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## VISION AND MISSION STATEMENT

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### *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

## COMPANY PROFILE

### BOARD OF DIRECTORS

|                               |   |                 |
|-------------------------------|---|-----------------|
| 1. Mr. Maqsood Ahmad Butt FCA | : | 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. Muhammad Saeed Akhtar      | : | 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/ Supreme Court  
Lahore.

### AUDITORS

M/s. Qadeer & Co.  
Chartered Accountants,  
32-A Lawrence 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](mailto:info@aruj.com)  
Website: [www.aruj.com](http://www.aruj.com)

### AUDIT COMMITTEE

|                            |          |
|----------------------------|----------|
| Muhammad Saeed Akhtar      | Chairman |
| Mr. Maqsood Ahmad Butt FCA | Member   |
| Mr. Ali Maqsood Butt       | Member   |

### REGISTERED OFFICE

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

### HR & REMUNERATION COMMITTEE

|                          |          |
|--------------------------|----------|
| Muhammad Saeed Akhtar    | Chairman |
| Mrs. Naseem Maqsood Butt | Member   |
| Dr. Aruj Butt            | Member   |

### BANKERS

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

## NOTICE OF 27<sup>th</sup> ANNUAL GENERAL MEETING.

Notice is hereby given that 27<sup>th</sup> Annual General Meeting of **Aruj Industries Limited** will be held on Monday, October 28, 2019 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 27<sup>th</sup> November, 2018.
2. To receive and adopt the Annual Audited Accounts for the year ended June 30, 2019 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.

### Any Other Business

4. To transact any other business with the permission of the Chair.

By order of the Board

Lahore.  
October 04, 2019

Muhammad Sajjad Hussain  
Company Secretary

### NOTES:

- 1) Share Transfer Books of the Company will remain closed from October 22, 2019 to October 28, 2019 (both days inclusive). Transfers received in order at company's Shares Registrar Office at the close of business on October 21, 2019 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

## 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, 2019, the Board's 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 meetings. The Board was fully involved in the strategic planning process and in developing the vision for the Company. All Directors, including Independent Director, 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.

Maqsood Ahmed Butt FCA  
Chairperson  
Dated: October 04, 2019

## چیرمین کا جائزہ

جیسا کہ کارپوریٹ گورننس کے تحت ضروری ہے، عروج انڈسٹریز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی سالانہ کارکردگی کا جائزہ لیا جاتا ہے۔ اس جائزے کا مقصد اس بات کو یقینی بنانا ہے کہ بورڈ کی مجموعی کارکردگی اور اثر کو کمپنی کے لئے مقرر کردہ مقاصد کے تناظر میں پرکھا جائے۔

30 جون، 2019 کو ختم ہونے والے مالی سال کے لئے، بورڈ کی مجموعی کارکردگی اور اثر تسلی بخش رہی ہے۔ بورڈ بہترین طریقوں کے تناظر کے ساتھ بہتری کیلئے بھی نشانہ ہی کرتا ہے۔

بورڈ نے اپنی میٹنگ کے لئے بروقت انداز میں وسیع ایجنڈا اور متعلقہ کاغذات وصول کیے ہیں۔ بورڈ اسٹریٹجک منصوبہ بندی کے عمل میں اور کمپنی کے نقطہ نظر کو فروغ دینے میں مکمل طور پر شریک تھا۔ تمام ڈائریکٹرز، بشمول آزاد ڈائریکٹرز نے مکمل طور پر بورڈ کے فیصلے سازی کے عمل میں حصہ لیا۔ بورڈ کمپنی کے آپریشن کے تمام متعلقہ شعبوں کے لئے جامع پالیسیاں بناتا ہے اور ان پالیسیوں کا وقفوں سے جائزہ لیا جاتا ہے اور اپ ڈیٹ کیا جاتا ہے۔ آڈٹ کمیٹی اور انسانی وسائل اور معاوضہ کمیٹی نے باقاعدگی سے بورڈ کے افعال کو مضبوط بنانے کے لئے میٹنگز کی تھیں۔

کمپنی میں ایک اندرونی آڈیٹ ڈیپارٹمنٹ ہے، جو اندرونی آڈیٹ کی قیادت کرتا ہے اور خطرے کی بنیاد پر آڈٹ کے طریقہ کار کی پیروی کرتا ہے۔ آڈٹ کی رپورٹوں کو جائزہ لینے اور اقدامات کے لئے بورڈ کو پیش کیا جاتا ہے۔

آخر میں بورڈ کی طرف سے اپنے تمام ملازموں کے تعاون کو تسلیم کرنا چاہتا ہوں۔ میں اپنے حصص داروں، بینکوں، گاہکوں، سپلائرز اور دیگر کاروباری شراکت داروں کو ان کے اعتماد اور حمایت کے لئے شکریہ ادا کرنا چاہتا ہوں۔

مقصود احمد بٹ ایف۔سی۔ اے

چیرمین

تاریخ: 04 اکتوبر، 2019

## DIRECTOR'S REPORT

The Directors of your Company would like to present to you the 27<sup>th</sup> Annual General Meeting of **Aruj Industries Ltd.** and would like to present their report along with the audited accounts for the year ended 30<sup>th</sup> June, 2019.

**OPERATING RESULTS:**

|                               | <b>For the year ended<br/>June 30, 2019<br/>Rupees</b> | <b>For the year ended<br/>June 30, 2018<br/>Rupees</b> |
|-------------------------------|--|--|
| Sales                         | 1,433,016,290  | 1,162,366,244  |
| Gross Profit                  | 114,289,776  | 109,278,921  |
| Profit/(Loss) Before Taxation | 15,057,026   | 11,278,442   |
| Taxation                      | 1,932,098  | 4,708,156  |
| Profit/(Loss) After Taxation  | 13,124,928   | 6,570,286  |
| Earnings per Share            | 1.26   | 0.63   |

**SALIENT FEATURES:**

After some adjustments during the last financial year, your Company has been successful in increasing its sales figure by 23.28% to Rs. 1.433 Billion.

Your Company believes we have started our push into exports at a favourable time. While the devaluation of the Pakistani Rupee has indeed put a lot of pressure on the cost-side of doing business, specially enhanced working capital requirement we have been able to not only increase volumes to existing customers, but have further diversified our client base. We believe the effect on sales shall be visible completely from Q3 of the current financial year onwards.

Our Processing business has, however, not been immune to the current market situation. Although we see steady demand in the sector, as we were catering to export-oriented units, we are a little vary as inflation and policies have put a stranglehold on cash flows. We are hopeful that these circumstances shall start easing in Q3 of this financial year, we are a little conservative in our projections.

As is said, with every obstacle comes an opportunity; Your Company is seeing a gap in the local market where the new tax policies have made it difficult for the unregistered sector. As a public limited company, we have always avoided such markets, but now see a possibility of producing home linen and garments for the local market.

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

The management is fully aware of the compliance with code of corporate governance as incorporated in the additional listings regulations of the stock exchanges and necessary steps have been taken for their effective implementations which are as follows:

**PRESENTATION OF FINANCIAL STATEMENTS:**

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

**BOOKS OF ACCOUNTS:**

Proper books of account of the Company have been maintained.

**ACCOUNTING POLICIES:**

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

**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 seven 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                | 7                |
| 2. Dr. Mrs. Naseem Maqsood               | 7                |
| 3. Mr. Ali Maqsood Butt                  | 7                |
| 4. Mr. Faisal Khan                       | 7                |
| 5. Mr. Durray Zara Butt                  | 7                |
| 6. Dr. Aruj Butt                         | 7                |
| 7. Sh..Guulam Mustafa (Resigned)         | 7                |
| 8. Mr. Muhammad Saeed Akhtar (Appointed) | 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. Mr. Muhammad Saeed Akhtar | Chairperson |
| 2. Mr. Maqsood Ahmad Butt    | Member      |
| 3. Mr. Ali Maqsood Butt      | Member      |

**EARNING PER SHARES:**

Earning per share for the period ended 30th June 2019 works out to Rs. 1.26 as compared to Rs. 0.63 per share of the last year.

**AUDITORS:**

The auditors, M/s Qadeer & Company, Chartered Accountants have retired and being eligible, have offered themselves for re-appointment.

The audit committee of the board has recommended to the board their appointment as auditors of the Company for the year 2019-20.

**PATTERN OF SHAREHOLDING:**

Statements showing the Pattern of Shareholding as at 30 June, 2019 required under the Company Act, 2017 and the code of corporate governance are annexed.

**TRADING IN COMPANY'S SHARES:**

The Directors, CEO, traded in the shares of the Company during the year have been disclosed in form 34 attached in this annual report.

**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**

---

(Mr. Maqsood Ahmad Butt FCA)  
(Chairman)

---

(Mr. Faisal Khan)  
(Chief Executive)

Lahore

Dated: October 04, 2019

### 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. جناب محمد سعید اختر چیئر پرسن
2. جناب مقصود احمد بٹ رکن
3. جناب علی مقصود بٹ رکن

### ایک حصہ کمائی:

30 جون 2019 کو ختم ہونے والے سال کیلئے ہر 10 روپے کے حصہ پر Rs. 1.26 آمدنی ہوئی جبکہ 30 جون 2018 کو ختم ہونے والے سال کیلئے ہر حصہ پر آمدنی Rs.0.63 تھی،

### آڈیٹرز:

میسرز قدیر اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائر ہو گئے ہیں اور اہل ہونے کے ساتھ دوبارہ تعیناتی کیلئے اپنے آپ کو پیش کر رہے ہیں۔  
بورڈ کی آڈٹ کمیٹی نے سال 2019-20 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 2019 کو حصہ داران کی تفصیل لف ہیں۔  
کمپنی کے حصہ میں ٹریڈنگ:

سال کے دوران کمپنی کے حصہ میں کاروبار کرنے والے ڈائریکٹرز، سی ای او، کو اس سالانہ رپورٹ میں منسلک فارم 34 میں انکشاف کیا گیا ہے۔

### اعتراف:

کمپنی کی انتظامیہ، ملازمین کی محنت اور لگن سے کام کرنے کیلئے تعریف کے مستحق ہیں ہم اپنے قابل قدر حصہ یافتگان، گاہکوں، سپلائرز اور مالیاتی اداروں کے تعاون، مدد، مسلسل حمایت اور اعتماد کے شکرگزار ہیں۔  
بورڈ کی جانب سے:-

مقصود احمد بٹ ایف۔سی۔اے  
چیئر مین

فیصل خان

چیف ایگزیکٹو

تاریخ: 04 اکتوبر 2019

**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 تعمیل:**

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

**اندرونی کنٹرول کا نظام:**

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

**کمپنی کی مضبوطی:**

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

**کارپوریٹ گورننس کے بہترین طریقے:**

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

**گزشتہ چھ سال کے مالی نتائج:**

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

**قانونی واجبات:**

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

**اہم منصوبے اور فیصلے:**

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

**بورڈ آف ڈائریکٹرز کے اجلاس:**

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

|    |                           |   |
|----|---------------------------|---|
| 1  | جناب مقصود احمد بٹ        | 7 |
| 2. | ڈاکٹر مسز نسیم مقصود      | 7 |
| 3. | جناب علی مقصود بٹ         | 7 |
| 4. | جناب فیصل خان             | 7 |
| 5. | مسز درے زارا بٹ           | 7 |
| 6. | ڈاکٹر عروج بٹ             | 7 |
| 7. | شیخ غلام مصطفیٰ (استغفیٰ) | 7 |
| 8. | محمد سعید اختر (مقرر)     | 1 |

جو ڈائریکٹرز بورڈ کے اجلاس میں شرکت نہیں کر سکتے تھے، ان کی رخصت دی گئی تھی۔

## ڈائریکٹرز رپورٹ

آپ کی کمپنی عروج انڈسٹریز لمیٹڈ کے ڈائریکٹرز کمپنی کے 27 ویں سالانہ عام اجلاس کے سامنے 30 جون 2019 کو ختم ہونے والے سال کے لیے آڈٹ شدہ اکاؤنٹس کے ساتھ ساتھ اپنی رپورٹ پیش کرنا چاہیں گے۔

| سال 30 جون 2018 | سال 30 جون 2019 |                                 |
|-----------------|-----------------|---------------------------------|
| 1,162,366,244   | 1,433,016,290   | سیلز                            |
| 109,278,921     | 114,289,776     | کل منافع                        |
| 11,278,442      | 15,057,026      | منافع / (نقصان) ٹیکسیشن سے پہلے |
| 4,708,156       | 1,932,098       | ٹیکسیشن                         |
| 6,570,286       | 13,124,928      | منافع / (نقصان) ٹیکسیشن سے بعد  |
| 0.63            | 1.26            | فی شیئر آمدنی                   |

