



ARUJ INDUSTRIES LTD.



ARUJ INDUSTRIES LTD.

- 📍 **Corporate Office:** 2-Km off Raiwind Manga Road, Raiwind, Lahore, Pakistan.
- ☎ +92 42 38102800
- ✉ +92 42 35393127 ✉ info@aruj.com
- 🌐 www.aruj.com

Apparel



Dyeing & Processing



Interlining



Annual Report 2017

www.aruj.com

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VISION AND MISSION STATEMENT

COMPANY PROFILE

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 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 responsibility

BOARD OF DIRECTORS

- | | | |
|-----------------------------|---|-----------------|
| 1. Mr. Maqsood Ahmad Butt | : | Chair Person |
| 2. Mr. Faisal Khan | : | Chief Executive |
| 3. Mrs. Naseem Maqsood Butt | : | Director |
| 4. Mr. Ali Maqsood | : | Director |
| 5. Mrs. Durray Zara Butt | : | Director |
| 6. Dr. Aruj Butt | : | Director |
| 7. Sh. Ghulam Mustafa | : | 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. Sh. Ghulam Mustafa	Chairman
Mrs. Naseem Maqsood Butt	Member
Dr. Aruj Butt	Member

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Raiwind, Lahore.
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E-mail: info@aruj.com
Website: www.aruj.com

HUMAN RESOURCE COMMITTEE

Mrs. Sh. Ghulam Mustafa	Member
Mrs. Naseem Maqsood Butt	Chairman
Mr. Ali Maqsood Butt	Member

BANKERS

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

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

NOTICE OF 25th ANNUAL GENERAL MEETING.

Notice is hereby given that 25th Annual General Meeting of **Aruj Industries Limited** will be held on Friday, October 27, 2017 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, 2016.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 2017 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 approve the payment of cash dividend @12.10% (Rs. 1.21 per share) for the year ended June 30, 2017 as recommended by the board of directors.
5. To transact any other business with the permission of the Chair.

By order of the Board

Muhammad Sajjad Hussain
Company Secretary

Lahore.
October 04, 2017

NOTES:

- 1) Share Transfer Books of the Company will remain closed from October 21, 2017 to October 27, 2017 (both days inclusive). Transfers received in order at company's Shares Registrar at the close of business on October 20, 2017 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
- 5) In order to make process of cash dividend more efficient, SECP has initiated e-dividend mechanism through Notice No. 8(4)SM/CDC/2008 dated 05 April, 2013. The provision of Section 242 of the Companies Act, 2017 required that all listed companies to pay any dividend through electronic mode directly into the bank account of the entitled shareholder. Accordingly, the shareholder holding physical shares are requested to provide to Registrar of Company, the electronic dividend mandate on E-Dividend Form and in case of shares held in CDC, the same information should be provided to the CDS participants for updating and forwarding to the company.

- 6) Shareholders, who by any reason, could not claim their dividend or bonus shares or did not collect their physical shares, if any, are advised to contact our Share Registrar M/s Corplink (Pvt) Limited, Wing Arcade, 1-K, Commercial Area, Model Town, Lahore to collect/enquire about their unclaimed dividend or pending shares, if any. Otherwise in compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend and shares outstanding for a period of 3 years or more from the date due and payable shall be deposited to the credit of Federal Government in case of unclaimed dividend and in case of shares, shall be delivered to the SECP.

Filer and Non-Filer Status

Pursuant to the provisions of Finance Act, 2017 effective 01st July, 2017 deduction of income tax from dividend payments shall be made on the basis of filers and non-filers as follows:

For Filers of income tax returns 15%

For non-filers of income tax returns 20%

Income Tax will be deducted on the basis of Active Tax Payers list posted on the Federal Board of Revenue website. Members seeking exemption from deduction of income tax or are eligible for deduction at a reduced rate are requested to submit a valid tax certificate or necessary documentary evidence, as the case may be.

The Shareholders who have joint shareholdings held by Filers and non-filers shall be dealt with separately and in such particular situation, each account holder is to be treated as either a Filer or a non-filer and tax will be deducted according to his shareholding. If the share is not ascertainable then each account holder will be assumed to hold equal proportion of shares and the deduction will be made accordingly. Therefore, in order to avoid deduction of tax at a higher rate, the joint account holders are requested to provide the below details of their shareholding to the share Registrar of the Company latest by the AGM date

CHAIRPERSON'S REVIEW

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors of **ARUJ INDUSTRIES LIMITED** is carried out. The objective of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of goals set for the Company.

For the financial year ended June 30, 2017, the Board overall performance and effectiveness has been assessed as satisfactory. The Board also identifies areas of improvement in line with the best practices.

The Board received wide-ranging agendas and supporting papers in a timely manner for its Board meetings. The Board was fully involved in the strategic planning process and in developing the vision for the Company. All Directors, including Independent Directors, fully took part in and made contributions to the decision-making process of the Board. The Board has in place comprehensive policies for all relevant areas of the Company's operation and these policies are reviewed and updated from time to time.

The Audit Committee and Human Resources & Remuneration Committee met regularly to fortify the functions of the board.

The company has an independent Internal Audit department, which leads the Internal Audit function and follows a risk based Audit methodology. Audit reports are presented to the Board for review and actions where necessary.

In the closing on behalf of the Board I wish to acknowledge the contribution of all our employees in the success of the Company. I would like to thank our shareholders, bankers, customers, suppliers and other business partners for their confidence and support.

Mr. Maqsood Ahmed Butt

Chairperson

Dated: October 04, 2017

چیرپرسن ریویو

عروج انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی کارکردگی کا سالانہ جائزہ کوڈ آف کارپوریٹ گورننس کے تحت کیا جاتا ہے۔ اس جائزے کا مقصد اس امر کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور افادیت کو ادارے کے مختص کردہ مقاصد کے تناظر میں پرکھا جاسکے۔

مالی سال برائے 30 جون 2017 کے لئے بورڈ کی مجموعی کارکردگی اور افادیت اطمینان بخش قرار پائی ہے۔ بورڈ نے خود تشخیصی کے ذریعہ بہترین معلومات کے مطابق ان چیزوں کی نشاندہی کی جہاں بہتری کی گنجائش ہے۔

