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## **THE VISION AND THE MISSION**

### **THE VISION**

*To be the leader in interlining industry  
by building company's image through  
Quality Improvement, Customer Satisfaction  
and by maintaining a high level of ethical  
and professional standards through  
Optimum use of resources.*

### **THE MISSION**

1. Endeavouring to be the market leader and international player by enhancing market share and to conduct business in the best possible manner by using high level of ethical professionalism.
2. Seeking long term and good trading relation with customers and suppliers with fair, honest and mutually profitable dealings.
3. Building an excellent repute of our organization and to maintain high professional and ethical standards with eyes on the future.
4. Offering high quality products according to the highest international standards.
5. Continuous enhancement in shareholders value through team work and constant improvement in performance in all operating areas in competitive business.
6. Providing congenial work environment, where employees are treated with respect and dignity and work as a team of common goals.
7. Contributing to the national economy by uplifting and skills diversification of the people through fulfillment of our social responsible.

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

## COMPANY PROFILE

### BOARD OF DIRECTORS

1. Mr. Maqsood Ahmad Butt FCA : Chief Executive / Director
2. Dr. Mrs. Naseem Maqsood : Director
3. Mr. Ali Maqsood Butt : Director
4. Mrs. Durray Zara Butt : Director
5. Mrs. Naheed Muneer : Director
6. Dr. Aruj Butt : Director
7. Mr. Sheikh Ghulam Mustafa : Director

### COMPANY SECRETARY

Muhammad Sajjad Hussain

### SHARE REGISTRAR

M/s Corplink (Pvt) Ltd.  
Wings Arcade, 1-K, Commercial  
Model Town, Lahore  
Tel: 35839182, 35869037

### LEGAL ADVISORS

Mian Waheed Akhtar  
Advocate High Court  
Lahore

### AUDITORS

M/s. Qadeer & Company  
Chartered Accountants  
89-F, Jail Road,  
Lahore

### REGISTERED OFFICE:

2-KM, Off Raiwind-Manga Road,  
Raiwind, Lahore  
Tel: (92 - 42) 35393125-6  
Fax: (92 - 42) 35393127  
E-mail: [info@aruj.com](mailto:info@aruj.com)  
Website: [www.aruj.com](http://www.aruj.com).

### AUDIT COMMITTEE:

Dr. Mrs. Naseem Maqsood Butt - Chairperson  
Mrs. Naheed Munir - Member  
Mr. Sheikh Ghulam Mustafa - Member

### HR & REMUNERATION COMMITTEE

Dr. Mrs. Naseem Maqsood Butt - Chairperson  
Mr. Ali Maqsood Butt - Member  
Dr. Aruj Butt - Member

### BANKERS:

Habib Bank Limited  
Bank Alfalah Ltd.  
Faysal Bank Ltd.  
Bank Al-Habib Ltd.

### WORKS

2-KM. Off Raiwind -  
Manga Road, Raiwind, Lahore

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

## NOTICE OF 21st ANNUAL GENERAL MEETING

Notice is hereby given that the 21st Annual General Meeting of **Aruj Industries Limited** (Formerly Aruj Garment Accessories Limited), will be held on Wednesday 30th October 2013 at 9:00 am at the Registered Office of the Company at 2-KM Off Raiwind – Manga Road, Raiwind, Lahore to transact the following business:-

- 1) To confirm the minutes of the last Annual General Meeting of the Company.
- 2) To consider, approve and adopt the annual audited accounts of the Company for the year ending 30th June, 2013 together with the Directors/Auditors reports thereon.
- 3) To appoint auditors for the year ending 30th June 2014 and to fix their remuneration. The present auditors M/s Qadeer & Company Chartered Accountants, being eligible, have offered themselves for re-appointment.
- 4) To transact any other business with the permission of the Chair.

Lahore

Dated: 4th October, 2013

by Order of the Board

**Muhammad Sajjad Hussain**  
Company Secretary

### Notes:

- 1) A member eligible to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies must be received at the Company's Registered Office not later than 48 hours before the time of holding of the meeting.
- 2) The Share Transfer Books of the Company will remain closed from 23 October to 30 October, 2013 (both days inclusive).
- 3) Shareholders are requested to immediately notify the change in their address, if any.

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

## DIRECTOR'S REPORT

The Directors of your Company welcome you to the 21st Annual General Meeting of Aruj Industries Ltd. and would like to present their report along with the audited accounts for the year ended 30th June, 2013.

<b>OPERATING RESULTS:</b>	<b>For the year ended June 30th, 2013 Rupees</b>	<b>For the year ended June 30th, 2012 Rupees</b>
Sales	478,459,896	415,365,806
Gross Profit	61,156,387	46,465,975
Profit /(Loss) before Taxation	29,298,698	19,523,588
Taxation	7,845,892	6,704,066
Profit /(Loss) after Taxation	21,452,806	12,819,522
Earnings per Share	3.49	2.08

With a net increase of 15.18% over the last year, your Company has once again increased its Sales for the period to Rs. 478,458,896/-. While our major export partners are still experiencing some turmoil, better pricing has helped us to maintain the sales figure. Your Company is hard at work at opening up more International markets where we can increase our sales. Gross Profit increased by 31.62% to Rs. 61,156,387. This was made possible by keeping a stringent check on the cost of production, which due to the non-availability of regular gas and electricity supply is still heavily reliant on self-produced utilities with a more expensive diesel fuel. The outlook for utilities is bleak once again in the coming winter months, however your Company plans to combat this by better utilizing all available resources and time management.

While still in its infancy, the Dyeing and Processing Division of your Company has made significant headway into the local and export market in this field. Although coming into complete production has taken much longer than previously anticipated due to the highly technical nature of the business, we are on track and hope to perform better in the coming year.

The Board Of Directors have kept a close watch on the day to day running of your Company and have been actively involved in all decision making. The management has kept the Board well informed regarding all matters of significance. The Board would like to put up a special thanks to the Management and the employees of the Company for their hard work and effort into making this another successful year for Aruj Industries Ltd.

### APPROPRIATIONS:

To keep up with the current demand and to make expansions in the current set-up as well as the newly started Dyeing and Processing Division, the Company would be utilizing more funds to meet its fixed and working capital requirement. For this reason, the Board of Directors has not recommended any dividend.

### STATEMENT OF COMPLIANCE:

The management is fully aware of the compliance with code of corporate governance as incorporated in the additional listing regulations of the stock exchanges and necessary steps have been taken for its effective implementation within allowed time frame, which are as follows:

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

## PRESENTATION OF FINANCIAL STATEMENTS:

The financial statements prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flow and changes in equity.

## BOOKS OF ACCOUNTS:

Proper books of account of the Company have been maintained.

## ACCOUNTING POLICIES:

Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimate are based on reasonable and prudent judgement.

## COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS:

International Accounting Standards as applicable in Pakistan, have been followed in preparation of financial statement and any departure therefrom has been adequately disclosed.

## INTERNAL CONTROL SYSTEM:

The system of internal control of the Company is sound and has been effectively implemented and is being monitored by the qualified internal auditors.

## GOING CONCERN:

There are no significant doubts upon the Company's ability to continue as a going concern.

## BEST PRACTICES OF CORPORATE GOVERNANCE:

There has been no material departure from the best practices of corporate governance, as described in the listing regulations of the stock exchanges.

## FINANCIAL DATA OF LAST SIX YEARS:

Key operating and financial data of last six years is annexed.

## OUTSTANDING STATUTORY DUES:

The Company is regular payer of all Government dues and previous record is quite evident and clear in this regard.

## SIGNIFICANT PLANS AND DECISIONS:

As part of its balancing modernization and replacement plan, the Company has added certain machinery to increase the quality of its products.

## MEETINGS OF BOARD OF DIRECTORS:

During the year five meetings of the board of Directors of the Company were held. Attendance by each Director in the meeting is as follows:

Name of Directors	Meeting Attended
1. Mr. Maqsood Ahmad Butt	5
2. Dr. Mrs. Naseem Maqsood	4
3. Mr. Ali Maqsood Butt	5
4. Mr. Durray Zara Butt	5
5. Dr. Aruj Butt	3
6. Mrs. Naheed Muneer	3
7. Mr. Sheikh Ghulam Mustafa	5

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

# **ARUJ INDUSTRIES LIMITED**

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

## **AUDIT COMMITTEE:**

The Board of Directors in compliance to the code of corporate governance has established an audit committee and the following directors are its members.