نمایاں خصوصیات:

پچھلے مالی سال کے دوران کچھ ایڈجسٹمنٹ کے بعد، آپ کی کمپنی اپنی فروخت کے اعداد و شمار کو 23.28 فیصد کامیابی کے ساتھ بڑھا کر Rs. 1.433 بلین تک لے گئی ہے۔

آپ کی کمپنی کو یقین ہے کہ ہم نے اچھے وقت پر برآمدات کو آگے بڑھانا شروع کیا ہے۔ اگرچہ پاکستانی روپے کی قدر میں کمی نے واقعاً کاروبار کرنے کی قیمت پر نصوصاً اور کنگ کیپیٹل پر بہت زیادہ دباؤ ڈالا ہے، لیکن ہم نہ صرف موجودہ گاہکوں میں حجم بڑھانے میں کامیاب رہے ہیں، بلکہ اپنے گاہکوں کو مزید متنوع بنایا ہے۔ ہم سمجھتے ہیں کمپنی کی سیل پراس کا اثر موجودہ مالی سال کے تیسری سہ ماہی سے مکمل طور پر نظر آئے گا۔

تاہم ہمارا کاروبار، موجودہ مارکیٹ کی صورتحال سے محفوظ نہیں رہا ہے۔ اگرچہ ہم اس شعبے میں مستقل اضافہ دیکھتے ہیں، کیوں کہ ہم برآمدی یونٹ کو خدمات فراہم کر رہے ہیں، لیکن ہم تھوڑے سے مضطرب ہیں کیونکہ افراط زر اور حکومتی پالیسیوں نے کیش فلو پر تنگی پیدا کر دی ہے۔ ہمیں امید ہے کہ رواں مالی سال کی سہ ماہی میں یہ حالات بہتر ہونا شروع ہو جائیں گے اس لیے ہم اپنے اندازوں میں قدرے قدامت پسند ہیں۔

جیسا کہ کہا جاتا ہے، ہر کاوٹ کے ساتھ ایک موقع آتا ہے۔ آپ کی کمپنی کو مقامی مارکیٹ میں ایک خلا نظر آ رہا ہے جہاں ٹیکس کی نئی پالیسیوں نے غیر رجسٹرڈ شعبے کے چلنے کو مشکل بنا دیا ہے۔ ایک پبلک لمیٹڈ کمپنی کی حیثیت سے، ہم نے ہمیشہ ایسی منڈیوں سے گریز کیا ہے، لیکن اب مقامی مارکیٹ کے لئے گھریلو کیڑے اور گارمنٹ تیار کرنے کا امکان نظر آتا ہے۔

### Corporate and Financial فریم ورک پر تعمیل کا بیان:

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

## KEY OPERATING &amp; FINANCIAL DATA FROM 2014 TO 2019

|                          | 2014        | 2015        | 2016          | 2017          | 2018          | 2019          |
|--------------------------|-------------|-------------|---------------|---------------|---------------|---------------|
| Net Sales Revenue        | 545,923,658 | 90,5884,377 | 1,251,872,885 | 1,380,753,165 | 1,162,366,244 | 1,433,016,290 |
| Cost of Goods Sold       | 469,198,144 | 787,975,189 | 1,111,629,891 | 1,221,130,325 | 1,053,087,323 | 1,318,726,514 |
| Gross Profit             | 76,725,514  | 117,909,188 | 140,242,994   | 159,622,840   | 109,278,921   | 114,289,776   |
| Operating Profit/ (Loss) | 47,686,824  | 66,897,424  | 76,425,274    | 67,811,308    | 46,260,375    | 55,818,562    |
| Profit (Loss) Before Tax | 29,187,091  | 42,956,399  | 54,820,016    | 44,465,114    | 11,278,442    | 15,057,026    |
| Profit (Loss) After Tax  | 30,290,005  | 31,831,989  | 41,668,897    | 31,462,159    | 6,570,286     | 13,124,928    |
| Paid up Capital          | 61,517,000  | 104,578,900 | 104,578,900   | 104,578,900   | 104,578,900   | 104,578,900   |
| Current Assets           | 311,992,951 | 472,181,494 | 558,523,178   | 717,764,147   | 777,259,385   | 862,540,980   |
| Current Liabilities      | 244,981,131 | 371,623,045 | 426,037,663   | 648,855,757   | 755,144,995   | 846,444,129   |

## STATEMENT OF COMPLIANCE WITH THE LISTED COMPANIES (Code of Corporate Governance ) Regulations, 2017

The Company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are 7 as per the following:
  - a. MALE : 04
  - b. FEMALE : 03

2. The composition of board is as follow:

| Category                | Names   |
|-------------------------|---|
| Independent Director    | o Mr. Muhammad Saeed Akhtar   |
| Executive Directors     | o Mr. Faisal Khan<br>o Mrs. Durray Zara Butt<br>o Mr. Ali Maqsood Butt                  |
| Non Executive Directors | o Mr. Maqsood Ahmad Butt -Chairman<br>o Dr. Mrs. Naseem Maqsood Butt<br>o Dr. Aruj Butt |

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. In terms of regulation 20 of the 2017 code, the companies are required to ensure that all the directors on their board have acquired the prescribed certification under Director Training Program by June 30, 2021. Majority of the directors are exempted under exemption criteria of 14 years of education and 15 year of experience on the board of listed Company.
10. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with the relevant requirements of the Regulations.
11. Chief Financial Officer (**CFO**) and Chief Executive Officer (**CEO**) duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
  - a) **Audit Committee**
    1. Mr. Muhammad Saeed Akhtar – Chairman/ member
    2. Mr. Maqsood Ahmed Butt – member
    3. Mr. Ali Maqsood Butt – member
  - b) **HR and Remuneration Committee**
    1. Mr. Muhammad Saeed Akhtar – Chairman/ member
    2. Dr. Mrs. Naseem Maqsood Butt – member
    3. Dr. Aruj Butt – member

13. The terms of references of the aforesaid committee have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committees were as per following:
  - a) Audit Committee (5)
  - b) HR and Remuneration Committee (1)
15. The Board has set up an effective internal audit function supervised by a qualified Accountant, who is being assisted by in house executives to carry out the Internal Control functions. The Head of Internal Audit is suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the ICAP and registered with Audit Oversight Board 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 ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirements the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.

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(Mr. Maqsood Ahmad Butt )  
(Chairman)  
Lahore  
Dated: October 04, 2019

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(Mr. Faisal Khan)  
(Chief Executive)  
Lahore  
Dated: October 04 , 2019

## Independent Auditor's Review Report to the Members Of ARUJ INDUSTRIES LIMITED

### Review Report On The Statement Of Compliance Contained In Listed Company (code Of Corporate Governance) Regulations,

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Aruj Industries Limited (the Company) for the year ended June 30, 2019 in accordance with the requirements of regulation 40 of the Regulations

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

As a part of our audit of the 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 Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2019.

**Name of the engagement partner:  
Nawaz Khan, FCA**

**Lahore,  
Dated: October 04, 2019**

**Qadeer and Company,  
Chartered Accountants**



## INDEPENDENT AUDITOR'S REPORT

To the members of Aruj Industries Limited

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the annexed financial statements of Aruj Industries Limited (the Company), which comprise the statement of financial position as at June 30, 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, 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 the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), 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, 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters;

| Sr. No. | Key Audit Matters  | How the matters were addressed in our audit  |
|---------|--|--|
| (0)     | <p><b>Revenue</b></p> <p>Refer to notes 4.15 and 25 to the financial statements</p> <p>The Company is engaged in the manufacturing and sale of Fusible Interlining and Dying / Bleaching / Stitching / processing of Fabrics both within and outside Pakistan.</p> <p>The Company recognized revenue from the sales amounting Rs. 1,433,016,290/- for the year ended June 30, 2019 representing an increase of 23.28%.</p> | <p>Our audit procedures to assess the recognition and completion of revenue included the followings;</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the process relating to recognition of revenue and assessing the design, implementation and operating effectiveness of key internal controls over recording revenue.</li> <li>• Comparing a sample of revenue transactions recorded during the year with sales orders, sales and commercial invoices, delivery orders, bill of landing and other relevant underlying documents.</li> </ul> |

|  |  |  |
|--|--|--|
|  | <p>We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicator of the Company and gives rise to an inherent risk that revenue could be subject to misstatement to meet expectations or targets. Furthermore, the first time application of IFRS 15, creates the risk of non-compliance with the applicable financial and reporting standards; and could results in under or overstatement of revenue.</p> | <ul style="list-style-type: none"> <li>• Comparing a sample of revenue transactions recorded around the year end with the sales orders, sales invoices, sales and commercial invoices, delivery orders, bill of landing and other relevant underlying documentation to assess if the related revenue was recorded in the appropriate accounting period.</li> <li>• Comparing the details of the sample of the journal entries posted to the revenue accounts during the year which met certain specific risk based criteria, with the relevant underlying documentation.</li> <li>• Using cutoff source documents, trace cutoff data recorded before and after the physical inventory count date at the year end into the accounting records to determine if proper cutoff was obtained and recorded revenue comply with the requirements of IFRS 15.</li> </ul> |
|--|--|--|

**Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we concluded that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Board of directors are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)

The engagement partner on the audit resulting in this independent auditor's report is **Nawaz Khan, FCA**.

Lahore,  
Dated: October 04, 2019

**Qadeer and Company,**  
Chartered Accountants

## STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2019

|   | NOTE | 2019                 | 2018          |
|---|------|----------------------|---------------|
| Rupees  |      |                      |               |
| <b>EQUITY AND LIABILITIES</b>   |      |                      |               |
| <b>Share capital and reserves</b>   |      |                      |               |
| Authorized share capital: 12,500,000 (2018: 12,500,000)<br>ordinary shares of Rs. 10/- each |      |                      |               |
|   |      | <b>125,000,000</b>   | 125,000,000   |
| Issued, subscribed and paid up share capital  | 5    | <b>104,578,900</b>   | 104,578,900   |
| Capital reserve   |      | <b>100,000,000</b>   | 100,000,000   |
| Directors' Loan   | 6    | <b>87,868,538</b>    | 83,523,538    |
| Unappropriated profit   |      | <b>88,547,611</b>    | 74,807,554    |
|   |      | <b>380,995,049</b>   | 362,909,992   |
| <b>Non-current liabilities</b>  |      |                      |               |
| Liabilities against assets subject to finance lease   | 7    | <b>19,806,082</b>    | 29,777,120    |
| Deferred liabilities  | 8    | <b>49,525,182</b>    | 43,435,337    |
|   |      | <b>69,331,264</b>    | 73,212,457    |
| <b>Current liabilities</b>  |      |                      |               |
| Trade and other payables  | 9    | <b>407,381,371</b>   | 331,590,322   |
| Unclaimed dividend  |      | <b>2,290,218</b>     | 2,290,218     |
| Markup accrued on loans and other payables  | 10   | <b>8,956,522</b>     | 4,142,499     |
| Short term borrowings   | 11   | <b>419,375,247</b>   | 406,017,881   |
| Current portion of long term borrowings   | 12   | <b>32,101,632</b>    | 26,607,424    |
| Provision for taxation  | 13   | <b>8,440,771</b>     | 11,104,075    |
|   |      | <b>878,545,761</b>   | 781,752,419   |
| <b>Contingencies and commitments</b>  |      |                      |               |
|   | 14   | -                    | -             |
| <b>Total equity and liabilities</b>   |      | <b>1,328,872,074</b> | 1,217,874,868 |
| <b>ASSETS</b>   |      |                      |               |
| <b>Non-current assets</b>   |      |                      |               |
| Property, plant and equipment   | 15   | <b>431,855,040</b>   | 380,709,097   |
| Capital work in process   | 16   | <b>25,213,388</b>    | 52,832,815    |
|   |      | <b>457,068,428</b>   | 433,541,912   |
| Long term deposits  | 17   | <b>9,262,666</b>     | 7,073,571     |
|   |      | <b>466,331,094</b>   | 440,615,483   |
| <b>Current assets</b>   |      |                      |               |
| Stores, spare parts and loose tools   | 18   | <b>13,296,746</b>    | 10,031,453    |
| Stock in trade  | 19   | <b>259,949,572</b>   | 366,059,808   |
| Trade debts   | 20   | <b>424,327,185</b>   | 228,227,368   |
| Loans and advances  | 21   | <b>104,848,384</b>   | 113,240,465   |
| Trade deposits and short term prepayments   | 22   | <b>450,446</b>       | 1,587,610     |
| Tax refunds due from the Government   | 23   | <b>49,721,041</b>    | 40,137,986    |
| Cash and bank balances  | 24   | <b>9,947,606</b>     | 17,974,695    |
|   |      | <b>862,540,980</b>   | 777,259,385   |
| <b>Total assets</b>   |      | <b>1,328,872,074</b> | 1,217,874,868 |

