



## Contents

THE VISION AND THE MISSION	
COMPANY PROFILE	2
NOTICE OF ANNUAL GENERAL MEETING	3
DIRECTOR'S REPORT	5
KEY OPERATING AND FINANCIAL DATA	8
STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE	9
ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE	12
AUDITOR'S REPORT TO THE MEMBERS	13
BALANCE SHEET	14
PROFIT AND LOSS ACCOUNT	15
STATEMENT OF COMPREHENSIVE INCOME	16
CASH FLOW STATEMENT	17
STATEMENT OF CHANGES IN EQUITY	19
NOTES TO THE ACCOUNTS	20-46
PATTERN OF SHAREHOLDING	47
FORM OF PROXY	49

## **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

## 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. Mr. Faisal Khan : Director
5. Mrs. Durray Zara Butt : Director
6. Mrs. Naheed Muneer : Director
7. Dr. Aruj Butt : Director

### CFO

Mrs. Durray Zara Butt

### 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  
Dr. Aruj Butt - Member

### HR & REMUNERATION COMMITTEE

Dr. Mrs. Naseem Maqsood Butt - Chairperson  
Mr. Ali Maqsood Butt - Member  
Mrs. Naheed Munir - Member

### BANKERS:

Standar Chartered Bank (Pakistan) Ltd.  
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

### NOTICE OF 22nd ANNUAL GENERAL MEETING

Notice is hereby given that the 22nd Annual General Meeting of **ARUJ INDUSTRIES LIMITED** will be held on Friday, 31st October 2014 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:-

#### ORDINARY BUSINESS:

- 1) To confirm the minutes of the Extra Ordinary General Meeting held on September 16, 2014.
- 2) To receive and adopt the annual audited account of the company for the year ended June 30, 2014 together with the Director's and Auditor's Reports thereon.
- 3) To approve the payment of cash dividend @ 25% (Rs.2.50 per share) for the year ended June 30, 2014 as recommended by the directors.
- 4) To appoint auditors of the company for the year ended June 30, 2015 and to fix their remuneration.
- 5) To consider and approve the issue of Right Shares @ 70% at par value to the existing shareholders of the company.

#### OTHER BUSINESS:

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

Lahore  
October 09, 2014

by Order of the Board

**Muhammad Sajjad Hussain**

Company Secretary

#### Notes:

- 1) Right Shares: The Board of Directors has been declared 70% Right Shares i.e. 70 shares for every hundred existing ordinary shares held by the shareholders. Shares Transfer Books of the Company will remain closed from October 25, 2014 to October 31, 2014 (both days inclusive) for entitlement of 70% Right Shares dividend and for the purpose of attending the Annual General Meeting. Physical Transfer / CDS Transactions IDs received in order at Company's Shares Registrar, M/s Corplink (Pvt) Limited Wings Arcade, 1-K, Commercial, Model Town, Lahore Tel: 042-35916714-35916719-35839182 Fax: 042-35869037 at the close of business on October 24, 2014 will be treated as in time.

## ARUJ INDUSTRIES LIMITED

- 2) A member eligible to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received at the Company's Registered Office of the Company at 2-KM, Off: Raiwind Manga Road, Raiwind, Lahore not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
  - 3) Members whose shares are deposited with Central Depository System are requested to bring their original National Identity Cards or Original Passports along with their account number in Central Depository System for attending the meeting.
  - 4) The form of proxy must be submitted with the company within the stipulated time, duly witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form, along with attested copies of CNIC or the Passport of the beneficial owners and the proxy; in case of corporate entity, the Board of Directors Resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with the proxy form of the company.
  - 5) The Company wishes to inform its shareholders that under the law they are also entitled to receive their cash dividend directly in their bank accounts instead of receiving it through dividend warrants. Shareholders wishing to exercise this option may submit their application to the Company's Share Registrar, giving particulars relating to their name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participants) / CDC.
  - 6) Pursuant to the provision of Finance Act, 2014 the rates of income tax deduction from dividend payment under section 150 of the Income Tax Ordinance, 2001 have been revised as under:
    - For filers - 10%
    - For non-filers - 15%
- All shareholders are requested to make sure that copy of their valid CNIC/NTN should be available with the Shares Registrar. Please also note that in case of non-availability of CNIC/NTN, the Share Registrar could not check their status and would be constrained to apply tax rate prescribed for non-filers.
- 7) Members are requested to notify the company change in their address, M/s Corplink (Pvt) Limited Wings Arcade, 1-K, Commercial, Model Town, Lahore  
Tel: 042-35916714-35916719-35839182 Fax: 042-35869037 if any.

# ARUJ INDUSTRIES LIMITED

## DIRECTOR'S REPORT

The Directors of your Company welcome you to the 22nd 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, 2014.

<b>OPERATING RESULTS:</b>	<b>For the year ended June 30th, 2014 Rupees</b>	<b>For the year ended June 30th, 2013 Rupees</b>
Sales	545,923,658	478,459,896
Gross Profit	76,725,514	61,156,387
Profit /(Loss) before Taxation	30,588,746	29,298,698
Taxation	298,741	7,845,892
Profit /(Loss) after Taxation	30,290,005	21,452,806
Earnings per Share	4.92	3.49

The net sales of your company increased 14.10% to Rs. 545,923,658/- for the year. Net profit, after taxation, increased year on year by 41.193% to Rs. 30,290,005.

Keeping in view that our dyeing and processing plant is now coming into its own, and that we have once again had a stellar year, the Board of Directors of your Company recommends a dividend of Rs. 2.50 per share.

### FUTURE OUTLOOK:

Your Company has taken its first step into yet another venture. The export of ready-made garments is on the rise in Pakistan, since the country seems to have an abundance of raw material as well as technically capable and economical labour. To take advantage of this, we have taken our first steps into this business, and are happy to report that the initial response has been very positive.

Energy cost seems to be a constant concern to us, and the coming year brings with it no respite in this matter. However, your company is bettering itself every year to combat this situation and, although the cost of energy will be daunting, we shall do our best to mitigate its effects on our bottom line.

### STATEMENT OF COMPLIANCE ON CORPORATE AND FINANCIAL FRAME WORK:

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:

### 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.

## ARUJ INDUSTRIES LIMITED

### 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	6
2. Dr. Mrs. Naseem Maqsood	6
3. Mr. Ali Maqsood Butt	6
4. Mr. Durray Zara Butt	6
5. Mr. Faisal Khan	2
6. Dr. Aruj Butt	5
7. Mrs. Naheed Muneer	4
8. Sh. Ghulam Mustafa	2

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



## ARUJ INDUSTRIES 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. | Dr. Aruj Butt           | Member      |

### EARNING PER SHARES:

Earning per share for the period ended 30 June 2014 works out to Rs. 4.92 as compared to Rs. 3.49 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 2014-15.