- |    |                           |             |
|----|---------------------------|-------------|
| 1. | Dr. Mrs. Naseem Maqsood   | Chairperson |
| 2. | Mrs. Naheed Muneer        | Member      |
| 3. | Mr. Sheikh Ghulam Mustafa | Member      |

## **EARNING PER SHARES:**

Earning per share for the period ended 30 June 2013 works out to Rs. 3.49 as compared to Rs. 2.08 per share of the last year.

## **AUDITORS:**

The auditors, M/s Qadeer & Company, Chartered Accountants have retired and being eligible, have offered themselves for re-appointment. The audit committee of the board have recommended to the board their appointment as auditors of the Company for the year 2013-14.

## **PATTERN OF SHAREHOLDING:**

Statements showing the Pattern of Shareholding as at 30 June, 2013 required under the Company ordinance, 1984 and the code of corporate governance are annexed.

## **TRADING IN COMPANY'S SHARES:**

The Directors, CEO, Company Secretary have not traded in the shares of the Company during the year under review.

## **ACKNOWLEDGEMENT:**

We would like to take this opportunity to express our appreciation to the management and employees of the Company for their hard work and dedication. We would also like to express our gratitude to our valued shareholders, customers, suppliers and financial institutions for their cooperation, constant support and trust reposed in your Company.

FOR AND ON BEHALF OF THE BOARD

**ARUJ INDUSTRIES LIMITED**

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

**KEY OPERATING & FINANCIAL DATA  
FROM 2008 TO 2013**

	2008	2009	2010	2011	2012	2013
Net Sales Revenue	263,444,415.00	298,971,529.00	345,439,418	396,387,622	415,365,806	478,459,896
Cost of Goods Sold	235,960,174.00	268,017,901.00	314,182,885	356,438,791	368,899,831	417,303,509
Gross Profit	27,484,241.00	30,953,628.00	31,256,533	39,948,831	46,465,975	61,156,387
Operating Profit (Loss)	19,686,836.00	19,370,056.00	17,767,320	23,399,733	28,205,546	43,417,412
Profit (Loss) before Tax	12,189,117.00	8,591,912.00	6,834,116	13,760,877	19,523,588	29,298,698
Profit (Loss) after Tax	9,901,024.00	2,959,210.00	3,489,188	9,079,088	12,819,522	21,452,806
Paid up Capital	61,517,000.00	61,517,000.00	61,517,000	61,517,000	61,517,000	61,517,000
Current Assets	92,252,144.00	118,111,165.00	128,616,417	91,128,804	169,246,647	210,979,860
Current Liabilities	74,156,622.00	82,154,899.00	101,123,513	104,332,214	167,499,448	193,386,001



# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

## Statement of compliance with the Code of Corporate Governance

This statement is being presented to comply with the code of corporate governance as contained in the listing regulation of the Stock Exchanges of Pakistan for the purpose of establishing a frame work of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance

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

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

### **Executive Directors:**

Mr. Maqsood Ahmed Butt

Mr. Ali Maqsood Butt

Mrs. Durray Zara Butt

### **Non – Executive Directors:**

Dr. Mrs Naseem Maqsood Butt

Dr. Aruj Butt

Mrs. Naheed Muneer

Mr. Sheikh Ghulam Mustufa

### **Independent Directors**

The condition of clause 1(b) of CCG in relation to appointment of independent director will be applicable after the next election of the Directors in March 2015.

2. The directors have confirmed that none of them is is serving as the director in more than seven listed companies, including this company
3. All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a development finance institution or a non banking finance company or being a member of a stock exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred in the Board of Directors of the Company during the year.
5. The company has prepared a code of conduct and has insured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The board has developed a vision, mission and values statement, and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained. The corporate strategy of the company is reviewed and approved by the board along with the annual plan.

## **ARUJ INDUSTRIES LIMITED**

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7. All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the chief executive officer, other executive and non-executive directors, have been taken by the board/ share holders.
8. All the meetings of the board were presided over by the chairman and, in his absence, by a director elected by the board for this purpose. The board met five times during the year ended June 30, 2013 including once in every quarter to approve the financial statements of the company. A separate meeting of the board was held to approve the annual plan/ budget. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days prior to the meetings. The minutes of the meeting were appropriately recorded and circulated in time.
9. The directors were apprised about the changes in the CCG, applicable laws and their duties and their responsibilities to effectively manage the affairs of the company for and on behalf of the share holders. The directors of the company having 15 years of experience on the board of a listed company are exempted from the requirement of the directors' training program. Three Directors qualify for exemption under this provision of CCG. The company will, however, arrange training programs for remaining directors as provided under the CCG.
10. There was no change in the position of Chief Financial Officer (CFO) and Company Secretary. The Boards has approved the appointment of Head of Internal Audit including his remuneration and terms and conditions of his employment.
11. The director report for this year has been prepared in compliance with the requirements of CCG and it fully describes the salient matters required to be disclosed.
12. The financial statements of the company were duly endorsed by the CEO and CFO before approval by the board.
13. The directors, CEO and executives do not hold any interest in the shares of the company, other than that disclosed in the pattern of shareholding.
14. The company has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been framed and advised to the committee for compliance.
17. The board has formed an HR and remuneration committee. It comprises three members, one of which is executive director and two are non executive directors including its chairman.

**ARUJ INDUSTRIES LIMITED**

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

18. The board has set up an effective internal audit function. The staff is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with international federation of accountants (IFAC) guidelines on code of ethics as adopted by the institute of chartered accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. All related party transactions entered during the year were at arm's length basis and these have been placed before the Audit Committee and Board of Directors. These transactions are duly reviewed and approved by Audit Committee and Board of Directors.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

By the order of the Board

Lahore  
Dated: October 04, 2013

**MAQSOOD AHMAD BUTT**  
Chief Executive

**STATEMENT OF COMPLIANCE:**

With the best practices on transfer pricing the Company has fully complied with the best practices of transfer pricing as contained in the related listing regulations of stock exchanges.

For and on Behalf of the Board

Lahore:  
Dated: October 04, 2013

**Maqsood Ahmad Butt**  
Chief Executive

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **ARUJ INDUSTRIES LIMITED** ('the Company') as at June 30, 2013 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) In our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) In our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as described in note 2.01 to the financial statements, with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2013 and of the profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, no Zakat was deducted at source under the Zakat & Ushr Ordinance, 1980 (XIII of 1980).

Lahore  
Dated: October 05, 2013

**QADEER & COMPANY**  
Chartered Accountants  
Nawaz Khan, FCA

# **ARUJ INDUSTRIES LIMITED**

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

## **Auditors Review Report to the Members**

### **On Statement of Compliance with Best Practices of the Code of Corporate Governance**

We have reviewed the Statement of Compliance with the best practices (the statement) contained in the Code of Corporate Governance (the Code) as applicable to the Company for the year ended June 30, 2013 prepared by the Board of Directors of **ARUJ INDUSTRIES LIMITED** (the Company) to comply with the Listing Regulations No. 35 of the Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls the company's corporate governance procedures and risks.

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

We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2013.

Lahore  
Dated: October 05, 2013

**QADEER & COMPANY**  
Chartered Accountants  
Nawaz Khan, FCA

**ARUJ INDUSTRIES LIMITED**

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

**BALANCE SHEET  
AS AT JUNE 30, 2013**

	NOTE	2013 Rupees	2012 Rupees
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>SHARE CAPITAL</b>			
Authorised 8,000,000 (2012:8,000,000) Ordinary Shares of Rs. 10/- each		<u>80,000,000</u>	<u>80,000,000</u>
Issued, Subscribed & Paid up capital:	5	61,517,000	61,517,000
Retained earnings		61,691,077	40,238,271
<b>Total equity</b>		<u>123,208,077</u>	<u>101,755,271</u>
<b>NON-CURRENT LIABILITIES</b>			
Long-term finance	6	9,431,406	2,955,602
Liabilities against assets subject to Finance lease	7	1,461,493	2,669,680
Loan from directors	8	41,068,418	38,233,883
Deferred liabilities	9	23,217,399	19,232,704
		<u>75,178,716</u>	<u>63,091,869</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	92,236,926	94,071,078
Accrued mark-up		1,419,821	1,713,481
Short-term finance-secured	11	95,904,642	67,034,065
Current portion of long term liabilities	12	10,403,488	3,204,860
Provision for Taxation	13	3,824,612	4,680,825
		<u>203,789,489</u>	<u>170,704,308</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	14	--	--
		<u>402,176,283</u>	<u>335,551,449</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	15	156,956,481	133,491,688
Capital work in Progress	16	33,552,742	31,928,314
Long term security deposits		687,200	884,800
		<u>191,196,423</u>	<u>166,304,802</u>
<b>CURRENT ASSETS:</b>			
Stores, spares parts and loose tools	17	3,485,867	1,687,670
Stock in trade	18	69,185,742	76,272,599
Trade Debts	19	48,120,377	27,695,977
Loans and advances	20	28,988,336	31,450,178
Trade deposits and short term prepayments	21	2,915,876	2,507,376
Other receivables	22	34,572,032	24,239,307
Cash and bank balances	23	23,711,630	5,393,540
		<u>210,979,860</u>	<u>169,246,647</u>
		<u>402,176,283</u>	<u>335,551,449</u>

The annexed notes form an integral part of these financial statements.

