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VISION AND MISSION STATEMENT

THE VISION

To be the leader in interlining industry by building companies image through Quality improvement, Customer satisfaction and by maintaining a high level of ethical and professional standards through Optimum use of resources.

MISSION STATEMENT

1. Endeavoring 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 reputation 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 responsibility

COMPANY PROFILE

BOARD OF DIRECTORS

1. Mr. Maqsood Ahmed Butt	:	Chief Executive / Director
2. 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

CHIEF FINANCIAL OFFICER

Mrs. Durray Zara Butt

COMPANY SECRETARY

Mr. Muhammad Sajjad Hussain

SHARE REGISTRARS

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

LEGAL ADVISOR

Mr. Mian Waheed Akhtar,
Advocate High Court,
Lahore.

AUDITORS

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

REGISTERED OFFICE

2-KM Off Raiwind-Manga Road,
Raiwind, Lahore.
Tel: (92 - 42) 35393125-6, 38102800
Fax: (92 - 42) 35393127
E-mail: info@aruj.com
Website: www.aruj.com

AUDIT COMMITTEE

Mrs. Naseem Maqsood Butt	Chairman
Mrs. Naheed Muneer	Member
Dr. Aruj Butt	Member

REGISTERED OFFICE

2-KM Off Raiwind-Manga Road,
Raiwind, Lahore.
Tel: (92 - 42) 35393125-6, 38102800
Fax: (92 - 42) 35393127
E-mail: info@aruj.com
Website: www.aruj.com

HUMAN RESOURCE COMMITTEE

Mrs. Naseem Maqsood Butt	Chairman
Mr. Ali Maqsood Butt	Member
Mrs. Naheed Muneer	Member

BANKERS

Standard Chartered Bank (Pakistan) Ltd.
Habib Bank Limited.
Bank Alfalah Limited.
Faysal Bank Limited.
Bank Al- Habib Limited.

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

NOTICE OF 24th ANNUAL GENERAL MEETING.

Notice is hereby given that 24th Annual General Meeting of **Aruj Industries Limited** will be held on Monday, October 31, 2016 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 last Annual General Meeting held on 31st October, 2015.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 2016 along with Directors and Auditors report thereon.
3. To appoint Auditors of the Company to hold office till the conclusion of next Annual General Meeting and to fix their remuneration.
4. To transact any other business with the permission of the Chair.

By order of the Board

Lahore.
October 04, 2016

Muhammad Sajjad Hussain
Company Secretary

NOTES:

- 1) Share Transfer Books of the Company will remain closed from October 25, 2016 to October 31, 2016 (both days inclusive). Transfers received in order at company's Shares Registrar at the close of business on October 24, 2016 will be treated as in time.
- 2) Members who have not yet submitted photocopies of Computerized National Identity Card (CNIC) are requested to send the same at the earliest.
- 3) 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, not less than 48 hours before the time for holding the meeting and must be duly stamped, signed and witnessed.
- 4) Shareholders are requested to immediately notify the change in address, if any to Company Shares Registrar i. e. M/s Corplink (Pvt.) Limited Wings Arcade, 1-K, Commercial, Model Town, Lahore Tel: 042-35916714-35916719

DIRECTORS' REPORT

The Directors of your Company would like to present to you the 24th 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, 2016.

OPERATING RESULTS:

	For the year ended June 30, 2016 Rupees	For the year ended June 30, 2015 Rupees
Sales	1,251,872,885	905,884,377
Gross Profit	140,242,994	117,909,188
Profit/(Loss) Before Taxation	54,820,016	42,956,399
Taxation	13,151,120	11,124,410
Profit/(Loss) After Taxation	41,668,897	31,831,989
Earnings per Share	3.98	3.63

SALIENT FEATURES:

By the grace of the Almighty, your Company has managed to exceed sales of Rs. 1 Billion, adding 38.19% net sales year on year. Around 64.72% of those sales were made through exports, an increase of 9.3% from the last financial year. Profit After Taxation also increased by 30.9% to Rs. 41,668,897.

Your company is working it's best to maintain the current rate of growth. We are adding new machinery to the dyeing and processing mill which would enable us to add a large part of the fashion textile sector to our portfolio. Furthermore, seeing the success of the garment unit, we are planning on adding new stitching halls to facilitate our customers.

The relentless onslaught of the energy crisis seems to be giving way now. The Government of Pakistan has taken positive steps to ensure continuous supply of electricity to industrial units, albeit at a slightly higher rate. And while the supply of Natural Gas has been normalised, it's cost makes it too expensive to use. We are still relying on coal as a major source of energy.

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 listings regulations of the stock exchanges and necessary steps Have been taken for their effective implementations 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 flows and changes in equity.

BOOKS OF ACCOUNTS:

Proper books of account of the Company have been maintained.

ACCOUNTING POLICIES:

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

COMPLIANCE WITH INTERNATIONAL ACCOUNTING STANDARDS:

International Accounting Standards as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from 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 six meetings of the board of Directors of the Company were held. Attendance by each Director in the meeting is as follows:

Name of Directors	Meeting Attended
1. Mr. Maqsood Ahmad Butt	5
2. Dr. Mrs. Naseem Maqsood	5
3. Mr. Ali Maqsood Butt	5
4. Mr. Faisal Khan	5
5. Mrs. Durray Zara Butt	5
6. Mrs. NaheedMuneer	3
7. Dr. Aruj Butt	5

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

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 30th June 2016 works out to Rs. 3.98 as compared to Rs. 3.63 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 has recommended to the board their appointment as auditors of the Company for the year 2016-17.

PATTERN OF SHAREHOLDING:

Statements showing the Pattern of Shareholding as at 30 June, 2016 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 04, 2016

MAQSOOD AHMAD BUTT
Chief Executive

جوڈائریکٹرز بورڈ کے اجلاس میں شرکت نہیں کر سکتے تھے، اُن کی رخصت دی گئی تھی۔

آڈٹ کمیٹی:

کارپورٹ گورننس کے کوڈ پر عمل پیرا ہوتے ہوئے بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی قائم کیا ہے اور مندرجہ ذیل ڈائریکٹرز اس کے اراکین ہیں۔

1. ڈاکٹر نسیم مقصود چیئر پرسن
2. ناہید منیر رکن
3. ڈاکٹر عروج بٹ رکن

ایک حصہ کمائی:

30 جون 2016 کو ختم ہونے والے سال کیلئے ہر 10 روپے کے حصص پر Rs. 3.98 آمدنی ہوئی جبکہ 30 جون 2015 کو ختم ہونے والے سال کیلئے ہر حصص پر آمدنی Rs. 3.63 تھی،

آڈیٹرز:

میسرز قدیر اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور اہل ہونے کے ساتھ دوبارہ تعیناتی کیلئے اپنے آپ کو پیش کر رہے ہیں۔
بورڈ کی آڈٹ کمیٹی نے سال 2016-17 کے لیے میسرز قدیر اینڈ کمپنی کی تقرری کیلئے بورڈ کو تجویز کیا ہے۔

حصہ داران کی تفصیل:

کمپنی آرڈیننس 1984 اور کارپوریٹ گورننس کے تحت 30 جون 2016 کو حصہ داران کی تفصیل لف ہیں۔

کمپنی کے حصص میں ٹریڈنگ:

ڈائریکٹرز، سی ای او، کمپنی سیکرٹری نے سال کے دوران کمپنی کے حصص میں ٹریڈنگ نہیں کی۔

اعتراف:

کمپنی کی انتظامیہ، ملازمین کی محنت اور لگن سے کام کرنے کیلئے تعریف کے مستحق ہیں ہم اپنے قابل قدر حصص یافتگان، گاہکوں، سپلائرز اور مالیاتی اداروں کے تعاون، مدد، مسلسل حمایت اور اعتماد کے شکر گزار ہیں۔

مقصود احمد بٹ

چیف ایگزیکٹو

مورخہ: 04 اکتوبر 2016

اکاؤنٹنگ پالیسیاں:

