



25th
ANNUAL REPORT
2 0 1 5



AL-KHAIR GADOON LTD.

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COMPANY INFORMATION

BOARD OF DIRECTORS:

Mr. Mohammad Afzal Sheikh	- Chairman
Mr. Mohammad Saeed Sheikh	- Chief Executive
Mr. Mohammad Amin Sheikh	- Director
Mr. Sheikh Pervaiz Afzal	- Director
Mrs. Parveen Afzal	- Director
Mrs. Farnaz Saeed	- Director
Mrs. Nafeesa Amin	- Director
Mrs. Hina Ali	- Director

AUDIT COMMITTEE:

Mrs. Nafeesa Amin	- Chairman
Mrs. Parveen Afzal	- Member
Mrs. Farnaz Saeed	- Member
Mr. Khurram Iftikhar	- Secretary

HUMAN RESOURCE & REMUNERATION COMMITTEE:

Mrs. Nafeesa Amin	- Chairman
Mrs. Farnaz Saeed	- Member
Sheikh Pervaiz Afzal	- Member
Mushtaq Ahmed Shaheen	- Secretary

CHIEF FINANCIAL OFFICER:

Mr. Saqib Nawaz, ACA

COMPANY SECRETARY:

Mr. Mohammad Amin Sheikh

AUDITORS:

M/s. Tahir Siddiqi & Co., Chartered Accountants.
(A member firm of TIAG International)

LEGAL ADVISOR:

Mr. Naeem Anjum (Advocate High Court)

SHARES REGISTRAR:

Shemas International (Pvt) Limited
Suite No.31, 2nd Floor, Sadiq plaza, 69-The Mall, Lahore.

BANKERS:

Allied Bank Limited.
Bank Alfalah Limited.

**REGISTERED OFFICE
& FACTORY SITE:**

92/3, Phase III, Industrial Estate,
Gadoon Amazai,
District Swabi, (K.P.K)
Tel: (0938) 270260
Fax: (0938) 270270

CORPORATE OFFICE:

Al-Khair House,
43-T, Gulberg II,
Lahore.
Tel: (042) 111-111-043
Fax: (042) 35716588, 35753719

Mission

Offer value to our customers by continuous improving our products and services. Provide ongoing product development and design improvements to meet our customers' needs. Maintain our technical advantage in all aspects of our business while remaining competitive in the market.

Vision

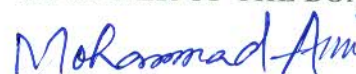
AKGL's *Ambition is to become a clear benchmark in foam products, sleeping products & services.*

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 25th Annual General Meeting of Al-Khair Gadoon Limited, will be held on Friday the October 30, 2015 at 9:00 A.M. at the Registered Office of the Company at 92/3, Phase III, Industrial Estate, Gadoon Amazai, District Swabi, Khyber Pakhtunkhwa to transact the following business:-

- 1 To confirm the minutes of the 24th Annual General Meeting held on October 31, 2014.
- 2 To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2015, together with the Directors' and Auditors' Reports thereon.
- 3 To appoint Auditors of the Company and fix their remuneration.
- 4 To transact any other business with the permission of the Chairman.

BY ORDER OF THE BOARD



(MOHAMMAD AMIN SHEIKH)

Company Secretary

Dated: October 02, 2015

NOTES:

- 1 Share Transfer Books of the Company will remain closed from October 23 to October 30, 2015 (both days inclusive). Transfers received in order up to the close of business on October 22, 2015 at the Corporate / Registrar Office of the Company will be entitled to voting rights at the Annual General Meeting.
- 2 A member of the Company entitled to attend and vote at the meeting may appoint another member as his/her proxy to attend and vote. Votes may be given personally or by proxy or by Attorney or in case of a Corporation by representative. The instrument of proxy duly executed should be lodged at the Corporate Office of the Company at Al-Khair House, 43 - T, Gulberg II, Lahore, not later than 48 hours before the time of meeting.
- 3 Account Holders and Sub Account Holders, holding book entry securities of the Company in CDS of Central Depository Company of Pakistan Limited, who wish to attend the Annual General Meeting, are requested to please bring their original CNIC or passport with copy thereof duly attested by their bankers for identification purposes.
- 4 In case of corporate entity, the Board of Directors resolution/power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with Proxy Form of the company.
- 5 As per directives of SECP, all shareholders are requested to submit their copy of computerized CNICs to the Registrar for updating of record purposes. Otherwise, future dividend warrants could be withheld by the Company that may cause inconvenience to them.
- 6 Members are requested to notify the change in their addresses, if any, immediately.

DIRECTORS' REPORT TO THE MEMBERS

The Directors of your Company are pleased to present the 25th Annual Report with the audited financial statements of the Company for the year ended June 30, 2015.

During the year, the sale value of the Company could not achieve the targets but reduction in petroleum prices in the international market supported to improve profitability to certain extent. The Company has improved its performance as compared to the corresponding period of last year and has registered profit in the second half of the current year. Other reasons for the profitable results is that the Company has undertaken concerted measures to expand its customer base and improve the quality of its products along with adoption of cost control measures.

During the year under review, the Company has faced turn down in growth trend and has registered decline in its turnover from Rs.513.361 million to Rs.400.292 million compared to the corresponding year. However, the Company has succeeded to cope with declining sales along with cost pressures and registered positive activity by posting growth in Gross margins from 7.10% to 13.78%.

The operations have generated Earnings before Tax amounting to Rs.1.4 million during 2015 against loss of Rs.18.3 million of 2014 resulting in an increase of Rs.19.7 million mainly due to low petrochemical prices, better product mix and production efficiencies.

Business Performance & Future Outlook

We foresee intensified competition from existing players and new entrants in to the Foam Industry. The management remains confident that the economy would improve in the future and the Company shall be able to maintain its market position. The Company's Management in order to offset the massive effect of increased material cost has worked hard on development of higher margin product mix, in accordance with customer demands in order to increase the contribution margins but the competitive market compel to sell its products at most competitive prices because of the low buying power of masses. The Management is conscious of the issues that are affecting profitability and is committed to turn around the affairs of the Company through the development of an improved product mix and cost cutting.

Under the prevailing circumstances, the outlook for 2015 - 2016 remains challenging. The Government must take steps for the rehabilitation of industry in KPK to mitigate the economic crisis as well as to accelerate the economic activity.

However, your Company has been exhibiting strong performance against challenges over the years, be it vulnerability of increased competition, decreasing petroleum prices or fluctuating exchange rate. Operational excellence and management skills have positioned the Company for sustainable growth to meet challenges ahead. Being socially responsible, financially viable and operationally smart will remain the key objectives of the Company.

Reporting

The Board has ensured completeness, true and fair presentation and timely issuance of its periodic financial statements in accordance with the requirements of the Companies Ordinance 1984, the Listing Regulations of Stock Exchanges and International Financial Reporting Standards.

Corporate and Financial Reporting

The Company is committed to gain highest standards of corporate governance. The Board is pleased to give the following specific statements to comply with the requirements of the Code of Corporate Governance.