**CHIEF EXECUTIVE****DIRECTOR**

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2013

	NOTE	2013 Rupees	2012 Rupees
Sales - net			
Cost of sales	24	478,459,896	415,365,806
Gross profit	25	417,303,509	368,899,831
		<u>61,156,387</u>	<u>46,465,975</u>
<b>Operating Expenses</b>			
Distribution and selling cost	26	3,804,643	3,569,295
Administrative expenses	27	13,934,332	14,691,134
		<u>17,738,975</u>	<u>18,260,429</u>
Operating profit		<u>43,417,412</u>	<u>28,205,546</u>
Other operating expenses	28	1,542,037	1,027,557
Finance cost	29	12,576,678	8,189,536
Other operating income	30	--	535,136
		<u>29,298,698</u>	<u>19,523,588</u>
Profit before taxation			
Taxation	31	7,845,892	6,704,066
		<u>21,452,806</u>	<u>12,819,522</u>
Profit after taxation			
Earnings Per Share – basic	32	<u>3.49</u>	<u>2.08</u>

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

**ARUJ INDUSTRIES LIMITED**

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
Profit for the year		21,452,806	12,819,522
Other comprehensive income		--	--
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>21,452,806</u>	<u>12,819,522</u>

The annexed notes form an integral part of these financial statements.



**ARUJ INDUSTRIES LIMITED**

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Profit before taxation		29,298,698	19,523,588
Adjustment for:			
Depreciation		13,760,433	13,540,347
Financial Charges		12,576,678	8,189,536
Gain on Insurance Claim of stolen vehicle		--	(535,136)
Provision for gratuity		913,405	805,593
Workers' Profit participation fund		1,542,037	1,027,557
		<u>28,792,552</u>	<u>23,027,897</u>
<b>Profit before working capital changes</b>		<b>58,091,250</b>	<b>42,551,485</b>
(Increase)/decrease in current assets:			
Stores, spare parts & loose tools	17	(1,798,197)	(1,425,048)
Stock in trade	18	7,086,857	(57,467,677)
Trade debts	19	(20,424,400)	(16,229,599)
Loans and advances	20	4,444,548	11,897,345
Trade deposits and short term prepayments	21	(408,500)	(171,617)
Other receivables	22	(10,332,725)	(18,869,534)
Increase /(decrease) in current liabilities:			
Trade and other payables	10	(2,187,672)	38,365,999
		<u>(23,620,089)</u>	<u>(43,900,131)</u>
<b>Cash generated from operations</b>		<b>34,471,161</b>	<b>(1,348,646)</b>
Financial charges paid		(12,838,018)	(8,514,871)
Staff retirement benefits paid		(565,984)	(504,507)
Worker's profit participation fund paid		(1,194,400)	(1,004,652)
Taxes paid		(5,065,177)	(7,453,348)
<b>Net cash inflow from operating activities</b>		<b>14,807,582</b>	<b>(18,826,024)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Long – term security deposits		(197,600)	330,650
Fixed capital expenditure		(96,500)	(13,552,734)
Capital work in progress		(40,366,749)	(7,921,235)
Proceeds from insurance claim of Stolen Vehicle		--	700,000
<b>Net cash used in investing activities</b>		<b>(40,660,849)</b>	<b>(20,443,319)</b>

**ARUJ INDUSTRIES LIMITED**

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2013**

	Note	2013 Rupees	2012 Rupees
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds / (Repayment) from long term loans – Net	6	14,429,409	1,382,258
Proceeds / (Repayment) from Lease Finance – Net	7	(1,963,164)	(2,303,236)
Proceeds / (Repayment) from directors' loans – Net	8	2,834,535	8,400,751
Proceeds / (Repayment) from short term borrowings – Net	11	28,870,577	24,335,344
Dividend paid		--	--
Net cash used in financing activities		44,171,357	31,815,117
Net Increase in cash and cash equivalents		18,318,090	(7,454,226)
Cash and cash equivalents at the beginning of the year		5,393,540	12,847,766
Cash and cash equivalents at the end of the year	23	23,711,630	5,393,540

The annexed notes form an integral part of these financial statements

**ARUJ INDUSTRIES LIMITED**

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2013**

(RUPEES)

	SHARE CAPITAL	UNAPPRO- PRIATED PROFIT	TOTAL
<b>Balance as at 30 June 2011</b>	61,517,000	27,418,749	88,935,749
Net Profit for the year ended 30 June, 2012	--	12,819,522	12,819,522
<b>Balance as at 30 June, 2012</b>	61,517,000	40,238,271	101,755,271
Net profit for the year ended 30 June, 2013	--	21,452,806	21,452,806
<b>Balance as at 30 June 2013</b>	<b>61,517,000</b>	<b>61,691,077</b>	<b>123,208,077</b>

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2013

### 1. LEGAL STATUS AND OPERATIONS

The Company was incorporated in Pakistan on December 31, 1992 under the Companies Ordinance, 1984, as a Public Company, limited by shares which are quoted on all Stock Exchanges in Pakistan. It is principally engaged in manufacturing of Fusible Interlinings and Dying / Bleaching of Fabric. The Company commenced its commercial operations on May 15, 1995. The registered office of the Company is situated at 2-KM, Off Raiwind Manga Road, Raiwind, Lahore.

### 2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

#### 2.01 Initial application of standards, amendments or an interpretation to existing standards.

##### 2.01.01 New Accounting Standards, IFRIC interpretations and amendments to the published approved accounting standards that are effective in current year

The revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan became effective in current year.

**IFRS-12** Disclosures of interest in other Entities

**IAS-1** Financial Statement Presentation

**IAS-12** Income Tax (Amended)

The above standards, amendments and interpretations are either not relevant to the Company Operations or not expected to have significant impact on the company financial statements except for increased disclosures in certain cases.

##### 2.01.02 New Accounting Standards, IFRIC interpretations and amendments to the published approved accounting standards that are not effective in current year

The following revised standards, amendments and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective on and after the dates mentioned below against the respective standards or interpretation.

# ARUJ INDUSTRIES LIMITED

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Effective date		
IFRS-1	First time adoption of international financial reporting standards	January 01,2013
IFRS-7	Financial Instruments: Disclosures(Amendments) & classification and measurements	January 01,2013
IFRS-9	Financial instruments	January 01,2015
IFRS-12	Disclosure of interest in others Entities	January 01,2013
IFRS-13	Fair Value	January 01,2013
IAS-1	Financial Statements presentation	January 01,2013
IAS-16	Property, plant and Equipments	January 01,2013
IAS-19	Employees Benefits (Amendments)	January 01,2013
IAS-32	Financial Instruments Presentation	January 01,2013
IAS-34	Interim Financial Reporting	January 01,2013
IAS-27	Separate Financial Statements	January 01,2013
IAS-36	Impairment of assets	January 01,2014
IAS-39	Financial Instruments; recognition and measurements	January 01,2014

The above standard, amendments and interpretations except amendments in IAS-19 are either not relevant to the Company operations or are not expected to have significant impact on the Company financial statements except for the increased disclosures in certain cases. The amendments in IAS-19 requires immediate recognition of actuarial gain or loss and revised basis of calculation for net finance cost.

### 3. BASIS OF PREPARATION

#### 3.01 Basis of Measurement

These financial statements have been prepared under the "historical cost" convention. In these financial statements, except for certain staff retirement benefits at present value and the cash flow statement, all transactions have been accounted for on accrual basis.

#### 3.02 Functional and presentation currency

These financial statements are presented in Pak Rupees which is company's functional currency.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 4.01 Foreign currency translation

Transaction in foreign currency are recorded at the exchange rate prevailing on the date of transaction. Assets and liabilities in foreign currencies are translated into Pak Rupees at the exchange rate prevailing at the balance sheet date.

Gains and loss arising on the translation are included in the net profit or loss for the period

# ARUJ INDUSTRIES LIMITED

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## 4.02 Staff retirement benefits

The company operates an unfunded gratuity scheme for all permanent employee who have completed minimum qualifying period of service. The contributions to the scheme are made in accordance with the independent actuarial valuation using Projected Unit Credit (PUC). The most recent actuarial valuation of the scheme was carried out as at June 30, 2013.

