **-** | 10,300 |
| | | | Dividend income | **453,600** | - |
| | | | Rent | **9,242** | 9,242 |
| | | | Reimbursement of expenses | **83,877** | 70,230 |
| Krystalite Product (Private) Limited | Related Party | Common management | Sale of goods | **231,034** | 148,288 |
| | | | Reimbursement of expenses | **292** | - |
| Mushtaq & Company (Private) Limited | Related Party | Common management | Sale of goods | **50,833** | 48,409 |
| Gani & Tayub (Private) Limited | Related Party | Common directorship | Payment of dividend | **13,368** | 3,241 |
| | | | Charges on account of handling | **3,404** | 3,579 |
| Gatron Foundation | Related Party | Common directorship | Payment of donation | **1,385** | 550 |

| Name | Nature of relationship | Basis of relationship | Nature of transaction | (Rupees in Thousand) Half year ended December 2018 | Half year ended December 2017 |
|---|---|---|---|---|---|
| Gatron (Industries) Limited Staff Provident Fund | Retirement benefit fund | Employees fund | Contribution made | **10,678** | 9,872 |
| Gatron (Industries) Limited Workers Provident Fund | Retirement benefit fund | Employees fund | Contribution made | **1,941** | 1,905 |

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs.130.368 million (December 2017: Rs.91.953 million).

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

- Outstanding balances, as at reporting date, are disclosed as follows:

| | As at Dec 31, 2018 (Un-audited) | As at Jun 30, 2018 (Audited) |
|---|---|---|
| Gatro Power (Private) Limited | | |
| Other receivables | **4,049** | 3,175 |
| Trade and other payables | **905,446** | - |
| Novatex Limited | | |
| Trade deposits and short term prepayments | **9,242** | - |
| Other receivables | **20,735** | 12,365 |
| Dividend receivable | **453,600** | - |
| Trade and other payables | **25,030** | 12,169 |
| Krystalite Product (Private) Limited | | |
| Trade debts | **57,187** | - |
| Other receivables | **87** | 458 |
| Mushtaq & Company (Private) Limited | | |
| Trade debts | **52,021** | 28,689 |
| Gani & Tayub (Private) Limited | | |
| Trade and other payables | **849** | 478 |
| Gatron (Industries) Limited Staff Provident Fund | | |
| Trade and other payables | **3,738** | 3,277 |
| Gatron (Industries) Limited Workers Provident Fund | | |
| Trade and other payables | **98** | 209 |

## 16 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors, in its meeting held on February 15, 2019, has recommended 95% interim cash dividend (i.e. Rs.9.50 per share). Since it is a non adjusting event, the condensed interim un-consolidated financial statements for the half year ended December 31, 2018 do not include the effect of the recommended cash dividend.

## 17 DATE OF AUTHORISATION

These condensed interim un-consolidated financial statements were authorised for issue on February 15, 2019 by the Board of Directors of the Company.

## 18 GENERAL

**18.1** Charge for Workers' Profit Participation Fund, Workers' Welfare Fund, Deferred Tax and Income Tax (where applicable) are interim and final liability will be determined on the basis of annual results.

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

| **HAJI HAROON BILWANI** | **PEER MOHAMMAD DIWAN** | **MOHAMMAD YASIN BILWANI** |
|---|---|---|
| Chairman | Chief Executive | Chief Financial Officer |

GATRON

# Gatron (Industries) Limited
# and Subsidiary Companies

# Condensed Interim Consolidated Financial Statements For the Half Year ended December 31, 2018

# Directors' Report To The Members

On behalf of the Board of Directors of M/s. Gatron (Industries) Limited, we are pleased to present the un-audited Condensed Interim Consolidated Financial Statements of the Group for the half year ended December 31, 2018.

## The Group

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

During the period operations of wholly owned subsidiary Messrs. Gatro Power (Private) Limited remained satisfactory. This subsidiary company paid cash dividends amounting to Rs. 452 million during the period.

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

During the period, a new wholly owned subsidiary company Messrs. G-pac Energy (Private) Limited has been incorporated, whose principal business is to generate and sell electric power.

## CONSOLIDATED FINANCIALS

| | (Rupees in Thousand) |
|---|---|
| **Operating results for the half year ended December 31, 2018** | |
| Profit before share of profit in associated company | 760,132 |
| Share of profit after income tax in associated company | 2,015,431 |
| Profit before income tax | 2,775,563 |
| Income Tax | 414,888 |
| Profit after income tax | 2,360,675 |
| Un- appropriated Profit brought forward | 6,669,762 |
| Un- appropriated Profit carried forward | 7,537,993 |
| | |
| **State of Affairs as on December 31, 2018** | |
| Property, Plant and Equipment | 2,843,501 |
| Other non-current assets | 7,535,893 |
| Current assets | 6,952,446 |
| Total assets | 17,331,840 |
| Deduct: | |
| Non-current liabilities | 1,407,701 |
| Current liabilities | 4,083,856 |
| Total liabilities | 5,491,557 |
| Net assets financed by shareholders' equity | 11,840,283 |

**Peer Mohammad Diwan**
Chief Executive

**Haji Haroon Bilwani**
Chairman / Director

February 15, 2019

# ڈائریکٹرز کی جائزہ رپورٹ

**معزز ممبران،**

بورڈ آف ڈائریکٹرز کی جانب سے گروپ ہذا کے 31 دسمبر 2018ء کو اختتام پزیر ہونے والی ششماہی مدت کے غیر آڈٹ شدہ مجموعی حسابات پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

## گروپ

یہ گروپ میسرز گیٹرون (انڈسٹریز) لمیٹڈ اور اسکے مکمل ماتحت اِدارے میسرز گیٹرو پاور (پرائیویٹ) لمیٹڈ، گلوبل سینتھیٹک لمیٹڈ اور جی پیک ایز جی (پرائیویٹ) لمیٹڈ پر مشتمل ہے۔

زیر جائزہ مدت کے دوران کمپنی کے مکمل ملکیتی ماتحت ادارے میسرز گیٹرو پاور (پرائیویٹ) لمیٹڈ کے آپریشنز تسلی بخش رہے۔ ذیلی ادارے نے اس مدت کے دوران مبلغ 452 ملین روپے کا نقد منافع ادا کیا۔

کمپنی کے دوسرے مکمل ماتحت ادارے میسرز گلوبل سینتھیٹک لمیٹڈ نے ابھی اپنے آپریشن شروع نہیں کئے۔

زیر جائزہ مدت کے دوران ایک نئی مکمل ملکیتی ماتحت ادارہ میسرز جی پیک انرجی (پرائیوٹ) لمیٹڈ قائم کیا گیا جس کا بنیادی کاروبار توانائی پیدا کرنا اور بیچنا ہے۔