- The financial statements, prepared by the management of Al-Khair Gadoon Limited present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of Al-Khair Gadoon Limited have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the Company's ability to continue as going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for last six years in summarized form is annexed to the report.
- No trades in shares of Al-Khair Gadoon Limited were carried out by the Directors, CEO, CFO, Head of Internal Audit & Company secretary and their spouses and minor children except those notified to the regulatory authorities.
- Reasons for significant deviations from last year's operating results have been explained in the relevant section of the Directors' report.
- Information about outstanding taxes, duties, levies and charges is given in the notes to the Financial Statements.
- The Company has no significant plans and decisions regarding corporate restructuring, business expansion and discontinuing of operations.
- Details of number of board and committees' meetings held during the year and attendance by each director has been disclosed below.
- The board has been provided with detailed in-house briefings and information package to acquaint them with the code, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the Company for and on behalf of shareholders.

Compliance with the Code of Corporate Governance & Transfer Pricing

The Code of Corporate Governance as formulated by the SECP & ICAP has been complied with and the statement to that effect is annexed. The requirements of transfer pricing as set out in the listing rules of Lahore, Karachi & Islamabad Stock Exchanges relevant to the year 2015 have also been complied.

Staff Retirement Benefits

- The company operates an un-funded gratuity scheme for all employees with qualifying services period of six months.

Dividend

No dividend is being recommended by the Board of Directors for the year ended June 30, 2015.

Attendance of Board and Committee Meetings

During the year eight board meetings, four Audit Committee, and four Human Resource and Remuneration Committee meetings were held. Leave of absence was granted to directors who could not attend some of the Board meetings. The attendance is as follows:

Sr. No.	Directors / Members of Committees	Number of attendance		
		Board of Directors	Audit Committee	HR & R Committee
1	Mohammad Afzal Sheikh	8	N/A	N/A
2	Mohammad Saeed Sheikh	8	N/A	N/A
3	Mohammad Amin Sheikh	8	N/A	N/A
4	Sheikh Pervaiz Afzal	8	N/A	4
5	Mrs. Parveen Afzal	6	4	N/A
6	Mrs. Farnaz Saeed	6	4	4
7	Mrs. Nafeesa Amin	5	4	4
8	Mrs. Munawar Pervaiz	2	N/A	1
9	Mrs. Hina Ali	2	N/A	N/A
10	Mushtaq Ahmed Shaheen	N/A	N/A	4
11	Khurram Iftikhar	N/A	4	N/A

Auditors

The auditors Messers Tahir Siddiqi & Co. Chartered Accountants are the retiring auditors of the Company and offer their services for re-appointment. They confirmed that they have been given satisfactory rating under the Quality Control Review program of The Institute of Chartered Accountants of Pakistan (ICAP) and the firm is fully compliant with the International Federation of Accountants (IFAC) guidelines on code of ethics, as adopted by the ICAP. The audit committee and the Board recommended their re-appointment by the shareholders at the Annual General Meeting of the Company as auditors of the Company for the year ending June 30, 2016.

Pattern of Shareholding

The pattern of shareholding of the company is annexed to the report.

Appreciation

The board would like to articulate their appreciation for the allegiance, hard toil of the workers, staff and members of the management team. Customers and retailers are the key element of our Company and we thank them for their continued co-operation.

ON BEHALF OF THE BOARD


MOHAMMAD AFZAL SHEIKH
Chairman

Lahore: September 17, 2015

- 10 No new appointment of CFO, Company Secretary or Head of Internal Audit has been made during the year. However, any changes to the remuneration, terms and conditions of the employment of CFO, Company Secretary and Head of Internal Audit have been determined by the CEO with the approval of the Board of Directors.
- 11 The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
- 12 The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 13 The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 14 The Company has complied with all the corporate and financial reporting requirements of the CCG.
- 15 The board has formed an audit committee. It comprises of four members, three of whom are Non-Executive Directors including Chairman of the Committee.
- 16 The meetings of the audit committee were held at least once in every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed by the Board and advised to the committee for compliance.
- 17 The board has formed an HR and Remuneration Committee. It comprises of three members of whom all are Non-Executive Directors including the Chairman of the Committee.
- 18 The Board has set-up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
- 19 The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that neither the firm nor any of the partners of the firm, their spouses and minor children 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.
- 20 The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 21 The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to the directors, employees and the stock exchanges.
- 22 Material /price sensitive information has been disseminated among all market participants at once through stock exchanges.
- 23 We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.

Lahore: September 17, 2015

ON BEHALF OF THE BOARD


MOHAMMAD AFZAL SHEIKH
Chairman

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Al-Khair Gadoon Limited (the Company) for the year ended June 30, 2015 to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange Limited, Lahore Stock Exchange Limited and chapter XI of the listing regulations of Islamabad Stock Exchange Limited, where the company is listed.

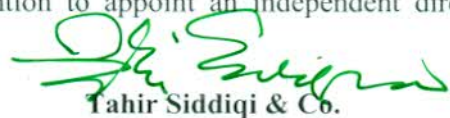
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2015.

Further, we highlight an instance of non-compliance with the requirement of the Code as reflected in paragraph 1 in the Statement of Compliance with respect to the appointment of atleast one independent director as required by clause i(b) of the CCG. The Company has shown intention to appoint an independent director in the upcoming elections.



Tahir Siddiqi & Co.

Chartered Accountants

(A member firm of TIAG Int'l)

Engagement Partner: Mohammad Tahir Siddiqi, FCA

Lahore: September 17, 2015

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of the Company: Al-Khair Gadoon Limited
 Year Ending: June 30, 2015

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulation No. 35 of the Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:-

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

Category	Names
Non-Executive Directors	i. Mohammad Afzal Sheikh
	ii. Mr. Mohammad Amin Sheikh
	iii. Mrs. Parveen Afzal
	iv. Mrs. Farnaz Saeed
	v. Mrs. Nafeesa Amin
	vi. Mrs. Hina Ali
Executive Directors	i. Mr. Mohammad Saeed Sheikh
	ii. Sheikh Pervaiz Afzal

The Company has not yet appointed an Independent Director. However, the Company is committed to appoint an Independent Director in upcoming elections of the Board of Directors.

- 2 The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies, where applicable).
- 3 All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- 4 A casual vacancy occurred on the Board of Directors during the year was filled up promptly.
- 5 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.
- 6 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.
- 7 All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other Executive and Non-Executive Directors, have been taken by the Board.
- 8 The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9 The board has been provided with detailed in-house briefings and information package to acquaint them with the CCG, applicable laws, their duties and responsibilities to enable them to effectively manage the affairs of the Company for and on behalf of shareholders.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-KHAIR GADOON LIMITED ("the Company") as at June 30, 2015 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purposes of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c. in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and the statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2015 and of the loss, its comprehensive loss, cash flows and changes in equity for the year then ended; and
- d. in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).



Tahir Siddiqi & Co.