بورڈ کو اپنی بروقت میٹنگز میں جامع ایجنڈا اور مطلوبہ مواد موصول ہوئے۔ بورڈ حکمت عملی کی پلاننگ کے عمل اور ادارے کے نظریہ کے حصول میں مکمل طور پر شامل رہا۔ تمام ڈائریکٹرز بشمول انڈپینڈنٹ ڈائریکٹرز نے فیصلہ سازی کے عمل میں بھی حصہ لیا۔ بورڈ نے ادارے کے تمام شعبہ جات میں جامع طریقہ کار پیش کیے ہیں جن کا وقتاً فوقتاً جائزہ لیا جاتا ہے اور ان کو بہتر بنایا جاتا ہے۔

آڈٹ کمیٹی اور ہیومن ریسورسز اینڈ ریمرنیشن کمیٹی بورڈ کے امور کی موثر انجام دہی کیلئے باقاعدگی سے میٹنگ کرتی رہی ہے۔

کمپنی کا اپنا خود مختار انٹرنل آڈٹ ڈیپارٹمنٹ ہے جو اندرونی آڈٹ کے امور انجام دیتا ہے اور رسک پرزنی آڈٹ کے طریقہ کار کی پیروی کرتا ہے۔ آڈٹ رپورٹیں بورڈ کو جائزے یا حسب ضرورت کارروائی کیلئے بھیجی جاتی ہیں۔

آخر میں بورڈ کی جانب سے اپنے تمام ملازمین کی خدمات کا اعتراف کیا جاتا ہے اور اپنے حصص داران، صارفین، سپلائرز، ہیڈنگرز اور دیگر کاروباری ساتھیوں کا، جنہوں نے ہم پر اعتماد کیا۔

مقصود احمد بٹ

چیرپرسن

04 اکتوبر 2017ء

DIRECTORS' REPORT

The Directors of your Company would like to present to you the 25th 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, 2017.

OPERATING RESULTS:

	For the year ended June 30, 2017 Rupees	For the year ended June 30, 2016 Rupees
Sales	1,380,753,165	1,251,872,885
Gross Profit	159,622,840	140,242,994
Profit/(Loss) Before Taxation	44,465,114	54,820,016
Taxation	13,002,955	13,151,120
Profit/(Loss) After Taxation	31,462,159	41,668,897
Earnings per Share	3.01	3.98

SALIENT FEATURES:

Your company has increased its Net Sales figure by 10.30% to Rs. 1.38 Billion. The additional production lines for our Apparel Division helped us a great deal in reaching our target. However, Net profit for the year fell by 24.50% to Rs. 3.01 per share.

Our Apparel exports were mainly to the United Kingdom which were affected by the surprise referendum to leave the EU. We had to make some changes to stay competitive in the UK market, which did affect profitability. However, since the parity rate of the British Pound is almost back to its pre-Brexit level, we foresee this situation should get corrected in time. But in the short term (the first 2 Quarters), although we are hard at work to minimize the effects, we might not be able to maximize our profits.

Similarly, the Processing side of the business has been affected by the current economic climate of Pakistan. Despite the Government's best intentions to increase export from Pakistan, it has not had the results which were expected from it. While we are hard at work to get back to top capacity, once again, it might take another 2 Quarters before the situation normalizes.

Energy costs still plague the textile industry, especially in the Punjab region. While we are grateful to the Government of Pakistan on steadying the supply of both gas and electricity throughout the year, it has affected the overall cost of doing business. Imported Coal is still the cheapest energy source, but the prices have had an upward trend with no end in sight. Nevertheless, your Company plans to circumvent these costs by making its production process more streamlined.

While the coming Financial Year is full of opportunity for your Company, it is not without its pitfalls. We have stated all those above, but rest assured, we are geared up to face them. Although The Government Of Pakistan has also taken some laudable steps to finally come to the aid of the Textile Sector, we still have to face a great delay in receiving our dues like Sales Tax refunds which obviously puts a pressure on our working capital and increase of cost of

production.

STATEMENT OF COMPLIANCE ON CORPORATE AND FINANCIAL FRAME WORK:

The management is fully aware of the compliance with code of corporate governance as 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 five meetings of the board of Directors of the Company were held. Attendance by each Director in the meeting is as follows:

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

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.	Sh.. Ghulam Mustafa	Chairperson
2.	Dr. Mrs. Naseem Maqsood	Member
3.	Dr. Aruj Butt	Member

EARNING PER SHARES:

Earning per share for the period ended 30th June 2017 works out to Rs. 3.01 as compared to Rs. 3.98 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 2017-18.

PATTERN OF SHAREHOLDING:

Statements showing the Pattern of Shareholding as at 30 June, 2017 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, 2017

FAISAL KHAN
Chief Executive

4.	جناب فیصل خان	5
5.	مسز ذرے زار ابٹ	5
6.	ڈاکٹر عروج بٹ	4
7.	شیخ غلام مصطفیٰ	1

جو ڈائریکٹرز بورڈ کے اجلاس میں شرکت نہیں کر سکتے تھے، ان 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. ڈاکٹر عروج بٹ رکن
3. شیخ غلام مصطفیٰ رکن

ایک حصہ کمائی:

30 جون 2017 کو ختم ہونے والے سال کیلئے ہر 10 روپے کے حصص پر Rs. 3.01 آمدنی ہوئی جبکہ 30 جون 2016 کو ختم ہونے والے سال کیلئے ہر حصص پر آمدنی Rs. 3.98 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 2017-18 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 2017 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 شکرگزار ہیں۔

فیصل خان

چیف ایگزیکٹو

لاہور

تاریخ: 04 اکتوبر 2017ء

ڈائریکٹرز رپورٹ

آپ کی کمپنی عروج انڈسٹریز لمیٹڈ کے ڈائریکٹرز کمپنی کے 25 ویں سالانہ عام اجلاس کے سامنے 30 جون 2017 کو ختم ہونے والے سال کے لیے آڈٹ شدہ اکاؤنٹس کے ساتھ ساتھ اپنی رپورٹ پیش کرنا چاہیں گے۔

سیلز	سال 30 جون 2017	سال 30 جون 2016
کل منافع	1,380,753,165	1,251,872,885
منافع/(نقصان) ٹیکسیشن سے پہلے	159,622,840	140,242,994
ٹیکسیشن	44,465,114	54,820,016
منافع/(نقصان) ٹیکسیشن سے بعد	13,002,955	13,151,120
فی شیئر آمدنی	31,462,159	41,668,897
	3.01	3.98

نمایاں خصوصیات:

اللہ تعالیٰ کے فضل و کرم سے، آپ کی کمپنی کی سیل ایک سال میں 10.30 فیصد سے بڑھی ہے اور 1.38 ارب روپے سے تجاوز کر چکی ہے۔ ہمارے ایجوٹڈ ریٹرنز کی اضافی پیداواری لائسنوں نے ہمیں ہدف تک پہنچنے میں بہت مدد کی، تاہم سال کا نیٹ منافع 24.49 گر کر 3.01 فیصد پر رہا۔

ہمارے ملبوسات کی برآمدات بنیادی طور پر برطانیہ میں تھے، جو یورپی یونین کو چھوڑنے کی وجہ سے متاثر ہوئے۔ ہمیں برطانیہ کے بازار میں مسابقتی رہنے کے لئے کچھ تبدیلیاں کرنا پڑی تھیں، جس نے منافع کو متاثر کیا۔ تاہم، چونکہ برطانوی پونڈ کی مسابقت کی شرح BREXIT سے پہلے کی سطح کے قریب آگئی ہے۔ اس لیے ہم خیال کرتے ہیں کہ یہ حالات ٹھیک ہو جائیں گے۔ لیکن اس میں کم از کم 2 کوارٹرز لگیں گے۔ لیکن ہم پوری جدوجہد کر رہے ہیں کہ منافع کی شرح برقرار رہے۔

پاکستان کے موجودہ معاشی حالات کی وجہ سے پروسیسنگ کا شعبہ بھی متاثر ہوا ہے۔ پاکستان سے برآمد بڑھانے کے لیے حکومت کے بہترین ارادے کے باوجود اس کا خاطر خواہ نتیجہ نہیں نکلا۔ ہم پوری محنت کر رہے ہیں، لیکن حالات کو معمول پر آنے سے پہلے دوسرے ماہی لگ سکتے ہیں۔

توانائی کی قیمتوں میں اب بھی ٹیکسٹائل انڈسٹری، خاص طور پر پنجاب کے علاقے میں زیادہ ہے۔ ہم پورے سال گیس اور بجلی کی فراہمی کو فروغ دینے پر پاکستان کی حکومت سے شکر گزار ہیں لیکن اس نے کاروبار کرنے کی مجموعی لاگت کو متاثر کیا ہے۔ درآمد شدہ کونڈا اب بھی سب سے سستا توانائی کا ذریعہ ہے، لیکن قیمتوں میں اضافہ کارخانوں میں موجود ہے، تاہم، آپ کی کمپنی اپنے پیداوار کے عمل کو مزید بہتر بنانے کے لیے کوشاں ہے۔

آنے والی مالی سال آپ کی کمپنی کے لئے مواقع سے بھرپور ہے، لیکن مشکلات کا بھی سامنا ہو سکتا ہے جو کہ ہم نے اوپر بیان کئے ہیں لیکن ہم ان کا سامنا کرنے کے لئے تیار ہیں۔ اگرچہ پاکستان کی حکومت نے ٹیکسٹائل سیکٹر کی مدد کے لیے کچھ قابل اطمینان اقدامات بھی کیے ہیں، اگرچہ ہمیں اب اپنے سیل ٹیکس وغیرہ کی واپسی میں مشکلات آ رہی ہیں جس کی وجہ سے ہماری کاروباری لاگت بڑھ رہی ہے۔

Corporate and Financial فریم ورک پر تھیل کا بیان:

انتظامیہ کارپوریٹ اور فنانشل فریم ورک پر عمل درآمد کے بارے میں بخوبی آگاہ ہے بشمول اسٹاک ایکسچینج کی اضافی لسٹنگ کے ضابطے کے جن کی تھیل 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۔

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 تھیل:

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 باہر 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 آپریشنز 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 پانچ اجلاس منعقد کئے گئے تھے، ہر ایک کی طرف سے حاضری کی تفصیل یہ ہے۔

1. جناب مقصود احمد بٹ 5
2. ڈاکٹر مسز نسیم مقصود 5
3. جناب علی مقصود بٹ 5

KEY OPERATING & FINANCIAL DATA FROM 2012 TO 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED AT JUNE 30, 2017

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

- 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. Faisal Khan ii). Mr. Ali Maqsood Butt
Non-Executive Directors	iii). Mr. Maqsood Ahmed Butt iv). Mrs. Durray Zara Butt v). Dr. Aruj But vi). Dr. Mrs. Naseem Maqsood Butt
Non-Executive Director	vii). Mr. Shaikh Ghulam Mustafa

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
- 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.
- A casual vacancy occurred on the Board of directors on April 03, 2017 was filled up by the directors on the same day.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- The Directors' report for the year ended June 30, 2017 has been prepared in compliance with the requirement of Code of Corporate Governance and it fully describes the salient matters required to be disclosed.

	2012	2013	2014	2015	2016	2017
Net Sales Revenue	415,365,806	478,459,896	545,923,658	90,5884,377	1,251,872,885	1,380,753,165
Cost of Goods Sold	368,899,831	417,303,509	469,198,144	787,975,189	1,111,629,891	1,221,130,325
Gross Profit	46,465,975	61,156,387	76,725,514	117,909,188	140,242,994	159,622,840
Operating Profit/ (Loss)	28,205,546	43,417,412	47,686,824	66,897,424	76,425,274	67,811,308
Profit (Loss) Before Tax	19,523,588	29,298,698	29,187,091	42,956,399	54,820,016	44,465,114
Profit (Loss) After Tax	12,819,522	21,452,806	30,290,005	31,831,989	41,668,897	31,462,159
Paid up Capital	61,517,000	61,517,000	61,517,000	104,578,900	104,578,900	104,578,900
Current Assets	169,246,647	210,979,860	311,992,951	472,181,494	558,523,178	717,764,147
Current Liabilities	167,499,448	193,386,001	244,981,131	371,623,045	426,037,663	648,855,757

REVIEW REPORT TO THE MEMBERS
ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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.
14. The Board formed an audit committee comprising of three members, of whom all are non-executive directors, including the chairman of the committee is 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.

(Faisal Khan)
(Chief Executive)

(Ali Maqsood Butt)
(Director)

Lahore
October 04, 2017

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, 2017 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, 2017.