مالی بیانات اور اکاؤنٹنگ تخمینہ کی تیاری میں اکاؤنٹنگ پالیسیوں کے تسلسل کو لاگو کیا گیا ہے۔ جو کہ دانشمندانہ فیصلے پر مبنی ہیں۔

بین الاقوامی اکاؤنٹنگ معیار کے ساتھ تعمیل:

انٹرنیشنل اکاؤنٹنگ سٹینڈرڈز جو کہ پاکستان میں لاگو ہیں، ان کی پیروی کرتے ہوئے مالی بیانات بنائے گئے ہیں اور جہاں پیروی نہیں کی گئی، ان کا انکشاف کر دیا گیا ہے۔

اندرونی کنٹرول کا نظام:

کمپنی کی اندرونی کنٹرول کا نظام مضبوط ہے اور موثر طریقے سے لاگو کیا گیا ہے، اور قابلیت رکھنے والے اندرونی آڈیٹرز کی نگرانی میں ہیں۔

کمپنی کی مضبوطی:

کمپنی کو اپنا کاروبار احسن طریقے سے جاری رکھنے کے بارے میں کوئی تشویش نہیں۔

کارپوریٹ گورننس کے بہترین طریقے:

اسٹاک ایکسچینج کی لسٹنگ ہدایات پر عمل کرتے ہوئے کارپوریٹ گورننس کے بہترین طریقوں پر عمل داری میں کوئی کوتاہی نہیں ہے۔

گزشتہ چھ سال کے مالی نتائج:

گزشتہ چھ سال کے کلیدی آپریٹنگ اور مالیاتی حقائق لف ہیں۔

قانونی واجبات:

کمپنی اپنے تمام سرکاری واجبات باقاعدگی سے ادا کر رہی ہے، اور پچھلا ریکارڈ اس سلسلے میں بالکل واضح اور صاف ہے۔

اہم منصوبے اور فیصلے:

کمپنی کے پیداواری عمل کو جدید، متوازن اور متبادل بنانے کے لیے کمپنی نے کچھ مشینری شامل کی ہے۔

بورڈ آف ڈائریکٹرز کے اجلاس:

سال کے دوران کمپنی کے بورڈ آف ڈائریکٹرز کے چھ اجلاس منعقد کئے گئے تھے، ہر ایک کی طرف سے حاضری کی تفصیل یہ ہے۔

- | | | |
|---|----------------------|----|
| 5 | جناب مقصود احمد بٹ | 1. |
| 5 | ڈاکٹر مسز نسیم مقصود | 2. |
| 5 | جناب علی مقصود بٹ | 3. |
| 5 | جناب فیصل خان | 4. |
| 5 | مسز درے زارا بٹ | 5. |
| 4 | ناہید منیر | 6. |
| 5 | ڈاکٹر عروج بٹ | 7. |

ڈائریکٹرز رپورٹ

آپ کی کمپنی عروج انڈسٹریز لمیٹڈ کے ڈائریکٹرز کمپنی کے 24 ویں سالانہ عام اجلاس کے سامنے 30 جون 2016 کو ختم ہونے والے سال کے لیے آڈٹ شدہ اکاؤنٹس کے ساتھ ساتھ اپنی رپورٹ پیش کرنا چاہیں گے۔

سال 30 جون 2015	سال 30 جون 2016	
کے اختتام پر	کے اختتام پر	سیلز
905,884,377	1,251,872,885	کل منافع
117,909,188	140,242,994	منافع / (نقصان) ٹیکسیشن سے پہلے
42,956,399	54,820,016	ٹیکسیشن
11,124,410	13,151,120	منافع / (نقصان) ٹیکسیشن سے بعد
31,831,989	41,668,897	فی شیئر آمدنی
3.63	3.98	

نمایاں خصوصیات:

اللہ تعالیٰ کے فضل و کرم سے، آپ کی کمپنی کی سیل ایک سال میں 38.19 فیصد سے بڑھی ہے اور ایک ارب روپے سے تجاوز کر چکی ہے۔ ایکسپورٹ سیل 9.3 فیصد سے بڑھ کر 64.72 فیصد ہو گئی ہے۔ ٹیکسیشن کے بعد منافع بھی 30.9 فیصد اضافہ کے ساتھ 41,668,897 روپے تک پہنچ گیا ہے۔

آپ کی کمپنی ترقی کی موجود شرح برقرار رکھنے کے لیے بہت بہتر کام کر رہی ہے، ہم ڈائنگ اور پروسیسنگ کرنے کیلئے نئی مشینری کا اضافہ کر رہے ہیں۔ اور جس سے ہم فیشن ٹیکسٹائل سیکٹر کے ایک بڑے حصے کو اپنے پورٹ فولیو میں شامل کرنے میں کامیاب ہو جائیں گے، مزید براں گارمنٹ یونٹ کی کامیابی کو دیکھ کر ہم صارفین کی سہولت کے نیا سلائی ہال اور سلائی مشین شامل کرنے کی منصوبہ بندی کر رہے ہیں۔

توانائی کے بحران میں کمی آرہی ہے۔ پاکستان کی حکومت نے گوکہ زیادہ قیمت پر ہی سہی، صنعتی یونٹوں کو بجلی کی مسلسل فراہمی کو یقینی بنانے کیلئے مثبت اقدامات اٹھائے ہیں۔ جبکہ قدرتی گیس کی سپلائی معمول کی ہے۔ گوکہ اس کی قیمت مہنگی ہے۔ لیکن ہم اب بھی کوئلے کو توانائی کے اہم ذریعہ کے طور پر استعمال کر رہے ہیں۔

Corporate and Financial فریم ورک پر تعمیل کا بیان:

انتظامیہ کارپوریٹ اور فنانشل فریم ورک پر عمل درآمد کے بارے میں بخوبی آگاہ ہے بشمول سٹاک ایکسچینج کی اضافی لسٹنگ کے ضابطے کے جن کی تعمیل کے لیے اقدام کیے گئے ہیں۔

مالی بیانات کی پریزنٹیشن:

کمپنی کی انتظامیہ کی طرف سے تیار کیے گئے مالی بیانات، کمپنی کی کاروباری امور، اس کے آپریشنز، اور ایکویٹی کی تبدیلی کے بارے میں مناسب طور پر پیش کرتے ہیں۔

اکاؤنٹس کی کتب:

حساب کتاب کی کتابوں کو صحیح طریقے سے رکھا گیا ہے۔

KEY OPERATING & FINANCIAL DATA FROM 2011 TO 2016

	2011	2012	2013	2014	2015	2016
Net Sales Revenue	396,387,622	415,365,806	478,459,896	545,923,658	905,884,377	1,251,872,885
Cost of Goods Sold	356,438,791	368,899,831	417,303,509	469,198,144	787,975,189	1,111,629,891
Gross Profit	39,948,831	46,465,975	61,156,387	76,725,514	117,909,188	140,242,994
Operating Profit/ (Loss)	23,399,733	28,205,546	43,417,412	47,686,824	66,897,424	76,425,274
Profit (Loss) before Tax	13,760,877	19,523,588	29,298,698	29,187,091	42,956,399	54,820,016
Profit (Loss) after Tax	9,079,088	12,819,522	21,452,806	30,290,005	31,831,989	41,668,897
Paid up Capital	61,517,000	61,517,000	61,517,000	61,517,000	104,578,900	104,578,900
Current Assets	91,128,804	169,246,647	210,979,860	311,992,951	472,181,494	558,523,178
Current Liabilities	104,332,214	167,499,448	193,386,001	244,981,131	371,623,045	426,037,663

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED AT JUNE 30, 2016

This statement is being presented to comply with as contained in the Rule Book of Pakistan Stock Exchange for the purpose of establishing a framework of good governance whereby a listed Company is managed in compliance with the best practices of good Corporate Governance.