Chartered Accountants
(A member firm of TIAG Int'l)

Engagement Partner: Mohammad Tahir Siddiqi, FCA

Lahore: September 17, 2015

AL-KHAIR GADOON LIMITED
BALANCE SHEET AS AT JUNE 30, 2015

	Note	2015 Rs.	2014 Rs.
ASSETS			
NON CURRENT ASSETS			
Property, Plant and Equipment	4	82,076,501	89,061,521
Deferred Taxation	5	3,844,721	119,026
		85,921,222	89,180,547
CURRENT ASSETS			
Stores and Spares		1,724,361	1,632,147
Stock in Trade	6	197,192,004	142,804,480
Trade Debts	7	13,277,973	13,884,797
Advances, Deposits and Prepayments	8	206,718,451	182,053,567
Cash and Bank Balances	9	1,466,998	6,616,487
		420,379,787	346,991,478
Non-Current Assets Held for Sale	10	13,269,569	13,269,569
TOTAL ASSETS		519,570,578	449,441,594
EQUITY AND LIABILITIES			
Authorized Capital			
12,000,000 Ordinary shares of Rs. 10 each		120,000,000	120,000,000
Issued, Subscribed and Paid up Capital	11	100,000,000	100,000,000
Capital Reserves - Share Premium		25,000,000	25,000,000
Unappropriated Profit		53,463,811	57,308,128
Shareholders' Equity		178,463,811	182,308,128
NON CURRENT LIABILITIES			
Deferred Liabilities	12	8,475,515	6,801,167
Loan from Directors		50,105,342	-
		58,580,857	6,801,167
CURRENT LIABILITIES			
Trade and Other Payables	13	185,134,652	115,471,961
Short Term Borrowings - secured	14	86,409,779	137,881,778
Un-Claimed Dividend		1,844,946	1,844,946
Provision for Taxation		9,136,533	5,133,614
		282,525,910	260,332,299
CONTINGENCIES AND COMMITMENTS	15	-	-
TOTAL EQUITY AND LIABILITIES		519,570,578	449,441,594

The annexed notes 1 to 30 form an integral part of these financial statements.

Lahore: September 17, 2015


MOHAMMAD AFZAL SHEIKH
 CHAIRMAN


MOHAMMAD SAEED SHEIKH
 CHIEF EXECUTIVE

AL-KHAIR GADOON LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 Rs.	2014 Rs.
Sales - net	16	400,291,928	513,361,411
Cost of sales	17	(345,132,102)	(476,673,851)
Gross profit		55,159,826	36,687,560
Administrative expenses	18	(21,173,146)	(26,235,983)
Distribution expenses	19	(19,326,183)	(22,807,958)
		(40,499,329)	(49,043,941)
Operating profit		14,660,497	(12,356,381)
Finance cost	20	(13,730,079)	(6,486,080)
Other operating income	21	474,281	516,388
		(13,255,798)	(5,969,692)
Profit / (loss) before taxation		1,404,699	(18,326,073)
Provision for Taxation	22	(5,104,033)	(7,944,579)
Profit / (loss) for the year		(3,699,334)	(26,270,652)
Earnings per share - before tax (basic and diluted - Rupees)	23	0.14	(1.83)
Earnings per share - after tax (basic and diluted - Rupees)	23	(0.37)	(2.63)

The annexed notes 1 to 30 form an integral part of these financial statements.

Lahore: September 17, 2015


 MOHAMMAD AFZAL SHEIKH
 CHAIRMAN


 MOHAMMAD SAEED SHEIKH
 CHIEF EXECUTIVE

AL-KHAIR GADOON LIMITED
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	Rs.	Rs.
	<hr/>	<hr/>
Profit / (loss) for the year	(3,699,334)	(26,270,652)
Other comprehensive income for the year:		
<i>Items that will not be re-classified to profit or loss</i>		
Re-measurement of retirement benefits	(144,983)	(222,385)
Total comprehensive income / (loss) for the year	<u><u>(3,844,317)</u></u>	<u><u>(26,493,037)</u></u>

The annexed notes 1 to 30 form an integral part of these financial statements.

Lahore: September 17, 2015


 MOHAMMAD AFZAL SHEIKH
 CHAIRMAN


 MOHAMMAD SAEED SHEIKH
 CHIEF EXECUTIVE

AL-KHAIR GADOON LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	2015 Rs.	2014 Rs.
Cash flows from operating activities		
Profit / (loss) before taxation	1,404,699	(18,326,073)
Adjustments for non cash items:		
Depreciation on property, plant and equipment	9,511,702	10,079,313
Finance cost	13,730,079	6,486,080
Gain on sale of property, plant and equipment	(421,341)	(309,872)
Provision for Gratuity	1,905,977	1,373,806
Provision for doubtful debt	(31,938)	111,658
	<u>24,694,479</u>	<u>17,740,985</u>
Operating profit / (loss) before working capital changes	26,099,178	(585,088)
(Increase)/decrease in current assets		
Stores and spares	(92,214)	(294,513)
Stock-in-trade	(54,387,524)	(27,067,262)
Trade debts	638,762	(2,233,157)
Advances, deposits and prepayments	11,960,886	(7,740,409)
	<u>(41,880,090)</u>	<u>(37,335,341)</u>
Increase/(decrease) in current liabilities		
Trade and other payables	69,170,943	(28,554,732)
Cash generated from / (used in) operations	53,390,031	(66,475,161)
Finance cost paid	(13,238,330)	(6,324,166)
WPPF paid	-	(2,257,091)
Taxes (paid) / Refund	(41,452,580)	43,659,551
Gratuity paid	(376,612)	(670,209)
	<u>(55,067,522)</u>	<u>34,408,085</u>
Net cash used in operating activities	(1,677,491)	(32,067,076)
Cash flows from investing activities		
Fixed capital expenditure	(7,677,282)	(9,013,084)
Capital work in progress	5,081,908	2,754,347
Proceeds from sale of property, plant and equipment	490,034	354,000
Long term deposits	-	161,800
Net cash used in investing activities	(2,105,340)	(5,742,937)
Cash flows from financing activities		
Liabilities against assets subject to finance lease	-	(219,370)
Short term borrowings	(51,472,000)	33,192,043
Loan from Directors	50,105,342	-
Net cash (used in) / generated from financing activities	(1,366,658)	32,972,673
Net decrease in cash and cash equivalents	(5,149,489)	(4,837,340)
Cash and cash equivalents at the beginning of year	6,616,487	11,453,827
Cash and cash equivalents at the end of year	1,466,998	6,616,487

The annexed notes 1 to 30 form an integral part of these financial statements.

Lahore: September 17, 2015

MOHAMMAD AFZAL SHEIKH
CHAIRMAN

MOHAMMAD SAEED SHEIKH
CHIEF EXECUTIVE

AL-KHAIR GADOON LIMITED
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

	Share Capital	Share Premium	Unappropriated Profit	Total
	(-----Rupees-----)			
Balance as at 1 July 2013 - restated	100,000,000	25,000,000	83,801,165	208,801,165
Comprehensive income for the year				
Profit for the year	-	-	(26,270,652)	(26,270,652)
Other comprehensive income for the year	-	-	(222,385)	(222,385)
	-	-	(26,493,037)	(26,493,037)
Balance as at 1 July 2014	100,000,000	25,000,000	57,308,128	182,308,128
Comprehensive income for the year				
Loss for the year	-	-	(3,699,334)	(3,699,334)
Other comprehensive income for the year	-	-	(144,983)	(144,983)
	-	-	(3,844,317)	(3,844,317)
Balance as at 30 June 2015	100,000,000	25,000,000	53,463,811	178,463,811

The annexed notes 1 to 30 form an integral part of these financial statements.