Actuarial gains or losses are recognized as income or expense when the cumulative unrecognized actuarial gains or losses at the end of previous reporting period exceed 10% of the higher of defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan. The principal actuarial assumptions used for the purpose of the valuation were as follows:

	2013	2012
Discount rate	10%	13%
Annual incremental rate	9%	12%
Average remaining working life time of employee	9 Years	15 Years

## 4.03 Trade debts

Trade debts originated by the Company are recognized and carried at original invoice amount less an allowance for any uncollectible amounts. An estimated provision for doubtful debt is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

## 4.04 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

## 4.05 Long Term Deposits

These are stated at cost which represents the fair value of consideration given.

## 4.06 Provisions

A provision is recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

## 4.07 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand, cash at banks in current account and deposits accounts

## 4.08 Capital work-in-progress

Capital work-in-progress represent expenditure on property, plant and equipment which are in the course of construction and installation. Transfers are made to relevant property, plant and equipment category as and when assets are available for use. Capital work in progress is stated at cost less any identified impairment loss.

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

( 4.09

## Taxation

### a) Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned from local as well as foreign operations, as applicable to the respective jurisdictions. The charge for current tax is calculated using prevailing tax rates applicable to taxable income after taking into account tax credits and tax rebates, if any under the provision of Income Tax Ordinance, 2001.

### b) Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax assets and liabilities are calculated at the rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the income statement.

4.10

## Property, plant, equipment

Property, plant and equipment except freehold land are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Freehold land is stated at cost less any identified impairment loss. Cost in relation to certain property, plant and equipment signifies historical cost, applicable exchange differences on foreign currency loans and directly attributable cost of bringing the asset to working condition. Borrowing cost pertaining to the construction / erection period is also capitalized as part of historical cost.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the year in which they are incurred.

Depreciation on property, plant and equipment is charged to profit and loss account applying the reducing balance method so as to write off the depreciable amount of the assets over their estimated useful lives at the rates specified in Note 15. The company charges the depreciation on additions from the date when the asset is available for use and on deletion up to the date when the asset is recognized.

## **ARUJ INDUSTRIES LIMITED**

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The Residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each statement of financial position date.

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

### 4.11 Accounting for finance lease

Leases where the company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are initially recognized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets. Subsequently these assets are stated at cost less accumulated depreciation and any impairment loss.

The related rental obligations, net of finance charges, are included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of the payment.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rental is charged to the profit and loss account over the lease term.

Depreciation on assets acquired under a finance lease is charged to the profit and loss account applying reducing balance method over their estimated useful lives at the rates specified in Note 15.

Depreciation on additions to leased assets is from the month in which an asset is acquired while no depreciation is charge for the month in which the asset is disposed off.

### 4.12 Stores, spares and loose tools

These are valued at moving average cost, while items considered obsolete are carried at nil values. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

### 4.13 Stock-in-trade

These are valued at lower of cost and net realizable value applying the following basis:

Raw material	Weighted average
Work in process	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value



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Raw material is stated at weighted average except items in transit which are valued at cost accumulated up to the balance sheet date.

Cost of work in process and finished goods comprises of cost of direct materials, labour and appropriate manufacturing overheads.

Net realizable value of finished goods and waste represents estimated selling prices in the ordinary course of business less incidental selling expenses.

### 4.14 Revenue Recognition

Revenue represents the fair value of consideration received or receivable for goods sold, net of discounts and sales tax. Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

- Export sales are accounted for on shipment basis and exchange difference, if any, on account of export proceeds are adjusted in the period of realization.

- Local sales / processing income is recognized on dispatch of goods to customers.

- Rebate income is recognized on accrual basis.

### 4.15 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and derecognized when the Company loses control of contractual rights that comprise the financial assets and in the case of financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on derecognition of financial assets and financial liabilities is included in the profit and loss account for the year.

Financial instruments carried on the balance include deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, liabilities against assets subject to finance lease, loan from directors, short term borrowing, accrued mark-up and trade and other payables etc. All financial assets and financial liabilities are initially measured at cost, which is the fair value of the consideration given and received respectively. These financial assets and liabilities are subsequently measured at fair value, amortized cost or cost, as the case may be. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

### 4.16 Offsetting of financial assets and liabilities

A financial asset and a financial liability is offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set-off the recognized amount and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

### 4.17 Loans and receivables

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through amortization process.

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## 4.18 Impairment

The Company assesses at each balance sheet date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amount of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount, where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in income currently. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

## 4.19 Related party transactions

Transactions and contracts with related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

## 4.20 Borrowing cost

Borrowing costs are charged to income in the period in which these are incurred.

## 4.21 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies, reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follow:.

- Property, plant and equipment – useful lives and residual value (Note 4.10)
- Taxation (Note 4.09)

## 4.22 Dividend and other appropriations

Dividend is recognized as a liability in the period in which it is approved. Appropriations of profits are reflected in the statement of changes in equity in the period in which such appropriations are made

	2013 Rupees	2012 Rupees
<b>05 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
2,752,000 (2012: 2,752,000) ordinary shares of Rs. 10/- each fully paid in cash	27,520,000	27,520,000
3,399,700 (2012: 3,399,700) ordinary shares of Rs. 10/- each issued for consideration other than cash	33,997,000	33,997,000
	<u>61,517,000</u>	<u>61,517,000</u>

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

06	LONG TERM FINANCING – SECURED	Limit Rupees in Million	2013 Rupees	2012 Rupees
	Habib Bank Limited (a banking company)			
	Opening balance	28.50	4,433,403	3,051,145
	Finance obtained during the year		23,860,817	4,433,403
			<u>28,294,220</u>	<u>7,484,548</u>
	Payment made during the year		(9,431,408)	(3,051,145)
			<u>18,862,812</u>	<u>4,433,403</u>
6.01	Long term portion		9,431,406	2,955,602
	Add: Current portion		9,431,406	1,477,801
			<u>18,862,812</u>	<u>4,433,403</u>

6.02 This facility has been obtained for BMR/expansion of project. It carries mark up at the rate of 3 months KIBOR + 3 percent per annum (2012: 3 Months Kibor + 3 percent per annum). It is secured against first charge on all present and future assets of the company. The expiry date of this facility is December, 31,2015. The loan is repayable in quarterly installment in 3 years.

07	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	Note	2013 Rupees	2012 Rupees
	The amounts of future lease rentals are payable during:			
	<b>30 JUNE</b>			
	2012 – 2013		--	2,160,372
	2013 – 2014		1,167,952	1,207,310
	2014 – 2015		824,400	824,400
			<u>1,992,352</u>	<u>4,192,082</u>
	Add: Security adjustable at the expiry of lease term		687,200	884,800
			<u>2,679,552</u>	<u>5,076,882</u>
	Less: Financial charges not currently due		245,977	680,143
	Present value of minimum lease payments		2,433,575	4,396,739
	Less: Current portion shown under current liabilities		972,082	1,727,059
			<u>1,461,493</u>	<u>2,669,680</u>

Reconciliation between total of minimum lease payments and their present value:

Gross minimum lease payments:

Due not later than one year	1,167,952	2,160,372
Due later than one year but not later than five years	824,400	2,031,710
	<u>1,992,352</u>	<u>4,192,082</u>

Present value of minimum lease payments:

Due not later than one year	972,080	1,727,059
Due later than one year but not later than five years	774,293	1,784,880
	<u>1,746,373</u>	<u>3,511,939</u>

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The minimum lease payments under the lease agreements are payable in 36 – 60 equal monthly installments. The minimum lease payments have been discounted at an implicit rate ranging from 8% to 16% per annum to arrive at their present value.

In the above leases purchase option is available to the Company.

Taxes, repairs, replacements and insurance costs are to be borne by the Company.