### PATTERN OF SHAREHOLDING:

Statements showing the Pattern of Shareholding as at 30 June, 2014 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

Lahore  
Dated: October 03, 2014

**MAQSOOD AHMAD BUTT**  
Chief Executive

**ARUJ INDUSTRIES LIMITED****KEY OPERATING & FINANCIAL DATA  
FROM 2009 TO 2014**

	2009	2010	2011	2012	2013	2014
Net Sales Revenue	298,971,529.00	345,439,418	396,387,622	415,365,806	478,459,896	545,923,658
Cost of Goods Sold	268,017,901.00	314,182,885	356,438,791	368,899,831	417,303,509	469,198,144
Gross Profit	30,953,628.00	31,256,533	39,948,831	46,465,975	61,156,387	76,725,514
Operating Profit (Loss)	19,370,056.00	17,767,320	23,399,733	28,205,546	43,417,412	47,686,824
Profit (Loss) before Tax	8,591,912.00	6,834,116	13,760,877	19,523,588	29,298,698	29,187,091
Profit (Loss) after Tax	2,959,210.00	3,489,188	9,079,088	12,819,522	21,452,806	30,290,005
Paid up Capital	61,517,000.00	61,517,000	61,517,000	61,517,000	61,517,000	61,517,000
Current Assets	118,111,165.00	128,616,417	91,128,804	169,246,647	210,979,860	314,035,872
Current Liabilities	82,154,899.00	101,123,513	104,332,214	167,499,448	193,386,001	244,981,131

# ARUJ INDUSTRIES 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

Mr. Faisal Khan

Mrs. Durray Zara Butt

Dr. Aruj Butt

### **Non-Executive Directors:**

Dr. Mrs. Naseem Maqsood Butt

Mrs. Naheed Muneer

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 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. Casual vacancy occurred on the Board of Directors during the year has filled within 30-days.
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**

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 six times during the year ended June 30, 2014 including once in every quarter to approve the financial statements of the company. A separate meetings of the board were held to approve the appointment of new directors and for changing the banks. Written notices of the board meetings, along with agenda were circulated at least seven days before 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 Board has approved the appointment of Head of Internal Audit including his remuneration and terms and conditions of his employment.
11. The director report for the period ended June 30, 2014 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 comprising 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, two of which is non executive director and one is executive director including its chairman.

## ARUJ INDUSTRIES 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 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 03, 2014

**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 03, 2014

**MAQSOOD AHMAD BUTT**  
Chief Executive

## ARUJ INDUSTRIES LIMITED

### AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **ARUJ INDUSTRIES LIMITED** ('the Company') as at June 30, 2014 and the related Profit and Loss Account, Statement of Comprehensive Income, Cash Flow Statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after 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 4 with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the 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 03, 2014

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

# **ARUJ INDUSTRIES LIMITED**

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **ARUJ INDUSTRIES LIMITED** (the Company) for the year ended June 30, 2014 to comply with the requirement of 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 and report if it does not and to highlight any non compliance with the requirements of the Code. A review is limited primarily to inquiries of the company's personal 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.

The code requires the company to place before the audit committee, and upon recommendations of the audit committee, place before the board of directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arms length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon the recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Lahore  
Dated: October 03, 2014

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

**ARUJ INDUSTRIES LIMITED****BALANCE SHEET  
AS AT JUNE 30, 2014**

	NOTE	2014	2013	Restated 2012
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Authorised Capital 8,000,000 (2013:8,000,000) Ordinary Shares of Rs. 10/- each		80,000,000	80,000,000	80,000,000
Issued, Subscribed & Paid up capital	5	61,517,000	61,517,000	61,517,000
Retained earnings		91,804,266	61,637,278	40,317,639
		153,321,266	123,154,278	101,834,639
<b>NON-CURRENT LIABILITIES</b>				
Long-term finance	6	57,068,418	50,499,824	41,189,485
Liabilities against assets subject to Finance lease	7	3,744,426	1,461,493	2,669,680
Deferred liabilities	8	18,346,742	23,217,399	19,153,336
		79,159,586	75,232,516	63,012,501
<b>CURRENT LIABILITIES</b>				
Trade and other payables	9	129,917,771	92,236,926	94,071,078
Mark-up accrued on loans & other payables	10	4,006,454	1,419,821	1,713,481
Short-term borrowings	11	106,483,162	95,904,642	67,034,065
Current portion of long term borrowings	12	34,007,385	10,403,488	3,204,860
Provision for Taxation	13	4,573,743	3,824,612	4,680,825
		278,988,516	203,789,489	170,704,309
<b>CONTINGENCIES AND COMMITMENTS</b>	14	--	--	--
		511,469,368	402,176,283	335,551,449
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	15	197,433,496	156,956,481	133,491,688
Capital work in Progress	16	--	33,552,742	31,928,314
Long term deposits and prepayments	17	--	687,200	884,800
		197,433,496	191,196,423	166,304,802
<b>CURRENT ASSETS:</b>				
Stores, spares parts and loose tools	18	4,633,501	3,485,867	1,687,670
Stock in trade	19	148,237,461	69,185,742	76,272,599
Trade Debts	20	54,327,146	48,120,377	27,695,977
Loans and advances	21	47,603,437	28,988,336	31,450,178
Trade deposits and short term prepayments	22	2,707,376	2,915,876	2,507,376
Tax refunds due from the Government	23	40,088,142	34,572,032	24,239,307
Cash and bank balances	24	16,438,809	23,711,630	5,393,540
		314,035,872	210,979,860	169,246,647
		511,469,368	402,176,283	335,551,449