The Company has applied the principle contained in the Code of Corporate Governance in the following manner

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

Category	Names
Executive Directors	i). Mr. Maqsood Ahmed But ii). Mr. Ali Maqsood Butt iii). Mr. Faisal Khan iv). Mrs. Durray Zara Butt v). Dr. Aruj But
Non-Executive Directors	vi). Dr. Mrs. Naseem Maqsood Butt vii). Mrs. Naheed Munir

The company is in the process of appointing an independent director in compliance of clause (i) (b) of the code of corporate governance. Further, the company is also in the process of increasing the non-executive directors to comply with clause 5.19.1 of the code.

1. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
2. All the resident directors of the Company are registered taxpayers and none of them has defaulted in payment of any loan to a banking company, a development financial institution or non-banking financial institution or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
3. There has been no casual vacancy in the Board of directors during the year 2016.
4. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission and value statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. 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 the employment of Chief executive officer, other Executive and Non- Executive Directors, have been taken by the board.
7. The meetings of the board were presided over by the chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter to approve the financial statement of the company. Written notice of the board meetings, along with agenda were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated in time.
8. The Directors are aware of their duties and responsibilities under the relevant laws and regulations and they are regularly appraised with amendments in corporate and other laws, if any. One of our directors Mr. Ali Maqsood Butt has attended training session under board development series last year. Some of the directors are exempted under exemption criteria of 14 years of education and 15 years of experience on the board of listed company while others will complete their training in the coming year.

9. There was no change in the position of Chief Financial Officer (CFO) and Company Secretary. Board has approved the appointment, remuneration and terms and conditions of employment of the CFO, Company Secretary and Head of Internal Audit.
10. The Directors' report for the year ended June 30, 2016 has been prepared in compliance with the requirement of Code of Corporate Governance and it fully describes the salient matters required to be disclosed.
11. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
12. The directors, Chief Executive Officers and other executives do not have any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
13. The Company has complied with all the corporate and financial reporting requirements of the CCG except mentioned in serial # 1 and 15 of this statement.
14. The Board formed an audit committee comprising of three members, of whom two are non-executive directors, including the chairman of the committee is not an independent director. However the company is in the process appointing all the non executive directors in the committee and chairman to be an independent director.
15. The meetings of the audit committee were held at least once every quarter prior to the approval of interim and final results of the Company and as required by the Code of Corporate Governance. The terms of reference of the committee have been formed and advised to the committee for compliance.
16. The Board formed a Human Resource & Remuneration Committee. It comprises of three members, of whom two are non-executive directors and one is an executive director. Also the chairman of the committee is a non executive director.
17. The Board has setup an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the 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.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. The 'closed period', prior to the announcement of interim/final results, and business decisions, that may materially affect the market price of company's shares, was determined and intimated to directors, employees and stock exchange.
21. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
22. We confirm that all other material principles enshrined in the Code of Corporate Governance have been complied with.

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, 2016 to comply with the requirements of Rule 5.19 of the Rule Book of the Pakistan Stock Exchange where the Company is listed.

The responsibility for compliance with the Code 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 personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' 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 recommendation 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 arm's 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 as applicable to the Company for the year ended June 30, 2016.

Further, we would like to highlight below instances of non-compliance with the requirements of the Code as reflected in point reference where these are stated in the Statement of Compliance:

Paragraph reference	Description
1	There is no independent director on the Board of Directors of the Company.
1	Executive directors are more than one third of elected directors.
15	Audit Committee comprises of one executive director and chairman is not independent director.

Lahore
Dated: October 04, 2016

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN, FCA

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **ARUJ INDUSTRIES LIMITED** ('the Company') as at June 30, 2016 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;
 - (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, 2016 and of the Profit, total comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion Zakat deductible at source under the Zakat & Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Lahore
Dated: October 04, 2016

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN, FCA

BALANCE SHEET

AS AT JUNE 30, 2016

	NOTE	2016	2015
Rupees			
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital: 12,500,000 (2015: 12,500,000) ordinary shares of Rs. 10/- each			
		125,000,000	125,000,000
Issued, subscribed and paid up capital	5	104,578,900	104,578,900
Unappropriated profit		149,352,635	107,931,356
		253,931,535	212,510,256
NON-CURRENT LIABILITIES			
Long term financing	6	48,993,418	50,918,418
Liabilities against assets subject to finance lease	7	11,912,002	14,753,718
Deferred liabilities	8	25,690,167	22,979,841
		86,595,587	88,651,977
CURRENT LIABILITIES			
Trade and other payables	9	249,624,703	206,040,040
Markup accrued on loans and other payables	10	1,370,550	1,830,751
Short term borrowings	11	159,941,704	155,162,833
Current portion of long term borrowings	12	13,810,712	15,372,445
Provision for taxation	13	15,100,706	8,589,421
		439,848,375	386,995,490
CONTINGENCIES AND COMMITMENTS			
	14	-	-
		780,375,497	688,157,723
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	216,244,509	214,353,308
Capital work in process	16	3,984,889	-
Long term deposits	17	1,622,921	1,622,921
		221,852,319	215,976,229
CURRENT ASSETS			
Stores, spare parts and loose tools	18	1,828,591	3,144,411
Stock in trade	19	242,066,848	185,737,794
Trade debts	20	116,822,710	110,370,075
Loans and advances	21	79,367,270	75,211,060
Trade deposits and short term prepayments	22	874,782	1,063,774
Tax refunds due from the Government	23	99,211,616	68,186,023
Cash and bank balances	24	18,351,361	28,468,357
		558,523,178	472,181,494
		780,375,497	688,157,723

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

CHIEF EXECUTIVE**DIRECTOR**

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2016

	NOTE	2016	2015
Rupees			
Sales-net	25	1,251,872,885	905,884,377
Less: Cost of sales	26	1,111,629,891	787,975,189
GROSS PROFIT		140,242,994	117,909,188
Less: Selling and Distribution cost	27	32,126,178	21,968,951
Less: Administrative expenses	28	31,691,543	29,042,813
		76,425,274	66,897,424
Less: Finance cost	29	19,009,663	20,730,983
Less: Other expenses	30	4,062,923	3,566,055
		53,352,688	42,600,386
Add: Other income	31	1,467,328	356,013
Profit before taxation		54,820,016	42,956,399
Taxation	32	13,151,120	11,124,411
Profit after taxation		41,668,897	31,831,988
Earnings per share - basic and diluted	33	3.98	3.63

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2016

	NOTE	2016	2015
		<u>Rupees</u>	
Profit for the year		41,668,897	31,831,988
Other comprehensive (loss) /Income			
Items that will not be subsequently reclassified to profit and loss:			
Premeasurement of staff retirement benefit - net of tax		(247,618)	(325,648)
Total comprehensive income for the year		<u><u>41,421,279</u></u>	<u><u>31,506,340</u></u>

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	54,820,016	42,956,399
Adjustment for:		
Depreciation	24,103,678	23,021,867
Financial Charges	19,009,663	20,730,983
Gain on disposal	(1,467,328)	(356,013)
Provision for gratuity	3,920,342	1,837,070
Worker's welfare fund	1,118,776	876,661
Worker's profit participation fund	3,424,412	3,035,684
	50,109,542	49,146,253
Profit before working capital changes	104,929,559	92,102,652
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	1,315,820	1,489,090
Stock in trade	(56,329,054)	(37,500,333)
Trade debts	(6,452,635)	(56,042,929)
Loans and advances	3,004,753	(23,413,953)
Trade deposits and short term prepayments	188,992	(399,319)
Tax refunds due from the Government	(31,025,593)	(28,097,881)
Increase/(decrease) in current liabilities:		
Trade and other payables	41,515,510	73,810,543
	(47,782,207)	(70,154,782)
Cash generated from operations	57,147,352	21,947,870
Financial charges paid	(19,469,864)	(22,906,686)
Staff retirement benefits paid	-	-
Workers' profit participation fund paid	(2,474,034)	(1,600,619)
Taxes paid	(15,258,432)	(8,832,023)
Net cash inflow from operating activities	19,945,022	(11,391,459)
CASH FLOWS FROM INVESTING ACTIVITIES		
Long-term security deposits	-	420,000
Fixed capital expenditure - net of disposal	(28,797,551)	(40,135,667)
Capital work in progress	(3,984,889)	-
Disposal proceeds	4,270,000	550,000
Net cash used in investing activities	(28,512,440)	(39,165,667)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds / (Repayment) from long term loans - Net	(7,925,000)	(24,150,000)
Proceeds / (Repayment) from Lease Finance - Net	1,596,551	10,374,352
Proceeds / (Repayment) from short term borrowings - Net	4,778,871	48,679,671
Dividend paid	-	(15,379,250)
Proceeds from issue of share capital	-	43,061,900
Net cash used in financing activities	(1,549,578)	62,586,673
Net (decrease) / increase in cash and cash equivalents	(10,116,996)	12,029,548
Cash and cash equivalents at the beginning of the year	28,468,357	16,438,809
Cash and cash equivalents at the end of the year	18,351,361	28,468,357