## جامع مالیات

| | (روپے 000) |
|---|---|
| آپریٹنگ نتائج برائے ششماہی مدت مختتمہ 31 دسمبر، 2018ء | |
| منافع قبل از تعین منافع من منسلکہ کمپنیاں | 760,132 |
| منافع من منسلکہ کمپنیاں بعد از انکم ٹیکس | 2,015,431 |
| منافع قبل از انکم ٹیکس | 2,775,563 |
| انکم ٹیکس | 414,888 |
| منافع بعد از انکم ٹیکس | 2,360,675 |
| غیر متصرف منافع گزشتہ (Un-appropriated profit brought foward) | 6,669,762 |
| غیر متصرف منافع حالیہ (Un-appropriated profit carried foward) | 7,537,993 |
| 31 دسمبر، 2018ء تک معاملات کی صورتحال | |
| املاک، پلانٹ اور ایکوپمنٹ | 2,843,501 |
| دیگر پائیدار اثاثہ جات | 7,535,893 |
| بدل پزیر اثاثہ جات | 6,952,446 |
| کل اثاثہ جات | 17,331,840 |
| کٹوتی: | |
| پائیدار واجبات | 1,407,701 |
| بدل پزیر واجبات | 4,083,856 |
| کل واجبات | 5,491,557 |
| خالص اثاثہ جات ادا شدہ منجانب ایکویٹی بابتہ حصص یافتگان | 11,840,283 |

پیر محمد دیوان
افسر اعلیٰ

حاجی ہارون بِلوانی
چیئرمین/ڈائریکٹر

مورخہ: فروری 15، 2019ء

# Condensed Interim Consolidated Statement Of Financial Position

AS AT DECEMBER 31, 2018

| | Note | December 2018 (Un-audited) | June 2018 (Audited) |
|---|---|---|---|
| | | (Rupees in Thousand) | |
| **ASSETS** | | | |
| **Non - current Assets** | | | |
| Property, plant and equipment | 5 | **2,843,501** | 2,586,952 |
| Long term investment | | **7,531,583** | 5,970,689 |
| Long term loans | | **8** | 88 |
| Long term deposits | | **4,302** | 4,332 |
| | | **10,379,394** | 8,562,061 |
| **Current Assets** | | | |
| Stores, spare parts and loose tools | | **834,599** | 779,255 |
| Stock in trade | 6 | **3,323,320** | 2,734,755 |
| Trade debts | 14 | **1,234,969** | 1,128,940 |
| Loans and advances | | **117,821** | 114,155 |
| Trade deposits and short term prepayments | 14 | **96,235** | 36,263 |
| Other receivables | 14 | **322,124** | 134,836 |
| Dividend receivable from associated company | 14 | **453,600** | - |
| Advance income tax | | **-** | 30,000 |
| Sales and income tax refund due from Federal Government | | **242,474** | 308,518 |
| Cash and bank balances | | **327,304** | 1,377,617 |
| | | **6,952,446** | 6,644,339 |
| **TOTAL ASSETS** | | **17,331,840** | 15,206,400 |
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | | |
| Share capital | 7 | **383,645** | 383,645 |
| Capital reserve - share premium | | **383,645** | 383,645 |
| General reserve | | **3,535,000** | 2,360,000 |
| Unappropriated profit | | **7,537,993** | 6,669,762 |
| | | **11,840,283** | 9,797,052 |
| **LIABILITIES** | | | |
| **Non - current Liabilities** | | | |
| Deferred liabilities | 8 | **1,407,701** | 1,148,969 |
| **Current Liabilities** | | | |
| Trade and other payables | 9 & 14 | **3,464,127** | 3,584,631 |
| Unclaimed dividend | | **13,524** | 11,238 |
| Accrued mark up | | **428** | 142 |
| Short term borrowings | | **514,388** | 580,017 |
| Provision for income tax less payments | | **91,389** | 84,351 |
| | | **4,083,856** | 4,260,379 |
| **CONTINGENCIES AND COMMITMENTS** | **10** | | |
| **TOTAL EQUITY AND LIABILITIES** | | **17,331,840** | 15,206,400 |

The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

| **HAJI HAROON BILWANI** | **PEER MOHAMMAD DIWAN** | **MOHAMMAD YASIN BILWANI** |
|---|---|---|
| Chairman | Chief Executive | Chief Financial Officer |

# Condensed Interim Consolidated Statement Of Profit Or Loss (Un-audited)

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

(Rupees in Thousand)

| | Note | Oct-2018 to Dec-2018 | Oct-2017 to Dec-2017 | Jul-2018 to Dec-2018 | Jul-2017 to Dec-2017 |
|---|---|---|---|---|---|
| Sales | | 4,173,520 | 2,524,254 | 7,999,281 | 5,209,077 |
| Cost of sales | | 3,802,690 | 2,278,506 | 6,928,894 | 4,737,142 |
| **Gross profit** | | 370,830 | 245,748 | 1,070,387 | 471,935 |
| Distribution and selling costs | | 34,812 | 31,236 | 83,595 | 60,906 |
| Administrative expenses | | 76,804 | 71,030 | 129,134 | 121,900 |
| Other operating expenses | | 53,810 | 23,287 | 99,763 | 36,401 |
| | | 165,426 | 125,553 | 312,492 | 219,207 |
| | | 205,404 | 120,195 | 757,895 | 252,728 |
| Other income | | 1,817 | 497 | 4,401 | 2,246 |
| **Operating profit** | | 207,221 | 120,692 | 762,296 | 254,974 |
| Finance costs | | 973 | 2,881 | 2,164 | 11,102 |
| | | 206,248 | 117,811 | 760,132 | 243,872 |
| Share of profit after income tax in associated company | | 1,015,286 | 424,613 | 2,015,431 | 638,180 |
| **Profit before income tax** | | 1,221,534 | 542,424 | 2,775,563 | 882,052 |
| Income tax - Current & prior | 11 | 109,266 | 28,522 | 172,343 | 46,761 |
| - Deferred | | 97,288 | 48,648 | 242,545 | 81,375 |
| | | 206,554 | 77,170 | 414,888 | 128,136 |
| **Profit after income tax** | | 1,014,980 | 465,254 | 2,360,675 | 753,916 |
| **Earnings per share - Basic and diluted ( Rupees )** | | 26.46 | 12.13 | 61.53 | 19.65 |

The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

| **HAJI HAROON BILWANI** | **PEER MOHAMMAD DIWAN** | **MOHAMMAD YASIN BILWANI** |
|---|---|---|
| Chairman | Chief Executive | Chief Financial Officer |

# Condensed Interim Consolidated Statement Of Comprehensive Income (Un-audited)

FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2018

| | Oct-2018 to Dec-2018 | Oct-2017 to Dec-2017 | Jul-2018 to Dec-2018 | Jul-2017 to Dec-2017 |
|---|---|---|---|---|
| | (Rupees in Thousand) | | | |
| Consolidated profit after income tax | **1,014,980** | 465,254 | **2,360,675** | 753,916 |
| Other comprehensive income | | | | |
| *Items that will never be reclassified to profit or loss* | | | | |
| Share of other comprehensive loss of associate - net of tax | **-** | - | **(2,768)** | (3,634) |
| *Items that may be reclassified subsequently to profit or loss* | | | | |
| Share of other comprehensive income/ (loss) of associate - net of tax | **-** | - | **1,831** | (6,461) |
| | **-** | - | **(937)** | (10,095) |
| Total comprehensive income | **1,014,980** | 465,254 | **2,359,738** | 743,821 |

The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

| | | |
|---|---|---|
| **HAJI HAROON BILWANI** | **PEER MOHAMMAD DIWAN** | **MOHAMMAD YASIN BILWANI** |
| Chairman | Chief Executive | Chief Financial Officer |