	Note	2013 Rupees	2012 Rupees
<b>08 LOAN FROM DIRECTORS</b>		<u>41,068,418</u>	<u>38,233,883</u>
<p>This loan has been obtained from Directors of the Company, and is interest free. There is no fixed tenor or schedule for repayment of this loan. According to the loan agreement, the lenders shall not demand repayment and the same is entirely at the Company's option. The Company may repay the loan in cash or may issue shares in lieu of the outstanding amount in form of right shares or otherwise subject to approval as required under the Companies Ordinance, 1984.</p>			
<b>09 DEFERRED LIABILITIES</b>			
Deferred tax liability	9.01	19,928,015	16,290,741
Staff retirement benefits-gratuity	9.02	3,289,384	2,941,963
		<u>23,217,399</u>	<u>19,232,704</u>
9.01 Deferred tax has been created due to temporary difference as under:			
Accelerated depreciation		19,807,531	15,194,152
Staff retirement benefits		(803,021)	(710,484)
Lease		923,158	1,807,073
		<u>19,928,015</u>	<u>16,290,741</u>
<b>9.02 EMPLOYEES RETIREMENT BENEFITS</b>			
<p>The amounts recognized in the balance sheet Are as follows</p>			
Present value of defined benefit obligation		3,121,954	2,774,533
Unrecognized actuarial Gain/(loss)		122,104	122,104
Benefits due but not paid		45,326	45,326
		<u>3,289,384</u>	<u>2,941,963</u>
<b><i>Balance sheet liability</i></b>			
Opening balance		2,774,533	2,392,510
Amount recognized during the year		913,405	805,593
		<u>3,687,938</u>	<u>3,198,103</u>
Benefits paid during the year		(565,984)	(504,507)
Actuarial loss/(gain) arising during the year			80,937
Closing balance		<u>3,121,954</u>	<u>2,774,533</u>
<b><i>Charge for the defined benefit plan</i></b>			
Service cost		552,716	470,642
Interest cost		360,689	334,951
Actuarial gains recognized		--	--
		<u>913,405</u>	<u>805,593</u>

# ARUJ INDUSTRIES LIMITED

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## 9.03 Historical information for gratuity:

	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees	2008 Rupees
Present value of defined Benefit obligation	<u>3,327</u>	<u>2,775</u>	<u>2,393</u>	<u>1,826</u>	<u>1,461</u>	<u>1,041</u>
Experience adjustment arising on plan liabilities	205	81	38	(181)	(99)	85

Note  
2013  
Rupees  
2012  
Rupees

## 10 TRADE AND OTHER PAYABLES

Trade Creditors	10.01	63,948,503	39,556,716
Advances from customers		20,005,109	46,445,604
Other payables		213,419	--
Accrued expenses		5,167,768	5,520,151
Worker's profit participation fund	10.02	1,770,234	1,390,278
Unclaimed dividend		1,131,893	1,158,329
		<u>92,236,926</u>	<u>94,071,078</u>
10.01 Trade Creditors		<u>63,948,850</u>	<u>39,556,716</u>
		<u>63,948,850</u>	<u>39,556,716</u>

## 10.02 WORKERS' PROFIT PARTICIPATION FUND

Opening Balance		1,390,278	1,316,000
Allocation for the year		1,542,037	1,027,557
		2,932,314	2,343,557
Interest on funds utilized	29	32,320	51,372
		2964,634	2,394,930
Less: Paid during the year		1,194,400	1,004,652
		<u>1,770,234</u>	<u>1,390,278</u>

## 11 SHORT-TERM FINANCES-SECURED

	Limit Rupees in Million		
Habib Bank Limited			
Running Finance	60	57,114,642	57,040,437
FATR	10	8,790,000	9,993,628
Export Refinance	30	30,000,000	--
		<u>95,904,642</u>	<u>67,034,065</u>

## ARUJ INDUSTRIES LIMITED

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- 11.01 This facility has been obtained to meet the working capital requirements. It carries mark up at the rate of 3 months KIBOR + 3 percent per annum (2012: 3 Months KIBOR + 3 percent). It is secured against first charge on all current assets of the company. The expiry date of this facility is December 31, 2013.
- 11.02 This facility has been obtained to retire import documents. It carries mark up at the rate of 3 months KIBOR + 3 percent per annum (2012: 3 Months KIBOR + 3 percent). It is secured against first charge on all current assets of the company. The expiry date of this facility is December 31, 2013 or 60 days for each bill.
- 11.03 This facility has been obtained to meet working capital requirements. It carries mark up as SBP. It is secured against first charge on all present and future Current assets of the company. The expiry date of this facility is December 31, 2013.

Following facilities have also been given by the Habib Bank Limited but not yet availed by the company.

	Limits PKR in (M)
11.04 LC Sight (for import of Raw Material)	35.0
11.05 Letter of Guarantee	12.5

The finances mentioned in note No. 6.01, 11.01, 11.02, 11.03, 11.04, and 11.05 are collaterally secured against.

- Charge on all present and future fixed assets of company including land, building, plant and machinery of the company of Rs. 185.000 Million registered with SECP.
- EM/TLM of all that piece and parcel of land and building measuring 13 Kanals and 8 Marlas situated in Distt. Kasur.
- EM/TLM of all that piece and parcel of land and building measuring 20 Kanals and 1 Marla situated in Distt. Kasur.
- EM/TLM of all that piece and parcel of land and building measuring 12 Kanals situated in Distt. Kasur.
- Personal guarantee of the following Directors of the Company with PNWS namely :-
  - Mr. Maqsood Ahmad Butt
  - Mrs. Naseem Maqsood
  - Mr. Ali Maqsood Butt

**ARUJ INDUSTRIES LIMITED**

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**12 CURRENT PORTION OF LONG TERM LIABILITIES**

	Note	2013 Rupees	2012 Rupees
Long term financing		9,431,406	1,477,801
Liabilities against assets subject to finance lease		<u>972,082</u>	<u>1,727,059</u>
		<u>10,403,488</u>	<u>3,204,860</u>

**13 PROVISION FOR TAXATION**

Opening balance		4,680,825	3,963,876
Add: Taxation – current		4,208,964	4,864,358
Less: Adjustments during the year		<u>(5,065,176)</u>	<u>(4,147,409)</u>
		<u>3,824,612</u>	<u>4,680,825</u>

**14. CONTINGENCIES AND COMMITMENTS**

On behalf of the company Habib Bank Limited has issued guarantee amounted to 10,321,400 (2012: 10,321,400) in favour of SNGPL.

Commitments under Letters of credit for the import of raw material amounted to 20,461,468 (2012: 2,084,107)

## ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

### 15. PROPERTY, PLANT AND EQUIPMENT

Following is the statement of fixed assets - tangible

PARTICULARS	COST			Rate %	DEPRECIATION				Written down Value as at June 30, 2013
	As at July 01, 2012	Addition (Deletion)	As at June 30, 2013		As at July 01, 2012	Adjustments	For the Year	As at June 30, 2013	
<b>OPERATING ASSETS</b>									
Freehold Land	7,544,681	--	7,544,681	--	--	--	--	--	7,544,681
Building on Freehold Land	39,492,490	--	39,492,490	5	17,421,652	--	1,103,542	18525,194	20,967,296
Plant and Machinery	162,516,086	37,128,726	204,294,812	10	82,336,014	--	8,407,076	92,907,672	111,387,140
-Transferred from leased		4,650,000	--			2,100,853	63,729	--	--
Office Equipment	1,076,870	--	1,076,870	10	649,942	--	42,693	692,635	384,235
Furniture and Fixture	891,624	--	891,624	10	649,862	--	24,176	674,038	217,586
Motor vehicles	21,111,041	96,500	21,207,541	20	7,177,187	--	2,806,071	9,983,258	11,224,283
Loose Tools	118,117	--	118,117	10	87,504	--	3,061	90,565	27,552
Laboratory Equipment	366,921	--	366,921	10	247,872	--	11,905	259,777	107,144
Electric Installation	1,100,000	--	1,100,000	10	613,333	--	48,667	662,000	438,000
Fire Fighting Equipment	556,587	--	556,587	10	292,409	--	26,418	318,827	237,760
Telephone Installation	113,775	--	113,775	10	93,777	--	2,000	95,777	17,998
Gas Installation	1,310,000	--	1,310,000	10	619,658	--	69,034	688,692	621,308
<b>LEASED ASSETS</b>	236,198,192	41,875,226	278,073,418		110,189,210	2,100,853	12,608,372	124,898,435	153,174,983
Motor Vehicles	10,526,920	--	10,526,920	20	5,800,049	--	945,374	6,745,423	3,781,497
Plant & Machinery	4,650,000	--	--	10	1,894,166	(2,100,853)	206,687	--	--
-Transferred to Owned		(4,650,000)	--						
<b>RUPEES 2013</b>	251,375,112	37,225,226	288,600,338		117,883,424	--	13,760,433	131,643,857	156,956,481
<b>RUPEES 2012</b>	251,375,112	35,976,322	220,045,290		105,518,214	(1,175,136)	13,540,347	117,883,424	133,491,688
		(4,646,500)							