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

**FAISAL KHAN**  
CHIEF EXECUTIVE

**ALI MAQSOOD BUTT**  
DIRECTOR

**MRS. DURRAY ZARA BUTT**  
CHIEF FINANCIAL OFFICER

## STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED JUNE 30, 2019

|   | NOTE | 2019                 | 2018          |
|---|------|----------------------|---------------|
|   |      | Rupees               |               |
| Sales-net                                     | 25   | <b>1,433,016,290</b> | 1,162,366,244 |
| Less: Cost of sales                           | 26   | <b>1,318,726,514</b> | 1,053,087,323 |
| <b>Gross Profit</b>                           |      | <b>114,289,776</b>   | 109,278,921   |
| Less: Selling and Distribution cost           | 27   | <b>19,451,908</b>    | 21,145,811    |
| Less: Administrative expenses                 | 28   | <b>39,019,306</b>    | 41,872,735    |
| <b>Operating Profit</b>                       |      | <b>55,818,562</b>    | 46,260,375    |
| Less: Finance cost                            | 29   | <b>44,656,403</b>    | 34,146,044    |
| Less: Other expenses                          | 30   | <b>1,115,934</b>     | 835,889       |
|   |      | <b>10,046,225</b>    | 11,278,442    |
| Add: Other Income                             | 31   | <b>5,010,801</b>     | -             |
| <b>Profit before taxation</b>                 |      | <b>15,057,026</b>    | 11,278,442    |
| Taxation                                      | 32   | <b>1,932,098</b>     | 4,708,156     |
| <b>Profit for the year</b>                    |      | <b>13,124,928</b>    | 6,570,286     |
| <b>Earnings per share - basic and diluted</b> | 33   | <b>1.26</b>          | 0.63          |

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

**FAISAL KHAN**  
CHIEF EXECUTIVE

**ALI MAQSOOD BUTT**  
DIRECTOR

**MRS. DURRAY ZARA BUTT**  
CHIEF FINANCIAL OFFICER

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED JUNE 30, 2019

|  | NOTE | 2019                     | 2018             |
|--|------|--------------------------|------------------|
|  |      | Rupees                   |                  |
| Profit for the year  |      | <b>13,124,928</b>        | 6,570,286        |
| <b>Other comprehensive (loss) /Income</b>                            |      |                          |                  |
| Items that will not be subsequently reclassified to profit and loss: |      |                          |                  |
| Remeasurement of staff retirement benefit                            |      | <b>615,129</b>           | 536,400          |
| <b>Total comprehensive income for the year</b>                       |      | <b><u>13,740,057</u></b> | <u>7,106,686</u> |

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

**FAISAL KHAN**  
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**ALI MAQSOOD BUTT**  
DIRECTOR

**MRS. DURRAY ZARA BUTT**  
CHIEF FINANCIAL OFFICER

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2019

| NOTE  | 2019                | 2018                |
|---|---------------------|---------------------|
|   | Rupees              |                     |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                     |                     |
| Profit before taxation  | 15,057,026          | 11,278,442          |
| Adjustment for:   |                     |                     |
| Depreciation  | 35,840,413          | 31,926,958          |
| Financial Charges   | 44,656,403          | 34,146,044          |
| Gain on Disposal  | (5,010,801)         | -                   |
| Provision for gratuity  | 8,151,627           | 6,799,330           |
| Worker's welfare fund   | 307,286             | 230,172             |
| Worker's profit participation fund                            | 808,648             | 605,717             |
|   | <b>84,753,576</b>   | <b>73,708,221</b>   |
| <b>Profit before working capital changes</b>                  | <b>99,810,602</b>   | <b>84,986,663</b>   |
| (Increase)/decrease in current assets:                        |                     |                     |
| Stores, spare parts and loose tools                           | (3,265,293)         | (6,393,594)         |
| Stock in trade  | 106,110,236         | (93,330,958)        |
| Trade debts   | (196,099,817)       | (47,895,997)        |
| Loans and advances  | 11,310,384          | 3,182,468           |
| Trade deposits and short term prepayments                     | 1,137,164           | (538,791)           |
| Tax refunds due from the Government                           | (9,583,055)         | 100,006,121         |
| Increase/(decrease) in current liabilities:                   |                     |                     |
| Trade and other payables                                      | 76,754,059          | 20,261,357          |
|   | <b>(13,636,322)</b> | <b>(24,709,394)</b> |
| <b>Cash generated from operations</b>                         | <b>86,174,280</b>   | <b>60,277,269</b>   |
| Financial charges paid  | (39,842,380)        | (31,251,686)        |
| Staff retirement benefits paid                                | -                   | (61,000)            |
| Workers' profit participation fund paid                       | (2,078,944)         | (2,388,030)         |
| Taxes paid  | (8,960,358)         | (12,221,189)        |
| Net cash inflow from operating activities                     | <b>35,292,598</b>   | <b>14,355,364</b>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                     |                     |
| Long-term security deposits                                   | (2,189,095)         | (2,353,079)         |
| Fixed capital expenditure                                     | (71,119,465)        | (15,235,334)        |
| Capital work in progress                                      | 27,619,427          | (72,169,877)        |
| Disposal proceeds   | 15,183,000          | -                   |
| Net cash used in investing activities                         | <b>(30,506,133)</b> | <b>(89,758,290)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                     |                     |
| Proceeds / (Repayment) from directors' loans - Net            | 4,345,000           | 34,530,120          |
| Proceeds / (Repayment) from Lease Finance - Net               | (30,515,920)        | (26,702,914)        |
| Proceeds / (Repayment) from short term borrowings - Net       | 13,357,366          | 90,260,755          |
| Dividend paid   | -                   | (12,275,500)        |
| Net cash used in financing activities                         | <b>(12,813,554)</b> | <b>85,812,461</b>   |
| Net (decrease) / increase in cash and cash equivalents        | <b>(8,027,089)</b>  | <b>10,409,535</b>   |
| <b>Cash and cash equivalents at the beginning of the year</b> | <b>17,974,695</b>   | <b>7,565,160</b>    |
| <b>Cash and cash equivalents at the end of the year</b>       | <b>9,947,606</b>    | <b>17,974,695</b>   |

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

**FAISAL KHAN**  
CHIEF EXECUTIVE

**ALI MAQSOOD BUTT**  
DIRECTOR

**MRS. DURRAY ZARA BUTT**  
CHIEF FINANCIAL OFFICER

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2019

|  | SHARE CAPITAL      | CAPITAL RESERVE    | DIRECTORS' LOAN   | UNAPPROPRIATED PROFIT | TOTAL              |
|--|--------------------|--------------------|-------------------|-----------------------|--------------------|
|  | (RUPEES)           |                    |                   |                       |                    |
| <b>BALANCE AS AT JULY 01, 2017</b>                                   | 104,578,900        | 100,000,000        | 48,993,418        | 80,354,915            | 333,927,233        |
| Profit for the year  | -                  | -                  | -                 | 6,570,286             | 6,570,286          |
| Loan From Directors  | -                  | -                  | 34,530,120        | -                     | 34,530,120         |
| Final dividend for the year ended June 30, 2017 @ Rs. 1.21 per share | -                  | -                  | -                 | (12,654,047)          | (12,654,047)       |
| Other comprehensive income / (loss)                                  | -                  | -                  | -                 | 536,400               | 536,400            |
| <b>Total comprehensive income for the year:</b>                      | -                  | -                  | 34,530,120        | (5,547,361)           | 28,982,759         |
| <b>BALANCE AS AT JUNE 30, 2018</b>                                   | <b>104,578,900</b> | <b>100,000,000</b> | <b>83,523,538</b> | <b>74,807,554</b>     | <b>362,909,992</b> |
| Loan from directors  | -                  | -                  | 4,345,000         | -                     | 4,345,000          |
| <b>Transaction with owners</b>                                       | -                  | -                  | <b>4,345,000</b>  | -                     | <b>4,345,000</b>   |
| Profit for the year  | -                  | -                  | -                 | 13,124,928            | 13,124,928         |
| Other comprehensive income / (loss)                                  | -                  | -                  | -                 | 615,129               | 615,129            |
| <b>Total comprehensive income for the year:</b>                      | -                  | -                  | -                 | <b>13,740,057</b>     | <b>13,740,057</b>  |
| <b>BALANCE AS AT JUNE 30, 2019</b>                                   | <b>104,578,900</b> | <b>100,000,000</b> | <b>87,868,538</b> | <b>88,547,611</b>     | <b>380,995,049</b> |

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

**1 LEGAL STATUS AND OPERATIONS**

Aruj Industries Limited ("the Company") was incorporated in Pakistan on December 31, 1992 under the Companies Ordinance, 1984 (now the Companies Act 2017), as a Public Company, limited by shares which are quoted on Pakistan Stock Exchange Limited. The company is principally engaged in manufacturing of Fusible Interlining and Dying / Bleaching / Sticking of Fabric. The Company commenced its commercial operations on May 15, 1995. The registered office and factory of the Company is situated at 2-KM, Off Raiwind Manga Road, Raiwind, Lahore.

**2 STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act 2017 and provisions of and directives issued under the Companies Act 2017. Where provisions of and directives issued under the Companies Act 2017 differ from the IFRS Standards, the provisions of and directives issued under the Companies Act 2017 have been followed.

**2.01 New standards, amendments to approved accounting and reporting standards and new interpretations****2.02 Standards and amendments to approved accounting and reporting standards which became effective during the year ended June 30, 2019**

|   |          |
|---|----------|
| Share-based Payment (Amendments); Clarification on the classification and measurement of share-based payment transactions.  | IFRS 2   |
| Insurance contracts (Amendments); the interaction of IFRS 4 and IFRS 9.   | IFRS 4   |
| Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment - by investment choice.                                     | IAS 28   |
| Investment property (Amendments); Amendments on transfers of property to or from investment property.   | IAS 40   |
| Revenue from Contracts with Customers; This standard superseded IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31.   | IFRS 15  |
| Foreign Currency Transactions and Advance Consideration; Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. | IFRIC 22 |

The adoption of the above amendments to accounting standards did not have any significant impact on the financial statements, except some additional disclosures as significant one is mentioned in note 4.15

**2.03 Standards, amendments and interpretation to existing standards that are not yet effective and have not been early adopted by the Company as at June 30, 2019.**

|  | Effective / Adoption date<br>(annual reporting periods<br>beginning on or after) |
|--|--|
| <b>IAS 19</b> Employee benefits (Amendments)   | 1-Jan-19   |
| <b>IAS 28</b> Investment in Associates and Joint Ventures (Amendments)   | 1-Jan-19   |
| <b>IFRS 9</b> Financial Instruments  | 1-Jul-19   |
| <b>IFRS 16</b> Leases  | 1-Jan-19   |
| <b>IFRIC 23</b> Uncertainty Over Income Tax  | 1-Jan-19   |
| <b>IFRS 3</b> Business Combinations (Amendments); Amendments regarding previously held Interests in a joint operation.                           | 1-Jan-19   |
| <b>IFRS 3</b> Business Combinations (Amendments); Clarify the definition of business.  | 1-Jan-20   |
| <b>IFRS 11</b> Joint Arrangements (Amendments); Re-measurement of previously held Interests in a joint operation                                 | 1-Jan-19   |
| <b>IAS 12</b> Income Taxes (Amendments); Amendments regarding income tax consequences of payments on financial instruments classified as equity. | 1-Jan-19   |
| <b>IAS 23</b> Borrowing Costs (Amendments); Borrowing costs eligible for capitalisation  | 1-Jan-19   |

|              |  |          |
|--------------|--|----------|
| <b>IAS 1</b> | Presentation of Financial Statements (Amendments); Amendments regarding the definition of concept of material                            | I-Jan-20 |
| <b>IAS 8</b> | Accounting Policies, Changes in Accounting Estimates and Errors (Amendments); Amendments regarding the definition of concept of material | I-Jan-20 |

It is anticipated that the adoption of the above standards, amendments and interpretations in future periods, will have no material impact on the financial statements other than the impact on presentation/disclosures.