# Condensed Interim Consolidated Statement Of Changes In Equity (Un-audited)

## FOR THE HALF YEAR ENDED DECEMBER 31, 2018

(Rupees in Thousand)

| | Share Capital | Capital reserve Share Premium | General reserve | Unappropriated profit | Total |
|---|---|---|---|---|---|
| Balances as at July 01, 2017 | 383,645 | 383,645 | 2,360,000 | 4,695,857 | 7,823,147 |
| Total comprehensive income for the half year ended December 31, 2017 | - | - | - | 743,821 | 743,821 |
| **Transactions with owners** | | | | | |
| Interim cash dividend for the year ended June 30, 2018 at Rs.2.00 per share i.e. @ 20% | - | - | - | (76,729) | (76,729) |
| Balances as at December 31, 2017 | 383,645 | 383,645 | 2,360,000 | 5,362,949 | 8,490,239 |
| Total comprehensive income for the half year ended June 30, 2018 | - | - | - | 1,306,813 | 1,306,813 |
| Balances as at June 30, 2018 | 383,645 | 383,645 | 2,360,000 | 6,669,762 | 9,797,052 |
| Total comprehensive income for the half year ended December 31, 2018 | - | - | - | 2,359,738 | 2,359,738 |
| Transfer to General reserve | - | - | 1,175,000 | (1,175,000) | - |
| **Transactions with owners** | | | | | |
| Final cash dividend for the year ended June 30, 2018 at Rs.8.25 per share i.e. @82.50% | - | - | - | (316,507) | (316,507) |
| **Balances as at December 31, 2018** | **383,645** | **383,645** | **3,535,000** | **7,537,993** | **11,840,283** |

(1) Included in un-appropriated profit , is a sum of Rs 6,964.583 million, representing proportionate share in un-appropriated profit of an associated company Messrs. Novatex Limited upto September 30, 2018, which is not available for distribution to the shareholder of the Parent Company, until realised.

(2) The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

**HAJI HAROON BILWANI**
Chairman

**PEER MOHAMMAD DIWAN**
Chief Executive

**MOHAMMAD YASIN BILWANI**
Chief Financial Officer

# Condensed Interim Consolidated Statement Of Cash Flows (Un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2018

| | (Rupees in Thousand) | |
|---|---|---|
| | **Jul-2018 to Dec-2018** | Jul-2017 to Dec-2017 |
| **Cash Flows (towards)/from Operating Activities** | | |
| Consolidated profit before income tax | **2,775,563** | 882,052 |
| Adjustments for: | | |
| Depreciation | **188,557** | 178,056 |
| Provision for defined benefit plan | **18,678** | 15,892 |
| Gain on disposal of property, plant and equipment | **(3,403)** | (2,075) |
| Loss on disposal of property, plant and equipment | **33** | - |
| Provision for doubtful trade debts - net | **394** | 7,162 |
| Provision for slow moving stores, spare parts and loose tools - net | **5,102** | 3,471 |
| Share of profit after income tax in associated company | **(2,015,431)** | (638,180) |
| Finance costs | **2,164** | 11,102 |
| | **(1,803,906)** | (424,572) |
| | **971,657** | 457,480 |
| (Increase)/decrease in current assets: | | |
| Stores, spare parts and loose tools | **(60,446)** | (73,351) |
| Stock in trade | **(588,565)** | (76,151) |
| Trade debts | **(106,423)** | 857,950 |
| Loans and advances | **(4,443)** | (8,126) |
| Trade deposits and short term prepayments | **(59,972)** | (24,075) |
| Other receivables | **(187,288)** | 144,023 |
| | **(1,007,137)** | 820,270 |
| Decrease in Trade and other payables | **(105,454)** | (303,990) |
| Cash flows (towards)/from operations | **(140,934)** | 973,760 |
| (Payments for)/receipts of: | | |
| Long term loans | **857** | 289 |
| Long term deposits | **30** | - |
| Defined benefit plan | **(2,491)** | (14,149) |
| Finance costs | **(1,878)** | (12,831) |
| Income tax | **(85,477)** | (28,892) |
| Net cash flows (towards)/from operating activities | **(229,893)** | 918,177 |
| **Cash Flows (towards)/from Investing Activities** | | |
| Additions in property, plant and equipment | **(448,939)** | (160,294) |
| Proceeds from disposal of property, plant and equipment | **8,369** | 5,570 |
| Net cash flows towards investing activities | **(440,570)** | (154,724) |
| **Cash Flows towards Financing Activities** | | |
| Dividend paid | **(314,221)** | (31,164) |
| Net cash flows towards financing activities | **(314,221)** | (31,164) |
| **Net (decrease)/increase in cash and cash equivalents** | **(984,684)** | 732,289 |
| **Cash and cash equivalents at the beginning of the period** | **797,600** | (922,657) |
| **Cash and cash equivalents at the end of the period** | **(187,084)** | (190,368) |
| **CASH AND CASH EQUIVALENTS COMPRISE OF :** | | |
| Cash and bank balances | **327,304** | 901,322 |
| Short term borrowings | **(514,388)** | (1,091,690) |
| | **(187,084)** | (190,368) |

The notes 1 to 17 annexed herewith form an integral part of these condensed interim consolidated financial statements.

| **HAJI HAROON BILWANI** | **PEER MOHAMMAD DIWAN** | **MOHAMMAD YASIN BILWANI** |
|---|---|---|
| Chairman | Chief Executive | Chief Financial Officer |

# Notes To The Condensed Interim Consolidated Financial Statements (Un-audited)

FOR THE HALF YEAR ENDED DECEMBER 31, 2018

## 1 THE GROUP AND ITS OPERATIONS

The Group consists of :

- Gatron (Industries) Limited
- Gatro Power (Private) Limited
- Global Synthetics Limited
- G-Pac Energy (Private) Limited

The Parent Company was incorporated in Pakistan in 1980 as a Public Limited Company and its shares are being quoted at the Pakistan Stock Exchange since 1992. The principal business of the Parent Company is manufacturing of Polyester Filament Yarn through its self-produced Polyester Polymer/Chips. The Parent Company also produces Pet Preforms and is also capable of producing PET Bottle Grade Chips. The registered office of the Parent Company is situated at Room No. 32, 1st floor, Ahmed Complex, Jinnah Road, Quetta whereas the plant of the Parent Company is situated at Plot No 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District Lasbela, Balochistan and liaison office of the Parent Company is situated at 11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

Gatro Power (Private) Limited is a wholly owned subsidiary of Gatron (Industries) Limited. The principal business of the Subsidiary Company is to generate and sale electric power. The registered office of the Subsidiary Company is situated at Room No. 32, 1st floor, Ahmed Complex, Jinnah Road, Quetta. The plant of the Subsidiary Company is situated at Plot No 441/49-M2, Sector "M", H.I.T.E., Main R.C.D. Highway, Hub, District Lasbela, Balochistan and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

Global Synthetics Limited is a wholly owned subsidiary of Gatron (Industries) Limited, which has yet to commence its operations. The registered office of the Subsidiary Company is situated at Room No.50, 2nd floor, Ahmed Complex, Jinnah Road, Quetta and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

G-Pac Energy (Private) Limited is a wholly owned subsidiary of Gatron (Industries) Limited, which has yet to commence its operations. The principal business of the Subsidiary Company is to generate and sale electric power. The registered office of the Subsidiary Company is situated at Room No.32, 1st floor, Ahmed Complex, Jinnah Road, Quetta and liaison office of the Subsidiary Company is situated at 11th Floor, G&T Tower, # 18 Beaumont Road, Civil Lines-10, Karachi.