15.01 Depreciation is allocated as under:

	June 30, 2013 RUPEES	June 30, 2012 RUPEES
Cost of sales	9,966,295	8,827,728
Administrative expenses	3,794,138	4,712,619
	<u>13,760,433</u>	<u>13,540,347</u>

### 16. Capital Work in Process

	June 30, 2013 RUPEES	June 30, 2012 RUPEES
<b>Plant and Machinery</b>		
Opening Balance	31,928,314	39,800,667
Addition during the year	40,366,749	7,921,235
Machinery Capitalized	(38,742,321)	(15,793,588)
Closing Balance	<u>33,552,742</u>	<u>31,928,314</u>



**ARUJ INDUSTRIES LIMITED**

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	Note	2013 Rupees	2012 Rupees
<b>17. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		3,324,434	1,547,294
Spare parts		91,395	79,474
Loose tools		70,038	60,902
		<u>3,485,867</u>	<u>1,687,670</u>
<b>18. STOCK IN TRADE</b>			
Packing material		3,502,422	4,334,589
Rice Husk		3,325,970	2,042,240
Fabric		29,142,544	34,284,820
Chemicals		33,214,806	35,610,950
		<u>69,185,742</u>	<u>76,272,599</u>
No stock in trade has been pledged by any institution / party.			
<b>19. TRADE DEBTS</b>			
Considered good			
Export	19.01	2,693,239	1,593,625
Local – unsecured	19.02	45,427,138	26,102,352
		<u>48,120,377</u>	<u>27,695,977</u>
19.01 Export		2,693,239	1,593,625
		<u>2,693,239</u>	<u>1,593,625</u>
19.02 Local		45,427,138	26,102,352
		<u>45,427,138</u>	<u>26,102,352</u>
<b>20. LOANS AND ADVANCES</b>			
Advances considered good	20.01	11,165,719	5,702,924
Letter of credit – Margin		6,986,254	8,004,501
Advance income tax		10,836,363	17,742,753
		<u>28,988,336</u>	<u>31,450,178</u>
<b>20.01 ADVANCES</b>			
Considered good:			
To suppliers		10,768,761	5,297,763
To Employees – Interest free		253,000	194,500
For local guarantee		143,958	210,661
		<u>11,165,719</u>	<u>5,702,924</u>
Advances to suppliers		10,768,761	5,297,763
Provision for doubtful debts		--	--
		<u>10,768,761</u>	<u>5,297,763</u>

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

	Note	2013 Rupees	2012 Rupees
<b>21. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits		1,922,640	1,922,640
Prepaid insurance		993,236	584,736
		2,915,876	2,507,376
<b>22. OTHER RECEIVABLES</b>			
Sales tax – refundable		34,572,032	24,239,307
		34,572,032	24,239,307
<b>23. CASH AND BANK BALANCES</b>			
Cash in hand		445,410	218,542
Cash at banks			
- In current accounts		23,266,220	5,165,066
- In saving account	23.01	--	9,932
		23,266,220	5,174,998
		23,711,630	5,393,540
23.01 It carries mark up at the rate of 0% for 2013 (2012: 0%) per annum.			
<b>24. SALES AND PROCESSING CHARGES – NET</b>			
Sales – Local		1,744,700	1,235,100
- Export		144,723,567	129,794,815
Processing and coating Charges		331,122,811	284,335,891
Export rebates		1,078,317	--
Sales Tax		(209,499)	--
		478,459,896	415,365,806
<b>25. COST OF SALES</b>			
Fabric consumed	25.01	129,304,880	83,834,506
Chemicals consumed	25.02	181,971,260	198,662,554
Packing material consumed	25.03	7,117,346	5,378,909
Rice Husk consumed	25.05	2,341,470	1,200,096
Stores and spares consumed	25.06	7,728,515	4,095,078
Salaries and other benefits	25.07	7,417,418	6,510,536
Fuel and power		53,316,995	48,927,678
Postage, telephone and telegram		137,027	119,823
Insurance		2,015,886	1,372,787
Import Charges		5,358,867	5,536,745
Freight and Octroi		240,410	212,347
Repair and maintenance – machinery		9,793,890	4,221,044
Processing Charges		593,250	--
Depreciation	15.01	9,966,295	8,827,728
Cost of goods manufactured		417,303,509	368,899,831
<b>25.01 Fabric consumed</b>			
Opening Stock		34,284,820	6,079,259
Add: Purchases		124,162,604	112,040,067
		158,447,424	118,119,326
Less: Closing stock		29,142,544	34,284,820
		129,304,880	83,834,506

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

	Note	2013 Rupees	2012 Rupees
<b>25.02 Chemicals consumed</b>			
Opening Stock		35,610,950	9,662,626
Add: Purchases		179,575,116	224,610,878
		<u>215,186,066</u>	<u>234,273,504</u>
Less: Closing stock		33,214,806	35,610,950
		<u>181,971,260</u>	<u>198,662,554</u>
<b>25.03 Packing material consumed</b>			
Opening Stock		4,334,589	1,859,037
Add: Purchases		6,285,179	7,854,461
		<u>10,619,768</u>	<u>9,713,498</u>
Less: Closing stock		3,502,422	4,334,589
		<u>7,117,346</u>	<u>5,378,909</u>
<b>25.05 Rice Husk consumed</b>			
Opening Stock		2,042,240	1,204,000
Add: Purchases		3,625,200	2,038,336
		<u>5,667,440</u>	<u>3,242,336</u>
Less: Closing stock		3,325,970	2,042,240
		<u>2,341,470</u>	<u>1,200,096</u>
<b>25.06 Stores and spares consumed</b>			
Opening Stock		1,687,670	262,622
Add: Purchases		9,526,712	5,520,126
		<u>11,214,382</u>	<u>5,782,748</u>
Less: Closing stock		3,485,867	1,687,670
		<u>7,728,515</u>	<u>4,095,078</u>
<b>25.07</b> Salaries and other benefits include staff retirement benefits amounting to Rs. 721,590 (2012: Rs. 636,418)			
<b>26. DISTRIBUTION AND SELLING COST</b>			
Ocean freight		2,698,127	2,524,065
Clearing and forwarding		1,106,516	1,045,230
		<u>3,804,643</u>	<u>3,569,295</u>

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

	Note	2013 Rupees	2012 Rupees
<b>27. ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Director's remuneration		2,040,000	2,040,000
Salaries and other benefits	27.01	3,024,804	2,902,179
Electricity, water and gas		246,851	292,701
Telephone and fax		442,623	586,321
Printing and stationary		153,646	67,543
Vehicle running and maintenance		1,883,571	1,931,680
Postage and telegram		320,022	218,933
Insurance		968,925	779,100
Newspaper and periodicals		12,912	10,674
Fee and subscription		495,847	371,601
Entertainment		129,503	121,628
Sales Tax Audit Penalty		--	262,155
Auditor's remuneration	27.02	370,000	370,000
Misc. Expenses		27,490	--
Legal and professional		24,000	24,000
Depreciation	15.01	3,794,138	4,712,619
		<u>13,934,332</u>	<u>14,691,134</u>
<b>27.01</b> Salaries and other benefits include staff retirement benefits amounting to Rs. 191,815 (2012: Rs.169,175).			
<b>27.02 Auditor's remuneration</b>			
Audit fee		250,000	250,000
Half yearly review		50,000	50,000
Other certification charges		50,000	50,000
Out of pocket expenses		20,000	20,000
		<u>370,000</u>	<u>370,000</u>
<b>28. OTHER OPERATING EXPENSES</b>			
Workers profit participation fund	10.02	1,542,037	1,027,557
		<u>1,542,037</u>	<u>1,027,557</u>
<b>29. FINANCE COST</b>			
Interest / Mark up on:			
Long – term financing		3,329,594	--
Short – term finance		8,109,620	7,001,504
Finance lease		434,166	445,091
Worker's Profit Participation Fund	10.02	32,320	51,372
Commission on Local Guarantee		242,095	460,567
Bank charges		428,883	231,002
		<u>12,576,678</u>	<u>8,189,536</u>