Lahore: September 17, 2015


MOHAMMAD AFZAL SHEIKH
CHAIRMAN


MOHAMMAD SAEED SHEIKH
CHIEF EXECUTIVE

NOTES TO THE FINANCIAL STATEMENTS

For the year ended June 30, 2015

1 LEGAL STATUS AND NATURE OF BUSINESS

The Company was incorporated as a Private Limited Company on August 27, 1990 and Converted into Public Limited Company on August 31, 1995 and is enlisted on Karachi, Lahore and Islamabad Stock Exchanges. It is principally engaged in manufacturing of foam and allied products. The registered office of the company is situated at 92/3, Phase III, Industrial Estate, Gadoon Amazai, District Swabi, Khyber Pakhtunkhwa – Pakistan.

2 BASIS OF PREPARATION

2.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for those as stated in the respective policies and notes given here under.

2.2 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standard Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.3 Amendments to approved accounting standards and interpretation which became effective during the year ended June 30, 2015

There were certain new amendments to the approved accounting standards and a new interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) which became effective during the year but are considered not to be relevant or have any significant effect on the Company's operations and are therefore, not disclosed in these financial statements.

2.4 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

IFRS 12 'Disclosure of Interests in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Company's financial statements.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from "held for distribution to owners" to "held for sale" or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.

2.5 EVENTS AFTER THE REPORTING PERIOD

Pursuant to the Note 10 of these financial statements regarding "Non-Current Assets Held for Sale", after the reporting date, the Company has successfully entered in to a Sale agreement with prospective buyer for disposal of 1,499,500 Ordinary Shares of Associated Company. However, this event has been considered as a non-adjusting event under International Accounting Standard (IAS) 10 "Events after the Reporting Period" and has not been recognized in these financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Property, Plant and Equipment

Owned

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment loss except the leasehold land which is stated at cost and is not amortized for the reason that it is a lease of 99 years.

Depreciation on all property, plant and equipment is charged to Profit and Loss Account on the reducing balance method over its estimated useful life at annual rates mentioned in note 4 after taking into account their residual values. Depreciation on additions is charged from the month in which asset is put to use and, on disposal, before the month of disposal. Residual values and the useful lives of the assets are reviewed at least at each financial year end and adjusted if impact on depreciation is significant.

Maintenance and repairs are charged to Profit & Loss Account as and when incurred. Major renewals and improvements are capitalized.

The carrying value of fixed assets is reviewed for impairment, when events or changes in circumstances indicate that the carrying value may not be recoverable. If such indications exist and where carrying value exceeds the estimated recoverable amount, the assets are written down to the recoverable amount.

An item of property, plant & 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 (calculated as the difference between the net disposal proceeds and carrying amount of the asset) included in the Profit & Loss Account in the year the asset is derecognized.

Leased

Leases wherein the Company has substantially all the risks and rewards of ownership are classified as finance leases. At inception, finance leases are capitalized at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets, less accumulated depreciation and impairment loss, if any.

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

Minimum lease payments made under finance leases are apportioned between the finance cost and principal liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent

lease payments, if any, are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed. The interest element of the rental is charged to Profit & Loss Account over the lease term.

Assets acquired under a finance lease are depreciated on systematic basis over the estimated useful life of the assets on reducing balance method at the rates mentioned in note 4. Depreciation of leased assets is charged to Profit & Loss Account.

Residual values and the useful lives of the assets are reviewed at least at each financial year-end and adjusted if impact of depreciation is significant.

3.2 Capital Work in Progress

Capital work in progress is stated at cost less any identified impairment loss.

3.3 Stock - in - Trade

Stock of raw materials, work in process and finished goods are valued at lower of the weighted average cost and the net realizable value. The cost is determined as follows:-

Raw Materials & Work in Process	- weighted average cost
Finished Goods	- weighted average cost

Stock in transit is valued at cost comprising invoice value and other charges incurred thereon as accumulated to the balance sheet date.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

3.4 Stores, Spares & Loose Tools

These are valued at lower of cost and estimated net realizable value. The cost is determined on weighted average cost basis. Items in transit are valued at cost comprising invoice value and other charges thereon accumulated at the balance sheet date.

3.5 Taxation

Current

Provision of current tax is based on the taxable income for the year determined in accordance with the Income Tax Ordinance, 2001. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted after taking into account tax credits, rebates and exemptions, if any. The charge for current tax also includes adjustments, where considered necessary, provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted at the balance sheet date.

3.6 Trade Debts

Debtors originated by the Company are recognized and carried at the original invoice amount less an allowance for any uncollectible. A provision for doubtful debt is established based on the review of all outstanding amounts at the year end. Bad debts are written off, when identified.

3.7 Cash and Cash Equivalents

Cash and Cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, cash with banks on current, savings and deposit accounts.

3.8 Creditors, Accrued and Other Liabilities

Creditors, Accrued and other Liabilities for trade and other amounts payable are carried at the cost which is the fair value of the consideration to be paid in future for the goods and services received.

3.9 Mark-up Bearing Borrowings

Mark-up bearing borrowings are recognized initially at amortized cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at amortized cost less subsequent repayments.

The Company accounts for lease obligations by recording the asset and corresponding liability there against determined on the basis of discounted value of minimum lease payments. Financial Charges are recognized in the profit & loss account using the effective mark-up rate method.

3.10 Borrowing Costs

Mark-up, interest and other direct charges on borrowings are capitalized to the related qualifying asset till substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. All other mark-up, interest and related charges are charged to the profit & loss account in the year in which they are incurred.

3.11 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past event, and it is probable that outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimates.

3.12 Foreign Currency Transactions

Transactions in foreign currencies are accounted for in Pakistan rupees at monthly average rates. Monetary assets and liabilities in foreign currencies are translated into rupees at the rate of exchange prevailing at the balance sheet date. Exchange gains or losses are charged to Profit & Loss Account.

3.13 Financial Instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. The particular measurement methods adopted are considered in individual policy statement associated with each item.

3.14 Offsetting of Financial Assets and Liabilities

A financial asset and financial liability is offset and net amount is reported in the balance sheet if the Company has a legal enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets' value and settle the liability simultaneously.

3.15 Impairments

The carrying amount of Company's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognized.

3.16 Related Party Transactions

The Company enters into transactions with related parties on an arm's length basis. Prices for transactions with related parties are determined using admissible valuation methods, except in extremely rare circumstances where, subject to approval of the Board of Directors, it is in the interest of the Company to do so.

3.17 Long Term Investments in Associates

Investment in associated companies is accounted for using the equity method. Under this method investments are stated at cost plus the company's equity in undistributed earnings and losses after acquisition, less any impairment in the value of individual investments.

3.18 Staff Retirement Benefits

The Company operates a defined benefit plan i.e. gratuity scheme for all its permanent employees subject to attainment of retirement age and minimum service of prescribed period. Contributions are made to the fund on the basis of actuarial recommendations. Actuarial valuation is carried out using the projected unit credit method. All actuarial gains and losses are recognised in 'other comprehensive income' as they occur.