Further, the following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which are yet to be notified by the Securities and Exchange Commission of Pakistan (SECP), for the purpose of their applicability in Pakistan:

|                 |  |
|-----------------|--|
| <b>IFRS 1</b>   | First-time Adoption of International Financial Reporting Standards |
| <b>IFRS 14</b>  | Regulatory Deferral Accounts                                       |
| <b>IFRS 17</b>  | Insurance Contracts  |
| <b>IFRIC 4</b>  | Determining whether an arrangement contains lease                  |
| <b>IFRIC 12</b> | Service concession arrangements                                    |

### 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, 2019. The principal actuarial assumptions used for the purpose of the valuation were as follows:

|   | 2019     | 2018     |
|---|----------|----------|
| Discount rate                                   | 12.50%   | 9.00%    |
| Expected rate of salary increase                | 11.50%   | 8.00%    |
| Average remaining working life time of employee | 11 Years | 11 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.

**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 statement of profit or loss in the year the asset is de-recognized.

#### **4.12 Accounting for finance lease**

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

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

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

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

#### **4.13 Stores, spares and loose tools**

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

#### **4.14 Stock-in-trade**

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

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

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

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

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

#### **4.15 Revenue recognition**

During the year, the Company has adopted IFRS 15 "Revenue From Contracts with Customers" which provides a unified five-step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognize revenue as performance obligations are satisfied rather than based on the transfer of risk and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue.

The management has concluded that revenue from local sale of goods be recognised at the point in time when control of goods is transferred to the customer, which is when the goods are dispatched to the customer and invoices are generated.

Export sales are recorded at the time of receipt of bill of lading.

Export rebate and Duty Drawbacks are accrued on the basis of actual export proceeds realized.

#### **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 except otherwise stated.

#### **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 accounting and reporting 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
- Taxation
- Provision for doubtful receivables and advances
- Provision for inventory obsolescence
- Provisions and contingencies
- Impairment of financial and non-financial assets

#### **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 | 2019               | 2018        |
|---|------|--------------------|-------------|
| <b>5 ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL</b>   |      |                    |             |
|   |      | <b>Rupees</b>      |             |
| 7,058,190 (2018: 7,058,190) ordinary shares of Rs. 10/- each fully paid in cash                       |      | <b>70,581,900</b>  | 70,581,900  |
| 3,399,700 (2018: 3,399,700) ordinary shares of Rs. 10/- each issued for consideration other than cash | 5.1  | <b>33,997,000</b>  | 33,997,000  |
|   |      | <b>104,578,900</b> | 104,578,900 |

5.1 These include shares issued against acquisition of assets.

5.2 All ordinary share holders have same rights regarding voting, board selection, right of first refusal and block voting.

## 6 DIRECTORS' LOAN

|  |     |                   |            |
|--|-----|-------------------|------------|
| <b>Loan from directors - unsecured</b> | 6.2 | <b>87,868,538</b> | 83,523,538 |
|--|-----|-------------------|------------|

**6.1** 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 with earlier application permitted.

**6.2** 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. This loan is for the purpose of capital expenditure or otherwise as the Board deem fit.

Directors include Mr. Maqsood Ahmed butt (15.9 % shareholding) and Mr. Ali Maqsood butt (22.08 % shareholding).

|  | NOTE | 2019              | 2018       |
|--|------|-------------------|------------|
| <b>7 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b> |      |                   |            |
| The amount of lease rentals payable during:                  |      | <b>Rupees</b>     |            |
| 2018-2019  |      | -                 | 31,052,950 |
| 2019-2020  |      | <b>37,286,236</b> | 22,665,751 |
| 2020-2021  |      | <b>19,610,507</b> | 8,675,882  |
| 2021-2022  |      | <b>2,942,223</b>  | 1,112,535  |
|  |      | <b>59,838,966</b> | 63,507,118 |
| Less : Future finance charge                                 |      | <b>7,931,252</b>  | 7,122,574  |
| <b>Present value of minimum lease payments</b>               |      | <b>51,907,714</b> | 56,384,544 |
| Less: Current portion shown under current liabilities        | 12   | <b>32,101,632</b> | 26,607,424 |
| <b>Liabilities against assets subject to finance lease</b>   |      | <b>19,806,082</b> | 29,777,120 |

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

#### Gross minimum lease payments

|   |                   |            |
|---|-------------------|------------|
| Due not later than one year                           | <b>37,286,236</b> | 31,052,950 |
| Due later than one year but not later than five years | <b>22,552,730</b> | 32,454,168 |
|   | <b>59,838,966</b> | 63,507,118 |

#### Present value of minimum lease payments

|   |                   |            |
|---|-------------------|------------|
| Due not later than one year                           | <b>32,101,632</b> | 26,607,424 |
| Due later than one year but not later than five years | <b>19,806,082</b> | 29,777,121 |
|   | <b>51,907,714</b> | 56,384,544 |

#### Add: Future finance charge

|   |                   |            |
|---|-------------------|------------|
| Due not later than one year                           | <b>5,266,423</b>  | 4,072,513  |
| Due later than one year but not later than five years | <b>2,664,829</b>  | 3,050,061  |
|   | <b>59,838,966</b> | 63,507,118 |

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 6 months KIBOR + 2.75% to 6 months KIBOR + 3.50% (2018: 8.06% to 13.69 %) per annum to arrive at their present value.

In the above leases, purchase option is available to the company.

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

## 8 DEFERRED LIABILITIES

|                               |      |                   |            |
|-------------------------------|------|-------------------|------------|
| Deferred tax - net            | 8.01 | <b>18,404,823</b> | 19,851,476 |
| Employees retirement benefits | 8.04 | <b>31,120,359</b> | 23,583,861 |
|                               |      | <b>49,525,182</b> | 43,435,337 |

|   | NOTE | 2019               | 2018        |
|---|------|--------------------|-------------|
| Rupees  |      |                    |             |
| <b>8.01 DEFERRED TAX - NET</b>  |      |                    |             |
| Taxable temporary differences / (deductible temporary differences) arising in respect of: |      |                    |             |
| Accelerated depreciation  |      | <b>16,655,312</b>  | 18,815,229  |
| Employees retirement benefits   |      | <b>(4,036,175)</b> | (2,760,388) |
| Finance lease and others  |      | <b>5,785,686</b>   | 3,796,635   |
|   |      | <b>18,404,823</b>  | 19,851,476  |

**8.02 The movement In temporary differences are as follows :**

|                               | RUPEES                         |                                |                                |                                |                                |
|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                               | Balance as at<br>July 01, 2017 | Recognized in<br>profit & loss | Balance as at<br>June 30, 2018 | Recognized in<br>profit & loss | Balance as at<br>June 30, 2019 |
| <b>Deferred tax Debits:</b>   |                                |                                |                                |                                |                                |
| Employees retirement benefits | (2,001,742)                    | (758,646)                      | (2,760,388)                    | (1,275,787)                    | (4,036,174)                    |
|                               | <b>(2,001,742)</b>             | <b>(758,646)</b>               | <b>(2,760,388)</b>             | <b>(1,275,787)</b>             | <b>(4,036,174)</b>             |
| <b>Deferred tax Credits:</b>  |                                |                                |                                |                                |                                |
| Accelerated depreciation      | 15,494,938                     | 3,320,291                      | 18,815,229                     | (2,159,917)                    | 16,655,312                     |
| Finance lease and Others      | 3,802,722                      | (6,087)                        | 3,796,635                      | 1,989,051                      | 5,785,686                      |
|                               | <b>17,295,918</b>              | <b>2,555,558</b>               | <b>19,851,476</b>              | <b>(1,446,653)</b>             | <b>18,404,823</b>              |

**8.03** Deferred tax asset on minimum tax and carry forward of tax losses for the year amounting to Rupees 25.61 million has not been recognized due to uncertainty of adjustments with the available of high future taxable profits to such extent.

**8.04 EMPLOYEES RETIREMENT BENEFITS****Balance sheet liability**

|   |      |                   |            |
|---|------|-------------------|------------|
| Present value of defined benefit obligation | 8.04 | <b>29,923,503</b> | 22,387,005 |
| Benefits payable as at end of the year      |      | <b>1,196,856</b>  | 1,196,856  |
|   |      | <b>31,120,359</b> | 23,583,861 |

**8.04 Reconciliation of present value of defined benefit obligations (PVODBO)**

|   |      |                    |             |
|---|------|--------------------|-------------|
| PVODBO as at beginning of the year            |      | <b>22,387,005</b>  | 16,185,075  |
| Benefits payable as at start of the year      |      | <b>1,196,856</b>   | 1,196,856   |
| Amount recognized during the year             | 8.05 | <b>8,151,627</b>   | 6,799,330   |
|   |      | <b>31,735,488</b>  | 24,181,261  |
| Benefits paid during the year                 |      | -                  | (61,000)    |
| Benefits payable as at end of the year        |      | <b>(1,196,856)</b> | (1,196,856) |
| Actuarial loss/(gain) arising during the year |      | <b>(615,129)</b>   | (536,400)   |
| PVODBO as at end of the year                  |      | <b>29,923,503</b>  | 22,387,005  |

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

|               |  |                  |           |
|---------------|--|------------------|-----------|
| Service cost  |  | <b>6,136,797</b> | 5,547,350 |
| Interest cost |  | <b>2,014,830</b> | 1,251,980 |
|               |  | <b>8,151,627</b> | 6,799,330 |

**8.06 Historical information for gratuity:**

|  | 2019   | 2018   | 2017   | 2016  | 2015  |
|--|--------|--------|--------|-------|-------|
| Rupees in thousands                            |        |        |        |       |       |
| Present value of defined benefit obligation    | 29,924 | 22,387 | 16,185 | 9,660 | 6,018 |
| Experience adjustment arising plan liabilities | (615)  | (536)  | 459    | 288   | 397   |