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

CHIEF EXECUTIVE

DIRECTOR

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2016

	SHARE CAPITAL	UNAPPROPRIATED PROFIT	TOTAL
	(RUPEES)		
BALANCE AS AT JULY 01, 2014	61,517,000	91,804,266	153,321,266
Total comprehensive income for the year:			
Profit for the year	-	31,831,988	31,831,988
Other comprehensive income / (loss)	-	(325,648)	(325,648)
	-	31,506,340	31,506,340
Transactions with owners:			
Final cash dividend @ 25% relating to year ended June 30, 2015	-	(15,379,250)	(15,379,250)
Issue of right shares	43,061,900	-	43,061,900
	43,061,900	(15,379,250)	27,682,650
BALANCE AS AT JUNE 30, 2015	104,578,900	107,931,356	184,827,606
Total comprehensive income for the year:			
Profit for the year	-	41,668,897	41,668,897
Other comprehensive income / (loss)	-	(247,618)	(247,618)
	-	41,421,279	41,421,279
Transactions with owners:			
Final cash dividend @ 25% relating to year ended June 30, 2016	-	-	-
Issue of right shares	-	-	-
	-	-	-
BALANCE AS AT JUNE 30, 2016	104,578,900	149,352,635	226,248,885

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

CHIEF EXECUTIVE

DIRECTOR

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2016

1 LEGAL STATUS AND OPERATIONS

Aruj Industries Limited (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 Pakistan Stock Exchange in Pakistan. With effect from January 11, 2016 all stock exchanges (Karachi, Lahore & Islamabad) merged into Pakistan Stock Exchange. The company is principally engaged in manufacturing of Fusible Interlining 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 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 New standards, amendments to approved accounting standards and new interpretations**2.01.1 Standards and amendments to approved accounting standards which became effective during the year ended June 30, 2016**

There were certain new standards and amendments to the approved accounting standards which became effective during the year ended June 30, 2016 but are considered not to be relevant or have any significant effect on the Company's operations and are, therefore, not disclosed in these financial statements except for IFRS 13 'Fair Value Measurement'. IFRS 13 consolidates the guidance on how to measure fair value, which was spread across various IFRSs, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy.

2.01.2 Amendments to approved accounting standards that are effective for the Company's accounting periods beginning after July 1, 2016:

There are certain new amendments to the approved accounting standards that are mandatory for the Company's accounting periods beginning after July 1, 2016 but are considered not to be relevant or are not expected to have any significant effect on the Company's operations and are, therefore, not disclosed in these 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.

3.02 Functional and presentation currency

These financial statements are presented in Pak Rupees which is Company's functional and presentation currency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.01 Foreign currency translation

Transactions in foreign currencies are translated in Pakistan rupees at the exchange rate prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistan rupees at the rates of exchange approximating those prevalent at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

4.02 Staff retirement benefits

The company operates an unfunded gratuity scheme for all permanent employees 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, 2016. The principal actuarial assumptions used for the purpose of the valuation were as follows:

	2016	2015
Discount rate	7.25%	9.50%
Expected rate of salary increase	6.25%	8.50%
Average remaining working life time of employee	10 Years	8 Years

4.03 Trade debts

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

4.04 Trade and other payables

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

4.05 Long Term Deposits

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

4.06 Contingent liabilities

Contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the Company; or
- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

4.07 Contingent assets

Contingent assets are disclosed when there is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization become virtually certain.

4.08 Cash and cash equivalents

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

4.09 Capital work-in-progress

Capital work-in-progress represents 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.

4.10 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.

4.11 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 to the preceding day when the asset is de-recognized.

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 de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

4.12 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.

4.13 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.

4.14 Stock-in-trade

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

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

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.

4.15 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.

4.16 Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized 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 sheet 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 borrowings, 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.

4.17 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.

4.18 Loans and receivables

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

4.19 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.

4.20 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.

4.21 Borrowing cost

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

4.22 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgments 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 4.11)
- Taxation (Note 4.10)

4.23 Dividend and other appropriations

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

4.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer has been identified as the 'chief operating decision-maker', who is responsible for allocating resources and assessing performance of the operating segments.

		NOTE	2016	2015
		<u>Rupees</u>		
5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL				
	7,058,190 (2015: 2,752,000) ordinary shares of Rs. 10/- each fully paid in cash	5.1	70,581,900	70,581,900
	3,399,700 (2015: 3,399,700) ordinary shares of Rs. 10/- each issued for consideration other than cash		33,997,000	33,997,000
			104,578,900	104,578,900
5.1	2016			2015
	No. of Shares			
	7,058,190			2,752,000
	-			4,306,190
	7,058,190			7,058,190
			70,581,900	27,520,000
				43,061,900
			70,581,900	70,581,900
6 LONG TERM FINANCING				
			Limit	
			<u>Rupees in Million</u>	
Loan from banking companies - secured				
	Standard Chartered Bank (Pakistan) Limited	30	6.1	-
Loan from directors - unsecured				
			6.3	-
			48,993,418	50,918,418
			48,993,418	50,918,418
6.1	Standard Chartered Bank (Pakistan) Limited			
	Opening balance		-	30,000,000
	Add: Loan obtained during the year		-	-
	Less: Finance paid during the year			(24,000,000)
			-	6,000,000
	Less: Current portion	12		(6,000,000)
			-	-

6.2 All the finances obtained from Standard Chartered Bank (Pakistan) Limited are collaterally secured against:

First charge on all present and future assets (land, building, plant and machinery) of the company located at 2 km off Raiwind Manga Road Lahore to the extent of Rs.359 Million.

Exclusive charge on current assets of the company to the extent of Rs. 300 Million duly registered with SECP.

Personal guarantees of all the Directors of the Company for Rs. 258 M.

6.3 Loan from directors - unsecured 48,993,418 50,918,418

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.

7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	NOTE	2016	2015
Rupees			
The amount of lease rentals payable during:			
2016-2017		15,683,237	10,739,612
2017-2018		10,764,042	5,516,600
2018-2019		1,761,244	-
		<u>28,208,523</u>	28,124,769
Less : Future finance charge		<u>2,485,809</u>	3,998,606
Present value of minimum lease payments		<u>25,722,714</u>	24,126,163
Less: Current portion shown under current liabilities	12	<u>13,810,712</u>	9,372,445
Liabilities against assets subject to finance lease		<u>11,912,002</u>	<u>14,753,718</u>
Reconciliation between gross minimum lease payments and their present value :			
Gross minimum lease payments			
Due not later than one year		15,683,237	11,868,557
Due later than one year but not later than five years		12,525,286	16,256,212
		<u>28,208,523</u>	<u>28,124,769</u>
Present value of minimum lease payments			
Due not later than one year		13,835,853	9,372,445
Due later than one year but not later than five years		11,886,861	14,753,718
		<u>25,722,714</u>	24,126,163
Add: Future finance charge			
Due not later than one year		1,847,375	2,514,124
Due later than one year but not later than five years		638,434	1,484,482
		<u>28,208,523</u>	<u>28,124,769</u>

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 14% (2015: 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.