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

	Note	2013 Rupees	2012 Rupees
<b>30. OTHER OPERATING INCOME</b>			
Gain on Insurance Claim for Stolen Vehicle		--	535,136
		--	535,136
<b>31. TAXATION</b>			
Current year		3,824,612	4,680,824
Prior year		384,352	1,83,534
Deferred	9	3,636,927	1,839,708
		<u>7,845,892</u>	<u>6,704,066</u>
<b>31.01</b>	Income Tax return has been filed to income tax authorities up to and including tax year 2012 under the provisions of The Income Ordinance, 2001.		
<b>32 EARNINGS PER SHARE BASIC</b>			
Net profit for the year		<u>21,452,806</u>	<u>12,819,522</u>
		(Number of shares)	
Weighted average number of ordinary shares Outstanding during the year		<u>6,151,700</u>	<u>6,151,700</u>
Earnings per share – basic	Rs.	<u>3.49</u>	<u>2.08</u>
There is no dilutive effect on the basic earnings per share of the Company.			
<b>33. FINANCIAL INSTRUMENTS BY CATEGORY</b>			
<b>Financial assets as per balance sheet</b>			
Long term security deposits		687,200	884,800
Trade debts		48,120,377	27,695,977
Loans and advances		28,988,336	8,408,662
Trade deposits		1,922,640	1,922,640
Cash and bank balances		23,711,630	5,393,540
		<u>103,430,183</u>	<u>44,305,419</u>
<b>Financial liabilities as per balance sheet</b>			
Long term financing		18,862,812	4,433,403
Liability against assets subject to finance lease		2,433,575	4,396,739
Loan from directors		41,068,418	38,233,883
Trade and other payables		70,461,583	46,235,196
Accrued interest / mark-up		1,419,821	1,713,481
Short term finance		95,904,642	67,034,065
		<u>230,150,851</u>	<u>162,046,767</u>

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

## 33.01 Fair values of financial assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arms length transaction.

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

## 34 FINANCIAL INSTRUMENTS

### 34.01 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on having cost effective funding as well as to manage financial risk to minimize earnings volatility and provide maximum return to shareholders.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors.

#### (a) Market risk

##### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company imports some items of chemicals such as HDP and also exports goods that are exposed to currency risk, primarily with respect to liabilities and foreign currency debts denominated in US Dollars. In current year under report, the Company has imported some raw material denominated in Dollars. The Company's exposure to foreign currency risk in US Dollars is as follows:

	2013 Rupees	2012 Rupees
Foreign trade debts	2,693,239	1,593,625
Foreign creditors	--	--
Gross balance sheet exposure	2,693,239	1,593,625
Outstanding letter of credit	20,461,488	2,084,107
Net exposure	<u>23,154,727</u>	<u>3,677,732</u>

The following significant exchange rates have been applied at the reporting dates.

USD to PKR	<u>99.61</u>	<u>94.20</u>
Euro to PKR	<u>129.62</u>	<u>121.00</u>

The Company manages its currency risk by close monitoring of currency markets. However, the Company does not hedge its currency risk exposure.

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

At the reporting date, the interest rate profile of the company's significant interest bearing financial instruments was as follows:

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	Rupees Effective Rate	2013 Rupees Carrying amount Rupees	2012 Rupees
<b>Financial assets</b>			
Cash and bank balances	0 to 3.5	--	9,932
		--	9,932
<b>Financial liabilities</b>			
Long term financing			
Variable rate instruments	14.91 to 16.53	18,862,812	4,433,403
Short term borrowings			
	14.91 To 16.53	95,904,642	67,034,065
		<u>114,767,454</u>	<u>71,467,468</u>
Total yield / mark up rate risk sensitivity gap		<u>(114,767,454)</u>	<u>(71,457,536)</u>

#### Fair value sensitivity analysis for fixed rate instruments:

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit and loss. Therefore, a change in interest rates at the reporting date would not affect profit and loss account.

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

A change of 1% in interest rates at the reporting date would have decreased / (increased) loss for the year by the amount shown below. This analysis assumes that all other variables, in particular foreign currency rates, remains constants. This analysis is performed on the same basis for 2012.

	Profit and Loss 1% rate Increase	Decrease
<b>As at June 30, 2013</b>		
Cash flow sensitivity – variable rate financial liabilities	<u>(114,767)</u>	<u>114,767</u>
<b>As at June 30, 2012</b>		
Cash flow sensitivity – variable rate financial liabilities	<u>(685,119)</u>	<u>685,119</u>

#### (iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity securities price risk as its investment is not in any securities.

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**(b) Credit risk**

Credit risk represents the risk of financial loss being caused if counter parties fail to discharge an obligation.

Credit risk arises from deposits with banks, trade debts, loans and advances, deposits and other receivables. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. Where considered necessary, advance payments are obtained from certain parties. The maximum exposure to credit risk is equal to the carrying amount of financial assets.

The maximum exposure to credit risk for trade debts at the balance sheet date by geographic region is as follows:

	2013 Rupees	2012 Rupees
Local debts	45,427,138	1,593,625
Foreign debts	2,693,239	26,102,352
	<u>48,120,377</u>	<u>27,695,977</u>

The majority of foreign debtors of the company are situated in Middle East..

The aging of loans and receivables at the reporting date was:

Past due 6-12 months	42,420,191	21,995,791
More than one year	5,700,186	5,700,186
More than two years	--	--
	<u>48,120,377</u>	<u>27,695,977</u>

The Company monitors the credit quality of its financial assets with reference to historical performance of such assets and available external credit ratings. The carrying values of financial assets which are neither past due nor impaired are as under:

Long term security deposits	687,200	884,800
Trade debts	48,120,377	27,695,977
Loans and advances	28,988,336	8,409,662
Trade deposits	1,922,640	1,922,640
Cash and bank balances	23,711,630	5,393,540
	<u>103,430,183</u>	<u>44,306,619</u>

The credit quality of receivables can be assessed with reference to their historical performance with no or some defaults in recent history, however, no losses. The credit quality of Company's bank balances can be assessed with reference to external credit ratings as follows:



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Bank	Rating Agency	Rating	
		Short term	Long term
Bank Al-Habib Limited	PACRA	A1+	AA+
Habib Bank Limited	JCR-VIS	A1+	AAA
Bank Al-Falah Limited	PACRA	A1+	AA
Faysal Bank Limited	PACRA	A1+	AA

(c) **Liquidity risk**

Liquidity risk represents the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. Due to growing nature of the businesses the Company maintains flexibility in funding by maintaining committed credit lines available.

The table below analyses how management monitors net liquidity based on details of the remaining contractual maturities of financial assets and liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

# ARUJ INDUSTRIES LIMITED

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RUPEES - 2013							
Interest / mark up bearing				Non interest bearing			
Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total	
<b>FINANCIAL ASSETS</b>							
Long-terms security deposit	--	--	687,200	--	687,200	687,200	
Trade debts	--	--	48,120,377	--	48,120,377	48,120,377	
Loans and Advances	--	--	18,151,973	--	18,151,973	18,151,973	
Trade deposits	--	--	1,922,640	--	1,922,640	1,922,640	
Other receivables	--	--	--	--	--	--	
Cash and bank balances	--	--	23,711,630	--	23,711,630	23,711,630	
	--	--	92,593,820	--	92,593,820	92,593,820	
<b>FINANCIAL LIABILITIES</b>							
Long term financing	9,431,406	9,431,406	18,862,812	--	--	18,862,812	
Liability against assets							
Subject to finance lease	972,082	1,461,493	2,433,575	--	--	2,433,575	
Loan from directors	--	--	--	41,068,418	41,068,418	41,068,418	
Trade and other payables	--	--	70,248,164	--	70,248,164	70,248,164	
Accrued mark up	--	--	1,419,821	--	1,419,821	1,419,821	
Short-term finance	95,904,642	--	95,904,642	--	--	95,904,642	
	106,308,130	10,892,899	117,201,029	71,667,985	41,068,418	112,736,403	229,937,432
Net liquidity	(106,308,130)	(10,892,899)	(117,201,029)	20,925,835	(41,068,418)	(20,142,583)	(137,343,612)

RUPEES - 2012							
Interest / mark up bearing				Non interest bearing			
Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	Total	
<b>FINANCIAL ASSETS</b>							
Long-terms security deposit	--	--	--	884,800	884,800	884,800	
Trade debts	--	--	27,695,977	--	27,695,977	27,695,977	
Loans and Advances	--	--	13,707,425	--	13,707,425	13,707,425	
Trade deposits	--	--	1,922,640	--	1,922,640	1,922,640	
Other receivables	--	--	--	--	--	--	
Cash and bank balances	9,932	--	9,932	5,393,540	--	5,393,540	5,403,472
	9,932	--	9,932	48,719,582	884,800	49,604,382	49,614,314
<b>FINANCIAL LIABILITIES</b>							
Long term financing	1,477,801	2,955,602	4,433,403	--	--	4,433,403	
Liability against assets							
Subject to finance lease	1,727,059	2,669,680	4,396,739	--	--	4,396,739	
Loan from directors	--	--	--	38,233,883	38,233,883	38,233,883	
Trade and other payables	--	--	--	46,235,196	--	46,235,196	
Accrued mark up	--	--	--	1,713,481	--	1,713,481	
Short-term finance	67,034,065	--	67,034,065	--	--	67,034,065	
	70,238,925	5,625,282	75,864,207	47,948,677	38,233,883	86,182,560	162,046,767
Net liquidity	(70,228,993)	(5,625,282)	(75,854,275)	760,973	(37,349,083)	(36,588,110)	(112,442,385)

### 34.02 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefit for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is not subject to any externally imposed capital requirements.