Lahore
Dated: October 04, 2017

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, 2017 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, 2017 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, 2017

QADEER AND COMPANY
CHARTERED ACCOUNTANTS
NAWAZ KHAN, FCA

BALANCE SHEET

AS AT JUNE 30, 2017

	NOTE	2017	2016
Rupees			
CAPITAL AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital: 12,500,000 (2016: 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
Capital reserve		100,000,000	50,000,000
Directors' Loan	6	48,993,418	48,993,418
Unappropriated profit		80,354,915	99,352,635
		333,927,233	302,924,953
NON-CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	7	22,366,998	11,912,002
Deferred liabilities	8	34,677,849	25,690,167
		57,044,847	37,602,169
CURRENT LIABILITIES			
Trade and other payables	9	314,792,776	249,624,703
Markup accrued on loans and other payables	10	1,248,141	1,370,550
Short term borrowings	11	315,757,126	159,941,704
Current portion of long term borrowings	12	17,252,641	13,810,712
Provision for taxation	13	17,057,713	15,100,706
		666,108,398	439,848,375
CONTINGENCIES AND COMMITMENTS			
	14	-	-
		1,057,080,478	780,375,497
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	284,393,404	216,244,509
Capital work in process	16	50,202,436	3,984,889
Long term deposits	17	4,720,492	1,622,921
		339,316,332	221,852,319
CURRENT ASSETS			
Stores, spare parts and loose tools	18	3,637,859	1,828,591
Stock in trade	19	272,728,850	242,066,848
Trade debts	20	180,331,371	116,822,710
Loans and advances	21	112,307,980	79,367,270
Trade deposits and short term prepayments	22	1,048,820	874,782
Tax refunds due from the Government	23	140,144,107	99,211,616
Cash and bank balances	24	7,565,160	18,351,361
		717,764,147	558,523,178
		1,057,080,478	780,375,497

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2017

	NOTE	2017	2016
Rupees			
Sales-net	25	1,380,753,165	1,251,872,885
Less: Cost of sales	26	1,221,130,325	1,111,629,891
GROSS PROFIT		159,622,840	140,242,994
Less: Selling and Distribution cost	27	52,618,817	32,126,178
Less: Administrative expenses	28	39,192,715	31,691,543
		67,811,308	76,425,274
Less: Finance cost	29	20,050,713	19,009,663
Less: Other expenses	30	3,295,481	4,062,923
		44,465,114	53,352,688
Add: Other income	31	-	1,467,328
Profit before taxation		44,465,114	54,820,016
Taxation	32	13,002,955	13,151,120
Profit after taxation		31,462,159	41,668,897
Earnings per share - basic and diluted	33	3.01	3.98

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2017

	NOTE	2017	2016
Rupees			
Profit for the year		31,462,159	41,668,897
Other comprehensive (loss) /Income			
Items that will not be subsequently reclassified to profit and loss:			
Premeasurement of staff retirement benefit - net of tax		(459,879)	(247,618)
Total comprehensive income for the year		31,002,280	41,421,279

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	44,465,114	54,820,016
Adjustment for:		
Depreciation	25,916,070	24,103,678
Financial Charges	20,050,713	19,009,663
Gain on disposal	-	(1,467,328)
Provision for gratuity	6,065,095	3,920,342
Worker's welfare fund	907,451	1,118,776
Worker's profit participation fund		3,424,412
	52,939,329	50,109,542
Profit before working capital changes	97,404,443	104,929,559
(Increase)/decrease in current assets:		
Stores, spare parts and loose tools	(1,809,268)	1,315,820
Stock in trade	(30,662,002)	(56,329,054)
Trade debts	(63,508,661)	(6,452,635)
Loans and advances	(24,180,605)	3,004,753
Trade deposits and short term prepayments	(174,038)	188,992
Tax refunds due from the Government	(40,932,491)	(31,025,593)
Increase/(decrease) in current liabilities:		
Trade and other payables	65,904,832	41,515,510
	(95,362,233)	(47,782,207)
Cash generated from operations	2,042,211	57,147,352
Financial charges paid	(20,173,122)	(19,469,864)
Staff retirement benefits paid	(320,000)	-
Workers' profit participation fund paid	(1,644,210)	(2,474,034)
Taxes paid	(17,023,343)	(15,258,432)
Net cash inflow from operating activities	(37,118,465)	19,945,022
CASH FLOWS FROM INVESTING ACTIVITIES		
Long-term security deposits	(3,097,571)	-
Fixed capital expenditure - net of disposal	(94,064,965)	(28,797,551)
Capital work in progress	(46,217,547)	(3,984,889)
Disposal proceeds	-	4,270,000
Net cash used in investing activities	(143,380,083)	(28,512,440)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds / (Repayment) from long term loans - Net	-	(7,925,000)
Proceeds / (Repayment) from Lease Finance - Net	13,896,925	1,596,551
Proceeds / (Repayment) from short term borrowings - Net	155,815,422	4,778,871
Dividend paid	-	-
Proceeds from issue of share capital	-	-
Net cash used in financing activities	169,712,347	(1,549,578)
Net (decrease) / increase in cash and cash equivalents	(10,786,201)	(10,116,996)
Cash and cash equivalents at the beginning of the year	18,351,361	28,468,357
Cash and cash equivalents at the end of the year	7,565,160	18,351,361

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

SHARE CAPITAL	CAPITAL RESERVE	DIRECTORS' LOAN	UNAPPROPRIATED PROFIT	TOTAL
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(RUPEES)

BALANCE AS AT JULY 01, 2015 104,578,900 - 50,918,418 107,931,356 263,428,674

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

Transaction with owners:

Loan repaid - net	-	-	(1,925,000)	-	(1,925,000)
Transfer to capital reserves	-	50,000,000	-	(50,000,000)	-

BALANCE AS AT JUNE 30, 2016 104,578,900 50,000,000 48,993,418 99,352,635 302,924,953

Total comprehensive income for the year:

Profit for the year	-	-	-	31,462,159	31,462,159
Other comprehensive income / (loss)	-	-	-	(459,879)	(459,879)
	-	-	-	31,002,280	31,002,280

Transfer to capital reserves - 50,000,000 (50,000,000) -

BALANCE AS AT JUNE 30, 2017 104,578,900 100,000,000 48,993,418 80,354,915 333,927,233

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

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2017

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 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

The Companies Act, 2017 has been promulgated with effect from May 31, 2017. However, the Securities and Exchange Commission of Pakistan (SECP) through its Circular # 17 of 2017 dated July 20, 2017, has directed that the companies whose financial year ends on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Further, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. In case requirements differ, the provisions of and directives of the repealed Companies Ordinance, 1984 shall prevail.

2.01 New standards, amendments to approved accounting standards and new interpretations**2.02 Standards and amendments to approved accounting standards which became effective during the year ended June 30, 2017**

2.03 There were certain new standards and amendments to the approved accounting standards which became effective during the year ended June 30, 2017 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.