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

**CHIEF EXECUTIVE**

**DIRECTOR**



**ARUJ INDUSTRIES LIMITED****PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2014**

	NOTE	2014	2013
Rupees			
Sales - net	25	545,923,658	478,459,896
Cost of sales	26	469,198,144	417,303,509
<b>GROSS PROFIT</b>		<b>76,725,514</b>	<b>61,156,387</b>
Distribution cost	27	6,190,371	3,804,643
Administrative expenses	28	22,848,319	13,934,332
		47,686,824	43,417,412
Finance cost	29	16,889,799	12,576,678
Other expenses	30	1,609,934	1,542,037
		29,187,091	29,298,698
<b>Other income</b>	31	<b>1,401,655</b>	<b>--</b>
<b>NET PROFIT BEFORE TAXATION</b>		<b>30,588,746</b>	<b>29,298,698</b>
Taxation	32	298,741	7,845,892
<b>NET PROFIT AFTER TAXATION</b>		<b>30,290,005</b>	<b>21,452,806</b>
<b>Earnings Per Share – basic</b>	34	<b>4.92</b>	<b>3.49</b>

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

**CHIEF EXECUTIVE**

**DIRECTOR**

# ARUJ INDUSTRIES LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2014

	NOTE	2014	2013
		Rupees	
Profit for the year		30,290,005	21,452,806
Other comprehensive income		--	--
		<u>30,290,005</u>	<u>21,452,806</u>
Other comprehensive expenses	33	123,017	--
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>30,166,988</u></u>	<u><u>21,452,806</u></u>

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

CHIEF EXECUTIVE

DIRECTOR

# ARUJ INDUSTRIES LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	2014	2013
	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Profit before taxation	30,588,746	29,298,698
Adjustment for:		
Depreciation	17,917,705	13,760,433
Financial Charges	16,889,799	12,576,678
Gain on Insurance Claim of stolen vehicle	(1,401,655)	--
Provision for gratuity	1,239,586	913,405
Workers' Profit participation fund	1,609,934	1,542,037
	<u>36,255,369</u>	<u>28,792,552</u>
<b>Profit before working capital changes</b>	66,844,115	58,091,250
(Increase)/decrease in current assets:		
Stores, spare parts & loose tools	(1,147,634)	(1,798,197)
Stock in trade	(79,051,719)	7,086,857
Trade debts	(6,206,769)	(20,424,400)
Loans and advances	(16,257,645)	4,444,548
Trade deposits and short term prepayments	208,500	(408,500)
Tax refunds due from the Government	(5,516,110)	(10,332,725)
Increase /(decrease) in current liabilities:		
Trade and other payables	37,044,027	(2,187,672)
	<u>(70,927,350)</u>	<u>(23,620,089)</u>
<b>Cash generated from operations</b>	(4,083,235)	34,471,161
Financial charges paid	(14,303,166)	(12,838,018)
Staff retirement benefits paid	--	(565,984)
Worker's profit participation fund paid	(1,194,395)	(1,194,400)
Taxes paid	(2,357,457)	(5,065,177)
	<u>(21,938,253)</u>	<u>14,807,582</u>
<b>Net cash inflow from operating activities</b>	(21,938,253)	14,807,582
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Long – term security deposits	(687,200)	(197,600)
Fixed capital expenditure – net of disposal	(23,081,822)	(96,500)
Capital work in progress	--	(40,366,749)
Disposal Proceeds	2,000,000	--
<b>Net cash used in investing activities</b>	<u>(21,769,022)</u>	<u>(40,660,849)</u>

**ARUJ INDUSTRIES LIMITED****CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2014**

	Note	2014	2013
<u>Rupees</u>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds / (Repayment) from long term loans – Net		21,137,188	17,263,944
Proceeds / (Repayment) from Lease Finance – Net		4,718,746	(1,963,164)
Proceeds / (Repayment) from short term borrowings – Net		10,578,520	28,870,577
Dividend paid		--	--
		<u>36,434,454</u>	<u>44,171,357</u>
Net cash used in financing activities			
		<u>(7,272,822)</u>	<u>18,318,090</u>
Net Increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		23,711,631	5,393,540
		<u>16,438,809</u>	<u>23,711,630</u>
Cash and cash equivalents at the end of the year			

The annexed notes form an integral part of these financial statements

CHIEF EXECUTIVE

DIRECTOR

**ARUJ INDUSTRIES LIMITED****STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2014**

(R U P E E S)

	SHARE CAPITAL	UNAPPRO- PRIATED PROFIT	TOTAL
Balance as at 30 June 2012 as previously stated	61,517,000	40,238,271	101,755,271
Effect of change in accounting policy for recognition of actuarial gains and losses	--	79,368	79,368
<b>Balance as at July 01, 2012 restated</b>	<b>61,517,000</b>	<b>40,317,639</b>	<b>101,834,639</b>
Total comprehensive income for the year 2013	--	21,452,807	21452,807
Effect of change in accounting policy for recognition of actuarial gains and losses	--	(133,167)	(133,167)
<b>Balance as at June 30, 2013 restated</b>	<b>61,517,000</b>	<b>61,637,278</b>	<b>123,154,278</b>
Total comprehensive income for the year 2014	--	30,166,988	30166,988
<b>Balance as at 30 June 2013</b>	<b>61,517,000</b>	<b>91,804,266</b>	<b>153,321,266</b>

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

CHIEF EXECUTIVE

DIRECTOR

# ARUJ INDUSTRIES LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2014

### 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.

#### 2.02 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.

#### 2.03 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

		Effective date
<b>IFRS-1</b>	First time adoption of international financial reporting standards	January 01,2013
<b>IFRS-7</b>	Financial Instruments: Disclosures (Amendments) & classification and measurements	January 01,2013
<b>IFRS-12</b>	Disclosure of interest in others Entities	January 01,2013
<b>IFRS-13</b>	Fair Value	January 01,2013
<b>IAS-1</b>	Financial Statements presentation	January 01,2013
<b>IAS-16</b>	Property, plant and Equipments	January 01,2013
<b>IAS-19</b>	Employees Benefits (Amendments)	January 01,2013
<b>IAS-32</b>	Financial Instruments Presentation	January 01,2013
<b>IAS-34</b>	Interim Financial Reporting	January 01,2013
<b>IAS-27</b>	Separate Financial Statements	January 01,2013

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 require immediate recognition of actuarial gain or loss and revised basis of calculation for net finance cost.

## 2.04

### **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.

		Effective Date
<b>IFRS-9</b>	Financial instruments	January 01,2015
<b>IAS-36</b>	Impairment of assets	January 01,2014
<b>IAS-39</b>	Financial Instruments; recognition and measurements	January 01,2014

The above standards, amendments and interpretations are either not relevant to the Company operations or are not expected to have significant impact on the Company financial statements.