8 DEFERRED LIABILITIES		2016	2015
Deferred tax liability	8.01	14,513,210	16,011,320
Employees retirement benefits	8.02	11,176,957	6,968,521
		<u>25,690,167</u>	<u>22,979,841</u>

8.01 DEFERRED TAX LIABILITY	NOTE	2016	2015		
		Rupees			
Deferred tax has been created due to temporary differences as under:					
Accelerated depreciation		11,232,788	14,937,857		
Employees retirement benefits		(1,570,312)	(1,248,050)		
Others		4,850,734	2,321,513		
		<u>14,513,210</u>	<u>16,011,320</u>		
8.02 EMPLOYEES RETIREMENT BENEFITS					
<i>Balance sheet liability :</i>					
Present value of defined benefit obligation	8.03	9,660,101	6,018,315		
Benefits payable as at end of the year		1,516,856	950,206		
		<u>11,176,957</u>	<u>6,968,521</u>		
8.03 Reconciliation of present value of defined benefit obligations (PVODBO) :					
PVODBO as at beginning of the year		6,018,315	4,196,549		
Benefits payable as at start of the year		950,206	538,206		
Amount recognized during the year	8.04	3,920,342	1,837,070		
		<u>10,888,863</u>	<u>6,571,825</u>		
Benefits paid during the year		-	-		
Benefits payable as at end of the year		(1,516,856)	(950,206)		
Actuarial loss/(gain) arising during the year		288,094	396,696		
PVODBO as at end of the year		<u>9,660,101</u>	<u>6,018,315</u>		
8.04 Charge to profit and loss account for the defined benefit plan					
Service cost		3,375,518	1,371,273		
Interest cost		544,824	465,797		
		<u>3,920,342</u>	<u>1,837,070</u>		
8.05 Historical information for gratuity:					
	2016	2015	2014	2013	2012
		Rupees in thousands			
Present value of defined benefit obligation	9,660	6,018	4,197	3,327	2,775
Experience adjustment arising plan liabilities	288	397	123	205	81
9 TRADE AND OTHER PAYABLES					
Creditors		202,398,359	146,671,673		
Accrued expenses		13,161,856	9,209,893		
Advances from customers		23,495,331	39,918,781		
Unclaimed dividend		1,911,671	4,585,858		
Other payables		1,869,555	935,057		
Workers' welfare fund		1,995,437	876,661		
Workers' profit participation fund	9.01	4,792,495	3,842,117		
		<u>249,624,703</u>	<u>206,040,040</u>		
9.01 WORKERS' PROFIT PARTICIPATION FUND					
Opening Balance		3,842,117	2,407,052		
Prior year adjustment		-	363,271		
Allocation for the year		2,944,147	2,326,123		
		<u>6,786,264</u>	<u>5,096,446</u>		
Interest on funds utilized	29	480,265	346,290		
		<u>7,266,529</u>	<u>5,442,736</u>		
Less: Paid during the year		(2,474,034)	(1,600,619)		
		<u>4,792,495</u>	<u>3,842,117</u>		

		2016	2015
Rupees			
10 MARKUP ACCRUED ON LOANS AND OTHER PAYABLES			
Accrued markup		1,370,550	1,830,751
11 SHORT TERM BORROWINGS			
From banking companies-secured	Limit		
	Rupees in Million		
Standard Chartered Bank Limited			
Running finance	60	11.01	58,603,425
Finance against trust receipts	60	11.02	16,338,279
Export refinance loan	85	11.03	85,000,000
		159,941,704	155,162,833

11.01 This facility had been obtained to meet the working capital requirements. It carried mark up at the rate of 3 months KIBOR + 2.75 percent per annum (2015: 3 Months KIBOR + 2.75 percent). It was secured against first charge on all current assets of the company. The expiry date of this facility is April 02, 2017.

11.02 This facility has been obtained to retire import documents. It carried mark up at the rate of 3 months KIBOR + 2.50 percent per annum (2015: 3 Months KIBOR + 2.50 percent). It was secured against first charge on all current assets of the company. The tenor of this facility is 60 days for each bill.

11.03 This facility had been obtained to meet the working capital requirements. It carried mark up at the rate of SBP + 1.00 percent (2015: 3 Months SBP + 1.00 percent). It was secured against first charge on all current assets of the company. The tenor of this facility is 180 days.

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

	Limit
	Rupees in Million
Import LCs-secured	110.00
Import LCs- Unsecured	60.00
Acceptance under LCs	60.00
Credit Bills Negotiations	55.00
Export Bills Discounting	55.00

11.05 All the finances obtained from Standard Chartered Bank (Pakistan) Limited are collaterally secured against: First charge on all present and future assets (land, building, plant and machinery) of the company located at 2 km off Raiwind Manga Road Lahore to the extent of Rs.260 Million.

Exclusive charge on current assets of the company to the extent of Rs. 350.6 Million duly registered with SECP.
Personal guarantees of all the Directors of the Company for Rs. 358 M.

	NOTE	2016	2015
Rupees			
12 CURRENT PORTION OF LONG TERM BORROWINGS			
Long term financing	6.1	-	6,000,000
Liabilities against assets subject to finance lease	7	13,810,712	9,372,445
		13,810,712	15,372,445
13 PROVISION FOR TAXATION			
Opening balance		8,589,421	4,573,744
Add: Current and prior year tax		14,608,754	8,654,030
Less: Adjustments during the year		(8,097,469)	(4,638,353)
		15,100,706	8,589,421
14 CONTINGENCIES AND COMMITMENTS			

On behalf of the Company Standard Chartered Bank (Pakistan) Limited has issued guarantee amounted to Rs. 20,812,318 (2015: 17,500,000) in favour of SNGPL.

Commitments under Letters of credit for the import of raw material amounted to Rs. 17,400,000 (2015: Rs. Nil/-).

15 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST				Rate %	DEPRECIATION				Written down value as at June 30, 2015
	As at July 01, 2014	Addition / Transfer	(Deletion)	As at June 30, 2015		As at July 01, 2014	Adjustment	For the year	As at June 30, 2015	
OWNED ASSETS										
Freehold land	7,544,681	-		7,544,681	-	-	-	-	-	7,544,681
Building on freehold land	39,492,490	-		39,492,490	5	19,573,559	995,947	20,569,506	18,922,984	
Plant & Machinery	238,370,963	9,461,782		259,032,745	10	104,333,018	14,672,171	119,751,856	139,280,889	
- transferred from leased		11,200,000				746,667				
Furniture and Fixture	891,624			891,624	10	695,797	19,583	715,380	176,244	
Motor Vehicles	22,326,041	270,000	(592,000)	24,636,041	20	12,456,749	2,647,773	15,978,291	8,657,750	
- transferred from leased		2,632,000				1,271,782				
Office Equipment	1,076,870	150,670		1,227,540	10	731,059	35,049	766,108	461,432	
Loose Tools	118,117			118,117	10	93,320	2,480	95,800	22,317	
Laboratory Equipment	366,921			366,921	10	270,491	9,643	280,134	86,787	
Electric Installation	1,549,000	429,672		1,978,672	10	709,542	85,835	795,377	1,183,295	
Fire Fighting Equipment	556,587			556,587	10	342,603	21,398	364,001	192,586	
Telephone Installation	113,775	-		113,775	10	97,577	1,620	99,197	14,578	
Gas Installation	1,310,000	-		1,310,000	10	750,823	55,918	806,741	503,259	
	313,717,069	24,144,124	(592,000)	337,269,193		140,054,538	18,547,417	160,222,391	177,046,802	
OPERATING LEASED ASSETS										
Motor Vehicles	14,740,230	4,847,180	-	16,955,410	20	6,860,389	2,089,296	7,677,902	9,277,508	
- transferred to owned		(2,632,000)				(1,271,782)				
Plant & Machinery	16,777,603	24,976,363	-	30,553,966	10	886,480	2,603,267	2,743,080	27,810,886	
- transferred to owned		(11,200,000)				(746,667)				
	31,517,833	15,991,543	-	47,509,376		7,746,869	4,692,563	10,420,982	37,088,394	
RUPEES 2015	345,234,902	40,135,667	(592,000)	384,778,569		147,801,406	23,239,980	170,643,373	214,135,196	
RUPEES 2014	288,600,338	58,993,064	(2,358,500)	345,234,902		131,643,857	17,917,705	147,801,406	197,433,496	

PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST			Rate %	DEPRECIATION			Written down value as at June 30, 2016
	As at July 01, 2015	Addition / Transfer	(Deletion)		As at June 30, 2016	As at July 01, 2015	Adjustment	
OWNED ASSETS								
Freehold land	7,544,681	-		7,544,681	-	-	-	7,544,681
Building on freehold land	39,492,490	-		39,492,490	5	20,569,506	946,149	21,515,655
Plant & Machinery	259,032,745	7,398,853	-	266,431,598	10	120,086,960	14,117,622	134,204,582
- transferred from leased	-							
Furniture and Fixture	891,624	60,500		952,124	10	715,380	22,404	737,784
Motor Vehicles	24,636,041	3,867,085	(7,440,367)	21,062,759	20	15,419,217	(4,637,695)	12,714,202
- transferred from leased	-							
Office Equipment	1,227,540	54,300		1,281,840	10	770,676	46,155	816,831
Loose Tools	118,117	-		118,117	10	95,800	2,232	98,032
Laboratory Equipment	366,921	-		366,921	10	280,134	8,679	288,813
Electric Installation	1,978,672	1,231,325		3,209,997	10	796,666	120,729	917,395
Fire Fighting Equipment	556,587	-		556,587	10	364,001	19,259	383,260
Telephone Installation	113,775	-		113,775	10	99,197	1,458	100,655
Gas Installation	1,310,000	-		1,310,000	10	806,741	50,326	857,067
	337,269,193	12,612,063	(7,440,367)	342,440,889		160,004,279	17,267,692	172,634,275
OPERATING LEASED ASSETS								
Motor Vehicles	16,955,410	16,185,488	-	33,140,898	20	7,677,902	4,054,898	11,732,800
- transferred to owned								
Plant & Machinery	30,553,966	-	-	30,553,966	10	2,743,080	2,781,089	5,524,169
- transferred to owned								
	47,509,376	16,185,488	-	63,694,864		10,420,982	6,835,986	17,256,968
RUPEES 2016	384,778,569	28,797,551	(7,440,367)	406,135,753		170,425,261	(4,637,695)	189,891,244
RUPEES 2015	345,234,902	40,135,667	(592,000)	384,778,569		147,801,406	(398,013)	170,425,261

2016 2015

Rupees

15.01 Depreciation is allocated as under:

Cost of Sales
Administrative Expenses

18,069,947 18,804,255
6,033,732 4,217,612
24,103,678 23,021,867

15.02 Property, plant and equipment disposed off during the year

	Cost / Revalued	Accumulated depreciation	Book value
Audi-6000	5,823,367	3,300,223	2,523,144
Suzuki-3265	479,000	329,224	149,776
Hyundai-7686	559,000	492,399	66,601
Hyundai-5993	579,000	515,849	63,151
	7,440,367	4,637,695	2,802,672

Sale Proceeds/ Claim received	Gain	Mode of disposal
3,400,000	876,856	Negotiation
420,000	270,224	Negotiation
230,000	163,399	Negotiation
220,000	156,849	Negotiation
4,270,000	1,467,328	

	NOTE	2016	2015
16 CAPITAL WORK IN PROCESS			
Building: As at 01st July.		-	-
Additions during the year		3,984,889	-
Transferred to Property Plant & Equipment		-	-
As at 30th June		3,984,889	-
17 LONG TERM DEPOSITS			
Security deposits		1,622,921	1,622,921
18 STORES, SPARE PARTS AND LOOSE TOOLS		1,828,591	3,144,411
19 STOCK IN TRADE			
Finished goods		35,099,881	-
Raw materials			
- Fabric and accessories		158,418,827	93,973,655
- Chemicals		39,501,002	51,781,093
- Packing material		5,150,938	4,086,846
- Rice Husk & Coal		3,896,200	35,896,200
		242,066,848	185,737,794
No stock in trade has been pledged by any institution / party.			
20 TRADE DEBTS			
Considered good:			
Export - secured		37,656,851	23,431,668
Local - un-secured		79,165,859	86,938,407
		116,822,710	110,370,075
21 LOANS AND ADVANCES			
Advances - considered good	21.01	54,611,609	57,823,571
Letter of credit-margin		207,209	-
Advance income tax-net of adjustment		24,548,452	17,387,489
		79,367,270	75,211,060
21.01 ADVANCES - CONSIDERED GOOD			
Unsecured:			
To suppliers		53,359,687	57,515,669
To Employees - Interest free		647,300	294,300
For local guarantee		604,622	13,602
		54,611,609	57,823,571
22 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Security deposits		110,420	110,420
Prepaid insurance		764,362	953,354
		874,782	1,063,774
23 TAX REFUNDS DUE FROM THE GOVERNMENT			
Sales tax -Refundable		99,211,616	68,186,023
24 CASH AND BANK BALANCES			
Cash in hand		2,203,550	557,450
Cash at banks -in current accounts		16,147,811	27,910,907
		18,351,361	28,468,357

25 SALES-NET

Sales:			
- Local		11,601,861	27,253,932
- Export		810,263,001	502,041,434
Processing and coating		433,630,531	383,436,211
Rebate on export		2,240,945	707,338
Sales tax		(5,863,453)	(7,554,538)
		<u>1,251,872,885</u>	<u>905,884,377</u>

26 COST OF SALES

Fabric and accessories consumed	26.01	379,237,174	231,252,538
Chemicals consumed	26.02	333,381,889	299,437,404
Packing material consumed	26.03	72,195,593	55,025,282
Rice Husk and coal consumed	26.04	119,041,419	50,217,584
Stores and spares consumed	26.05	10,110,215	18,160,627
Salaries and other benefits	26.06	47,806,122	18,106,329
Fuel and power		68,652,064	53,674,549
Postage, telephone and telegram		2,716,521	1,634,078
Laboratory expenses		3,608,303	1,364,330
Insurance		3,400,087	2,975,880
Import expenses		21,657,383	6,498,405
Freight and octroi		13,897,604	2,833,104
Repair and maintenance-machinery		14,730,984	6,419,736
Processing Charges		38,224,467	21,571,089
Depreciation	15.01	18,069,947	18,804,255
		<u>1,146,729,772</u>	<u>787,975,189</u>
Finished goods:			
Opening stock		-	-
Closing stock		(35,099,881)	-
		<u>(35,099,881)</u>	<u>-</u>
		<u>1,111,629,891</u>	<u>787,975,189</u>

NOTE

26.01 Fabric and accessories consumed

			Rupees
Opening stock		93,973,655	66,895,793
Add: Purchases		443,682,346	258,330,400
		<u>537,656,001</u>	<u>325,226,193</u>
Less: Closing stock		(158,418,827)	(93,973,655)
		<u>379,237,174</u>	<u>231,252,538</u>

26.02 Chemicals consumed

Opening stock		51,781,093	51,328,866
Add: Purchases		321,101,798	299,889,631
		<u>372,882,891</u>	<u>351,218,497</u>
Less: Closing stock		(39,501,002)	(51,781,093)
		<u>333,381,889</u>	<u>299,437,404</u>

26.03 Packing material consumed

Opening stock	4,086,846	9,293,732
Add: Purchases	73,259,685	49,818,396
	77,346,531	59,112,128
Less: Closing stock	(5,150,938)	(4,086,846)
	72,195,593	55,025,282

26.04 Rice Husk and coal consumed

Opening stock	35,896,200	20,719,070
Add: Purchases	87,041,419	65,394,714
	122,937,619	86,113,784
Less: Closing stock	(3,896,200)	(35,896,200)
	119,041,419	50,217,584