**8.07 Sensitivity Analysis as at June 30, 2019:**

|       | Discount Rate + 1% | Discount Rate - 1% | Salary Increase + 1% | Salary Increase - 1% |
|-------|--------------------|--------------------|----------------------|----------------------|
| PVDBO | 26,835,939         | 33,672,890         | 33,672,890           | 26,785,269           |

|           |   |                          | 2019               | 2018               |             |
|-----------|---|--------------------------|--------------------|--------------------|-------------|
|           |   |                          | Rupees             |                    |             |
| <b>9</b>  | <b>TRADE AND OTHER PAYABLES</b>                   |                          |                    |                    |             |
|           | Creditors   |                          | <b>375,272,450</b> | 286,540,790        |             |
|           | Accrued expenses                                  |                          | <b>14,257,874</b>  | 14,231,274         |             |
|           | Advances from customers - Unsecured               |                          | <b>10,979,132</b>  | 23,201,742         |             |
|           | Other payables                                    |                          | <b>2,722,418</b>   | 2,723,948          |             |
|           | Workers' welfare fund                             |                          | <b>3,440,346</b>   | 3,133,060          |             |
|           | Workers' profit participation fund                | 9.01                     | <b>709,151</b>     | 1,759,508          |             |
|           |   |                          | <b>407,381,371</b> | 331,590,322        |             |
|           | <b>9.01 WORKERS' PROFIT PARTICIPATION FUND</b>    |                          |                    |                    |             |
|           | Opening Balance                                   |                          | <b>1,759,508</b>   | 3,148,285          |             |
|           | Allocation for the year                           |                          | <b>808,648</b>     | 605,717            |             |
|           |   |                          | <b>2,568,156</b>   | 3,754,002          |             |
|           | Interest on funds utilized                        | 29                       | <b>219,939</b>     | 393,536            |             |
|           |   |                          | <b>2,788,095</b>   | 4,147,538          |             |
|           | Less: Paid during the year                        |                          | <b>(2,078,944)</b> | (2,388,030)        |             |
|           |   |                          | <b>709,151</b>     | 1,759,508          |             |
| <b>10</b> | <b>MARKUP ACCRUED ON LOANS AND OTHER PAYABLES</b> |                          |                    |                    |             |
|           | Accrued markup                                    |                          | <b>8,956,522</b>   | 4,142,499          |             |
|           |   |                          | <b>2019</b>        | 2018               |             |
| <b>11</b> | <b>SHORT TERM BORROWINGS</b>                      |                          |                    |                    |             |
|           |   | <b>Limit</b>             |                    |                    |             |
|           |   | <b>Rupees in Million</b> |                    |                    |             |
|           | <b>From banking companies-secured</b>             |                          |                    |                    |             |
|           | Standard Chartered Bank (Pakistan) Limited        | 372.5                    | 11.01              | <b>211,237,185</b> | 196,924,422 |
|           | Habib Bank Limited                                | 100                      | 11.02              | <b>97,700,000</b>  | 99,312,000  |
|           | The Bank of Punjab                                | 150                      | 11.03              | <b>100,000,000</b> | 100,000,000 |
|           | <b>Banking Overdrafts</b>                         |                          | 11.04              |                    |             |
|           | Habib Bank Limited                                |                          |                    | <b>2,864,149</b>   | -           |
|           | The Bank of Punjab                                |                          |                    | -                  | 5,218,659   |
|           | J.S Bank Limited                                  |                          |                    | <b>6,396,185</b>   | 245,881     |
|           | Bank Alfalah Limited                              |                          |                    | -                  | 4,316,919   |
|           | Meezan Bank                                       |                          |                    | <b>1,177,728</b>   | -           |
|           |   |                          |                    | <b>419,375,247</b> | 406,017,881 |

**11.01** This includes Running Finance Facility, Pre shipment financing under export orders, Import LCs (including its sublimits of Loans against trust receipts, Acceptance against LCs, Import LCs, Shipping Guarantees and Import Loan), Bonds and Guarantees (22.5 million), Credit Bills Negotiated. Its carries markup @ 3 months kibar + 2.5% to 2.75% and SBP + 1%.

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.350.6 Million.
- Personal guarantees worth Rs. 372.5 Million from Directors of the Company named as follows: Maqsood Ahmed Butt, Ali Maqsood Butt & Naseem Maqsood.



- PP over all present and future fixed assets of the Company to the extent of Rs.260 Million.
- 48 Kanal and 1 Marla Property Owned by the Director of the Company Mr. Maqsood Ahmed Butt. Total Value of the Land is Rs. 135,740,000/-
- Ranking Charge of Rs. 40 Million on fixed assets and Ranking Charge of Rs. 49.4 Million on Current Assets of the Company.
- The expiry date of the facilities from Standard Chartered Bank Limited is 28-02-2020.

**11.02** This represent Finance against packing credit facility including its sublimits of ERF Part II, Running Finance Facility, FBP facility, FAFB and Letter of Guarantee. The tenor of the Facility is one year and renewed on 01 August 2019. It carries mark-up at the rate of 3 months KIOR + 2.5% per anum.

The Facility from HBL is secured against ist pari passu charge over all present and future current assets of PKR 133.333 million, registered with SECP. Lien over Proceeds of export bills sent under LC / collection. ist pari passu charge over all present and future fixed assets of PKR 100 million registered with SECP and personal Guarantees of all Directors.

- The expiry date of the facilities from Bank of Punjab is 30th April 2020.

**11.03** This represents export refinance facility. It Carries markup at the rate of SBP+1% and overdue markup at the rate of 3 months KIBOR + 5% per anum.

Securities for facilities from Bank of Punjab are as follows:

- 1st PariPassu charge of Rs.134 Million and Rs. 67 Million over present and future current assets of the company with 25% margin
- 1st PariPassu charge of Rs.100 Million over present and future fixed assets of the company.
- Personal Guarantees of Mr. Maqsood Butt, Mr. Ali Maqsood Butt and Mr. Faisal Khan (Directors of the Company).
- Token legal mortgage of Rs. 0.1 million along with equitable mortgage over residential property measuring 2 Kanals 14 Marlas owned by director of the Company.
- The expiry date of the facilities from Bank of Punjab is 30th June 2020.

**11.04** These represent overdrafts in current accounts of the Company due to unrepresented cheques outstanding at the reporting date.

|   | NOTE | 2019               | 2018        |
|---|------|--------------------|-------------|
| Rupees  |      |                    |             |
| <b>12 CURRENT PORTION OF LONG TERM BORROWINGS</b>   |      |                    |             |
| Liabilities against assets subject to finance lease | 7    | <b>32,101,632</b>  | 26,607,424  |
|   |      | <b>32,101,632</b>  | 26,607,424  |
| <b>13 PROVISION FOR TAXATION</b>                    |      |                    |             |
| Opening balance                                     |      | <b>11,104,075</b>  | 17,057,713  |
| Add: Current and prior year tax                     |      | <b>3,378,751</b>   | 2,152,598   |
| Less: Adjustments during the year                   |      | <b>(6,042,055)</b> | (8,106,236) |
|   |      | <b>8,440,771</b>   | 11,104,075  |

Income tax return up to and including tax year 2018 has been filed to the tax authorities under the provision of Income Tax Ordinance, 2001.

#### **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 (2018: Rs. 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**

There is no significant commitment on the balance sheet date.

## 15 PROPERTY, PLANT AND EQUIPMENT

| PARTICULARS               | COST                |                     |            |                     | Rate % | DEPRECIATION        |            |                   | Written down value as at June 30, 2018 |
|---------------------------|---------------------|---------------------|------------|---------------------|--------|---------------------|------------|-------------------|--|
|                           | As at July 01, 2017 | Addition / Transfer | (Deletion) | As at June 30, 2018 |        | As at July 01, 2017 | Adjustment | For the year      |  |
| <b>OWNED ASSETS</b>       |                     |                     |            |                     |        |                     |            |                   |  |
| Freehold land             | 7,544,681           | -                   | -          | 7,544,681           | -      | -                   | -          | -                 | 7,544,681                              |
| Building on freehold land | 92,237,335          | 69,539,498          | -          | 161,776,833         | 5      | 23,072,001          | -          | 4,757,144         | 27,829,145                             |
| Plant & Machinery         | 279,180,409         | 13,804,094          | -          | 292,984,503         | 10     | 147,658,244         | -          | 13,391,244        | 161,049,488                            |
| Furniture and Fixture     | 1,123,624           | 218,850             | -          | 1,342,474           | 10     | 761,624             | -          | 54,080            | 815,704                                |
| Motor Vehicles            | 30,387,219          | -                   | -          | 30,387,219          | 20     | 14,665,895          | -          | 3,144,265         | 17,810,160                             |
| Office Equipment          | 2,437,961           | 684,750             | -          | 3,122,711           | 10     | 885,940             | -          | 190,998           | 1,076,938                              |
| Loose Tools               | 118,117             | 27,640              | -          | 145,757             | 10     | 100,041             | -          | 3,308             | 103,349                                |
| Laboratory Equipment      | 366,921             | -                   | -          | 366,921             | 10     | 296,624             | -          | 7,030             | 303,654                                |
| Electric Installation     | 3,650,997           | 500,000             | -          | 4,150,997           | 10     | 1,176,498           | -          | 287,724           | 1,464,222                              |
| Fire Fighting Equipment   | 556,587             | -                   | -          | 556,587             | 10     | 400,593             | -          | 15,599            | 416,192                                |
| Telephone Installation    | 113,775             | -                   | -          | 113,775             | 10     | 101,966             | -          | 1,181             | 103,147                                |
| Gas Installation          | 1,310,000           | -                   | -          | 1,310,000           | 10     | 902,360             | -          | 40,764            | 943,124                                |
| <b>Subtotal</b>           | <b>419,027,626</b>  | <b>84,774,832</b>   | <b>-</b>   | <b>503,802,458</b>  |        | <b>190,021,786</b>  | <b>-</b>   | <b>21,893,337</b> | <b>211,915,123</b>                     |
| <b>LEASED ASSETS</b>      |                     |                     |            |                     |        |                     |            |                   |  |
| Motor Vehicles            | 33,220,898          | 6,587,690           | -          | 39,808,588          | 20     | 16,015,691          | -          | 3,927,362         | 19,943,053                             |
| Plant & Machinery         | 47,952,194          | 36,880,129          | -          | 84,832,323          | 10     | 9,769,837           | -          | 6,106,259         | 15,876,096                             |
| <b>Subtotal</b>           | <b>81,173,092</b>   | <b>43,467,819</b>   | <b>-</b>   | <b>124,640,911</b>  |        | <b>25,785,528</b>   | <b>-</b>   | <b>10,033,621</b> | <b>35,819,149</b>                      |
| <b>TOTAL 2018</b>         | <b>500,200,718</b>  | <b>128,242,651</b>  | <b>-</b>   | <b>628,443,369</b>  |        | <b>215,807,314</b>  | <b>-</b>   | <b>31,926,958</b> | <b>247,734,272</b>                     |
|                           |                     |                     |            |                     |        |                     |            |                   | <b>380,709,097</b>                     |

| PARTICULARS               | COST                |                     |                     |                     | Rate % | DEPRECIATION       |                     |                     | Written down value as at June 30, 2019 |
|---------------------------|---------------------|---------------------|---------------------|---------------------|--------|--------------------|---------------------|---------------------|--|
|                           | As at July 01, 2018 | Addition / Transfer | (Deletion)          | As at June 30, 2019 |        | Adjustment         | For the year        | As at June 30, 2019 |  |
| <b>OWNED ASSETS</b>       |                     |                     |                     |                     |        |                    |                     |                     |  |
| Freehold land             | 7,544,681           | -                   | -                   | 7,544,681           | -      | -                  | -                   | -                   | 7,544,681.00                           |
| Building on freehold land | 161,776,833         | 59,559,958          | -                   | 221,336,791         | 5      | 27,829,145         | -                   | 35,260,830          | 186,075,961.00                         |
| Plant & Machinery         | 292,984,503         | 9,867,368           | (5,200,412)         | 297,651,459         | 10     | 161,049,488        | (2,206,159)         | 171,898,042         | 125,753,417.00                         |
| Furniture and Fixture     | 1,342,474           | 100,890             | -                   | 1,443,364           | 10     | 815,704            | -                   | 871,821             | 571,543.00                             |
| Motor Vehicles            | 30,387,219          | 1,275,400           | (16,313,250)        | 27,225,869          | 20     | 17,810,160         | (9,135,303)         | 16,948,479          | 10,277,390.00                          |
| -Transferred from Lease   |                     | 11,876,500          | -                   |                     |        |                    | 5,869,664           |                     |  |
| Office Equipment          | 3,122,711           | 183,950             | -                   | 3,306,661           | 10     | 1,076,938          | -                   | 1,292,962           | 2,013,699.00                           |
| Loose Tools               | 145,757             |                     | -                   | 145,757             | 10     | 103,349            | -                   | 107,590             | 38,167.00                              |
| Laboratory Equipment      | 366,921             |                     | -                   | 366,921             | 10     | 303,654            | -                   | 309,981             | 56,940.00                              |
| Electric Installation     | 4,150,997           | 131,900             | -                   | 4,282,897           | 10     | 1,464,222          | -                   | 278,977             | 2,539,698.00                           |
| Fire Fighting Equipment   | 556,587             |                     | -                   | 556,587             | 10     | 416,192            | -                   | 430,232             | 126,355.00                             |
| Telephone Installation    | 113,775             |                     | -                   | 113,775             | 10     | 103,147            | -                   | 1,063               | 9,565.00                               |
| Gas Installation          | 1,310,000           |                     | -                   | 1,310,000           | 10     | 943,124            | -                   | 36,688              | 330,188.00                             |
| <b>Subtotal</b>           | <b>503,802,458</b>  | <b>82,995,966</b>   | <b>(21,513,662)</b> | <b>565,284,762</b>  |        | <b>211,915,123</b> | <b>(5,471,798)</b>  | <b>229,947,158</b>  | <b>335,337,604.00</b>                  |
| <b>LEASED ASSETS</b>      |                     |                     |                     |                     |        |                    |                     |                     |  |
| Motor Vehicles            | 39,808,588          | 10,861,259          | -                   | 38,793,347          | 20     | 19,943,053         | -                   | 18,164,354          | 20,628,993.00                          |
| -Transferred from Lease   |                     | (11,876,500)        | -                   |                     |        |                    | (5,869,664)         |                     |  |
| Plant & Machinery         | 84,832,323          | 15,177,831          | -                   | 100,010,154         | 10     | 15,876,096         | -                   | 24,121,711          | 75,888,443.00                          |
| <b>Subtotal</b>           | <b>124,640,911</b>  | <b>14,162,590</b>   | <b>-</b>            | <b>138,803,501</b>  |        | <b>35,819,149</b>  | <b>(5,869,664)</b>  | <b>42,286,065</b>   | <b>96,517,436.00</b>                   |
| <b>TOTAL 2019</b>         | <b>628,443,369</b>  | <b>97,158,556</b>   | <b>(21,513,662)</b> | <b>704,086,263</b>  |        | <b>247,734,272</b> | <b>(11,341,462)</b> | <b>272,233,223</b>  | <b>431,855,040.00</b>                  |