## 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.

# ARUJ INDUSTRIES LIMITED

## 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.

### 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, 2014. The principal actuarial assumptions used for the purpose of the valuation were as follows:

	2014	2013
Discount rate	13.25%	10%
Annual incremental rate	12.25%	9%
Average remaining working life time of employee	10 Years	9 Years

Consequent to the revision of IAS 19 "Employee Benefits" (IAS 19) which is effective for annual periods beginning on or after January 01, 2013, the Company has changed its accounting policy wherein, the actuarial gains and losses (restatement gains / losses) on employees' retirement benefit plans are recognized immediately in other comprehensive income. Previously, the actuarial gains / losses in excess of the corridor limit were recognized in profit or loss over the remaining service life of the employees. In accordance with the transitional provisions of IAS 19, the change in accounting policy has been accounted for retrospectively and the comparative figures have thereby been restated as below. The adoption of above accounting policy has no effect on the cash flow statement.



## ARUJ INDUSTRIES LIMITED

	Cumulative effect Upto June 30, 2013	Effect for the year ended June 30, 2013	Cumulative effect upto July 01, 2012
	Rupees		
(Decrease)/Increase in unappropriated profit due to actuarial gain-net of tax	(53,799)	(133,167)	79,368
Increase/(Decrease) in staff retirement benefits	82,768	204,872	(122,104)
(Decrease)/Increase in deferred tax liabilities	28,969	71,705	(42,736)
<b>4.03 Trade debts</b>			
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.			
<b>4.04 Trade and other payables</b>			
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.			
<b>4.05 Long Term Deposits</b>			
These are stated at cost which represents the fair value of consideration given.			
<b>4.06 Provisions</b>			
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.			
<b>4.07 Cash and cash equivalents</b>			
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			
<b>4.08 Capital work-in-progress</b>			
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**

### **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 and 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

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 and	Average manufacturing cost
Finished goods	Average manufacturing cost
Waste	Net realizable value

## **ARUJ INDUSTRIES LIMITED**

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.

## ARUJ INDUSTRIES LIMITED

### 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

## 5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

	2014	2013
	Rupees	
2,752,000 (2013: 2,752,000) ordinary shares of Rs. 10/- each fully paid in cash	27,520,000	27,520,000
3,399,700 (2013: 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

6 LONG TERM FINANCING	Limit Rupees in Million	Note	2014	2013
<b>Loan from banking companies – secured</b>				
			<b>Rupees</b>	
Habib Bank Limited	28.50	6.1	--	9,431,406
Standard Chartered Bank (Pakistan) Ltd.	30.00	6.2	6,000,000	--
<b>Loan from directors – unsecured</b>		6.3	51,068,418	41,068,418
			<u>57,068,418</u>	<u>50,499,824</u>

### 6.1 Habib Bank Limited

Opening Balance	18,862,812	4,433,403
Finance obtained during the year	--	23,860,817
	18,862,812	28,294,220
Payment made during the year	(18,862,812)	(9,431,408)
	--	18,862,812
<b>6.11 Less: Current portion</b>	--	(9,431,406)
	--	<u>9,431,406</u>

**6.12** This term loan facility has been obtained for BMR/expansion of project. It carried mark up at the rate of 3 months KIBOR + 3 percent per annum (2013: 3 Months Kibor + 3 percent per annum). It was secured against first charge on all present and future assets of the company. The facility was swapped during the year with the similar facility from Standard Chartered Bank (Pakistan) Limited through and agreement and all charges of Habib Bank Limited were duly satisfied.

### 6.2 Standard Chartered Bank (Pakistan) Limited

Finance obtained during the year	30,000,000	--
<b>6.21 Less: Current portion</b>	(24,000,000)	--
	<u>6,000,000</u>	--

**6.22** This term loan facility is obtained to swap the similar facility from Habib Bank Limited. It carries mark up at the rate of 3 months KIBOR + 3 percent per annum. It was secured against first charge on all present and future assets of the company.

<b>6.3 LOAN FROM DIRECTORS - UNSECURED</b>	<u>51,068,418</u>	<u>41,068,418</u>
--	-------------------	-------------------

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.

## ARUJ INDUSTRIES LIMITED

7	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	Note	2014	2013
			Rupees	
The amounts of future lease rentals are payable during:				
<b>30 JUNE</b>				
	2013 – 2014		--	1,167,952
	2014 – 2015		11,213,943	824,400
	2015 – 2016		2,967,023	--
	2016 – 2017		1,140,056	--
			15,321,022	1,992,352
	Add: Security adjustable at the end of lease term		--	687,200
			15,321,022	2,679,552
	Less: Future Finance Charge		1,569,211	245,977
	Present value of minimum lease payments		13,751,811	2,433,575
	Less: Current portion shown under current liabilities		10,007,385	972,082
	Liabilities against assets subject to finance lease		3,744,426	1,461,493

### Reconciliation between gross minimum lease payments and their present value:

#### Gross minimum lease payments:

Due not later than one year	11,213,943	1,167,952
Due later than one year but not later than five years	4,107,079	824,400
	15,321,022	1,992,352

#### Present value of minimum lease payments:

Due not later than one year	10,007,385	972,080
Due later than one year but not later than five years	3,744,426	774,293
	13,751,811	1,746,373

#### Add: Future Finance charge

Due not later than one year	1,206,558	--
Due later than one year but not later than five years	362,653	245,977
	15,321,022	1,992,352

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.

### 08 DEFERRED LIABILITIES

Deferred tax liability	8.01	13,611,987	19,928,015
Employees retirement benefits	8.02	4,734,755	3,289,384
		18,346,742	23,217,399

## ARUJ INDUSTRIES LIMITED

### 8.01 DEFERRED TAX LIABILITY

Deferred tax has been created due to temporary difference as under:

Accelerated depreciation	17,464,130	19,807,531
Employees retirement benefits	(968,606)	(803,021)
Lease	(2,865,537)	923,158
	13,611,987	19,928,015
 (Decrease) in deferred tax liabilities due to change in accounting policy	--	(28,969)
	13,611,987	19,899,047

### 8.02 EMPLOYEES RETIREMENT BENEFITS

#### *Balance sheet liability*

Present value of defined benefit obligation	4,196,549	3,326,826
Benefits payable as at end of the year	538,206	45,326
Less: fair value of plan assets	--	--
	4,734,755	3,372,152

#### *Reconciliation of present value of defined benefit obligation (PVODBO)*

PVODBO as at beginning of the year	3,326,826	2,774,533
Benefits payable as at end of the year	45,326	45,326
Amount recognized during the year	1,239,586	913,405
	4,611,738	3,733,264
Benefits paid during the year	--	(565,984)
Benefits payable as at end of the year	(538,206)	(45,326)
Actuarial loss/(gain) arising during the year	123,017	204,872
PVODBO as at end of the year	4,196,549	3,326,826