2.04 Amendments to approved accounting standards that are effective for the Company's accounting periods beginning after July 1, 2017:

There are certain new amendments to the approved accounting standards that are mandatory for the Company's accounting periods beginning after July 1, 2017 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 (functional and presentation currency) 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:

	2017	2016
Discount rate	7.75%	7.25%
Expected rate of salary increase	6.75%	6.25%
Average remaining working life time of employee	10 Years	10 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.

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.

4.11 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 the 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	2017	2016
5 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
Rupees			
7,058,190 (2016: 7,058,190) ordinary shares of Rs. 10/- each fully paid in cash		70,581,900	70,581,900
3,399,700 (2016: 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
6 DIRECTORS' LOAN			
Loan from directors - unsecured			
	6.1	48,993,418	48,993,418
<p>6.1 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.</p> <p>These loans are accounted for under Technical Release - 32 "Accounting Director's Loan" issued by the Institute of Chartered Accountants of Pakistan effective for the financial statements for the period beginning on or after January 01, 2016.</p>			
7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
NOTE			
Rupees			
The amount of lease rentals payable during:			
2017-2018		23,203,670	15,683,237
2018-2019		10,868,660	10,764,042
2019-2020		8,986,363	1,761,244
2020-2021		796,854	-
		43,855,547	28,208,523
Less : Future finance charge		4,235,908	2,485,809
Present value of minimum lease payments		39,619,639	25,722,714
Less: Current portion shown under current liabilities	12	17,252,641	13,810,712
Liabilities against assets subject to finance lease		22,366,998	11,912,002
Reconciliation between gross minimum lease payments and their present value :			
Gross minimum lease payments			
Due not later than one year		23,203,670	15,683,237
Due later than one year but not later than five years		15,144,165	12,525,286
		38,347,835	28,208,523
Present value of minimum lease payments			
Due not later than one year		20,751,476	13,835,853
Due later than one year but not later than five years		18,868,127	11,886,861
		39,619,603	25,722,714
Add: Future finance charge			
Due not later than one year		2,452,421	1,847,375
Due later than one year but not later than five years		1,783,523	638,434
		43,855,547	28,208,523

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% (2016: 8% to 14 %) 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.

- 11.01** It carried mark up at the rate of 3 months KIBOR + 2.75 percent per annum (2016: 3 Months KIBOR + 2.75 percent).
- 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 (2016: 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 (2016: 3 Months SBP + 1.00 percent). The tenor of this facility is 180 days.
- 11.04** All the finances obtained from Standard Chartered Bank (Pakistan) Limited are collaterally secured against:
PP over all present and future current assets of the Company to the extent of Rs.400 Million.
Personal guarantees of all the Directors of the Company for Rs. 372.5 Million.
PP over all present and future fixed assets of the Company to the extent of Rs.300 Million.
- 11.05** It carried mark up at the rate of 3 Months Kibor + 2.75 percent . It was secured against first Pari Passu Mortgage Charge on all Fixed Assets of the company amounting to Rs. 353 million. The expiry date of the facility is October 31, 2017.
- 11.06** It carries markup at the rate of 3 Months KIBOR + 2.5 percent. It was secured against first charge on Fixed assets of the company. The expiry date of the facility is 30-09-2017.
- 11.07** It carries markup @ SBP rate + 1% p.a. The expiry date of the facility is 30-09-2017.
- 11.08** All the facilities from Bank AlFalah Limited are secured against:
1st pari passu charge of Rs. 100 M over fixed assets of the Company amounting to Rs. 411 M.
1st pari passu charge of Rs. 133 M over current assets of the Company registered with SECP.
Personal guarantees of Sponsors Directors.

12 CURRENT PORTION OF LONG TERM BORROWINGS

	Rupees	
Liabilities against assets subject to finance lease	17,252,641	13,810,712
	<u>17,252,641</u>	<u>13,810,712</u>

13 PROVISION FOR TAXATION

Add: Current and prior year tax	15,100,705	8,589,421
Less: Adjustments during the year	10,220,246	14,608,754
	<u>(8,263,238)</u>	<u>(8,097,469)</u>
	<u>17,057,713</u>	<u>15,100,706</u>

14 CONTINGENCIES AND COMMITMENTS**Contingencies**

- 14.1** On behalf of the Company Standard Chartered Bank (Pakistan) Limited has issued guarantee amounted to Rs. 20,812,318 (2016: 20,812,318) in favour of SNGPL.
- 14.2** The company has challenged the recovery of Gas Infrastructure Development Cess-GIDC and filed petition in Lahore High Court challenging the vires and legality of the levy and demand of GIDC including the retrospective effect. The Court granted stay against charging of GIDC. Since, the issue is being faced by the industry at large, therefore management is of the view that there is no need to maintain any provision against the liability. The management is confident that decision of the case will be in its favor. Further, it is difficult to determine the best monetary estimate as the date of applicability of the said Act is in litigation.

Commitments

Commitments under Letters of credit for the import of raw material amounted to Rs.18,936,540 (2016: Rs. 17,400,000/-).

15 PROPERTY, PLANT AND EQUIPMENT

PARTICULARS	COST				Rate %	DEPRECIATION			Written down value as at June 30, 2017
	As at July 01, 2016	Addition / Transfer	(Deletion)	As at June 30, 2017		As at July 01, 2016	Adjustment	For the year	
OWNED ASSETS									
Freehold land	7,544,681			7,544,681	-				7,544,681
Building on freehold land	39,492,490	52,744,845		92,237,335	5			23,072,001	69,165,334
Plant & Machinery	266,431,598	12,748,811		279,180,409	10			147,658,244	131,522,165
- transferred from leased									
Furniture and Fixture	952,124	171,500		1,123,624	10			761,624	362,000
Motor Vehicles	21,062,759	2,828,960		30,387,219	20			14,665,894	15,721,325
- transferred from leased		6,495,500							
Office Equipment	1,281,840	1,156,121		2,437,961	10			885,940	1,552,021
Loose Tools	118,117	-		118,117	10			100,041	18,077
Laboratory Equipment	366,921	-		366,921	10			296,624	70,297
Electric Installation	3,209,997	441,000		3,650,997	10			1,176,498	2,474,499
Fire Fighting Equipment	556,587	-		556,587	10			400,593	155,994
Telephone Installation	113,775	-		113,775	10			101,967	11,808
Gas Installation	1,310,000	-		1,310,000	10			902,360	407,640
	342,440,889	76,586,737		419,027,626				190,021,786	229,005,840
OPERATING LEASED ASSETS									
Motor Vehicles	33,140,898	80,000		33,220,898	20			16,015,691	17,205,207
- transferred to owned									
Plant & Machinery	30,553,966	23,893,728		47,952,194	10			9,769,837	38,182,357
- transferred to owned		(6,495,500)							
	63,694,864	17,478,228		81,173,092				25,785,528	55,387,564
RUPEES 2017	406,135,753	94,064,965		500,200,718				215,807,314	284,393,404
RUPEES 2016	384,778,569	28,797,551	(7,440,367)	406,135,753	-			189,891,244	216,244,509