## 15.01 Depreciation is allocated as under:

|                         | 2019              | 2018              |
|-------------------------|-------------------|-------------------|
| Cost of Sales           | 29,129,466        | 24,664,333        |
| Administrative Expenses | 6,710,947         | 7,262,625         |
|                         | <b>35,840,413</b> | <b>31,926,958</b> |

## 15.02 Land - freehold and building on freehold land

| Particulars   | Area                     | Location                                       |
|---------------|--------------------------|--|
| Freehold land | 112 Kanals and 12 Marlas | 2 KM, Off Raiwind Mangg Road, Raiwind, Lahore. |

Building on freehold land is located in above mentioned freehold land.

## 15.03 Property, Plant and Equipment disposed off during the year having book value of greater than Rs. 500,000/- are:

|                      | Cost          | Accumulated depreciation | Book value | Sale Proceeds | Gain/ (Loss) | Mode of disposal | Particulars of purchaser                        |
|----------------------|---------------|--------------------------|------------|---------------|--------------|------------------|---|
| <b>Generator</b>     |               |                          |            |               |              |                  |   |
| <b>Motor Vehicle</b> |               |                          |            |               |              |                  |   |
| <b>LED-909</b>       |               |                          |            |               |              |                  |   |
|                      | <b>Rupees</b> |                          |            | <b>Rupees</b> |              |                  |   |
|                      | 5,200,412     | (2,206,159)              | 2,994,253  | 2,700,000     | (294,253)    | Negotiation      | Individual having no relation with the Company. |
|                      | 11,876,500    | (5,869,664)              | 6,006,836  | 9,500,000     | 3,493,164    | Negotiation      | Individual having no relation with the Company. |

|   | NOTE  | 2019                | 2018         |
|---|-------|---------------------|--------------|
| Rupees  |       |                     |              |
| <b>16 CAPITAL WORK IN PROCESS</b>   |       |                     |              |
| <b>Building on freehold land:</b>   |       |                     |              |
| As at 01st July 2018  |       | <b>52,832,815</b>   | 50,202,436   |
| Additions during the year   |       | <b>31,940,531</b>   | 72,169,877   |
| Transferred to Property Plant & Equipment                                   |       | <b>(59,559,958)</b> | (69,539,498) |
| As at 30th June, 2019   |       | <b>25,213,388</b>   | 52,832,815   |
| <b>17 LONG TERM DEPOSITS</b>  |       |                     |              |
| Advance lease deposit-non interest bearing                                  |       | <b>7,439,745</b>    | 5,450,650    |
| Sui northern gas pipeline ltd.-non interest bearing                         |       | <b>1,351,071</b>    | 1,351,071    |
| Other-non interest bearing  |       | <b>471,850</b>      | 271,850      |
|   |       | <b>9,262,666</b>    | 7,073,571    |
| <b>18 STORES, SPARE PARTS AND LOOSE TOOLS</b>                               |       | <b>13,296,746</b>   | 10,031,453   |
| 18.01 No identifiable store and spare are held for specific capitalization. |       |                     |              |
| <b>19 STOCK IN TRADE</b>  |       |                     |              |
| Finished goods  |       | <b>95,110,906</b>   | 119,959,137  |
| Raw materials   |       |                     |              |
| - Fabric and accessories  |       | <b>93,782,208</b>   | 177,299,241  |
| - Chemicals   |       | <b>39,232,172</b>   | 36,162,904   |
| - Packing material  |       | <b>7,858,372</b>    | 7,529,166    |
| - Rice Husk & Coal  |       | <b>23,965,914</b>   | 25,109,360   |
|   |       | <b>259,949,572</b>  | 366,059,808  |
| No stock in trade has been pledged by any institution / party.              |       |                     |              |
| <b>20 TRADE DEBTS</b>   |       |                     |              |
| Considered good:  |       |                     |              |
| Export - secured  | 20.01 | <b>49,729,502</b>   | 23,282,683   |
| Local - un-secured  |       | <b>374,597,683</b>  | 204,944,685  |
|   |       | <b>424,327,185</b>  | 228,227,368  |
| <b>21 LOANS AND ADVANCES</b>  |       |                     |              |
| Advances - considered good  | 21.01 | <b>40,685,160</b>   | 65,345,352   |
| Rebate Receivable   |       | <b>23,821,411</b>   | 10,471,603   |
| Advance income tax-net of adjustment  |       | <b>40,341,813</b>   | 37,423,510   |
|   |       | <b>104,848,384</b>  | 113,240,465  |
| <b>21.01 ADVANCES - CONSIDERED GOOD</b>                                     |       |                     |              |
| Unsecured:  |       |                     |              |
| To suppliers for goods and services   |       | <b>38,427,940</b>   | 63,210,960   |
| To Employees - Interest free  |       | <b>1,887,000</b>    | 1,505,000    |
| For local guarantee   |       | <b>370,220</b>      | 629,392      |
|   |       | <b>40,685,160</b>   | 65,345,352   |

|   | NOTE  | 2019                 | 2018          |
|---|-------|----------------------|---------------|
|   |       | Rupees               |               |
| <b>22 TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b> |       |                      |               |
| Security deposits                                   |       | 110,420              | 110,420       |
| Prepaid insurance                                   |       | 340,026              | 1,477,190     |
|   |       | <b>450,446</b>       | 1,587,610     |
| <b>23 TAX REFUNDS DUE FROM THE GOVERNMENT</b>       |       |                      |               |
| Sales tax -Refundable                               |       | <b>49,721,041</b>    | 40,137,986    |
| <b>24 CASH AND BANK BALANCES</b>                    |       |                      |               |
| Cash in hand  |       | 2,498,000            | 3,522,737     |
| Cash at banks -in current accounts                  |       | 7,449,606            | 14,451,958    |
|   |       | <b>9,947,606</b>     | 17,974,695    |
| <b>25 SALES-NET</b>                                 |       |                      |               |
| Sales:  |       |                      |               |
| - Local   |       | 246,215,548          | 25,920,930    |
| - Export  |       | 647,943,664          | 591,676,630   |
| Local: Processing and coating                       |       | 490,761,545          | 503,431,121   |
| Rebate on export                                    |       | 48,095,533           | 45,272,090    |
| Sales tax   |       | -                    | (3,934,527)   |
|   |       | <b>1,433,016,290</b> | 1,162,366,244 |
| <b>26 COST OF SALES</b>                             |       |                      |               |
| Fabric and accessories consumed                     | 26.01 | 553,321,177          | 290,765,861   |
| Chemicals consumed                                  | 26.02 | 328,386,993          | 331,681,232   |
| Packing material consumed                           | 26.03 | 60,571,515           | 51,021,095    |
| Rice Husk and coal consumed                         | 26.04 | 67,280,076           | 93,365,642    |
| Stores and spares consumed                          | 26.05 | 992,538              | 4,170,317     |
| Salaries and other benefits                         | 26.06 | 99,509,967           | 89,651,558    |
| Fuel and power                                      |       | 71,099,454           | 98,365,293    |
| Postage, telephone and telegram                     |       | 7,866,135            | 5,024,757     |
| Rent, rates and taxes                               |       | -                    | 775,000       |
| Laboratory expenses                                 |       | 4,207,751            | 4,160,053     |
| Insurance   |       | 6,139,945            | 5,783,074     |
| Import expenses                                     |       | 15,740,023           | 18,936,517    |
| Freight and octroi                                  |       | 6,180,428            | 15,133,138    |
| Repair and maintenance-machinery / building         |       | 19,209,341           | 24,399,902    |
| Processing Charges(CMT)                             |       | 24,243,474           | 13,930,147    |
| Depreciation  | 15.01 | 29,129,466           | 24,664,333    |
|   |       | <b>1,293,878,283</b> | 1,071,827,919 |
| <b>Finished goods:</b>                              |       |                      |               |
| Opening stock                                       |       | 119,959,137          | 101,218,541   |
| Closing stock                                       |       | (95,110,906)         | (119,959,137) |
|   |       | 24,848,231           | (18,740,596)  |
|   |       | <b>1,318,726,514</b> | 1,053,087,323 |

|  | NOTE  | 2019  | 2018          |
|--|-------|---|---------------|
|  |       | <b>Rupees</b>   |               |
| <b>26.01 Fabric and accessories consumed</b> |       |   |               |
| Opening stock                                |       | 177,299,241   | 141,087,189   |
| Add: Purchases                               |       | 469,804,144   | 326,977,913   |
|  |       | <b>647,103,385</b>  | 468,065,102   |
| Less: Closing stock                          |       | (93,782,208)  | (177,299,241) |
|  |       | <b>553,321,177</b>  | 290,765,861   |
| <b>26.02 Chemicals consumed</b>              |       |   |               |
| Opening stock                                |       | 36,162,904  | 23,098,567    |
| Add: Purchases                               |       | 331,456,261   | 344,745,569   |
|  |       | <b>367,619,165</b>  | 367,844,136   |
| Less: Closing stock                          |       | (39,232,172)  | (36,162,904)  |
|  |       | <b>328,386,993</b>  | 331,681,232   |
| <b>26.03 Packing material consumed</b>       |       |   |               |
| Opening stock                                |       | 7,529,166   | 7,324,553     |
| Add: Purchases                               |       | 60,900,721  | 51,225,708    |
|  |       | <b>68,429,887</b>   | 58,550,261    |
| Less: Closing stock                          |       | (7,858,372)   | (7,529,166)   |
|  |       | <b>60,571,515</b>   | 51,021,095    |
| <b>26.04 Rice Husk and coal consumed</b>     |       |   |               |
| Opening stock                                |       | 25,109,360  | -             |
| Add: Purchases                               |       | 66,136,630  | 118,475,002   |
|  |       | <b>91,245,990</b>   | 118,475,002   |
| Less: Closing stock                          |       | (23,965,914)  | (25,109,360)  |
|  |       | <b>67,280,076</b>   | 93,365,642    |
| <b>26.05 Stores and spares consumed</b>      |       |   |               |
| Opening stock                                |       | 10,031,453  | 3,637,859     |
| Add: Purchases                               |       | 4,257,831   | 10,563,911    |
|  |       | <b>14,289,284</b>   | 14,201,770    |
| Less: Closing stock                          |       | (13,296,746)  | (10,031,453)  |
|  |       | <b>992,538</b>  | 4,170,317     |
| <b>26.06</b>                                 |       | Salaries and other benefits include staff retirement benefits amounting to Rs. 6,136,797 (2018: Rs. 5,556,662).                     |               |
| <b>27 SELLING AND DISTRIBUTION COST</b>      |       |   |               |
| Export expenses                              |       | 19,451,908  | 21,145,811    |
| 27.01  |       | It includes exchange loss / (gain) on on realizations and translations of foreign debtors of Rs. 2.61 million (2018: 0.53 million). |               |
| <b>28 ADMINISTRATIVE EXPENSES</b>            |       |   |               |
| Director's remuneration                      |       | 6,600,000   | 6,600,000     |
| Salaries and other benefits                  | 28.01 | 11,064,935  | 9,583,801     |
| Postage and telegram                         |       | 1,785,542   | 2,335,931     |
| Printing and stationary                      |       | 1,091,788   | 1,146,090     |
| Vehicle running and maintenance              |       | 5,851,205   | 7,397,763     |
| Insurance                                    |       | 717,638   | 953,716       |
| Fee and subscription                         |       | 2,211,058   | 2,444,875     |
| Entertainment                                |       | 269,957   | 547,295       |
| Auditor's remuneration                       | 28.02 | 720,000   | 620,000       |
| Misc Expenses                                |       | 1,768,525   | 2,713,792     |
| Legal and professional                       |       | 227,711   | 266,847       |
| Depreciation                                 | 15.01 | 6,710,947   | 7,262,625     |
|  |       | <b>39,019,306</b>   | 41,872,735    |
| <b>28.01</b>                                 |       | Salaries and other benefits include staff retirement benefits amounting to Rs. 2,014,830 (2018: Rs. 1,242,668).                     |               |
| <b>28.02 AUDITOR'S REMUNERATION</b>          |       |   |               |
| Audit fee                                    |       | 600,000   | 500,000       |
| Half yearly review                           |       | 50,000  | 50,000        |
| Other certification charges                  |       | 50,000  | 50,000        |
| Out of pocket expenses                       |       | 20,000  | 20,000        |
|  |       | <b>720,000</b>  | 620,000       |