#### *Charge to profit and loss account for the defined benefit plan*

Service cost	933,814	552,716
Interest cost	305,772	360,689
	1,239,586	913,405

### 8.03 Historical information for gratuity:

	2014 Rupees	2013 Rupees	2012 Rupees	2011 Rupees	2010 Rupees	2009 Rupees
Present value of defined Benefit obligation	4,197	3,327	2,775	2,393	1,826	1,461
Experience adjustment arising on plan liabilities	123	205	81	38	(181)	(99)



# ARUJ INDUSTRIES LIMITED

	Note	2014	2013
Rupees			
<b>9 TRADE AND OTHER PAYABLES</b>			
Creditors		105,612,314	63,948,503
Accrued expenses		6,628,273	5,167,768
Advances from customers		13,684,643	20,005,109
Unclaimed dividend		1,131,893	1,131,893
Other payables		453,596	213,419
Worker's profit participation fund	9.01	2,407,052	1,770,234
		<u>129,917,771</u>	<u>92,236,926</u>

## 9.01 WORKERS' PROFIT PARTICIPATION FUND

Opening Balance		1,770,234	1,390,278
Allocation for the year		1,609,934	1,542,037
		<u>3,380,168</u>	<u>2,932,314</u>
Interest on funds utilized	29	221,279	32,320
		<u>3,601,447</u>	<u>2,964,634</u>
Less: Paid during the year		(1,194,395)	1,194,400
		<u>2,407,052</u>	<u>1,770,234</u>

## 10 MARKUP ACCRUED ON LOANS AND OTHER PAYABLES

Accrued markup		<u>4,006,454</u>	<u>1,419,821</u>
----------------	--	------------------	------------------

## 11 SHORT-TERM BORROWINGS

	Limit			
	Rupees in			
	Million			
From banking companies-secured				
Habib Bank Limited	11.01			
Running Finance	60	11.01	--	57,114,642
FATR	10	11.02	--	8,790,000
Export Refinance	30	11.03	--	30,000,000
			--	<u>95,904,642</u>
Standard Chartered Bank (Pakistan) Limited				
Overdraft	130	11.04	106,483,162	--
			<u>106,483,162</u>	<u>95,904,642</u>

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 (2013: 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. This facility has been swapped with other facilities from Standard Chartered Bank (Pakistan) Limited.

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 (2013: 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. This facility has been swapped with other facilities from Standard Chartered Bank (Pakistan) Limited.

## ARUJ INDUSTRIES LIMITED

11.03 This facility has been obtained to meet working capital requirements. It carries mark up at the rate of 3 months KIBOR + 3 percent per annum (2013: 3 Months KIBOR + 3 percent). It was secured against first charge on all current assets of the company. The expiry date of this facility is December 31, 2013. This facility has been swapped with other facilities from Standard Chartered Bank (Pakistan) Limited.

11.04 This overdraft facility is obtained to swap the above facilities from Habib Bank Limited. It carries mark up at the rate of 3 months KIBOR + 2.75 percent; rate to be reset on quarterly basis. It is secured against first charge on all present and future assets of the company.

Following facilities have also been given by the Standard Chartered Bank (Pakistan) Limited but not yet availed by the company.

	Limits PKR in (M)
11.05 Overdraft (to meet working capital requirements)	60.0
11.06 Pre-shipment financing under export orders	60.0
11.07 Import LCs-secured	40.0
11.08 Loans against trust receipts	15.0
11.09 Acceptance under LCs	15.0

The finances mentioned in note No. 6.02, 11.04, 11.06, 11.07, 11.08 and 11.09 are collaterally secured against:

1. Charge on all present and future fixed assets of company including land, building, plant and machinery of the company located at 2 Km off Raiwind Manga Road, Lahore to the extent of Rs. 275 Million registered with SECP.
2. Exclusive charge on current assets of the company to the extent of Rs.232.50 Millin duly registered with SECP.
3. Personal guarantees of all the Directors of the Company.

### 12 CURRENT PORTION OF LONG TERM BORROWINGS

	Note	2014	2013
		Rupees	
Long term financing		24,000,000	9,431,406
Liabilities against assets subject to finance lease		10,007,385	972,082
		<u>34,007,385</u>	<u>10,403,488</u>

### 13 PROVISION FOR TAXATION

Opening balance	3,824,613	4,680,825
Add: Taxation – current	6,585,800	4,208,964
Less: Adjustments during the year	(5,836,669)	(5,065,176)
	<u>4,573,743</u>	<u>3,824,612</u>

### 14. CONTINGENCIES AND COMMITMENTS

On behalf of the company Standard Chartered Bank (Pakistan) Limited has issued guarantee amounted to Rs. 17,500,000 (2013: 10,321,400) in favour of SNGPL.

Commitments under Letters of credit for the import of raw material amounted to 4,160,738 (2013: 20,461,468).

## ARUJ INDUSTRIES 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, 2014
	As at July 01, 2013	Addition	Transfer (Deletion)	As at June 30, 2014		As at July 01, 2013	Adjustments	For the Year	As at June 30, 2014	
<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	18,525,194		1,048,365	19,573,559	19,918,931
Plant & Machinery	204,294,812	34,076,151		238,370,963	10	92,907,672	--	11,425,347	104,333,018	134,037,945
Furniture and Fixture	891,624	--		891,624	10	674,038	--	21,759	695,797	195,827
Motor vehicles	21,207,541	1,118,500	(2,358,500)	22,326,041	20	9,983,258	(1,760,156)	2,473,491	12,456,749	9,869,292
-transferred from leased			2,358,500				1,760,156			
Office Equipment	1,076,870	--		1,076,870	10	692,635	--	38,424	731,059	345,811
Loose Tools	118,117	--		118,117	10	90,565	--	2,755	93,320	24,797
Laboratory Equipment	366,921	--		366,921	10	259,777	--	10,714	270,491	96,430
Electric Installation	1,100,000	449,000		1,549,000	10	662,000	--	47,542	709,542	839,458
Fire Fighting Equipment	556,587	--		556,587	10	318,827	--	23,776	342,603	213,984
Telephone Installation	113,775	--		113,775	10	95,777	--	1,600	97,577	16,198
Gas Installation	1,310,000	--		1,310,000	10	688,692	--	62,131	750,823	559,177
	278,073,418	35,643,651	--	313,717,069		124,898,435	--	15,156,103	140,054,538	173,662,531
<b>LEASED ASSETS</b>										
Motor Vehicles	10,526,920	6,571,810	--	14,740,230	20	6,745,423	(1,760,156)	1,875,122	6,860,389	7,879,841
-Transferred to Owned	--		(2,358,500)				--			
Plant & Machinery		16,777,603	--	16,777,603	10	--		886,480	886,480	15,891,123
	10,526,920	23,349,413	(2,358,500)	31,517,833		6,745,423	(1,760,156)	2,761,602	7,746,869	23,770,964
<b>RUPEES 2014</b>	288,600,338	58,993,064	(2,358,500)	345,234,902		131,643,857	(1,760,156)	17,917,705	147,801,406	197,433,496
<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