	2017	2016
Rupees		
Depreciation is allocated as under:		
Cost of Sales	19,612,377	18,069,947
Administrative Expenses	6,303,693	6,033,732
	<u>25,916,070</u>	<u>24,103,678</u>

15.01

Depreciation is allocated as under:

Cost of Sales
Administrative Expenses

15 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	Adjustment	For the year	
OWNED ASSETS								
Freehold land	7,544,681	-		7,544,681	-	-	-	7,544,681
Building on freehold land	39,492,490	-		39,492,490	5	946,149	21,515,655	17,976,835
Plant & Machinery	259,032,745	7,398,853	-	266,431,598	10	14,117,622	134,204,582	132,227,016
- transferred from leased								
Furniture and Fixture	891,624	60,500		952,124	10	22,404	737,784	214,340
Motor Vehicles	24,636,041	3,867,085	(7,440,367)	21,062,759	20	1,932,679	12,714,202	8,348,557
- transferred from leased								
Office Equipment	1,227,540	54,300		1,281,840	10	46,155	816,831	465,009
Loose Tools	118,117	-		118,117	10	2,232	98,032	20,085
Laboratory Equipment	366,921	-		366,921	10	8,679	288,813	78,108
Electric Installation	1,978,672	1,231,325		3,209,997	10	120,729	917,395	2,292,602
Fire Fighting Equipment	556,587	-		556,587	10	19,259	383,260	173,327
Telephone Installation	113,775	-		113,775	10	1,458	100,655	13,120
Gas Installation	1,310,000	-		1,310,000	10	50,326	857,067	452,933
OPERATING LEASED ASSETS								
Motor Vehicles	337,269,193	12,612,063	(7,440,367)	342,440,889		17,267,692	172,634,275	169,806,614
- transferred to owned								
Plant & Machinery	16,955,410	16,185,488	-	33,140,898	20	4,054,898	11,732,800	21,408,098
- transferred to owned								
RUPEES 2016	47,509,376	16,185,488	-	63,694,864		-	17,256,968	46,437,896
RUPEES 2015	384,778,569	28,797,551	(7,440,367)	406,135,753		(4,637,695)	189,891,244	216,244,509
	345,234,902	40,135,667	(592,000)	384,778,569		(398,013)	170,425,261	214,353,308

2016 2015
Rupees

15.01 Depreciation is allocated as under:
Cost of Sales 18,804,255
Administrative Expenses 6,033,732
24,103,678

15.02 Property, plant and equipment disposed off during the year

	Rupees	
	2016	2015
Cost / Revalued	147,801,406	170,425,261
Accumulated depreciation	(147,801,406)	(170,425,261)
Book value	-	-
Cost / Revalued	147,801,406	170,425,261
Accumulated depreciation	(147,801,406)	(170,425,261)
Book value	-	-

	Rupees	
	2016	2015
Sale Proceeds/ Claim received	147,801,406	170,425,261
Gain	-	-
Mode of disposal		
Audi-6000	3,400,000	876,856
Suzuki-3265	420,000	270,224
Hyundai-7686	230,000	163,399
Hyundai-5993	220,000	156,849
	4,270,000	1,467,328

16 CAPITAL WORK IN PROCESS
Building: As at 01st July.
Additions during the year
Transferred to Property Plant & Equipment
As at 30th June, 2017

17 LONG TERM DEPOSITS
Security deposits

18 STORES, SPARE PARTS AND LOOSE TOOLS

19 STOCK IN TRADE

Finished goods
Raw materials
- Fabric and accessories
- Chemicals
- Packing material
- Rice Husk & Coal

No stock in trade has been pledged by any institution / party.

20 TRADE DEBTS

Considered good:
Export - secured
Local - un-secured

21 LOANS AND ADVANCES

Advances - considered good
Letter of credit-margin
Advance income tax-net of adjustment

21.01 ADVANCES - CONSIDERED GOOD

Unsecured:
To suppliers
To Employees - Interest free
For local guarantee

22 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Security deposits
Prepaid insurance

NOTE	Rupees	
	2017	2016
16	3,984,889	-
	98,962,392	3,984,889
	52,744,845	-
	50,202,436	3,984,889
17	4,720,492	1,622,921
18	3,637,859	1,828,591
19	101,218,541	35,099,881
	141,087,189	158,418,827
	23,098,567	39,501,002
	7,324,553	5,150,938
	-	3,896,200
	272,728,850	242,066,848
20	12,129,163	37,656,851
	168,202,208	79,165,859
	180,331,371	116,822,710
21.01	78,999,423	54,611,609
	-	207,209
	33,308,557	24,548,452
	112,307,980	79,367,270
	76,344,320	53,359,687
	971,000	647,300
	1,684,103	604,622
	78,999,423	54,611,609
	110,420	110,420
	938,400	764,362
	1,048,820	874,782

	NOTE	2017	2016
Rupees			
23 TAX REFUNDS DUE FROM THE GOVERNMENT			
Sales tax -Refundable		140,144,107	99,211,616
24 CASH AND BANK BALANCES			
Cash in hand		675,000	2,203,550
Cash at banks -in current accounts		6,890,160	16,147,811
		7,565,160	18,351,361
25 SALES-NET			
Sales:			
- Local		26,924,725	11,601,861
- Export		849,184,624	810,263,001
Processing and coating		488,913,181	433,630,531
Rebate on export		15,730,635	2,240,945
Sales tax		-	(5,863,453)
		1,380,753,165	1,251,872,885
26 COST OF SALES			
Fabric and accessories consumed	26.01	462,980,391	379,237,174
Chemicals consumed	26.02	338,173,473	333,381,889
Packing material consumed	26.03	71,489,007	72,195,593
Rice Husk and coal consumed	26.04	114,411,543	119,041,419
Stores and spares consumed	26.05	1,072,294	10,110,215
Salaries and other benefits	26.06	92,578,900	47,806,122
Fuel and power		66,636,419	68,652,064
Postage, telephone and telegram		9,655,841	2,716,521
Rent, rates and taxes		5,784,500	-
Laboratory expenses		6,684,947	3,608,303
Insurance		4,570,779	3,400,087
Import expenses		16,938,836	21,657,383
Freight and octroi		12,034,536	13,897,604
Repair and maintenance-machinery		20,967,149	14,730,984
Processing Charges(CMT)		43,657,993	38,224,467
Depreciation	15.01	19,612,377	18,069,947
		1,287,248,985	1,146,729,772
Finished goods:			
Opening stock		35,099,881	-
Closing stock		(101,218,541)	(35,099,881)
		(66,118,660)	(35,099,881)
		1,221,130,325	1,111,629,891