26.05 Stores and spares consumed

Opening stock	3,144,411	4,633,501
Add: Purchases	8,794,395	16,671,537
	11,938,806	21,305,038
Less: Closing stock	(1,828,591)	(3,144,411)
	10,110,215	18,160,627

26.06 Salaries and other benefits include staff retirement benefits amounting to Rs.3,140,752 (2015: Rs. 1,278,615).

27 SELLING AND DISTRIBUTION COST

Export expenses	32,126,178	21,968,951
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28 ADMINISTRATIVE EXPENSES

Director's remuneration		11,100,000	11,100,000
Salaries and other benefits	28.01	5,709,471	4,513,784
Electricity, water and gas		-	398,880
Postage and telegram		1,033,787	2,921,879
Printing and stationary		453,819	66,431
Vehicle running and maintenance		2,758,073	2,840,503
Insurance		1,198,717	874,984
Fee and subscription		1,971,140	1,272,124
Entertainment		339,061	280,117
Auditor's remuneration	28.02	620,000	420,000
Misc Expenses		404,725	106,498
Legal and professional		69,018	30,000
Depreciation	15.01	6,033,732	4,217,613
		31,691,543	29,042,813

28.01 Salaries and other benefits include staff retirement benefits amounting to Rs. 779,590 (2015: Rs. 558,455).

	NOTE	2016	2015
28.02 AUDITOR'S REMUNERATION		Rupees	
Audit fee		500,000	300,000
Half yearly review		50,000	50,000
Other certification charges		50,000	50,000
Out of pocket expenses		20,000	20,000
		620,000	420,000
29 FINANCE COST			
Interest/ mark-up on:			
Long term finance		479,855	2,445,834
Short-term borrowings		10,520,836	12,860,292
Finance lease		2,315,952	1,916,557
Workers' Profit Participation Fund	9.01	480,265	346,290
Bank charges		5,212,755	3,162,010
		19,009,663	20,730,983
30 OTHER EXPENSES			
Workers' profit participation fund	9.01	2,944,147	2,689,394
Workers' welfare fund		1,118,776	876,661
		4,062,923	3,566,055
31 OTHER INCOME			
Gain on disposal of fixed assets		1,467,328	356,013
		1,467,328	356,013
32 TAXATION			
Current tax - for the year		16,835,795	10,324,510
- prior year		(2,227,041)	(1,670,480)
Deferred tax		(1,457,635)	2,470,380
		13,151,120	11,124,411
32.01	Income Tax return has been filed to income tax authorities up to and including tax year 2015 under the provisions of The Income Tax Ordinance, 2001.		
32.02	Reconciliation of tax charge for the year	%	%
	Applicable tax rate	32.00	33.00
	Tax effect of final tax regime	(0.86)	(6.81)
	Effect of prior year	(4.06)	(3.88)
	Taxable temporary differences	4.99	6.19
	Deductible temporary differences	(7.35)	(0.61)
	Change in corporate and average tax rate and others	(0.73)	(1.99)
		23.99	25.90
	Average effective tax rate charged to income	23.99	25.90
33 EARNINGS PER SHARE - BASIC AND DILUTED			
Net profit for the year - Rupees		41,668,897	31,831,988
Weighted average number of ordinary shares outstanding during the year - Numbers		10,457,890	8,770,592
Earnings per share - basic - Rupees		3.98	3.63
There is no dilutive effect on the basic earnings per share of the company .			

NOTE	2016	2015
	Rupees	
34 FINANCIAL INSTRUMENTS BY CATEGORY		
Financial assets as per balance sheet		
Long term deposits	1,622,921	1,622,921
Trade debts	116,822,710	110,370,075
Loans and advances	54,818,818	57,823,571
Trade deposits	110,420	110,420
Cash and bank balances	18,351,361	28,468,357
	191,726,230	198,395,344
Financial liabilities as per balance sheet		
Long term financing	-	6,000,000
Liability against assets subject to finance lease	25,722,714	24,126,163
Loan from directors	48,993,418	50,918,418
Trade and other payables	219,341,441	161,402,481
Accrued interest / mark-up	1,370,550	1,830,751
Short term finance	159,941,704	155,162,833
	455,369,827	399,440,646

34.01 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.

35 FINANCIAL INSTRUMENTS

35.01 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 program 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:

	2016	2015
	Rupees	
Foreign trade debts	37,656,851	23,431,668
Outstanding letter of credit	207,209	-
Net exposure	37,449,642	23,431,668

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

USD to PKR	104.70	101.79
Euro to PKR	116.31	113.44

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 inflows 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:

	Rupees Effective Rate	Carrying amount Rupees	
Financial liabilities			
Long term financing	10.99 To	-	6,000,000
Finance lease	09.33 To	25,722,714	24,126,163
Short term borrowings	04.50 To	159,941,704	155,162,833
	12.93	185,664,418	185,288,996
Financial assets			
Total yield / mark up rate risk sensitivity gap		185,664,418	185,288,996

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) profit and 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 as for 2015.

	Profit and Loss 1% rate	
	Increase	Decrease
As at June 30, 2016		
Cash flow sensitivity - variable rate financial liabilities	1,856,644	(1,856,644)
As at June 30, 2015		
Cash flow sensitivity - variable rate financial liabilities	1,852,890	(1,852,890)

	2016	2015
(iii) Other price risk	Rupees	
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.		

(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:

Local debts	79,165,859	86,938,407
Foreign debts	37,656,851	23,431,668
	116,822,710	110,370,075

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

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

Past due 6-12 months	90,045,989	86,663,449
More than one year	26,776,721	23,706,626
	116,822,710	110,370,075

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:

Trade debts	116,822,710	110,370,075
Loans and advances	54,818,818	57,823,571
Trade deposits	110,420	110,420
Cash and bank balances	18,351,361	28,468,357
	190,103,309	196,772,423

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:

Banks	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 business 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.

RUPEES - 2016						
Interest/ mark up bearing			Non interest bearing			Total
Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
Long-term security deposits	-	-	-	1,622,921	1,622,921	1,622,921
Trade debts	-	-	90,045,989	26,776,721	116,822,710	116,822,710
Loans and advances	-	-	26,007,583	-	26,007,583	26,007,583
Trade deposits	-	-	110,420	-	110,420	110,420
Other receivables	-	-	99,211,616	-	99,211,616	99,211,616
Cash and bank balances	-	-	18,351,361	-	18,351,361	18,351,361
	-	-	233,726,969	28,399,642	262,126,611	262,126,611

FINANCIAL ASSETS

Long-term security deposits	-	-	-	1,622,921	1,622,921	1,622,921
Trade debts	-	-	90,045,989	26,776,721	116,822,710	116,822,710
Loans and advances	-	-	26,007,583	-	26,007,583	26,007,583
Trade deposits	-	-	110,420	-	110,420	110,420
Other receivables	-	-	99,211,616	-	99,211,616	99,211,616
Cash and bank balances	-	-	18,351,361	-	18,351,361	18,351,361
	-	-	233,726,969	28,399,642	262,126,611	262,126,611

FINANCIAL LIABILITIES

Long term financing	-	-	-	-	-	-
Liability against assets						
subject to finance lease	13,810,712	11,912,002	25,722,714	-	-	25,722,714
Loan from directors	-	-	-	48,993,418	48,993,418	48,993,418
Trade and other payables	-	-	-	249,624,703	249,624,703	249,624,703
Accrued mark up	-	-	-	1,370,550	1,370,550	1,370,550
Short-term finance	159,941,704	-	159,941,704	-	-	159,941,704
	173,752,416	11,912,002	185,664,418	250,995,253	299,988,671	485,653,089
Net liquidity	(173,752,416)	(11,912,002)	(185,664,418)	(17,268,284)	(20,593,776)	(223,526,478)