3.19 Dividend and Appropriations

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

3.20 Revenue Recognition

- Revenue from sale is recognized on dispatch of goods to the customers.
- Income from property is recognized when the rental becomes due.
- Income from Banks is recognized when earned.

3.21 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards that requires the use of certain critical accounting estimate. It also requires management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience and other factors, including

expectation of future events that are believed to be reasonable under the circumstances. In the process of applying the Company's accounting policies, the management has made the following estimates and judgments which are significant to the financial statements:

- (a) Assumptions and estimates used in calculating the provision for impairment for trade debts (note-7);
- (b) Assumptions and estimates used in the recognition of deferred taxation (note-5);
- (c) Assumptions and estimates used in accounting for defined benefit plan (note-12); and
- (d) Assumptions and estimates used in disclosure and assessment of provision for contingencies (note-15).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015**

	Note	2015 (Rupees)	2014
4 PROPERTY, PLANT AND EQUIPMENT			
Operating Fixed Assets	4.1	81,735,451	83,638,563
Capital Work in Progress	4.3	341,050	5,422,958
		82,076,501	89,061,521

4.1 Operating Fixed Assets

	Land Lease Hold	Building		Plant & Machinery	Tools & Equipment's	Office Equipment	Furniture & Fixture	Computer	Vehicle		Total Amount in Rupees
		Lease Hold	Free Hold						Owned	Leased	
As at July 1, 2013											
Cost	1,459,819	10,924,022	56,471,145	31,563,420	2,627,411	3,762,460	2,273,512	995,860	41,320,049	1,881,760	153,279,458
Accumulated Depreciation	-	4,954,638	25,794,082	19,024,492	908,660	1,934,847	1,403,232	549,802	12,597,338	1,363,446	68,530,538
Net Book Value	1,459,819	5,969,384	30,677,063	12,538,928	1,718,751	1,827,613	870,280	446,058	28,722,711	518,314	84,748,920
Year ended June 30, 2014											
Opening Net Book Value	1,459,819	5,969,384	30,677,063	12,538,928	1,718,751	1,827,613	870,280	446,058	28,722,711	518,314	84,748,920
Addition (Cost)	-	-	5,198,128	1,314,396	-	347,650	209,740	112,370	1,830,800	-	9,013,084
Transfer	-	-	-	-	-	-	-	-	441,137	(441,137)	-
	1,459,819	5,969,384	35,875,191	13,853,324	1,718,751	2,175,263	1,080,020	558,428	30,994,648	77,177	93,762,004
Disposal (NBV)											
Cost	-	-	-	-	-	8,500	-	-	869,000	-	877,500
Accumulated Depreciation	-	-	-	-	-	(4,502)	-	-	(828,870)	-	(833,372)
	-	-	-	-	-	3,998	-	-	40,130	-	44,128
Depreciation Charge	-	596,938	1,685,465	1,293,473	171,875	199,124	100,712	51,141	5,903,408	77,177	10,079,313
Closing Net Book Value	1,459,819	5,372,446	34,189,726	12,559,851	1,546,876	1,972,141	979,308	507,287	25,051,110	-	83,638,563
As at July 1, 2014											
Cost	1,459,819	10,924,022	61,669,273	32,877,816	2,627,411	4,101,610	2,483,252	1,108,230	42,722,986	-	159,974,419
Accumulated Depreciation	-	5,551,576	27,479,547	20,317,965	1,080,535	2,129,469	1,503,944	600,943	17,671,876	-	76,335,855
Net Book Value	1,459,819	5,372,446	34,189,726	12,559,851	1,546,876	1,972,141	979,308	507,287	25,051,110	-	83,638,564
Year ended June 30, 2015											
Opening Net Book Value	1,459,819	5,372,446	34,189,726	12,559,851	1,546,876	1,972,141	979,308	507,287	25,051,110	-	83,638,564
Addition (Cost)	-	3,064,229	-	3,111,069	13,000	299,150	30,250	71,250	1,088,334	-	7,677,282
Transfer	-	-	-	-	-	-	-	-	-	-	-
	1,459,819	8,436,675	34,189,726	15,670,920	1,559,876	2,271,291	1,009,558	578,537	26,139,444	-	91,315,846
Disposal (NBV)											
Cost	-	-	-	-	-	-	-	23,300	429,000	-	452,300
Accumulated Depreciation	-	-	-	-	-	-	-	(7,588)	(376,019)	-	(383,607)
	-	-	-	-	-	-	-	15,712	52,981	-	68,693
Depreciation Charge	-	715,991	1,709,486	1,436,004	155,671	209,685	99,387	53,282	5,132,196	-	9,511,702
Closing Net Book Value as at June 30, 2015	1,459,819	7,720,684	32,480,240	14,234,916	1,404,205	2,061,606	910,171	509,543	20,954,267	-	81,735,451
Annual Rate of Depreciation	-	10%	5%	10%	10%	10%	10%	10%	20%	20%	

4.2	Depreciation is allocated as under:		2015	2014
		Note	(Rupees)	
	Cost of Goods Sold	17	1,591,675	1,465,348
	Administrative Expenses	18	2,787,831	2,633,380
	Distribution Expenses	19	5,132,196	5,980,585
			9,511,702	10,079,313

4.3	Capital Work in Progress			
	Building		2,200	2,968,859
	Machinery		338,850	2,454,099
			341,050	5,422,958

4.4 Disposal of Assets

Sr. No.	Particulars	Cost	Acc. Dep.	W.D.V	Sale Proceed	Profit / (loss)	Sold to	Mode of Disposal
1	Motor Vehicle	429,000	376,019	52,981	485,034	432,053	Mr. Nasir Zahoor	Negotiation
2	Computer	23,300	7,588	15,712	5,000	(10,712)	Mr. Furqan	Negotiation
		452,300	383,607	68,693	490,034	421,341		

5 DEFERRED TAXATION

	Deferred Tax Assets		3,844,721	119,026
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6 STOCK IN TRADE

	Raw and Packing Material		98,315,417	95,259,482
	Work-in-Process		51,524,170	26,064,552
	Finished Goods		47,352,417	21,480,446
			197,192,004	142,804,480

7 TRADE DEBTS

	Considered Good - unsecured		13,976,814	14,615,576
	Provision for Doubtful Debts		(698,841)	(730,779)
			13,277,973	13,884,797

8 ADVANCES, DEPOSITS & PREPAYMENTS

	Advances to Employees		1,324,276	2,105,132
	Advance Taxes		204,057,157	167,431,387
	Letter of Credit		132,160	11,523,100
	Prepayments		1,204,858	993,948
			206,718,451	182,053,567

9 CASH AND BANK BALANCES

	Cash in Hand		419,214	559,763
	Cash at Bank - in current accounts		1,047,784	6,056,724
			1,466,998	6,616,487