	NOTE	2017	2016
Rupees			
26.01 Fabric and accessories consumed			
Opening stock		158,418,827	93,973,655
Add: Purchases		445,648,753	443,682,346
		604,067,580	537,656,001
Less: Closing stock		(141,087,189)	(158,418,827)
		462,980,391	379,237,174
26.02 Chemicals consumed			
Opening stock		39,501,002	51,781,093
Add: Purchases		321,771,038	321,101,798
		361,272,040	372,882,891
Less: Closing stock		(23,098,567)	(39,501,002)
		338,173,473	333,381,889
26.03 Packing material consumed			
Opening stock		5,150,938	4,086,846
Add: Purchases		73,662,622	73,259,685
		78,813,560	77,346,531
Less: Closing stock		(7,324,553)	(5,150,938)
		71,489,007	72,195,593
26.04 Rice Husk and coal consumed			
Opening stock		3,896,200	35,896,200
Add: Purchases		110,515,343	87,041,419
		114,411,543	122,937,619
Less: Closing stock		-	(3,896,200)
		114,411,543	119,041,419
26.05 Stores and spares consumed			
Opening stock		1,828,591	3,144,411
Add: Purchases		2,881,562	8,794,395
		4,710,153	11,938,806
Less: Closing stock		(3,637,859)	(1,828,591)
		1,072,294	10,110,215
26.06 Salaries and other benefits include staff retirement benefits amounting to Rs.5,042,882 (2016: Rs. 3,140,752).			

	NOTE	2017	2016
Rupees			
27 SELLING AND DISTRIBUTION COST			
Export expenses		52,618,817	32,126,178
28 ADMINISTRATIVE EXPENSES			
Director's remuneration		7,775,000	11,100,000
Salaries and other benefits	28.01	9,388,749	5,709,471
Electricity, water and gas		-	-
Postage and telegram		1,835,506	1,033,787
Printing and stationary		1,273,152	453,819
Vehicle running and maintenance		5,939,486	2,758,073
Insurance		1,176,887	1,198,717
Fee and subscription		3,570,953	1,971,140
Entertainment		478,423	339,061
Auditor's remuneration	28.02	620,000	620,000
Misc Expenses		716,784	404,725
Legal and professional		114,082	69,018
Depreciation	15.01	6,303,693	6,033,732
		39,192,715	31,691,543
28.01	Salaries and other benefits include staff retirement benefits amounting to Rs. 1,022,213 (2016: Rs. 779,590).		
28.02 AUDITOR'S REMUNERATION			
Audit fee		500,000	500,000
Half yearly review		50,000	50,000
Other certification charges		50,000	50,000
Out of pocket expenses		20,000	20,000
		620,000	620,000
29 FINANCE COST			
Interest/ mark-up on:			
Long term finance		-	479,855
Short-term borrowings		10,448,513	10,520,836
Finance lease		3,480,790	2,315,952
Workers' Profit Participation Fund	9.01	599,062	480,265
Bank charges		5,522,348	5,212,755
		20,050,713	19,009,663

	NOTE	2017	2016
Rupees			
30 OTHER EXPENSES			
Workers' profit participation fund	9.01	2,388,030	2,944,147
Workers' welfare fund		907,451	1,118,776
		3,295,481	4,062,923
31 OTHER INCOME			
Gain on disposal of fixed assets		-	1,467,328
		-	1,467,328
32 TAXATION			
Current tax - for the year		17,057,713	16,835,795
- prior year		(6,837,467)	(2,227,041)
Deferred tax		2,782,709	(1,457,635)
		13,002,955	13,151,120
32.01	Income Tax return has been filed to income tax authorities up to and including tax year 2016 under the provisions of The Income Tax Ordinance, 2001.		
32.02	Reconciliation of tax charge for the year	%	%
	Applicable tax rate	31.00	32.00
	Tax effect of final tax regime	8.97	(0.86)
	Effect of prior year	(15.38)	(4.06)
	Taxable temporary differences	9.59	4.99
	Deductible temporary differences	(3.33)	(7.35)
	Change in corporate and average tax rate and others	(1.61)	(0.73)
		29.24	23.99
	Average effective tax rate charged to income	29.24	23.99
33 EARNINGS PER SHARE - BASIC AND DILUTED			
Net profit for the year - Rupees		31,462,159	41,668,897
Weighted average number of ordinary shares outstanding during the year - Numbers		10,457,890	10,457,890
Earnings per share - basic - Rupees		3.01	3.98
There is no dilutive effect on the basic earnings per share of the company .			

	NOTE	2017		2016	
		Rupees			
34 FINANCIAL INSTRUMENTS BY CATEGORY					
Financial assets as per Balance Sheet					
Long term deposits		4,720,492		1,622,921	
Trade debts		180,331,371		116,822,710	
Loans and advances		78,999,423		54,818,818	
Trade deposits		110,420		110,420	
Cash and bank balances		7,565,160		18,351,361	
		271,726,866		191,726,230	
Financial liabilities as per Balance Sheet					
Liability against assets subject to finance lease		39,619,639		25,722,714	
Loan from directors		48,993,418		48,993,418	
Trade and other payables		285,001,654		219,341,441	
Accrued interest / mark-up		1,248,141		1,370,550	
Short term finance		315,757,126		159,941,704	
		690,619,978		455,369,827	

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:

	2017	2016
	Rupees	
Foreign trade debts	12,129,163	37,656,851
Outstanding letter of credit	-	207,209
Net exposure	12,129,163	37,449,642

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

USD to PKR	106.60
Euro to PKR	120.25

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			
Finance lease	09.33 To 12.43	39,619,639	25,722,714
Short term borrowings	04.50 To 12.93	315,757,126	159,941,704
		355,376,765	185,664,418
Financial assets			
Total yield / mark up rate risk sensitivity gap		355,376,765	185,664,418

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 2016.