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The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

During the year, the Company's strategy was to maintain leveraged gearing. The gearing ratios as at June 30, 2013 and 2012 were as follows:

	2013 Rupees	2012 Rupees
Long term financing	18,862,812	4,433,403
Short term finance	95,904,642	67,034,065
Total debt	<u>114,767,454</u>	<u>71,467,468</u>
Total Equity	123,208,077	101,755,271
Total Capital	<u>237,975,531</u>	<u>173,222,739</u>
Gearing Ratio	<u>48.23%</u>	<u>41.26%</u>

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

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

	CHIEF EXECUTIVE		DIRECTORS	
	2013	2012	2013	2012
Managerial Remuneration	720,000	720,000	640,000	640,000
Allowances:				
House rent Allowances	324,000	324,000	288,000	288,000
Utilities	36,000	36,000	32,000	32,000
Total Rupees	1,080,000	1,080,000	960,000	960,000
Number of Persons	1	1	2	2

**35.01** The Chief Executive and Directors are also provided with free use of the Company maintained cars and residential phones.

**35.02** No person qualified as executive of the company.

## 36. AGGREGATE TRANSACTIONS WITH RELATED PARTIES

The Company in the normal course of business carries out transactions with various related parties which comprise of associated undertakings and key management personnel. Amounts due from and due to related parties are shown under receivables and payables, if any. Remuneration of Chief Executive Officer, Directors and Executive is disclosed in note 35. Other significant transactions with related parties are as under:

Relationship	Nature of transaction	2013 Rupees	2012 Rupees
Key management personnel (Chief Executive)		None	None
<b>37. PLANT CAPACITY AND ACTUAL PRODUCTION</b>		<b>Meters</b>	<b>Meters</b>
Installed:		24,540,000	24,540,000
Actual utilization		12,486,962	12,992,234

# ARUJ INDUSTRIES LIMITED

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## 38. ACCOUNTING ESTIMATES AND JUDGMENT

### Income Taxes:

The Company takes into account the current income tax law and decisions taken by the appellate authorities. Instances where the company's view differs from the view taken by the income tax departments at the assessments stage and where the company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. Furthermore, the company may be able to avail the benefit of the payment of turnover tax, provided sufficient taxable profits are available in next five years when this credit can be utilized.

### Property, plant and equipment:

The company reviews the value of assets for possible impairment on an annual basis. Any changes in the estimates in future years might affect the carrying amounts of the respective items of property, plant and equipment with a corresponding affect on the depreciation charge and impairment.

### Staff retirement benefit – gratuity:

Certain actuarial assumptions have been adopted as disclosed in the financial statements for valuation of present value of defined benefit obligation. Any changes in these assumptions in future year might affect unrecognized gains and losses in those years.

### Stock in trade and stores and spares:

The Company reviews the net realizable value of stock in trade and stores and spares to assess any diminution in the respective carrying values. Net realizable value is determined with reference to estimated selling price less estimated expenditures to make sales.

## 39. NUMBER OF EMPLOYEES

The total average number of employees during the year and as at June 30, 2013, and 2012 respectively are as follows

	June 30, 2013	June 30, 2012
Average number of employees during the year	49	49
Number of employees as at June 30, 2013/2012	49	49

## 40. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the board of directors on October 04, 2013.

## 41. GENERAL

- Figures have been rounded off to the nearest rupee.
- Corresponding figures have been re-arranged wherever necessary for the purpose of Comparison.
- The Company has changed its name from "Aruj Garments Accessories Limited to "Aruj Industries Limited" under section 39 of Companies Ordinance 1984 since April 09, 2013.

CHIEF EXECUTIVE

DIRECTOR

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

**THE COMPANIES ORDINANCE 1984  
(SECTION 236(1) AND 464)  
PATTERN OF SHAREHOLDING**

FORM 34

1. Incorporation Number L 05840 of 1992-93
2. Name of the Company ARUJ INDUSTRIES LTD.
3. Pattern of holding of the shares held by the shareholders as at 30-06-2013

4. No. of Shareholders	Shareholding		Total Shares held
	From	To	
48	1	100	2,174
424	101	500	204,581
47	501	1000	45,910
36	1,001	5000	90,208
5	5,001	10,000	33,197
7	10,001	15,000	92,939
2	15,001	20,000	30,897
1	30,001	35,000	34,541
1	40,001	45,000	42,500
1	45,001	50,000	47,500
1	60,001	65,000	62,000
1	185,001	190,000	187,700
1	200,001	205,000	201,853
1	265,001	270,000	269,300
1	1,130,001	1,135,000	1,132,500
1	3,670,001	3,675,000	3,673,900
<b>578</b>			<b>6,151,700</b>

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	5,079,500	82.5707%
5.2 Associated Companies, Undertakings and related parties	187,700	3.0512%
5.3 NIT and ICP	0	0.0000%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	34,579	0.5621%
5.5 Insurance Companies	0	0.0000%
5.6 Modarabas and Mutual Funds	0	0.0000%
5.7 General Public		
a. Local		
b. Foreign	831,268	13.5128%
5.8 Others (to be specified)		
<b>Joint Stock Companies</b>		
Pension Funds	12,239	0.1990%
Others	6,197	0.1007%
	217	0.0035%
6. Signature of Company Secretary		
7. Name of Signatory	Muhammad Sajjad Hussain	
8. Designation	Company Secretary	
9. NIC Number	35202-7700649-3	
10. Date	30	06
		2013

# ARUJ INDUSTRIES LIMITED

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

Categories of Shareholders required under Code of Corporate Governance (CCG)  
As on 30th June, 2013

S. NO.	NAME	HOLDING	%AGE
<b>Associated Companies, Undertakings and Related Parties (Name Wise Detail):</b>			
1.	ARUJ NONWOVEN INDUSTRIES (PVT) LTD.	187,7000	3.0512%
<b>Mutual Funds (Name Wise Detail)</b>			
<b>Directors and their Spouse and Minor Children (Name Wise Detail):</b>			
1.	MR. MAQSOOD AHMAD BUTT	3,673,900	59.7217%
2.	DR. MRS. NASEEM MAQSOOD	269,300	4.3777%
3.	MR. ALI MAQSOOD BUTT	1,132,500	18.4095%
4.	MRS. NAHEED MUNEER	1,800	0.0293%
5.	MR. SHEIKH GHULAM MUSTAFA	1,000	0.0163%
6.	MRS. DURRAY ZARA BUTT	500	0.0081%
7.	DR. ARUJ BUTT	500	0.0081%

## Executives:

## Public Sector Companies & Corporations:

Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:	40,776	0.6628%
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## Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)

1.	MR. MAQSOOD AHMAD BUTT	3,673,900	59.7217%
2.	MR. ALI MAQSOOD BUTT	1,132,500	18.4095%

All trades in the shares of the listed company, carried out by its Directors, Executives and their spouses and minor children shall also be disclosed:

S.No.	Name	Sale	Purchase
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Nil

**ARUJ INDUSTRIES LIMITED**

(FORMERLY ARUJ GARMENT ACCESSORIES LIMITED)

**FORM OF PROXY**

Folio No. \_\_\_\_\_

Shares Held \_\_\_\_\_

I/We \_\_\_\_\_

of \_\_\_\_\_

being a member of **ARUJ INDUSTRIES LIMITED** (formerly Aruj Garment Accessories Ltd.) hereby appoint

Mr./Mrs./Ms \_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

\_\_\_\_\_ of \_\_\_\_\_

(another member of Company) as my/our proxy to vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held on October 31, 2013 at 9.00 a.m. at Registered Office 2 KM Off Raiwind – Manga Road, Raiwind, Lahore and at any adjournment thereof.

Affix Rs 5/- Revenue Stamp
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**SIGNATURE OF SHAREHOLDER**

Witness:

Name: \_\_\_\_\_

Date \_\_\_\_\_

Signature \_\_\_\_\_

Place \_\_\_\_\_

1. Proxies, in order to be effective, must be received at the Company's Registered Office not less than 48 hours before the time of holding the meeting and must be signed and witnessed.
2. No person shall act as proxy unless he/she is a member of the Company.