RUPEES - 2015						
Interest/ mark up bearing			Non interest bearing			Total
Maturity up to one year	Maturity after one year	Sub-total	Maturity up to one year	Maturity after one year	Sub-total	
Long-term security deposits	-	-	-	1,622,921	1,622,921	1,622,921
Trade debts	-	-	86,663,449	23,706,626	110,370,075	110,370,075
Loans and advances	-	-	17,695,391	-	17,695,391	17,695,391
Trade deposits	-	-	110,420	-	110,420	110,420
Other receivables	-	-	68,186,023	-	68,186,023	68,186,023
Cash and bank balances	-	-	28,468,357	-	28,468,357	28,468,357
	-	-	201,123,640	25,329,547	226,453,187	226,453,187

FINANCIAL ASSETS

Long-term security deposits	-	-	-	1,622,921	1,622,921	1,622,921
Trade debts	-	-	86,663,449	23,706,626	110,370,075	110,370,075
Loans and advances	-	-	17,695,391	-	17,695,391	17,695,391
Trade deposits	-	-	110,420	-	110,420	110,420
Other receivables	-	-	68,186,023	-	68,186,023	68,186,023
Cash and bank balances	-	-	28,468,357	-	28,468,357	28,468,357
	-	-	201,123,640	25,329,547	226,453,187	226,453,187

FINANCIAL LIABILITIES

Long term financing	6,000,000	-	6,000,000	-	-	6,000,000
Liability against assets						
subject to finance lease	9,372,445	14,753,718	24,126,163	-	-	24,126,163
Loan from directors	-	-	-	50,918,418	50,918,418	50,918,418
Trade and other payables	-	-	-	206,040,040	206,040,040	206,040,040
Accrued mark up	-	-	-	1,830,751	1,830,751	1,830,751
Short-term finance	155,162,833	-	155,162,833	-	-	155,162,833
	170,535,278	14,753,718	185,288,996	207,870,791	258,789,209	444,078,205
Net liquidity	(170,535,278)	(14,753,718)	(185,288,996)	(6,747,151)	(25,588,871)	(217,625,018)

35.02 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.

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, 2016 and 2015 were as follows:

	NOTE	2016	2015
		Rupees	
Long term financing		25,722,714	30,126,163
Short term finance		159,941,704	155,162,833
Total debt		185,664,418	185,288,996
Total Equity		253,931,535	212,510,256
Total Capital		439,595,953	397,799,252
Gearing Ratio		42.24%	46.58%

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.

36 REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors	
	2016	2015	2016	2015
Managerial remuneration	2,400,000	2,400,000	5,000,000	5,000,000
Allowances:				
House Rent Allowances	1,080,000	1,080,000	2,250,000	2,250,000
Utilities	120,000	120,000	250,000	250,000
Total Rupees	3,600,000	3,600,000	7,500,000	7,500,000
Number of Persons	1	1	4	4

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

36.02 No person qualified as executive of the company

37 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 36. There are no other significant transactions with related parties.

38 PLANT CAPACITY AND ACTUAL PRODUCTION

	Meters	
	2016	2015
38.1 Processing capacity		
Annual capacity	24,540,000	24,540,000
Actual production	15,149,417	14,848,915
	Pieces	
	2016	2015
38.2 Garments capacity		
Annual capacity	1,650,000	1,500,000
Actual production	1,369,472	566,017

39 ACCOUNTING ESTIMATES AND JUDGMENTS

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.

Property, plant and equipment:

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

Staff retirement benefit - gratuity:

Certain actuarial assumptions have been adopted as disclosed in the financial statements for valuation of present value of defined benefit obligation.

Stock in trade and stores and spares:

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

40 ENTITY-WIDE INFORMATION

The Company constitutes of a single reportable segment, the principal classes of products are Fusible Interlining ,Dying / Bleaching of Fabric and Others.

Information about geographical areas

The Company does not hold non-current assets in any foreign country.

Information about major customers

The Company does not have transactions with any external customer which amount to 10 percent or more of its revenues.

41 NUMBER OF EMPLOYEES

	2016	2015
Average number of employees during the year	167	80
Number of employees as at June 30, 2016 / 2015	248	86

42 CORRESPONDING FIGURES

Corresponding figures have been re-arranged/ recalculated, wherever necessary.

43 GENERAL

Figure have been rounded off to the nearest Pakistani rupee.

44 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the board of directors on October 04, 2016.

CHIEF EXECUTIVE

DIRECTOR

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 LIMITED

3. Pattern of holding of the shares held by the shareholders as at

30-06-2016

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
62	1	100	2,110
370	101	500	176,922
71	501	1,000	64,580
70	1,001	5,000	177,197
12	5,001	10,000	89,997
6	10,001	15,000	73,650
2	15,001	20,000	39,200
3	20,001	25,000	66,850
1	25,001	30,000	26,500
1	30,001	35,000	32,500
2	35,001	40,000	77,000
1	40,001	45,000	42,500
1	50,001	55,000	52,500
2	80,001	85,000	167,000
1	130,001	135,000	132,800
1	185,001	190,000	187,700
1	415,001	420,000	419,994
1	455,001	460,000	458,010
1	1,925,001	1,930,000	1,925,250
1	6,245,001	6,250,000	6,245,630
610			10,457,890

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officers, and their spouse and minor children	9,052,384	86.5603%
5.2 Associated Companies, undertakings and related parties.	187,700	1.7948%
5.3 NIT and ICP	0	0.0000%
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	38	0.0004%
5.5 Insurance Companies	0	0.0000%
5.6 Modarabas and Mutual Funds	0	0.0000%
5.7 Share holders holding 10% or more	8,170,880	78.1312%
5.8 General Public		
Local:	1,210,114	11.5713%
Foreign:	0	0.0000%
5.9 Others (to be specified)		
Joint Stock Companies	1,240	0.0119%
Pension Funds	6,197	0.0593%
Others	217	0.0021%
6. Signature of Company Secretary		
7. Name of Signatory	Muhammad Sajjad Hussain	
8. Designation	Company Secretary	
9. NIC Number		
10 Date	30 06 2016	

ARUJ INDUSTRIES LIMITED
Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2016

Sr. No.	Name	No. of Shares Held	Percentage
Associated Companies, Undertakings and Related Parties (Name Wise Detail):			
1	ARUJ NONWOVEN INDUSTRIES (PVT) LTD.	187,700	1.7948%
Mutual Funds (Name Wise Detail)			
		-	-
Directors and their Spouse and Minor Children (Name Wise Detail):			
1	MR. MAQSOOD AHMAD BUTT	6,245,630	59.7217%
2	DR. MRS. NASEEM MAQSOOD	458,010	4.3796%
3	MR. ALI MAQSOOD BUTT	1,925,250	18.4095%
4	MRS. NAHEED MUNEER	1,800	0.0172%
5	MRS. DURRAY ZARA BUTT	850	0.0081%
6	MISS ARUJ BUTT	850	0.0081%
7	MR. FAISAL KHAN	419,994	4.0160%
Executives:			
		-	-
Public Sector Companies & Corporations:			
		-	-
Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:		6,235	0.0596%
Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)			
1	MR. MAQSOOD AHMAD BUTT	6,245,630	59.7217%
2	MR. ALI MAQSOOD BUTT	1,925,250	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
		NIL	

PROXY FORM
(24th ANNUAL GENERAL MEETING)

I/We _____ son/daughter/wife

of _____ of _____ being member (s)

of **ARUJ INDUSTRIES LIMITED**, holder of _____

ordinary shares of the Company, under Folio No. / Participant's ID/CDC sub account No. _____

hereby appoint _____ of _____ failing him/her _____

of _____ who is/are member(s) of **ARUJ INDUSTRIES LIMITED**,

under Folio No. / Participant's ID/CDC sub-account No. _____ respectively, as my/our proxy

in my/our absence to attend and vote for me/us and on my/our behalf at the 24th Annual General Meeting of the Company to be held on October 31, 2016 and/or any adjournment thereof.

As witness my/our hand this _____ day of October, 2016

Signed in the presence of.

Witness _____

Name _____

Occupation _____

Address _____

Signature of
shareholder (s) on
revenue stamp
worth Rupees 5/-

The signature should agree with the specimen registered with the Company.

IMPORTANT:

1. Proxies, in order to be affective, 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.
3. Shareholders are requested to notify change in their address, if any.