|  |   |                    |             |
|--|---|--------------------|-------------|
| <b>29 FINANCE COST</b>   |   | <b>2019</b>        | <b>2018</b> |
| Interest / mark-up on:   |   |                    |             |
| Short-term borrowings  |   | <b>29,309,624</b>  | 22,240,277  |
| Finance lease  |   | <b>6,672,370</b>   | 4,615,405   |
| Workers' Profit Participation Fund   | 9.01  | <b>219,939</b>     | 393,536     |
| Bank charges   |   | <b>8,454,470</b>   | 6,896,826   |
|  |   | <b>44,656,403</b>  | 34,146,044  |
| <b>30 OTHER EXPENSES</b>   |   |                    |             |
| Workers' profit participation fund   | 9.01  | <b>808,648</b>     | 605,717     |
| Workers' welfare fund  |   | <b>307,286</b>     | 230,172     |
|  |   | <b>1,115,934</b>   | 835,889     |
| <b>31 OTHER INCOME</b>   |   |                    |             |
| Gain on Disposal of Fixed Assets   |   | <b>5,010,801</b>   | -           |
|  |   | <b>5,010,801</b>   | -           |
| <b>32 TAXATION</b>   |   |                    |             |
| Current tax - for the year   |   | <b>8,440,772</b>   | 11,104,076  |
| - prior years  |   | <b>(5,062,021)</b> | (8,951,478) |
| Deferred tax   |   | <b>(1,446,653)</b> | 2,555,558   |
|  |   | <b>1,932,098</b>   | 4,708,156   |
| <b>32.01</b>   | Income Tax return has been filed to income tax authorities up to and including tax year 2018 under the provisions of The Income Tax Ordinance, 2001.  |                    |             |
| <b>32.02</b>   | Reconciliation of tax charge for the year   |                    |             |
|  | Numerical reconciliation between the average effective tax rate and the applicable tax rate is not given due to application of minimum tax @ 1.25% on local sales and final tax @ 1% on export sales for the calculation of provision of tax for the year and application of tax credits. |                    |             |
| <b>33 EARNINGS PER SHARE - BASIC AND DILUTED</b>                                 |   |                    |             |
| Net profit for the year / Profit attributable to ordinary shareholders - Rupees  |   | <b>13,124,928</b>  | 6,570,286   |
| Weighted average number of ordinary shares outstanding during the year - Numbers |   | <b>10,457,890</b>  | 10,457,890  |
| Earnings per share - basic - Rupees  |   | <b>1.26</b>        | 0.63        |
| There is no dilutive effect on the basic earnings per share of the company .     |   |                    |             |
| <b>34 FINANCIAL INSTRUMENTS BY CATEGORY</b>                                      |   |                    |             |
| <b>Financial assets as per Balance Sheet - loans and receivables</b>             |   |                    |             |
| Long term deposits   |   | <b>9,262,666</b>   | 7,073,571   |
| Trade debts  |   | <b>424,327,185</b> | 228,227,368 |
| Loans and advances   |   | <b>64,506,571</b>  | 75,816,955  |
| Trade deposits   |   | <b>110,420</b>     | 110,420     |
| Cash and bank balances   |   | <b>9,947,606</b>   | 17,974,695  |
|  |   | <b>508,154,448</b> | 329,203,009 |
| <b>Financial liabilities as per Balance Sheet - at amortized cost</b>            |   |                    |             |
| Liability against assets subject to finance lease                                |   | <b>51,907,714</b>  | 56,384,544  |
| Trade and other payables   |   | <b>392,252,742</b> | 303,496,012 |
| Accrued interest / mark-up   |   | <b>8,956,522</b>   | 4,142,499   |
| Short term finance   |   | <b>419,375,247</b> | 406,017,881 |
|  |   | <b>872,492,225</b> | 770,040,936 |
| <b>34.01 Fair values of financial assets and liabilities</b>                     |   |                    |             |

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

As at June 30, 2019, all financial assets and financial liabilities are carried at amortised cost

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

c) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred.

The Company's policy for determining when transfers between levels in the hierarchy have occurred includes monitoring of the following factors:

- changes in market and trading activity (eg. significant increases / decreases in activity)
- changes in inputs used in valuation techniques (eg inputs becoming / ceasing to be observable in the market)

There were no transfers between level 1, 2 or 3 of the fair value hierarchy during the year.

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:

|                              |                   |                   |
|------------------------------|-------------------|-------------------|
| Foreign trade debts          | 49,729,502        | 23,282,683        |
| Outstanding letter of credit | -                 | -                 |
| Net exposure                 | <u>49,729,502</u> | <u>23,282,683</u> |

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

|             |        |        |
|-------------|--------|--------|
| USD to PKR  | 160.05 | 121.56 |
| Euro to PKR | 182.32 | 142.45 |

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:

|   | 2019               | 2018               |
|---|--------------------|--------------------|
| <b>Financial liabilities</b>                    | <b>Rupees</b>      |                    |
| Finance lease                                   | 51,907,714         | 56,384,544         |
| Short term borrowings                           | 419,375,247        | 406,017,881        |
|   | <u>471,282,961</u> | <u>462,402,425</u> |
| <b>Financial assets</b>                         | -                  | -                  |
| Total yield / mark up rate risk sensitivity gap | <u>471,282,961</u> | <u>462,402,425</u> |

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

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

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

A change of 1% in interest rates at the reporting date would have decreased / (increased) profit 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 2018.

|   | <b>Profit and Loss 1% rate</b> |                 |
|---|--------------------------------|-----------------|
|   | <b>Increase</b>                | <b>Decrease</b> |
| <b>As at June 30, 2019</b>                                  |                                |                 |
| Cash flow sensitivity - variable rate financial liabilities | <u>(4,712,830)</u>             | 4,712,830       |
| <b>As at June 30, 2018</b>                                  |                                |                 |
| Cash flow sensitivity - variable rate financial liabilities | <u>(4,624,024)</u>             | 4,624,024       |



**(iii) Other price risk**

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

**(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:

|               | 2019               | 2018        |
|---------------|--------------------|-------------|
|               | <b>Rupees</b>      |             |
| Local debts   | <b>374,597,683</b> | 204,944,685 |
| Foreign debts | <b>49,729,502</b>  | 23,282,683  |
|               | <b>424,327,185</b> | 228,227,368 |

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 upto 12 months | <b>371,726,984</b> | 164,415,265 |
| More than one year      | <b>52,600,201</b>  | 63,812,103  |
|                         | <b>424,327,185</b> | 228,227,368 |

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:

|                        | 2019               | 2018        |
|------------------------|--------------------|-------------|
|                        | <b>Rupees</b>      |             |
| Trade debts            | <b>424,327,185</b> | 228,227,368 |
| Loans and advances     | <b>64,506,571</b>  | 75,816,955  |
| Trade deposits         | <b>110,420</b>     | 110,420     |
| Cash and bank balances | <b>9,947,606</b>   | 17,974,695  |
|                        | <b>498,891,782</b> | 322,129,438 |

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+        |
| Bank of Punjab                             | PACRA         | AA        | A1+        |
| Meezan Bank                                | JCR-VIS       | AA+       | A-1+       |
| Habib Bank Limited                         | JCR-VIS       | AAA       | A-1+       |
| JS Bank Limited                            | PACRA         | AA-       | A1+        |
| Bank Al-Falah Limited                      | PACRA         | AA+       | A1+        |
| Faysal Bank Limited                        | PACRA         | AA        | A1+        |
| Standard Chartered Bank (Pakistan) Limited | PACRA         | AAA       | A1+        |

**(c) Liquidity risk**

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

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

| RUPEES - 2019                |                         |                     |                         |                         |                  |                      |
|------------------------------|-------------------------|---------------------|-------------------------|-------------------------|------------------|----------------------|
| Interest/ mark up bearing    |                         |                     | Non interest bearing    |                         |                  | Total                |
| Maturity up to one year      | Maturity after one year | Sub-total           | Maturity up to one year | Maturity after one year | Sub-total        |                      |
| <b>FINANCIAL ASSETS</b>      |                         |                     |                         |                         |                  |                      |
| Long-term security deposits  | -                       | -                   | -                       | -                       | 9,262,666        | 9,262,666            |
| Trade debts                  | -                       | -                   | -                       | 424,327,185             | -                | 424,327,185          |
| Loans and advances           | -                       | -                   | -                       | 40,685,160              | -                | 40,685,160           |
| Trade deposits               | -                       | -                   | -                       | 110,420                 | -                | 110,420              |
| Other receivables            | -                       | -                   | -                       | 49,721,041              | -                | 49,721,041           |
| Cash and bank balances       | -                       | -                   | -                       | 9,947,606               | -                | 9,947,606            |
|                              | -                       | -                   | -                       | <b>524,791,412</b>      | <b>9,262,666</b> | <b>534,054,078</b>   |
| <b>FINANCIAL LIABILITIES</b> |                         |                     |                         |                         |                  |                      |
| Liability against assets     |                         |                     |                         |                         |                  |                      |
| subject to finance lease     | 32,101,632              | 19,806,082          | 51,907,714              | -                       | -                | 51,907,714           |
| Trade and other payables     | -                       | -                   | -                       | 407,381,371             | -                | 407,381,371          |
| Accrued mark up              | -                       | -                   | -                       | 8,956,522               | -                | 8,956,522            |
| Short-term finance           | 419,375,247             | -                   | 419,375,247             | -                       | -                | 419,375,247          |
|                              | <b>451,476,879</b>      | <b>19,806,082</b>   | <b>471,282,961</b>      | <b>416,337,893</b>      | <b>-</b>         | <b>887,620,854</b>   |
| <b>Net liquidity</b>         | <b>(451,476,879)</b>    | <b>(19,806,082)</b> | <b>(471,282,961)</b>    | <b>108,453,519</b>      | <b>9,262,666</b> | <b>(353,566,776)</b> |