## 2 BASIS OF PREPARATION

**2.1** These condensed interim consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprises of International Accounting Standards (IAS) 34, interim financial reporting, issued by International Accounting Standard Board (IASB) as notified under the Companies Act, 2017 and provision of and directives issued under the Companies Act, 2017. Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirement of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2** These condensed interim consolidated financial statements are unaudited and do not include all the information and disclosures of the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended June 30, 2018.

**2.3 Changes in accounting standards, interpretations and amendments to published approved accounting standards**

**a) Amendments to published approved accounting standards which are effective during the half year ended December 31, 2018:**

There are certain amendments and an interpretation to approved accounting and reporting standards which are mandatory for the Group's annual accounting period beginning on July 1, 2018; however, these do not have any significant impact on these condensed interim consolidated financial statements hence not detailed. Further following new standards have become effective during the period due to which certain changes in accounting policies have been made;

IFRS 9 'Financial instruments' - This standard replaces IAS-39 "Financial Instruments: Recognition and Measurement" and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting for financial assets and financial liabilities. The adoption of IFRS 9 has changed the accounting for impairment losses for financial assets by replacing the incurred losses model approach with a forward looking expected credit loss (ECL) approach, i.e., the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive.

The Group's financial assets mainly include trade debts, loans and advances, deposits, receivables and bank balances held with commercial banks. Considering the nature of the financial assets, the Group has applied the standard's simplified approach for assessment of expected credit losses and the Group has concluded there is no material impact of the impairment on its financial assets, other than trade debts for which appropriate allowance is already made, to these condensed interim consolidated financial statements. Effect of other provisions of this IFRS is also immaterial on these condensed interim consolidated financial statements.

IFRS 15 'Revenue from Contracts with customers' applies to all revenue arising from contracts with customers, unless those contracts are not in the scope of other standards and it has superseded IAS 11 "Construction Contracts", IAS 18 "Revenue" and related interpretations. The new standard establishes a five-step model to account for revenue arising from contracts with customers based on the principle that an entity should recognize revenue representing the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group has concluded that this standard does not have significant impact on these condensed interim consolidated financial statements and it is already in compliance with the significant provisions of this standard.

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

There are certain new standards and amendments to the approved accounting standards that will be mandatory for the Group's annual accounting periods beginning on or after July 1, 2019. However, these amendments will not have any significant impact on the financial reporting of the Group and, therefore, have not been disclosed in these condensed interim consolidated financial statements.

**2.4 Functional and reporting currency**

These condensed interim consolidated financial statements are presented in Pakistani Rupee, which is the Group's functional currency.

## 3 ACCOUNTING ESTIMATES AND JUDGEMENTS

Judgements and estimates made by the management in the preparation of these condensed interim consolidated financial statements were the same as those applied to the audited consolidated financial statements as at and for the year ended June 30, 2018.

## 4 SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared, following the same accounting policies as were applied in the preparation of the audited consolidated financial statements as at and for the year ended June 30, 2018.

## 5 PROPERTY, PLANT AND EQUIPMENT

| | (Rupees in Thousand) December 2018 (Un-audited) | June 2018 (Audited) |
|---|---|---|
| Operating fixed assets (note 5.1) | **2,624,695** | 2,399,123 |
| Capital work in progress (note 5.2) | **218,806** | 187,829 |
| | **2,843,501** | 2,586,952 |

**5.1** Following are the cost of additions and net book value (NBV) of assets disposed off during the period:

**Additions at cost during the period including transferred from Capital work in progress**

| | Half year ended December 2018 | Half year ended December 2017 |
|---|---|---|
| Plant and machinery | **361,174** | 173,049 |
| Furniture and fixture | **2,510** | 777 |
| Factory equipment | **17,756** | 7,142 |
| Office equipment | **1,425** | 925 |
| Motor vehicles | **36,263** | 14,491 |
| Overhauling of generators | **-** | 36,489 |
| | **419,128** | 232,873 |

**Disposals at NBV during the period**

| | | |
|---|---|---|
| Plant and machinery | **1,465** | - |
| Motor vehicles | **3,534** | 3,495 |
| | **4,999** | 3,495 |

**5.2** Additions to capital work in progress and transfers during the period amounted to Rs.392.053 million and Rs.361.076 million respectively (December 2017: additions to capital work in progress and transfers amounted to Rs.135.207 million and Rs.207.094 million respectively).

## 6 STOCK IN TRADE

These include items costing Rs.126.751 million (June 2018: Rs.109.514 million) valued at net realisable value of Rs.94.844 million (June 2018: Rs.79.949 million).

## 7 SHARE CAPITAL

| (Number of Shares) | | | (Rupees in Thousand) | |
|---|---|---|---|---|
| December 2018 (Un-audited) | June 2018 (Audited) | | December 2018 (Un-audited) | June 2018 (Audited) |
| **7.1 Authorised capital** | | | | |
| 95,000,000 | 44,000,000 | Ordinary shares of Rs. 10 each | 950,000 | 440,000 |
| **7.2 Issued, subscribed and paid up capital** | | | | |
| 30,136,080 | 30,136,080 | Ordinary shares of Rs.10 each allotted for consideration paid in cash | 301,361 | 301,361 |
| 8,228,400 | 8,228,400 | Ordinary shares of Rs.10 each allotted as fully paid bonus shares | 82,284 | 82,284 |
| 38,364,480 | 38,364,480 | | 383,645 | 383,645 |

## 8 DEFERRED LIABILITIES

| | | |
|---|---|---|
| Income tax - net | 1,055,656 | 813,111 |
| Defined benefit plan | 352,045 | 335,858 |
| | 1,407,701 | 1,148,969 |

## 9 TRADE AND OTHER PAYABLES

Trade and other payables includes provision in respect of following:

**a)** The Oil and Gas Regulatory Authority (OGRA) had enhanced gas rate from Rs.488.23 per MMBTU for industrial and Rs.573.28 per MMBTU for captive power to Rs.600 per MMBTU with effect from September 01, 2015. The Group alongwith several other companies filed suit in the Sindh High Court challenging the increase in rate. The Honorable Sindh High Court had initially granted interim relief, whereby recovery of enhanced rate has been restrained. In May 2016, The Single Bench of Sindh High Court decided the case in favour of the petitioners. However, in June 2016, defendants filed appeal before Double Bench of Sindh High Court which was also decided in favor of the Petitioners. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and Messrs. Sui Southern Gas Company Limited (SSGCL) billed @ Rs.600 per MMBTU. However the Group alongwith others filed suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Group has provided bankers' verified cheque to Nazir of High Court amounting to Rs.316.797 million (June 2018: Rs.250.700 million). As an abundant precaution, the Group has made total provision of Rs.159.264 million (June 2018: Rs.143.928 million). On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories. The Group is in consultation with legal counsel, as to whether any legal action need to be taken in this regard. However, the Group meanwhile is paying full amount of the gas bills under protest as per this notification.