		2015	2014
		(Rupees)	
10 NON-CURRENT ASSETS HELD FOR SALE	Note		
Investment in associated company: Al-Khair Mirpur (Pvt) Ltd. 1,499,500 Ordinary shares of Rs.10/-each		<u>13,269,569</u>	<u>13,269,569</u>
<p>The members of the Company in Annual General Meeting held on October 31, 2013 had approved the divestment of 1,499,500 Ordinary Shares of Rs.10/- each of Al-Khair Mripur (Private) Limited due to the reason that such investment was not giving the desired results for the last many years. Therefore, "Investment in associated Company" having book value of Rs.13.269 Million has been classified as Non-Current Assets Held for Sale. The Company has successfully entered into a Sale Agreement with prospective buyer as discussed in Note 2.5.</p>			
11 SHARE CAPITAL			
AUTHORISED			
12,000,000 (2014: 12,000,000) Ordinary shares of Rs. 10 each		<u>120,000,000</u>	<u>120,000,000</u>
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
7,000,000 Ordinary shares of Rs.10 each fully paid in cash		<u>70,000,000</u>	<u>70,000,000</u>
3,000,000 Ordinary shares of Rs.10 each issued as bonus shares		<u>30,000,000</u>	<u>30,000,000</u>
		<u>100,000,000</u>	<u>100,000,000</u>
12 DEFERRED LIABILITIES			
Gratuity	12.1	<u>8,475,515</u>	<u>6,801,167</u>
<p>12.1 The scheme provides for terminal benefits for all its permanent employees who attains the minimum qualifying period. Annual charge is made using the actuarial techniques of Projected Unit Credit Method.</p>			
12.1.1 Movement in Net liability recognized			
Net Liability at the beginning of the year		<u>6,801,167</u>	5,875,186
Re-Measurements chargeable in Other Comprehensive income		<u>144,983</u>	222,385
Charge for the year		<u>1,905,977</u>	1,373,806
Benefits paid during the year		<u>(376,612)</u>	(670,209)
		<u>8,475,515</u>	<u>6,801,167</u>
12.1.2 Movement in Present value of defined benefit plan			
Present value of defined benefit obligation		<u>6,801,167</u>	5,875,186
Current service cost		<u>807,922</u>	694,869
Interest costs		<u>1,098,055</u>	678,937
Benefits Paid		<u>(376,612)</u>	(670,209)
Re-Measurements		<u>144,983</u>	222,385
		<u>8,475,515</u>	<u>6,801,167</u>
12.1.3 Expense recognized in Profit & loss account			
Current service cost		<u>807,922</u>	694,869
Interest costs		<u>1,098,055</u>	678,937
		<u>1,905,977</u>	<u>1,373,806</u>

12.1.4 Principal actuarial assumptions	Note	2015	2014
		(Rupees)	
Discount rate used for Interest cost in P&L charge		13.25%	10.50%
Discount rate used for year-end obligation		9.75%	13.25%
Expected rate of increase in salaries per annum		8.75%	12.25%
Average expected remaining life time of employees		8 years	8 years

Expected charge to Profit & Loss Account for the year ended June 30, 2016 amounts to Rs.1,645,994 in respect of Gratuity.

13 TRADE AND OTHER PAYABLES

Trade creditors and other payables	180,657,597	110,949,735
Taxes Payable	1,400,576	53,211
Mark up Payable	793,243	301,494
Accrued Expenses	2,283,236	4,167,521
	185,134,652	115,471,961

14 SHORT TERM BORROWINGS

Banking Companies - Secured

ABL – Running Finance	14.1	24,994,680	34,182,287
ABL – Finance against Trust Receipts	14.2	2,367,025	-
ABL – Finance against Imported Material	14.3	11,927,061	4,307,000
BAFL – Finance against Imported Material	14.4	22,121,013	74,392,491
		61,409,779	112,881,778
Loan from associated undertakings – Unsecured	14.5	25,000,000	25,000,000
		86,409,779	137,881,778

14.1 Short term running finance facility under mark-up arrangements of Rs.25 million (2014: Rs.35 million) has been availed from Allied Bank Limited. The finance facility carries markup at 3 months average KIBOR plus 300 basis points per annum. It is secured against first charge on all present and future stocks amounting to Rs.25 Million.

14.2 Short term finance against trust receipts is available from Allied Bank Limited amount to Rs. 10 million (2014: Rs.15 million). The FATR carries markup at flexible rate linked with 3 months average KIBOR plus 275 (2014: 275) basis points per annum. The facility is secured against first charge on all present and future stocks amounting to Rs.25 Million.

14.3 Finance against imported material is also available for Rs.40 million (2014: Rs.50 million) from Allied Bank Limited against L/C documents. The FIM facility carries mark-up at flexible rate linked with 3 months average KIBOR plus 275 (2014: 275) basis points per annum. The FIM facility is secured by lien over import documents, pledge of imported merchandise and the personal guarantees of Directors. Facility against letter of credit is also available for Rs.90 million (2014: Rs.90 million) from Allied Bank Limited for import of raw material only. This facility carries mark-up 0.1% per quarter and adjusted through own sources/FATR/FIM. The facility is secured by lien over import documents and nil cash margin.

- 14.4 The Company has obtained the facility of Finance against imported material from Bank Al-Falah Limited amounting to Rs150 million (2014: 150 million). The facility attracts mark-up at flexible rate linked with three months KIBOR plus 200 (2014: 240) basis points per annum. The facility is secured against lien over imported documents, pledge of imported material and personal guarantees of Directors of the Company. The Company has also been provided the facility for sight letter of credit (SLC) of Rs. 150 million (2014: Rs.150 million) to retire import documents under SLCs. The facility is secured against lien on import documents.
- 14.5 The Company obtained the loan from associated undertaking and the same shall be repaid without any mark up within the next financial year.

15 CONTINGENCIES & COMMITMENTS

15.1 Contingencies

The commercial banks have issued guarantees on behalf of the company amounted to Nil (2014 : Nil)

15.2 Commitments

Commitments in respect of Letters of Credit at the terminal date were Rs. 57.58 million (2014: 11.5 million).

16 SALES

	Note	2015 (Rupees)	2014
Local sales		475,832,234	616,578,629
Less: Sales tax		75,540,306	96,987,971
Trade discount		-	6,229,247
		75,540,306	103,217,218
		400,291,928	513,361,411

17 COST OF GOODS SOLD

Opening stock of raw material		96,891,629	75,027,525
Purchases		382,328,324	490,678,424
Closing stock of raw material		(100,039,778)	(96,891,629)
Raw material consumed		379,180,175	468,814,320
Salaries, wages and other benefits	17.1	9,167,828	8,156,911
Power & Fuel and Lubricants		3,807,729	2,566,349
Repair & Maintenance		2,216,122	668,432
Depreciation	4.2	1,591,675	1,465,348
Insurance		500,162	500,162
		396,463,691	482,171,522
Opening stock of work in process		26,064,552	22,127,515
Closing stock of work in process		(51,524,170)	(26,064,552)
Cost of goods manufactured		371,004,073	478,234,485
Opening stock of finished goods		21,480,446	19,919,812
Closing stock of finished goods		(47,352,417)	(21,480,446)
Cost Of Goods Sold		345,132,102	476,673,851

17.1 Salaries and other benefits include Rs.860,764 (2014: Rs.643,972) in respect of defined benefit plan under non-funded gratuity scheme.