	Profit and Loss 1% rate	
	Increase	Decrease
As at June 30, 2017		
Cash flow sensitivity - variable rate financial liabilities	(3,553,768)	3,553,768
As at June 30, 2016		
Cash flow sensitivity - variable rate financial liabilities	(1,856,644)	1,856,644

	2017	2016
	Rupees	
(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 investments are 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	168,202,208	79,165,859
Foreign debts	12,129,163	37,656,851
	180,331,371	116,822,710

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	135,687,897	90,045,989
More than one year	44,643,474	26,776,721
	180,331,371	116,822,710

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:

	2017	2016
	Rupees	
Trade debts	180,331,371	116,822,710
Loans and advances	78,999,423	54,818,818
Trade deposits	110,420	110,420
Cash and bank balances	7,565,160	18,351,361
	267,006,374	190,103,309

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	
		Long term	Short term
Bank Al-Habib Limited	PACRA	AA+	A1+
Habib Bank Limited	JCR-VIS	AAA	A-1+
JS Bank Limited	PACRA	AA-	A1+
Bank Al-Falah Limited	PACRA	AA	A-1+
Faysal Bank Limited	PACRA	AA	A1+
Standard Chartered Bank (Pakistan) Limited	PACRA	AAA	A-1+

(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.

FOR THE YEAR ENDED JUNE 30, 2017	RUPEES - 2017						Total
	Interest/ mark up bearing			Non interest bearing			
	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	-	-	-	-	4,720,492	4,720,492	4,720,492
Trade debts	-	-	-	135,687,897	44,643,474	180,331,371	180,331,371
Loans and advances	-	-	-	35,963,660	-	35,963,660	35,963,660
Trade deposits	-	-	-	110,420	-	110,420	110,420
Other receivables	-	-	-	140,144,107	-	140,144,107	140,144,107
Cash and bank balances	-	-	-	7,565,160	-	7,565,160	7,565,160
	-	-	-	319,471,244	49,363,966	368,835,210	368,835,210
FINANCIAL LIABILITIES							
Long term financing	-	-	-	-	-	-	-
Liability against assets							
subject to finance lease	17,252,641	22,366,998	39,619,639	-	-	-	39,619,639
Loan from directors	-	-	-	-	48,993,418	48,993,418	48,993,418
Trade and other payables	-	-	-	314,792,776	-	314,792,776	314,792,776
Accrued mark up	-	-	-	1,248,141	-	1,248,141	1,248,141
Short-term finance	315,757,126	-	315,757,126	-	-	-	315,757,126
	333,009,767	22,366,998	355,376,765	316,040,917	48,993,418	365,034,335	720,411,100
Net liquidity	(333,009,767)	(22,366,998)	(355,376,765)	3,430,327	370,548	3,800,875	(351,575,890)

FOR THE YEAR ENDED JUNE 30, 2016	RUPEES - 2016						Total
	Interest/ mark up bearing			Non interest bearing			
	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 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	48,993,418	299,988,671	485,653,089
Net liquidity	(173,752,416)	(11,912,002)	(185,664,418)	(17,268,284)	(20,593,776)	(37,862,060)	(223,526,478)

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, 2017 and 2016 were as follows:

NOTE	2017	2016
	Rupees	
Long term financing	39,619,639	25,722,714
Short term finance	315,757,126	159,941,704
Total debt	355,376,765	185,664,418
Total Equity	333,927,233	302,924,953
Total Capital	689,303,998	488,589,371
Gearing Ratio	51.56%	38.00%

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	
	2017	2016	2017	2016
Managerial remuneration	3,600,000	4,175,000	3,600,000	5,000,000
Allowances:				
House Rent Allowances	1,620,000	1,878,750	1,620,000	2,250,000
Utilities	180,000	208,750	180,000	250,000
Total Rupees	5,400,000	6,262,500	5,400,000	7,500,000
Number of Persons	1	1	2	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 Executives is disclosed in note 36. There are no other significant transactions with related parties.

38 PLANT CAPACITY AND ACTUAL PRODUCTION

	Meters	
	2017	2016
38.1 Processing capacity		
Annual capacity	24,540,000	24,540,000
Actual production	15,065,947	15,149,417
	Pieces	
	2017	2016
38.2 Garments capacity		
38.2 Garments capacity		
Annual capacity	1,650,000	1,650,000
Actual production	1,498,890	1,369,472

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.

40 NUMBER OF EMPLOYEES

	2017	2016
	No of employees	
Average number of employees during the year	292	167
Number of employees as at June 30, 2017 / 2016	329	248

41 CORRESPONDING FIGURES

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

42 GENERAL

Figure have been rounded off to the nearest Pakistani rupee.

43 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the board of directors on October 04, 2017.

CHIEF EXECUTIVE

DIRECTOR

CHIEF FINANCIAL OFFICER

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 30-06-2017

4. No. of Shareholders	-----Shareholding-----		Total Shares Held
	From	To	
64	1	100	2,355
368	101	500	175,856
67	501	1,000	60,880
68	1,001	5,000	184,018
10	5,001	10,000	79,847
8	10,001	15,000	96,200
1	15,001	20,000	20,000
2	20,001	25,000	43,850
1	30,001	35,000	34,000
3	35,001	40,000	115,500
4	40,001	45,000	168,500
2	50,001	55,000	107,500
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
604			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:	1,200,353	11.4780%
Foreign:	0	0.0000%
5.9 Others (to be specified)		
Joint Stock Companies	1,001	0.0096%
Pension Funds	6,197	0.0593%
Others	10,217	0.0977%

6. Signature of
Company Secretary

7. Name of Signatory

8. Designation

9. NIC Number

10 Date

30	06	2017
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ARUJ INDUSTRIES LIMITED
Categories of Shareholding required under Code of Corporate Governance (CCG)
As on June 30, 2017

Sr. No.	Name	No. of Shares Held	Percentage
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Associated Companies, Undertakings and Related Parties (Name Wise Detail):

1	ARUJ NONWOVEN INDUSTRIES (PVT) LTD.	187,700	1.7948%
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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	NIL	SALE	PURCHASE
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PROXY FORM
(25th 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 25th Annual General Meeting of the Company to be held on October 27, 2017 and/or any adjournment thereof.

As witness my/our hand this _____ day of October, 2017

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.