b) In August 2013, OGRA had enhanced gas rate from Rs.488.23 per MMBTU to Rs.573.28 per MMBTU for captive power and accordingly, SSGCL started charging rate prescribed for captive power to the Group with effect from September 2013. The Group alongwith several other companies filed suit in the Sindh High Court on December 21, 2015 against OGRA, SSGCL and others challenging the charging of captive power tariff instead of industrial tariff. The Honorable Sindh High Court has granted interim relief, whereby recovery of captive power rate has been restrained. Meanwhile, OGRA had issued another notification dated December 30, 2016 overriding the previous notification and SSGCL billed @ Rs.600 per MMBTU. However the Group alongwith others filed a suit in the Sindh High Court on January 19, 2017 against OGRA, SSGCL and others. The Honorable Sindh High Court granted interim relief and instructed SSGCL to revise bills at previous rate against securing the differential amount with the Nazir of the court. Accordingly, the Group has provided bankers' verified cheque to Nazir of High Court, refer note 9 (a). As an abundant precaution, the Group has made provision of Rs.287.907 million (June 2018: Rs.254.800 million) pertaining to the period of November 2015 to September 2018 and did not create receivable of Rs.240.238 million in respect of period from August 2013 to October 2015. On October 04, 2018, OGRA has issued another notification to increase gas tariff with effect from September 27, 2018 for different categories. The Group is in consultation with legal counsel, if any legal action need to be taken in this regard. However, the Group meanwhile is paying full amount of the gas bills under protest as per this notification.

c) Provision of Sindh Sales Tax on rent payable by the Parent Company to an associated company Messrs. Novatex Limited amounted to Rs.5.092 million (June 2018: Rs.4.815 million). The associated company had file a suit in the Sindh High Court against Sindh Revenue Board and Province of Sindh etc. On August 28, 2018, the Single Bench of Sindh High Court decided the case in favour of the associated company. However, the Sindh Revenue Board filed an appeal against the decision before the double bench of Sindh High Court.

d) The Parent Company had filed a petition in the Sindh High Court at Karachi on May 25, 2011 against Province of Sindh and Excise and Taxation Department challenging the levy of Infrastructure Cess on imports. Through an interim order dated May 31, 2011, the Honorable Sindh High Court ordered to pay 50% in cash of this liability effective from December 28, 2006 and to submit bank guarantee for the rest of 50% until the final order is passed. In April 2017, the Government of Sindh has promulgated the Sindh Development and Maintenance of Infrastructure Cess Act, 2017. The Parent Company has also challenged the new Act in the Sindh High Court on October 23, 2017 against Province of Sindh and Excise and Taxation Department and similar stay has been granted by the Honorable Sindh High Court. Till reporting date, the Parent Company has provided bank guarantee amounting to Rs.163.365 million (June 2018: Rs.148.365 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 these condensed interim consolidated financial statements as an abundant precaution.

The Subsidiary Company Messrs. Gatro Power (Private) Limited has filed a petition in the Sindh High Court at Karachi on April 13, 2018 against Province of Sindh and others challenging the levy of Infrastructure Cess on imports by the Government of Sindh through Sindh Development and Maintenance of Infrastructure Cess Act, 2017. Stay has been granted by the Honorable Sindh High Court ordered to pay 50% in cash of this liability and to submit bank guarantee for the rest of 50% until the final order is passed. Till reporting date, the Subsidiary Company has provided bank guarantee amounting to Rs.2.500 million (June 2018: Rs.2.500 million) in favour of Excise and Taxation Department, in respect of consignments cleared after April 13, 2018. Based on the legal advise, the management believes that the case will be decided in favour of the Subsidiary Company. However, full provision after April 13, 2018 has been made in these condensed interim consolidated financial statements as an abundant precaution.

**e)** The Federal Board of Revenue (FBR) vide SRO 491(I)/2016 dated June 30, 2016 made certain amendments in SRO 1125(I)/2011 dated December 31, 2011 including disallowance of input tax adjustment on packing material of textile products. Consequently, input tax adjustment on packing material of textile product was not being allowed for adjustment with effect from July 01, 2016 till June 30, 2018. The Parent Company had challenged the disallowance of input tax adjustment on packing material in the Sindh High Court on January 16, 2017 against Federation of Pakistan and others. The Honorable Sindh High Court has granted interim relief order and allowed the Parent Company to claim input tax adjustment.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has made provision of Rs.65.752 million (June 2018: Rs.65.752 million).

**f)** The FBR vide SRO 450(I)/2013 dated May 27, 2013 made certain amendments in SRO 490(I)/2004 dated June 12, 2004 and disallowed input tax adjustment on building materials with effect from May 28, 2013. The Parent Company had challenged the restriction so placed before the Islamabad High Court on December 21, 2015 against Federation of Pakistan. The Court has granted interim relief order and allowed the Parent Company to claim input tax adjustment on building material.

Based on the merits of the case and the discussions held with the legal counsel, the management is confident that the case will be decided in favour of the Parent Company. However, as an abundant precaution, the Parent Company has made provision of Rs.6.923 million (June 2018: Rs.5.192 million).

**g)** Provision of Gas Infrastructure Development Cess Rs.6.203 million (June 2018: Rs.5.757 million) and rate difference of gas tariff Rs.1.718 million (June 2018: Rs.1.597 million) on account of common expenses payable by the Parent Company to an associated company Messrs. Novatex Limited.

## 10 CONTINGENCIES AND COMMITMENTS

The detail of contingencies and commitments as at reporting date are as follows: `

### 10.1 Contingencies

**a)** The Subsidiary Company Messrs. Gatro Power (Private) Limited has not made any provision in respect of Workers' Profit Participation Fund on the ground that there is no worker as defined in The Companies Profits (Workers' Participation) Act, 1968 and accordingly, the said Act does not apply to the Subsidiary Company. The management of the Subsidiary Company is confident that no liability will arise on this account.

**b)** FBR initiated action against few buyers of the Parent Company for violating/non compliance of the provisions of SRO 1125 dated December 31, 2011 and alleging the Parent Company to provide them assistance and illegal facilitation. The dispute relates to the period of time when supplies were zero rated and as a result of which the Parent Company had to pay Rs.27.762 million and had also to submit post-dated cheques of Rs.83.287 million under protest in favour of Chief Commissioner Inland Revenue.

The Parent Company had, however, challenged the action before the Honorable Sindh High Court on December 23, 2013 against Federation of Pakistan and others, realizing the facts of the case, circumstances and legal position, the Honorable Sindh High Court has granted interim relief whereby encashment of above mentioned post dated cheques has been restrained.

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

**c)** The Parliament passed the Gas Infrastructure Development Cess (GIDC) Act 2015 in May 2015, which seeks to impose GIDC levy since 2011. The Group alongwith several other companies filed suit in the Sindh High Court on July 16, 2015 against OGRA and others challenging the validity and promulgation of GIDC Act 2015. The Single Bench of Honorable Sindh High Court had decided the case in favour of petitioners. However, defendants have filed appeal on November 10, 2016 before the Double Bench of Sindh High Court.

Considering previous decision of Honorable Supreme Court and legal advisor opinion, the Group is confident that the case will be decided in favour of the petitioners. Total amount of enhanced GIDC upto December 31, 2018 worked out at Rs.1,345.570 million (June 2018: Rs.1,179.928 million), however the Group accounted for Rs.1,143.556 million (June 2018: Rs.977.914 million) pertaining to the period of July 2014 to December 2018 for Captive Power and June 2015 to December 2018 for Industrial as an abundant precaution in view of reason stated above.

**d)** The Parent Company along with several other companies has filed a Constitution Petition in the Sindh High Court on April 13, 2016 against Employment Old Age Benefits Institution (EOBI) and others against a notice issued by the EOBI to the Parent Company to pay contribution at the revised rate of wages with retrospective effect. The Honorable Sindh High Court has already restrained EOBI from taking any coercive action against the Parent Company. No provision of the amount involved i.e Rs.20.098 million (June 2018: Rs.18.504 million) has been made in these condensed interim consolidated financial statements as the Parent Company is confident of the favorable outcome of the Petition.