15.01 Depreciation is allocated as under:

	2014	2013
	Rupees	
Cost of sales	13,530,668	9,966,295
Administrative expenses	4,387,037	3,794,138
	17,917,705	13,760,433

### 16. Capital Work in Process

<b>Plant and Machinery</b>		
Opening Balance	33,552,742	31,928,314
Addition during the year	--	40,366,749
Machinery Capitalized	(33,552,742)	(38,742,321)
	--	33,552,742

**ARUJ INDUSTRIES LIMITED**

	Note	2014	2013
Rupees			
<b>17. LONG TERM DEPOSITS AND PREPAYMENTS</b>			
Security deposits against assets subject to finance lease		--	687,200
<b>18. STORES, SPARE PARTS AND LOOSE TOOLS</b>			
Stores		4,418,920	3,324,434
Spare parts		121,485	91,395
Loose tools		93,096	70,038
		<u>4,633,501</u>	<u>3,485,867</u>
<b>18. STOCK IN TRADE</b>			
Fabric		66,895,793	29,142,544
Chemicals		51,328,866	33,214,806
Packing material		9,293,732	3,502,422
Rice Husk		20,719,070	3,325,970
		<u>148,237,461</u>	<u>69,185,742</u>
No stock in trade has been pledged by any institution / party.			
<b>20. TRADE DEBTS</b>			
Considered good			
Export		21,656,816	2,693,239
Local – unsecured		32,670,330	45,427,138
		<u>54,327,146</u>	<u>48,120,377</u>
<b>21. LOANS AND ADVANCES</b>			
Advances considered good	21.01	30,248,880	11,165,719
Letter of credit – Margin		4,160,738	6,986,254
Advance income tax – net of adjustment		13,193,819	10,836,363
		<u>47,603,437</u>	<u>28,988,336</u>
<b>21.01 ADVANCES - CONSIDERED GOOD</b>			
To suppliers		29,179,234	10,768,761
To Employees – Interest free		232,000	253,000
For local guarantee		837,646	143,958
		<u>30,248,880</u>	<u>11,165,719</u>
<b>22. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Security deposits		2,042,921	1,922,640
Prepaid insurance		664,455	584,736
		<u>2,707,376</u>	<u>2,507,376</u>

## ARUJ INDUSTRIES LIMITED

	Note	<u>2014</u>	<u>2013</u>
		Rupees	
<b>23. TAX REFUNDS DUE FROM THE GOVERNMENT</b>			
Sales tax – refundable		40,088,142	34,572,032
		<u>40,088,142</u>	<u>34,572,032</u>
<b>24. CASH AND BANK BALANCES</b>			
Cash in hand		468,230	445,410
Cash at banks - In current accounts		15,970,579	23,266,220
		<u>16,438,809</u>	<u>23,711,630</u>
<b>25. SALES – NET</b>			
Sales		16,403,592	1,744,700
- Local		201,205,581	144,723,567
- Export		330,016,591	331,122,811
Processing and coating Charges		175,496	1,078,317
Rebate on export		(1,877,602)	(209,499)
Sales Tax		<u>545,923,658</u>	<u>478,459,896</u>
<b>26. COST OF SALES</b>			
Fabric consumed	26.01	134,975,317	129,304,880
Chemicals consumed	26.02	198,519,613	181,971,260
Packing material consumed	26.03	16,122,222	7,117,346
Rice Husk consumed	26.04	2,145,300	2,341,470
Stores and spares consumed	26.05	17,150,766	7,728,515
Salaries and other benefits	26.06	9,452,669	7,417,418
Fuel and power		59,159,490	53,316,995
Postage, telephone and telegram		175,804	137,027
Insurance		2,319,929	2,015,886
Import Charges		6,378,137	5,358,867
Freight and Octroi		332,210	240,410
Repair and maintenance – machinery		2,234,580	9,793,890
Processing Charges (CMT)		6,701,439	593,250
Depreciation	15.01	13,530,668	9,966,295
Cost of goods manufactured		<u>469,198,144</u>	<u>417,303,509</u>
<b>26.01 Fabric consumed</b>			
Opening Stock		29,142,544	34,284,820
Add: Purchases		172,728,566	124,162,604
		<u>201,871,110</u>	<u>158,447,424</u>
Less: Closing stock		(66,895,793)	(29,142,544)
		<u>134,975,317</u>	<u>129,304,880</u>

**ARUJ INDUSTRIES LIMITED**

	Note	2014	2013
Rupees			
<b>26.02 Chemicals consumed</b>			
Opening Stock		33,214,806	35,610,950
Add: Purchases		216,633,673	179,575,116
		249,848,479	215,186,066
Less: Closing stock		(51,328,866)	(33,214,806)
		198,519,613	181,971,260
<b>26.03 Packing material consumed</b>			
Opening Stock		3,502,422	4,334,589
Add: Purchases		21,913,532	6,285,179
		25,415,954	10,619,768
Less: Closing stock		(9,293,732)	(3,502,422)
		16,122,222	7,117,346
<b>26.05 Rice Husk consumed</b>			
Opening Stock		3,325,970	2,042,240
Add: Purchases		19,538,400	3,625,200
		22,864,370	5,667,440
Less: Closing stock		(20,719,070)	(3,325,970)
		2,145,300	2,341,470
<b>26.06 Stores and spares consumed</b>			
Opening Stock		3,485,867	1,687,670
Add: Purchases		18,298,400	9,526,712
		21,784,267	11,214,382
Less: Closing stock		(4,633,501)	(3,485,867)
		17,150,766	7,728,515
<b>26.07 Salaries and other benefits include staff retirement benefits amounting to Rs. 857,851 (2013: Rs. 721,590)</b>			
<b>27. DISTRIBUTION COST</b>			
Export expenses (Ocean freight clearing & forwarding)		6,190,371	3,804,643