		2015	2014
18 ADMINISTRATIVE EXPENSES	Note	(Rupees)	
Directors' Remuneration		4,030,424	3,417,141
Salaries & benefits	18.1	5,883,132	7,679,478
Travelling & Conveyance		444,005	1,120,203
Postage, telephone & telefaxes		147,059	657,268
Rent, rates & taxes		35,000	342,771
Vehicle running & maintenance		256,715	1,760,672
Legal & professional charges		228,635	268,785
Auditors' remuneration	18.2	450,000	350,000
Printing & stationery		274,658	574,097
Staff Welfare		852,514	897,163
Entertainment		369,357	651,548
Utility Charges		2,419,930	2,190,851
Fee & subscription		617,227	525,850
Depreciation	4.2	2,787,831	2,633,380
Medical Expenses		176,001	245,593
Internet Charges		206,300	158,691
News paper periodicals		26,700	74,382
Provision for bad debts		(31,938)	111,658
Repair and Maintenance		532,417	740,164
Insurance		832,025	1,593,145
Advertisements		444,699	-
MIS Expenses		-	56,700
Property Tax		190,455	186,443
		<u>21,173,146</u>	<u>26,235,983</u>
18.1 Salaries and other benefits include Rs.553,348 (2014: Rs.386,382) in respect of defined benefit plan under non-funded gratuity scheme.			
18.2 Auditors' remuneration			
Audit fee		425,000	325,000
Out of pocket expenses		25,000	25,000
		<u>450,000</u>	<u>350,000</u>
19 DISTRIBUTION EXPENSES			
Salaries & wages	19.1	7,042,209	8,254,168
Staff welfare		667,398	794,981
Entertainment		662,254	804,168
Printing and stationery		425,140	715,298
Telephone and postage		297,059	444,870
Travelling and conveyance		2,034,464	2,515,132
Vehicle repair and maintenance		1,267,550	2,025,417
Newspaper and periodicals		132,541	385,246
Utility charges		1,665,372	383,522
Depreciation	4.2	5,132,196	5,980,585
Business Promotion		-	504,571
		<u>19,326,183</u>	<u>22,807,958</u>

19.1 Salaries and other benefits include Rs.491,865 (2014: Rs.343,452) in respect of defined benefit plan under non-funded gratuity scheme.

20 FINANCE COST

Mark up on short term financing	12,998,710	5,795,279
Mark up on lease financing	-	19,674
Bank & muccadam charges	731,369	671,127
	13,730,079	6,486,080

21 OTHER OPERATING INCOME

Gain on disposal of fixed assets	421,341	309,872
Rebate on advertisement	52,940	-
Insurance claim	-	206,516
	474,281	516,388

22 PROVISION FOR TAXATION

Current Taxation		
- For the year	4,002,919	5,133,614
- For prior year	4,826,809	-
	8,829,728	5,133,614
Deferred Taxation	(3,725,695)	2,810,965
	5,104,033	7,944,579

23 EARNINGS PER SHARE - basic and diluted

There is no dilutive effect on the basic earnings per share of the Company, which is based on:

Profit / (loss) for the year before taxation (Rupees)	1,404,699	(18,326,073)
Profit / (loss) for the year after taxation (Rupees)	(3,699,334)	(26,270,652)
Number of Shares (Shares)	10,000,000	10,000,000
Earnings / (loss) per share before taxation (Rupees)	0.14	(1.83)
Earnings / (loss) per share after taxation (Rupees)	(0.37)	(2.63)

24 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE REMUNERATION

	Chief Executive		Directors		Executives		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	Rupees		Rupees		Rupees		Rupees	
Managerial Remuneration	1,785,693	1,551,720	1,785,693	1,551,720	4,692,708	2,671,742	8,264,094	5,775,182
Utilities	254,711	170,689	204,327	139,659	-	20,152	459,038	330,500
Total	<u>2,040,404</u>	<u>1,722,409</u>	<u>1,990,020</u>	<u>1,691,379</u>	<u>4,692,708</u>	<u>2,691,894</u>	<u>8,723,132</u>	<u>6,105,682</u>

In addition to above, the Chief Executive and Director are provided with free use of Company maintained cars for Company's as well as for their personal use.

25 FINANCIAL RISK MANAGEMENT

25.1 Credit Risk

The company's Credit risk exposures are categorized under the following heads:-

Exposure to Credit Risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at reporting date was:-

	2015	2014
	(Rupees)	
Trade Debtors	13,976,814	14,615,576
Advances to staff	1,324,276	2,105,132
Cash at Bank	1,047,784	6,056,724
	<u>16,348,874</u>	<u>22,777,432</u>

The trade debts as at the balance sheet date are all domestic debts. The aging of trade receivables at the reporting dates is as under:-

Past due 0-30 days	7,588,489	6,577,009
Past due 31-120 days	3,271,210	4,238,517
Past due 121-365 days	2,458,660	2,923,115
More than one year	658,455	876,935
	<u>13,976,814</u>	<u>14,615,576</u>

Based on the historic records, the Company believes that no impairment allowance in respect of loans and receivables is required except for the provisions provided for impairment amounting to Rs.698,841/- (2014 : Rs.730,779/-).

25.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements, if any.

2015	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
Trade and other payables	184,341,409	184,341,409	125,374,835	58,966,574	-	-
Unclaimed dividend	1,844,946	1,844,946	1,844,946	-	-	-
Financial charges payable	793,243	793,243	793,243	-	-	-
Short term borrowings	86,409,779	86,409,779	61,409,779	-	25,000,000	-
Total	<u>273,389,377</u>	<u>273,389,377</u>	<u>189,422,803</u>	<u>58,966,574</u>	<u>25,000,000</u>	<u>-</u>

2014	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to two years	Two to five years
Trade and other payables	115,170,467	115,170,467	115,170,467	-	-	-
Unclaimed dividend	1,844,946	1,844,946	1,844,946	-	-	-
Financial charges payable	301,494	301,494	301,494	-	-	-
Short term borrowings	137,881,778	137,881,778	112,881,778	25,000,000	-	-
Total	255,198,685	255,198,685	230,198,685	25,000,000	-	-

25.3 Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate, foreign currency, commodity price and equity price that will affect the Company's income or the value of its holdings of financial instruments.

25.3.1 Interest Rate Risk

At the reporting date the interest rate profile of the Company's interest bearing financial instruments were:-

Particulars	2015 Effective rate in %	2014 Effective rate in %	2015 Carrying amount (Rs.)	2014 Carrying amount (Rs.)
Financial Liabilities				
Variable Rate instruments:-				
Short Term Borrowings	13.60 to 14.95	13.60 to 14.95	61,409,779	112,881,778

Fair value of 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 rate at the reporting date would not affect profit and loss account.

Cash flow sensitivity analysis for various rate instruments

A change of 100 basis points in interest rate at the reporting date would have increased/ (decreased) profit or loss by amounts shown below. This analysis assumes that all other variables, in a particular foreign currency rate (if any), remains constant. The analysis is performed on the same basis as for the previous year:-

	Increase Profit	(Decrease) Profit
As at June 30, 2015	614,098	(614,098)
As at June 30, 2014	1,128,818	(1,128,818)

The sensitivity analysis prepared is not necessarily indicative of the effect on loss for the year and assets/liabilities of the company.

25.3.2 Price Risk

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 interest rate risk or currency risk). The company is not exposed to any price risk as there are no financial instruments at the reporting date that are sensitive to price fluctuations.