**e)** The Parent Company filed four appeals on 2nd, 9th, 17th May and 20th June 2018 before the Commissioner Inland Revenue (Appeals) (CIR(A)) – 2, Large Taxpayers Unit, Karachi for the tax periods July 2012 to December 31, 2016 against the assessment orders passed by the Deputy Commissioner Inland Revenue (DCIR), Large Taxpayers Unit, passed under section 11 (2) of the Sales Tax Act, 1990 through which cumulative demand for the aforesaid periods amounting to Rs.55.423 million excluding default surcharge was created. In the assessment orders, major areas on which impugned demand has been raised relates to disallowance of input tax on purchases and recovery of sales tax on sales to subsequently suspended / blacklisted person. The Company has already deposited Rs.28 million under protest into the Government treasury for stay against the full recovery. The CIR(A) has issued judgment in respect of impugned order for tax periods July 2012 to June 2013 wherein the entire order of the Tax Officer has been held as illegal and unconstitutional. No provision has been made in these condensed interim consolidated financial statements as the Company is confident that the matter will be decided in favour by the appellate authorities.

**f)** Income tax department issued order under section 122(5A) of the Income Tax Ordinance, 2001 for the tax year 2012 wherein income tax demand of Rs. 37.773 million was raised on various issues. Out of the total amount, the Parent Company has paid Rs.3.777 million under protest. Appeal was filed before the CIR(A) and the CIR(A) has decided the case partially in favor of the Parent Company whereas major issues have been decided in favor of the tax department. Based on the judgment of the CIR(A), the revised demand comes out to Rs. 28.2 million. Against the order of the CIR(A), the Parent Company filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) and the learned ATIR, vide its judgment dated January 1, 2019 has decided all the remaining issues in favor of the Company. Based on the said judgment of the ATIR, partial demand of Rs. 3.777 million earlier paid by the Parent Company under protest is now refundable. As of now, the tax department has not yet filed appeal against the said judgment of ATIR.

**g)** Income Tax department issued order under section 122(1) of the Income Tax Ordinance, 2001 for the Tax Year 2015 wherein income tax demand of Rs.25.888 million was raised on various issues. Out of the total amount, the Parent Company has paid Rs.2.589 million under protest. Appeal has been filed before the CIR(A) and the same is still pending. Based on the advice of our legal counsel, no provision has been made in these condensed interim consolidated financial statements as the management is hopeful for a favorable outcome.

**h)** The tax officer disallowed input tax amounted to Rs.0.042 million, claimed by the Subsidiary Company on building materials used for installation of plant and machinery. An appeal was filed against the said order before the CIR(A). The learned CIR(A) has remanded back the case to the tax officer with specific directions to first ascertain whether the building material was used for installation of plant and machinery or for any other purpose. In case the same was used for installation of plant and machinery then the tax officer has been directed to allow claim for the same. The Subsidiary Company has submitted documents evidencing usage of the said building material for installation of plant and machinery, however, the officer has not yet reverted back, moreover, the tax department has filed an appeal before the Appellate Tribunal Inland Revenue (ATIR) against allowance of input tax adjustment on building material used for installation of plant and machinery. No provision has been made in these condensed interim consolidated financial statements as the management is hopeful for a favorable outcome.

| | (Rupees in Thousand) | |
|---|---|---|
| | **December 2018 (Un-audited)** | June 2018 (Audited) |
| **10.2 Guarantees** | | |
| Bank Guarantees in favour of: | | |
| The Director Excise and Taxation, Karachi | **165,865** | 150,865 |
| The Electric Inspector, President Licencing Board, Quetta | **10** | 10 |
| Pakistan State Oil Company Limited | **40,000** | 30,000 |
| K-Electric Limited | **11,560** | 11,560 |
| Letters of Credit in favour of: | | |
| Sui Southern Gas Company Limited for Gas | **294,937** | 161,937 |
| | **512,372** | 354,372 |

**10.3 Commitments**

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

| | | |
|---|---|---|
| Foreign currency: | | |
| Property, plant and equipment | **779,460** | 347,863 |
| Raw material | **385,778** | 424,044 |
| Spare parts and others | **136,361** | 257,493 |
| | **1,301,599** | 1,029,400 |
| Local currency: | | |
| Raw material | **130,792** | 108,585 |
| Spare parts and others | **-** | 1,423 |
| | **130,792** | 110,008 |
| | **1,432,391** | 1,139,408 |

## 11 INCOME TAX

Provision for taxation includes current year provision of Rs.197.333 million (December 2017 : Rs. 64.993 million), prior year of Rs. 3.833 million (December 2017 : Rs. 0.077 million) and has been net off with tax credit amounting to Rs.28.823 million (December 2017 : Rs. 18.309 million) available under section 65B of Income Tax Ordinance, 2001.

## 12 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### MEASUREMENT OF FAIR VALUE

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

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

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

Level 3 Inputs are unobservable inputs for the asset or liability.

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

## 13 SEGMENT REPORTING

### 13.1 Reportable segments

The Group's reportable segments are as follows:

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

- Polyester PET Preform - it comprises manufacturing of Polyester PET Preform and its raw material. This includes the results of Subsidiary Company Messrs. Global Synthetics Limited, which has not yet commenced its operations till date.

- Electric Power generation - it comprises operations of Subsidiary Companies Messrs. Gatro Power (Private) Limited and Messrs. G-Pac Energy (Private) Limited.

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

### 13.2 Segment results:

The segment information for the reportable segments for the half year ended December 31, 2018 is as follows:

(Rupees in Thousand)

| | December 2018 | | | | | December 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Polyester Filament Yarn | Polyester PET Preforms | Total of Polyester Polymer | Power Generation | Group | Polyester Filament Yarn | Polyester PET Preforms | Total of Polyester Polymer | Power Generation | Group |
| Sales | 6,292,933 | 1,706,348 | 7,999,281 | 934,924 | 8,934,205 | 3,727,387 | 1,481,690 | 5,209,077 | 736,018 | 5,945,095 |
| Segment result before depreciation | 577,742 | 218,088 | 795,830 | 250,385 | 1,046,215 | 153,907 | 183,027 | 336,934 | 130,006 | 466,940 |
| Less: Depreciation | (103,680) | (33,780) | (137,460) | (51,097) | (188,557) | (109,148) | (39,601) | (148,749) | (29,307) | (178,056) |
| Segment result after depreciation | 474,062 | 184,308 | 658,370 | 199,288 | 857,658 | 44,759 | 143,426 | 188,185 | 100,699 | 288,884 |
| Reconciliation of segment sales and results with sales and consolidated profit before income tax: | | | | | | | | | | |
| Total sales for reportable segments | | | | | 8,934,205 | | | | | 5,945,095 |
| Elimination of inter-segment sales from subsidiary company Messrs. Gatro Power (Private) Limited | | | | | (934,924) | | | | | (736,018) |
| **Sales** | | | | | 7,999,281 | | | | | 5,209,077 |
| Total results for reportable segments | | | 658,370 | 199,288 | 857,658 | | | 188,185 | 100,699 | 288,884 |
| Other operating expenses | | | (96,582) | (3,265) | (99,847) | | | (35,638) | (765) | (36,403) |
| Other income | | | 4,202 | 199 | 4,401 | | | 2,491 | - | 2,491 |
| Finance costs | | | (1,961) | (203) | (2,164) | | | (10,861) | (241) | (11,102) |
| Investment income - Dividend | | | 905,100 | - | 905,100 | | | 225,750 | - | 225,750 |
| Share of profit after income tax in associated company Messrs. Novatex Limited | | | | | 2,015,431 | | | | | 638,180 |
| | | | 1,469,129 | 196,019 | 3,680,579 | | | 369,927 | 99,693 | 1,107,800 |
| Elimination of intra group transaction | | | | | (905,016) | | | | | (225,748) |
| **Consolidated profit before income tax** | | | | | 2,775,563 | | | | | 882,052 |