**ARUJ INDUSTRIES LIMITED**

	Note	2014	2013
Rupees			
<b>28. ADMINISTRATIVE EXPENSES</b>			
Director's remuneration		8,190,000	2,040,000
Salaries and other benefits	28.01	4,322,824	3,024,804
Electricity, water and gas		246,681	246,851
Postage and telegram		1,207,598	762,022
Printing and stationary		236,167	153,646
Vehicle running and maintenance		1,657,496	1,883,571
Insurance		822,761	968,925
Newspaper and periodicals		1,187	12,912
Fee and subscription		969,262	495,847
Entertainment		135,204	129,503
Auditor's remuneration	28.02	370,000	370,000
Misc. Expenses		10,031	27,490
Legal and professional		292,071	24,000
Depreciation	15.01	4,387,037	3,794,138
		<u>22,848,319</u>	<u>13,934,332</u>
<b>28.01</b> Salaries and other benefits include staff retirement benefits amounting to Rs. 381,735 (2013: Rs.191,815).			
<b>28.02 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>29. FINANCE COST</b>			
Interest / Mark up on:			
Long – term finance		2,369,396	3,329,594
Short – term borrowings		12,227,803	8,109,620
Finance lease		1,434,267	434,166
Worker's Profit Participation Fund	9.01	221,279	32,320
Commission on Local Guarantee		143,958	242,095
Bank charges		493,096	428,883
		<u>16,889,799</u>	<u>12,576,678</u>
<b>30. OTHER EXPENSES</b>			
Worker's Profit Participation Fund	9.01	1,609,934	1,542,037
		<u>1,609,934</u>	<u>1,542,037</u>

## ARUJ INDUSTRIES LIMITED

	Note	2014	2013
Rupees			
<b>31. OTHER INCOME</b>			
Gain on disposal of fixed assets		1,401,655	--
		<u>1,401,655</u>	<u>--</u>
<b>32. TAXATION</b>			
Current year		6,585,800	3,824,612
Prior year		--	384,352
Deferred	9	(6,287,060)	3,636,927
		<u>298,741</u>	<u>7,845,892</u>
<b>32.01</b>	Income Tax return has been filed to income tax authorities up to and including tax year 2013 under the provisions of The Income Ordinance, 2001.		
<b>33. OTHER COMPREHENSIVE EXPENSES</b>			
Actuarial loss on staff retirement benefits		123,017	--
<b>34. EARNING PER SHARE – BASIC</b>			
Net profit for the year		<u>30,290,005</u>	<u>21,452,807</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		<u>4.92</u>	<u>3.49</u>
There is no dilutive effect on the basic earnings per share of the Company.			
<b>35. FINANCIAL INSTRUMENTS BY CATEGORY</b>			
<b>Financial assets as per balance sheet</b>			
Long term security deposits		--	687,200
Trade debts		54,327,146	48,120,377
Loans and advances		47,603,437	28,988,336
Trade deposits		2,042,921	1,922,640
Cash and bank balances		16,438,809	23,711,630
		<u>120,412,313</u>	<u>103,430,183</u>
<b>Financial liabilities as per balance sheet</b>			
Long term financing		--	18,862,812
Liability against assets subject to finance lease		13,751,811	2,433,575
Loan from directors		51,068,418	41,068,418
Trade and other payables		113,826,076	70,461,583
Accrued interest / mark-up		4,006,454	1,419,821
Short term finance		106,483,162	95,904,642
		<u>289,135,921</u>	<u>230,150,851</u>



## ARUJ INDUSTRIES LIMITED

### 35.01 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.

## 36 FINANCIAL INSTRUMENTS

### 36.01 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:

	2014	2013
	Rupees	
Foreign trade debts	21,656,816	2,693,239
Foreign creditors	--	--
Gross balance sheet exposure	21,656,816	2,693,239
Outstanding letter of credit	4,160,738	20,461,488
Net exposure	<u>25,817,554</u>	<u>23,154,727</u>

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

USD to PKR	98.79	99.61
Euro to PKR	135.25	129.62

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:

**ARUJ INDUSTRIES LIMITED**

		2014	2013
	Rupees	Rupees	
	Effective Rate	Carrying amount Rupees	
<b>Financial assets</b>			
Cash and bank balances	0 to 3.5	--	--
		--	9,932
<b>Financial liabilities</b>			
Long term financing			
Variable rate instruments	12.4 to 16.4	6,000,000	18,862,812
Short term borrowings	12.4 To 16.4	106,483,162	95,904,642
		112,483,162	114,767,454
Total yield / mark up rate risk sensitivity gap		(112,483,162)	(114,767,454)

**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 2013.

	Profit and Loss 1% rate	
	Increase	Decrease
<b>As at June 30, 2014</b>		
Cash flow sensitivity – variable rate financial liabilities	(1,124,832)	1,124,832
<b>As at June 30, 2013</b>		
Cash flow sensitivity – variable rate financial liabilities	(114,767)	114,767

**(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.

## ARUJ INDUSTRIES LIMITED

### (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:

	2014	2013
	Rupees	
Local debts	32,670,330	45,427,138
Foreign debts	21,656,816	2,693,239
	<u>54,327,146</u>	<u>48,120,377</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	51,287,376	42,420,191
More than one year	3,039,770	5,700,186
More than two years	--	--
	<u>54,327,146</u>	<u>48,120,377</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
Trade debts	54,327,146	48,120,377
Loans and advances	47,603,437	28,988,336
Trade deposits	2,042,921	1,922,640
Cash and bank balances	16,438,809	23,711,630
	<u>120,412,313</u>	<u>103,430,183</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:

## ARUJ INDUSTRIES LIMITED

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
Standard Chartered Bank (Pakistan) Limited	PACRA	A1+	AAA