| RUPEES - 2018                |                         |                     |                         |                         |                  |                      |
|------------------------------|-------------------------|---------------------|-------------------------|-------------------------|------------------|----------------------|
| Interest/ mark up bearing    |                         |                     | Non interest bearing    |                         |                  | Total                |
| Maturity up to one year      | Maturity after one year | Sub-total           | Maturity up to one year | Maturity after one year | Sub-total        |                      |
| <b>FINANCIAL ASSETS</b>      |                         |                     |                         |                         |                  |                      |
| Long-term security deposits  | -                       | -                   | -                       | -                       | 7,073,571        | 7,073,571            |
| Trade debts                  | -                       | -                   | -                       | 228,227,368             | -                | 228,227,368          |
| Loans and advances           | -                       | -                   | -                       | 75,816,955              | -                | 75,816,955           |
| Trade deposits               | -                       | -                   | -                       | 110,420                 | -                | 110,420              |
| Other receivables            | -                       | -                   | -                       | 40,137,986              | -                | 40,137,986           |
| Cash and bank balances       | -                       | -                   | -                       | 17,974,695              | -                | 17,974,695           |
|                              | -                       | -                   | -                       | <b>362,267,424</b>      | <b>7,073,571</b> | <b>369,340,995</b>   |
| <b>FINANCIAL LIABILITIES</b> |                         |                     |                         |                         |                  |                      |
| Liability against assets     |                         |                     |                         |                         |                  |                      |
| subject to finance lease     | 26,607,424              | 29,777,120          | 56,384,544              | -                       | -                | 56,384,544           |
| Trade and other payables     | -                       | -                   | -                       | 331,590,322             | -                | 331,590,322          |
| Accrued mark up              | -                       | -                   | -                       | 4,142,499               | -                | 4,142,499            |
| Short-term finance           | 406,017,881             | -                   | 406,017,881             | -                       | -                | 406,017,881          |
|                              | <b>432,625,305</b>      | <b>29,777,120</b>   | <b>462,402,425</b>      | <b>335,732,821</b>      | <b>-</b>         | <b>798,135,246</b>   |
| <b>Net liquidity</b>         | <b>(432,625,305)</b>    | <b>(29,777,120)</b> | <b>(462,402,425)</b>    | <b>26,534,603</b>       | <b>7,073,571</b> | <b>(428,794,251)</b> |

**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, 2019 and 2018 were as follows:

|                     | NOTE | 2019               | 2018        |
|---------------------|------|--------------------|-------------|
|                     |      | <b>Rupees</b>      |             |
| Long term financing |      | <b>51,907,714</b>  | 56,384,544  |
| Short term finance  |      | <b>419,375,247</b> | 406,017,881 |
| Total debt          |      | <b>471,282,961</b> | 462,402,425 |
| Total Equity        |      | <b>380,995,049</b> | 362,909,992 |
| Total Capital       |      | <b>852,278,010</b> | 825,312,417 |
| Gearing Ratio       |      | <b>55.30%</b>      | 56.03%      |

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        |           |
|--------------------------|------------------|-----------|------------------|-----------|
|                          | 2019             | 2018      | 2019             | 2018      |
|                          | <b>RUPEES</b>    |           | <b>RUPEES</b>    |           |
| Remuneration             | <b>3,600,000</b> | 3,600,000 | <b>3,000,000</b> | 3,000,000 |
| Allowances:              |                  |           |                  |           |
| House Rent Allowances    | -                | -         | -                | -         |
| Utilities                | -                | -         | -                | -         |
| Total Rupees             | <b>3,600,000</b> | 3,600,000 | <b>3,000,000</b> | 3,000,000 |
| <b>Number of Persons</b> | <b>1</b>         | 1         | <b>1</b>         | 1         |

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

**36.02** No meeting fee has been paid to any director of the Company.

**36.03** Person qualified as executive of the company in accordance with the Companies Act, 2017 are five, drawing monthly gross salary in aggregate, amounting to Rs.84,6130

**37 AGGREGATE TRANSACTIONS WITH RELATED PARTIES**

The Company may in the normal course of business carry out transactions with related parties. Amounts due from related parties, due to related parties, transactions with related parties and relationship with related parties are shown under respective notes, if any. Remuneration of Chief Executive Officer, Directors and Executive is disclosed in note # 36 and loan from directors is disclosed in note # 6 of the Financial Statements and Statement of Cash Flows.

|                                | 2019          | 2018       |
|--------------------------------|---------------|------------|
|                                | <b>Rupees</b> |            |
| Loans received during the year | 9,750,000     | 34,530,120 |
| Loans paid during the year     | 5,405,000     | -          |

**38 PLANT CAPACITY AND ACTUAL PRODUCTION**

|  | Meters            |            |
|--|-------------------|------------|
|  | 2019              | 2018       |
| 38.1 Processing capacity   |                   |            |
| Annual capacity  | <b>24,540,000</b> | 24,540,000 |
| Actual production  | <b>15,595,774</b> | 15,351,805 |
|  | <b>Pieces</b>     |            |
| 38.2 Garments capacity   |                   |            |
| Annual capacity  | <b>1,650,000</b>  | 1,650,000  |
| Actual production  | <b>829,366</b>    | 936,659    |
| 38.3 The difference between annual capacity and actual production is mainly due to supply demand situation in domestic and international markets. Further, exact comparison of the plant capacity and actual production of these divisions are indeterminable due to multi product plants involving varying processes of manufacturing and run length of order lots. |                   |            |

**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 cost to complete and estimated expenditure 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 / Processing, Stitching of Fabric and other related products.

**Information about geographical areas**

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

**Information about major customers**

The Company have transactions with two external customers each of which amounts to 10 percent or more of its revenues.

**41 NUMBER OF EMPLOYEES**

|                         | 2019                   | 2018       |
|-------------------------|------------------------|------------|
| <b>Total Employees:</b> | <b>No of employees</b> |            |
| Average during the year | <b>309</b>             | <b>290</b> |
| As at June 30           | <b>317</b>             | <b>300</b> |

**42 GENERAL**

Figure have been rounded off to the nearest Pakistani rupee.

Corresponding figures have been rearranged / reclassified, wherever necessary to facilitate comparison and/or compliance

**43 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by the board of directors in their meeting held on October 04, 2019.

**FAISAL KHAN**  
CHIEF EXECUTIVE

**ALI MAQSOOD BUTT**  
DIRECTOR

**MRS. DURRAY ZARA BUTT**  
CHIEF FINANCIAL OFFICER

**FORM 34**

**THE COMPANIES ACT, 2017  
(Section 227(2)(f))  
PATTERN OF SHAREHOLDING**

1.1 Name of the Company **ARUJ INDUSTRIES LIMITED**

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

**30-06-2019**

| -----Shareholdings-----        |             |           |                          |
|--------------------------------|-------------|-----------|--------------------------|
| <b>2.2 No. of Shareholders</b> | <b>From</b> | <b>To</b> | <b>Total Shares Held</b> |
| 71                             | 1           | 100       | 3,347                    |
| 369                            | 101         | 500       | 176,641                  |
| 69                             | 501         | 1,000     | 63,318                   |
| 70                             | 1,001       | 5,000     | 174,603                  |
| 11                             | 5,001       | 10,000    | 86,847                   |
| 5                              | 10,001      | 15,000    | 54,200                   |
| 3                              | 15,001      | 20,000    | 54,500                   |
| 1                              | 20,001      | 25,000    | 21,350                   |
| 1                              | 25,001      | 30,000    | 30,000                   |
| 3                              | 35,001      | 40,000    | 118,000                  |
| 1                              | 40,001      | 45,000    | 41,500                   |
| 1                              | 45,001      | 50,000    | 47,000                   |
| 1                              | 50,001      | 55,000    | 52,500                   |
| 1                              | 60,001      | 65,000    | 64,000                   |
| 1                              | 95,001      | 100,000   | 99,000                   |
| 1                              | 130,001     | 135,000   | 132,800                  |
| 1                              | 185,001     | 190,000   | 187,700                  |
| 1                              | 415,001     | 420,000   | 419,994                  |
| 1                              | 455,001     | 460,000   | 458,010                  |
| 1                              | 1,660,001   | 1,665,000 | 1,664,011                |
| 1                              | 1,885,001   | 1,890,000 | 1,889,527                |
| 2                              | 2,305,001   | 2,310,000 | 4,619,042                |
| <b>616</b>                     |             |           | <b>10,457,890</b>        |

| <b>2.3 Categories of shareholders</b>   | <b>Share held</b> | <b>Percentage</b> |
|---|-------------------|-------------------|
| 2.3.1 Directors, Chief Executive Officers, and their spouse and minor children      | 9,050,584         | 86.5431%          |
| 2.3.2 Associated Companies, undertakings and related parties. (Parent Company)      | 187,700           | 1.7948%           |
| 2.3.3 NIT and ICP   | 0                 | 0.0000%           |
| 2.3.4 Banks Development Financial Institutions, Non Banking Financial Institutions. | 38                | 0.0004%           |
| 2.3.5 Insurance Companies   | 0                 | 0.0000%           |
| 2.3.6 Modarabas and Mutual Funds  | 0                 | 0.0000%           |
| 2.3.7 Share holders holding 10% or more   | 8,172,580         | 78.1475%          |
| 2.3.8 General Public  |                   |                   |
| a. Local  | 1,201,153         | 11.5908%          |
| b. Foreign  | 0                 | 0.0000%           |
| 2.3.9 Others (to be specified)  |                   |                   |
| Joint Stock Companies   | 1,001             | 0.0096%           |
| Pension Funds   | 6,197             | 0.0593%           |
| Others  | 217               | 0.0021%           |

**ARUJ INDUSTRIES LIMITED**  
**Categories of Shareholding required under Code of Corporate Governance (CCG)**  
**As on June 30, 2019**

| Sr. No.   | Name                                 | No. of Shares Held | Percentage |
|---|--------------------------------------|--------------------|------------|
| <b>Associated Companies, Undertakings and Related Parties (Name Wise Detail):</b>   |                                      |                    |            |
| 1   | ARUJ CONSTRUCTIONS (PRIVATE) LIMITED | 187,700            | 1.7948%    |
| <b>Mutual Funds (Name Wise Detail)</b>  |                                      |                    |            |
|   |                                      | -                  | -          |
| <b>Directors and their Spouse and Minor Children (Name Wise Detail):</b>  |                                      |                    |            |
| 1   | MR. MAQSOOD AHMAD BUTT               | 1,664,011          | 15.9115%   |
| 2   | DR. MRS. NASEEM MAQSOOD              | 458,010            | 4.3796%    |
| 3   | MRS. DURRAY ZARA BUTT                | 1,889,527          | 18.0680%   |
| 4   | MR. MUHAMMAD SAEED AKHTAR            | -                  | 0.0000%    |
| 5   | MR. ALI MAQSOOD BUTT                 | 2,309,521          | 22.0840%   |
| 6   | MISS ARUJ BUTT                       | 2,309,521          | 22.0840%   |
| 7   | MR. FAISAL KHAN                      | 419,994            | 4.0160%    |
| <b>Executives:</b>  |                                      |                    |            |
|   |                                      | -                  | -          |
| <b>Public Sector Companies &amp; Corporations:</b>  |                                      |                    |            |
|   |                                      | -                  | -          |
| <b>Banks, Development Finance Institutions, Non Banking Finance Companies, Insurance Companies, Takaful, Modarabas and Pension Funds:</b> |                                      | 6,235              | 0.0596%    |
| <b>Shareholders holding five percent or more voting interest in the listed company (Name Wise Detail)</b>                                 |                                      |                    |            |
| 1   | MR. ALI MAQSOOD BUTT                 | 2,309,521          | 22.0840%   |
| 2   | MISS ARUJ BUTT                       | 2,309,521          | 22.0840%   |
| 3   | MRS. DURRAY ZARA BUTT                | 1,889,527          | 18.0680%   |
| 4   | MR. MAQSOOD AHMAD BUTT               | 1,664,011          | 15.9115%   |

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

| S. No. | NAME                               | SALE | PURCHASE |
|--------|------------------------------------|------|----------|
|        | Nil                                |      |          |
|        | Dear Sir, please check at your end |      |          |





**PROXY FORM**  
(27<sup>th</sup> 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 27<sup>th</sup> Annual General Meeting of the Company to be held on October 28, 2019 and/or any adjournment thereof.

As witness my/our hand this \_\_\_\_\_ day of October, 2019

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.