Assets and liabilities by segments are as follows:

| | December 2018 (Un-audited) | | | | | June 2018 (Audited) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Segment assets | 4,226,838 | 2,683,578 | 6,910,416 | 2,274,036 | 9,184,452 | 3,927,058 | 2,015,523 | 5,942,581 | 2,339,113 | 8,281,694 |
| Segment liabilities | 607,785 | 355,056 | 962,841 | 1,558,297 | 2,521,138 | 711,383 | 676,687 | 1,388,070 | 1,372,932 | 2,761,002 |

Reconciliation of segments assets and liabilities with total in the condensed interim consolidated statement of financial position is as follows:

| | December 2018 (Un-audited) | | June 2018 (Audited) | |
|---|---|---|---|---|
| | (Rupees in Thousand) | | | |
| | Assets | Liabilities | Assets | Liabilities |
| Total for reportable segments | 9,184,452 | 2,521,138 | 8,281,694 | 2,761,002 |
| Unallocated | 9,227,179 | 3,889,558 | 7,083,602 | 2,651,545 |
| Elimination of intra group balances | (1,079,791) | (919,139) | (158,896) | (3,199) |
| **Total as per condensed interim consolidated statement of financial position** | 17,331,840 | 5,491,557 | 15,206,400 | 5,409,348 |

Other segment information is as follows:

| | December 2018 | | | | | December 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Polyester Filament Yarn | Polyester PET Preforms | Total of Polyester Polymer | Power Generation | Group | Polyester Filament Yarn | Polyester PET Preforms | Total of Polyester Polymer | Power Generation | Group |
| Depreciation | 103,680 | 33,780 | 137,460 | 51,097 | 188,557 | 109,148 | 39,601 | 148,749 | 29,307 | 178,056 |
| Capital expenditures incurred during the period | 298,928 | 6,512 | 305,440 | 135,403 | 440,843 | 59,644 | 18,602 | 78,246 | 74,922 | 153,168 |
| Unallocated capital expenditure incurred during the period | | | | | 8,096 | | | | | 7,126 |
| Total | | | | | 448,939 | | | | | 160,294 |

**13.3** All non - current assets of the Group as at December 31, 2018 are located in Pakistan. Parent Company's local sales represents sales to various external customers in Pakistan whereas export sales represents sales to customers in various countries.

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

## 14 TRANSACTIONS WITH RELATED PARTIES

The related parties include Associate and Other Related Group Companies, Key Management Personnel and Defined Contribution Plans (Provident Funds). The Group continues to have a policy whereby transactions with related parties are entered into at commercial terms, approved policy and at rate agreed under a contract / arrangement / agreement. Contributions to defined contribution plan (Provident Funds) are made as per the terms of employment. Remuneration of Key Management Personnel is in accordance with their terms of engagements. Details of transactions with related parties are as follows:

| Name | Nature of relationship | Basis of relationship | Nature of transaction | Half year ended December 2018 | Half year ended December 2017 |
|---|---|---|---|---|---|
| | | | | (Rupees in Thousand) | |
| Novatex Limited | Associated Company | Common directorship | Rendering of services | - | 1,044 |
| | | | Obtaining of services | 332,489 | 179,479 |
| | | | Purchase of raw material | - | 1,431 |
| | | | Purchase of property, plant & equipment | - | 10,300 |
| | | | Dividend income | 453,600 | - |
| | | | Rent | 9,242 | 9,242 |
| | | | Reimbursement of expenses | 83,877 | 70,230 |
| Krystalite Product (Private) Limited | Related Party | Common management | Sale of goods | 231,034 | 148,288 |
| | | | Reimbursement of expenses | 292 | - |
| Mushtaq & Company (Private) Limited | Related Party | Common management | Sale of goods | 50,833 | 48,409 |
| Gani & Tayub (Private) Limited | Related Party | Common directorship | Payment of dividend | 13,368 | 3,241 |
| | | | Charges on account of handling | 3,404 | 3,579 |
| Gatron Foundation | Related Party | Common directorship | Payment of donation | 1,385 | 550 |
| Gatron (Industries) Limited Staff Provident Fund | Retirement benefit fund | Employees fund | Contribution made | 10,815 | 9,996 |
| Gatron (Industries) Limited Workers Provident Fund | Retirement benefit fund | Employees fund | Contribution made | 1,941 | 1,905 |

There are no transactions with Key Management Personnel other than remuneration under their terms of employment amounting to Rs.133.147 million (December 2017: Rs.93.900 million).

- The above figures are exclusive of sales tax, where applicable.
- Outstanding balances, as at reporting date, are disclosed as follows:

| | As at Dec 31, 2018 (Un-audited) | As at Jun 30, 2018 (Audited) |
|---|---|---|
| | (Rupees in Thousand) | |
| Novatex Limited | | |
| Trade deposits and short term prepayments | 9,242 | - |
| Other receivables | 20,735 | 12,365 |
| Dividend receivable | 453,600 | - |
| Trade and other payables | 25,030 | 12,169 |

| | (Rupees in Thousand) | |
|---|---|---|
| | **As at Dec 31, 2018 (Un-audited)** | As at Jun 30, 2018 (Audited) |
| Krystalite Product (Private) Limited | | |
| Trade debts | **57,187** | - |
| Other receivables | **87** | 458 |
| Mushtaq & Company (Private) Limited | | |
| Trade debts | **52,021** | 28,689 |
| Gani & Tayub (Private) Limited | | |
| Trade and other payables | **849** | 478 |
| Gatron (Industries) Limited Staff Provident Fund | | |
| Trade and other payables | **3,738** | 3,277 |
| Gatron (Industries) Limited Workers Provident Fund | | |
| Trade and other payables | **98** | 209 |

## 15 NON ADJUSTING EVENT AFTER BALANCE SHEET DATE

The Board of Directors of the Parent Company, in its meeting held on February 15, 2019, has recommended 95% interim cash dividend (i.e. Rs.9.50 per share). Since it is a non adjusting event, the condensed interim consolidated financial statements for the half year ended December 31, 2018 do not include the effect of the recommended cash dividend.

## 16 DATE OF AUTHORISATION

These condensed interim consolidated financial statements were authorised for issue on February 15, 2019 by the Board of Directors of the Parent Company.

## 17 GENERAL

**17.1** The latest available un-audited financial results of associate as on September 30, 2018, have been used for the purpose of application of equity method in valuation of long term investment.

**17.2** Charge for Workers' Profit Participation Fund, Workers' Welfare Fund, Deferred Tax and Income Tax (where applicable) are interim and final liability will be determined on the basis of annual results.