### (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

	RUPEES - 2014						
	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	--	--	--	--	--	--	--
Trade debts	--	--	--	51,287,376	3,039,770	54,327,146	54,327,146
Loans and Advances	--	--	--	47,603,437	--	47,603,437	47,603,437
Trade deposits	--	--	--	2,707,376	--	2,707,376	2,707,376
Other receivables	--	--	--	40,088,142	--	40,088,142	40,088,142
Cash and bank balances	--	--	--	16,438,809	--	16,438,809	16,438,809
	<u>--</u>	<u>--</u>	<u>--</u>	<u>158,125,140</u>	<u>3,039,770</u>	<u>161,164,910</u>	<u>161,164,910</u>
<b>FINANCIAL LIABILITIES</b>							
Long term financing	24,000,000	6,000,000	30,000,000	--	--	--	30,000,000
Liability against assets							
Subject to finance lease	10,007,385	3,744,426	13,751,811	--	--	--	13,751,811
Loan from directors	--	--	--	--	51,068,418	51,068,418	51,068,418
Trade and other payables	--	--	--	129,917,771	--	129,917,771	129,917,771
Accrued mark up	--	--	--	4,006,454	--	4,006,454	4,006,454
Short-term finance	106,483,162	--	106,483,152	--	--	--	106,483,162
	<u>140,490,547</u>	<u>9,744,426</u>	<u>150,234,973</u>	<u>133,924,225</u>	<u>51,068,418</u>	<u>184,992,643</u>	<u>335,227,616</u>
Net liquidity	<u>(140,490,547)</u>	<u>(9,744,426)</u>	<u>(150,234,973)</u>	<u>24,200,915</u>	<u>(48,028,648)</u>	<u>(23,827,733)</u>	<u>(174,062,706)</u>

	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
	<u>--</u>	<u>--</u>	<u>--</u>	<u>92,593,820</u>	<u>--</u>	<u>92,593,820</u>	<u>92,593,820</u>
<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
	<u>106,308,130</u>	<u>10,892,899</u>	<u>117,201,029</u>	<u>71,667,985</u>	<u>41,068,418</u>	<u>112,736,403</u>	<u>229,937,432</u>
Net liquidity	<u>(106,308,130)</u>	<u>(10,892,899)</u>	<u>(117,201,029)</u>	<u>20,925,835</u>	<u>(41,068,418)</u>	<u>(20,142,583)</u>	<u>(137,343,612)</u>

## 36.02 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.

## ARUJ INDUSTRIES LIMITED

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, 2014 and 2013 were as follows:

	2014	2013
	Rupees	
Long term financing	48,862,812	18,862,812
Short term finance	106,483,162	95,904,642
Total debt	155,345,974	114,767,454
Total Equity	153,321,266	123,208,077
Total Capital	308,667,240	237,975,531
Gearing Ratio	50.33%	48.23%

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.

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

	CHIEF EXECUTIVE		DIRECTORS	
	2014	2013	2014	2013
Managerial Remuneration	2,120,000	720,000	3,340,000	640,000
Allowances:				
House rent Allowances	954,000	324,000	1,503,000	288,000
Utilities	106,000	36,000	167,000	32,000
Total Rupees	3,180,000	1,080,000	5,010,000	960,000
Number of Persons	1	1	4	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.

### 38. 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 37. Other significant transactions with related parties are as under:

## ARUJ INDUSTRIES LIMITED

Relationship	Nature of transaction	2014	2013
		Rupees	
Key management personnel (Chief Executive)		None	None
Associated undertaking Forte Apparel (Private) Limited:			
	Sales made to Forte Apparel (Pvt) Ltd. during the year	784,649	--
	Purchases from Forte Apparel (Pvt) Ltd. during the year	3,000,000	--
<b>39. PLANT CAPACITY AND ACTUAL PRODUCTION</b>		<b>Meters</b>	<b>Meters</b>
Installed:		24,540,000	24,540,000
Actual utilization		12,106,135	12,480,962

#### 40. 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.

# ARUJ INDUSTRIES LIMITED

## 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 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.

	<u>2014</u>	<u>2013</u>
<b>41. NUMBER OF EMPLOYEES</b>		
The total average number of employees during the year and as at June 30, 2014, and 2013 respectively are as follows		
Average number of employees during the year	50	49
Number of employees as at June 30, 2014/2013	<u>53</u>	<u>49</u>

## 42. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the board of directors on October 03, 2014.

## 43. GENERAL

- Figures have been rounded off to the nearest rupee.
- Corresponding figures have been re-arranged wherever necessary for the purpose of Comparison.
- Due to change in accounting policy retrospectively, the company has presented third balance sheet at the beginning of the preceding period i.e. the opening position in accordance with the requirements of IAS 1 "Presentation of Financial Statements". Notes are not required to support this balance sheet.

CHIEF EXECUTIVE

DIRECTOR



**ARUJ INDUSTRIES LIMITED**

FORM 34

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

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 30-06-2014

4. No. of Shareholders	Shareholding		Total Shares held
	From	To	
52	1	100	2,243
416	101	500	200,854
50	501	1000	49,400
38	1,001	5,000	81,993
9	5,001	10,000	70,610
4	10,001	15,000	54,200
2	15,001	20,000	35,000
1	20,001	25,000	25,000
1	40,001	45,000	42,500
2	60,001	65,000	125,000
1	95,001	100,000	97,500
1	100,001	105,000	104,000
1	185,001	190,000	187,700
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
581			6,151,700

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	5,141,000	83.5704%
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.	38	0.0006%
5.5 Insurance Companies	0	0.0000%
5.6 Modarabas and Mutual Funds	0	0.0000%
5.7 Shareholders holding 10% or more	4,806,400	78,1312%
5.8 General Public		
a. Local	815,809	13.2615%
b. Foreign		
5.9 Others (to be specified)		
<b>Joint Stock Companies</b>	739	0.0120%
Pension Funds	6,197	0.1007%
Others	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
	2014	

# ARUJ INDUSTRIES LIMITED

## Categories of Shareholders required under Code of Corporate Governance (CCG) As on 30th June, 2014

S. NO.	NAME	HOLDING	%AGE
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### Associated Companies, Undertakings and Related Parties (Name Wise Detail):

1.	ARUJ NONWOVEN INDUSTRIES (PVT) LTD.	187,700	3.0512%
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### Mutual Funds (Name Wise Detail)

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### Directors and their Spouse and Minor Children (Name Wise Detail):

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.	MRS. DURRAY ZARA BUTT	500	0.0081%
6.	DR. ARUJ BUTT	500	0.0081%
7.	MR. FAISAL KHAN	62,500	1.0160%

### Executives:

### Public Sector Companies & Corporations:

Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:	6,235	0.1014%
--	-------	---------

### 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
1	Mr. Faisal Khan	--	62,000

# ARUJ INDUSTRIES LIMITED

## FORM OF PROXY

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

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

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

of \_\_\_\_\_

being a member of **ARUJ INDUSTRIES LIMITED** 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, 2014 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

\_\_\_\_\_  
**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.