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

| **HAJI HAROON BILWANI** | **PEER MOHAMMAD DIWAN** | **MOHAMMAD YASIN BILWANI** |
|---|---|---|
| Chairman | Chief Executive | Chief Financial Officer |

GATRON

To all the Shareholders,

## NOTICE OF BOOK CLOSURE
## INTERIM CASH DIVIDEND

We are pleased to inform all the shareholders of the Company that the Interim Cash Dividend of Rs. 9.50 per share i.e., 95% has been declared by the Board of Directors of Gatron (Industries) Limited ("the Company") at its meeting held on February 15, 2019.

The Share Transfer Books of the Company will remain closed for entitlement of interim cash dividend from March 06, 2019 to March 13, 2019 (both days inclusive). The dividend will be paid to the shareholders of the company whose names appear in the Register of Members at the close of business on March 05, 2019.

Pursuant to Section 242 of the Companies Act, 2017, listed companies are required to pay cash dividend directly into the bank accounts of their shareholders electronically instead of paying dividend through physical dividend warrants. Therefore, it has become mandatory for all our valued shareholders to provide their International Bank Account Numbers (IBAN) and other relevant details of bank account to facilitate the payment of cash dividend through electronic mode. In case of non-compliance of the aforesaid requirement, such dividend could be withheld according to directives of Securities Exchange Commission of Pakistan.

For the convenience of shareholders E-Dividend Mandate Form is attached and available on the Company's website http://www.gatron.com.

By Order of the Board

**Mohammad Yasin Bilwani**
Company Secretary/CFO

Karachi: February 23, 2019

# NOTES FOR MEMBERS

**Submission of Computerized National Identity Cards (CNIC) or (NICOP)**

CNIC or NICOP numbers of the shareholder is mandatory requirement for payment of dividend. Shareholders are therefore, requested to submit copies of their valid CNIC or NICOP to the Company's Shares Registrar. In case of non-receipt of valid CNIC or NICOP, the Company will be constrained to withhold the payment of dividend of such shareholders. The shareholders while sending CNIC or NICOP must quote their respective folio number and name of the company with their NTN Certificate (in case of corporate shareholders).

**Payment of Cash Dividend Electronically**

As per provision of Section 242 of the Companies Act, 2017 any dividend payable in cash shall only be paid through electronic mode directly in to the bank account designated by the entitled shareholders. The shareholders who have not yet provided relevant information are requested to provide their folio number, name and detail of bank account consisting of bank name, branch name, branch code, account number, title of account and International Bank Account Number (IBAN) (24 digit) in which they desire their dividend to be credited, failing which the company will be unable to pay the dividend through any other mode. Standard request form is attached and has also been placed on website of the company. Such information is to be sent to the Shares Registrar at the earliest possible.

**Counterfoil Information of Cash Dividend**

As per the Companies (Distribution of Dividend) Regulations, 2017 issued by Securities and Exchange Commission of Pakistan vide SRO No.1145(I)/2017 dated November 6, 2017, all the listed companies announcing cash dividend are required to provide a certificate to their shareholders through the Central Depository Company of Pakistan (CDC), specifying the calculation of dividend amount including the number of shares held, total amount of cash dividend, income tax and zakat deductions and the net amount credited into the designated bank account of the shareholders. Shareholders (either holding shares in electronic or physical form) can by logging in CDC's e-Services portal i.e., https://eipo.cdcaccess.com.pk/public/index.xhtml retrieve such details.

## Withholding Tax on Dividend

Pursuant to the provisions of Income Tax Ordinance, 2001, different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies.

The 'Filer' is defined as a taxpayer whose name appears in the Active Tax-payers List (ATL) issued by Federal Board of Revenue (FBR) from time to time.

To enable the Company to withhold tax @ 15% for filers, all the shareholders are advised to ensure that their names appear in the latest available ATL on FBR website, otherwise tax on their cash dividend will be deducted @ 20% as applicable for non-filers.

In case of joint shareholder, each shareholder is to be treated individually as either a filer or non-filer and tax will be deducted on the basis of shareholding of each shareholder as may be notified by the shareholders, in writing as follows, to our Shares Registrar. If no such notification is received each shareholder shall be assumed to have an equal number of shares:

| Folio/CDS Account Number | Total Shares | Principal Shareholder | | Joint Shareholder(s) | |
|---|---|---|---|---|---|
| | | Name and CNIC Number | Shareholding Proportion (No. of Shares) | Name and CNIC Number | Shareholding Proportion (No. of Shares) |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

The required information must reach the Shares Registrar of the Company M/s. C&K Management Associates (Private) Limited, Room No.404, Trade Tower, Abdullah Haroon Road, Near Metropole Hotel, Karachi-75530 Pakistan (Telephone No.021-35687839 and 35685930) by the close of business on March 05, 2019 otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint shareholder(s).

As per FBR's clarification, the valid exemption certificate under section 159 of the Ordinance is mandatory to claim exemption of withholding tax under Clause 47B of Part IV of 2nd Schedule of the Income Tax Ordinance, 2001. Those who fall in the category mentioned in the aforesaid clause must provide valid tax exemption certificate before close of business on March 05, 2019 to our Shares Registrar, otherwise tax will be deducted on dividend amount as per rates prescribed in Section 150 of the Income Tax Ordinance, 2001.

The corporate shareholders having CDC accounts are required to have their NTN updated with their respective participants, whereas corporate physical shareholders are requested to send copy of their NTN certificate to the Company's Shares Registrar.

Above form is also available on the Company's website: www.gatron.com.

# E-DIVIDEND MANDATE FORM

Date: ____________

The Manager
C&K Management Associates (Pvt) Limited
Share Registrar of
Gatron (Industries) Limited
Room No. 404, Trade Tower, Abdullah Haroon Road,
Near Metropole Hotel, Karachi-75530

**Subject: Bank account details for payment of Dividend through electronic mode**

Dear Sir,

I/We/Messrs.,____________________________________________________________,
being a member of Gatron (Industries) Limited [the "Company"], hereby authorize the Company, to directly credit cash dividends declared by the Company in my bank account as detailed below:

**(i) Shareholder's details:**

| | |
|---|---|
| Name of the Shareholder: | |
| Folio No.: | |
| CDC Participant ID & Sub-Account No. /CDC IAS: | |
| CNIC/NICOP/Passport/NTN No. (please attach copy): | |
| Contact Number (Landline & Cell Nos.): | |
| Shareholder's Address: | |
| | |
| **(ii) Shareholder's Bank account details:** | |
| Title of Bank Account: | |
| International Bank Account Number (IBAN) (See Note 1 below): | |
| Bank's Name: | |
| Branch Name & Code No.: | |
| Branch Address: | |

It is stated that the above particulars given by me/us are correct and I shall keep the Company, informed in case of any changes in the said particulars in future.

Yours truly,

______________________
Signature of the Shareholder
(Please affix company stamp in case of corporate entity)

**Notes:**

1. Please provide complete IBAN, after verification from your concerned bank to enable the company to electronic credit into your bank account.
2. The payment of cash dividend will be processed on the basis of the IBAN number alone.
3. The company is entitled to rely on the IBAN number as per your instructions. The company shall not be responsible for any loss, damage, liability or claim arising, directly or indirectly, from any error, delay, or failure in performance of any of its obligations here under which is caused by incorrect payment instructions and / or due to any event beyond the control of the company.
4.. CDC members are requested to submit with Participant/CDC Investor Account Services for updation of their bank account details.


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Gatron (Industries) Limited