25.3.3 Currency Risk

The Company is exposed to currency risk on import of raw materials mainly dominated in US dollars. The Company's exposure to foreign currency risk for US Dollars is as follows:-

Outstanding Letter of Credits	57,580,000	11,500,000
Average Rate	101.46	101.57
Reporting date rate	101.78	99.30

25.3.4 Sensitivity analysis

At reporting date, if the PKR had strengthened by 10% against the foreign currencies with all other variables held constant, post-tax Profit for the year would have been higher by the amount shown below, mainly as a result of net foreign exchange gain on translation of outstanding letter of credits.

The effect on Profit and loss Account is (Rs.)	5,758,000	1,150,000
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The weakening of PKR against foreign currencies would have an equal but opposite impact on the post tax profit. The sensitivity analysis prepared is not necessarily indicative of the effects on (loss) /profit for the year and assets/liabilities of the Company.

25.4 Fair value of financial instruments

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

25.5 Capital Risk Management

The Company's prime objective when managing capital is to safeguard its ability to continue as going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital employed. Total capital employed is calculated as equity as shown in the balance sheet plus debt.

	2015	2014
	(Rupees)	
Total Debt	86,409,779	137,881,778
Total Equity	178,463,811	182,308,128
Total Capital Employed	264,873,590	320,189,906
Gearing Ratio	32.62%	43.06%

26 TRANSACTIONS WITH RELATED PARTIES

The company's related parties include associated companies, entities over which directors are able to exercise influence, subsidiaries, staff retirement fund, directors and key management personnel. Transactions with related parties are disclosed as under:-

Sale of materials		-	7,839,000
Loan from Directors	26.1	50,105,342	-

26.1 Loan from Directors

This represents the Interest free loan from directors received during the year. It is unsecured and interest free. The repayment of this loan will be in lump sum or in installments and commence when the company has sufficient funds which the management is not foreseen in the next twelve month.

27 CAPACITY AND PRODUCTION

	Tones	Tones
Rated capacity	13,280	13,280
Capacity utilized	1,341	1,905

It is important to disclose that the capacity of plant is utilized according to the demand of the products.

28 NUMBER OF EMPLOYEES

Average number of permanent employees during the year was 182 (2014: 187).

29 FIGURES

- have been rounded off to the nearest rupee.
- of previous year have been re-classified where necessary for comparison purpose.

30 DATE OF AUTHORIZATION

These financial statements were authorized for issue on September 17, 2015 by the Board of Directors of the Company.

Lahore: September 17, 2015


MOHAMMAD AFZAL SHEIKH
Chairman


MOHAMMAD SAEED SHEIKH
Chief Executive

YEAR WISE STATISTICAL SUMMARY

	2015	2014	2013	2012	2011	2010	2009
	(Amount in millions)						
Investment Measures							
Share Capital	100	100	100	100	100	100	100
Shareholders' Equity	178.46	182.30	208.80	198.99	156.78	151.66	143.12
Profit / (loss) before taxation	1.40	(18.33)	40.13	35.06	13.34	12.86	9.81
Profit after taxation	(3.70)	(26.27)	25.30	45.05	5.12	8.51	8.06
Dividend Per share	-	-	-	1.50	1.00	-	-
Earnings / (Loss) per share	(0.37)	(2.63)	2.53	4.51	0.51	0.85	0.80
Break-up value per share	17.85	18.23	20.88	19.89	15.68	15.17	14.31
Measures of Financial Status							
Current Ratio	1.49:1	1.33:1	1.39:1	1.39:1	1.37:1	1.76:1	1.57:1
No of days – Stock	179	96	63	166	100	88	202
No of days - Debtors	12.38	9.12	2.36	39.00	40.00	37.00	52.00
Measures of Financial Performance							
Return on Capital Employed	-1.31%	-10.05%	18.56%	11.24%	4.68%	3.33%	4.84%
Gross Profit Ratio	13.78%	7.15%	11.90%	14.30%	16.45%	15.12%	14.89%
Profit before tax to sales	0.35%	-3.57%	3.50%	4.02%	2.47%	2.46%	4.20%
Profit after tax to sales	-0.92%	-5.12%	2.21%	5.16%	0.95%	1.62%	3.47%
Debt Equity Ratio	32.62%	43.06%	33.44%	40.36%	45.36%	40.63%	18.60%

**PATTERN OF HOLDING OF THE SHARES HELD
BY THE MEMBERS OF AL-KHAIR GADOON LIMITED
AS AT JUNE 30, 2015**

Sr. No.	Number of Shareholders	HOLDING		Total Shares Held
		From	To	
1	30	1	100	500
2	179	101	500	90,300
3	64	501	1000	64,000
4	50	1001	5000	144,145
5	16	5001	10000	128,500
6	6	10001	15000	85,000
7	1	15001	20000	20,000
8	1	20001	25000	21,293
9	1	30001	35000	32,000
10	1	50001	55000	51,923
11	1	60001	65000	64,000
12	1	75001	80000	79,500
13	4	95001	100000	394,500
14	2	120001	125000	244,437
15	1	195001	200000	200,000
16	1	245001	250000	250,000
17	1	425001	430000	430,000
18	1	435001	440000	435,500
19	2	495001	500000	999,000
20	3	600001	605000	1,805,000
21	1	665001	670000	666,500
22	1	675001	680000	676,291
23	1	695001	700000	699,000
24	1	700001	705000	701,000
25	1	795001	800000	800,000
26	1	915001	920000	917,611
	<u>372</u>			<u>10,000,000</u>

Categories of Shareholders	No. of Shareholders	No. of Shares held	Percentage
Individuals	365	9,911,620	99.116%
Investment Companies	1	500	0.005%
Joint Stock Companies	6	87,880	0.879%
	<u>372</u>	<u>10,000,000</u>	<u>100.000%</u>

PATTERN OF SHAREHOLDING

			No. of Shares
1	SHARES HELD BY ICP		500
2	DIRECTORS		
	a) Mr. Mohammad Afzal Sheikh	Chairman/Director	676,291
	b) Mr. Mohammad Saeed Sheikh	Chief Executive	603,000
	c) Mr. Mohammad Amin Sheikh	Director	917,611
	d) Mr. Sheikh Pervaiz Afzal	Director	699,000
	e) Mrs. Parveen Afzal	Director	601,000
	f) Mrs. Farnaz Saeed	Director	800,000
	g) Mrs. Nafeesa Amin	Director	500,000
	h) Mrs. Hina Ali	Director	1,000
			4,797,902
3	SPOUSE AND CHILDREN		
	a) Mr. Nadeem Afzal s/o M. Afzal Sheikh		601,000
	b) Mr. Ali Afzal s/o M. Afzal Sheikh		121,700
	c) Miss Huma Afzal d/o Sheikh Pervaiz Afzal		100,000
	d) Mr. Muhammad Saad		499,000
	e) Mr. Muhammad Ahmed		98,000
	e) Mrs. Munawar Pervaiz		701,000
			2,120,700
4	PUBLIC SECTOR COMPANIES		87,880
5	GENERAL PUBLIC		2,993,018
			10,000,000
6	SHAREHOLDING 5% OR MORE		666,500
7	Trades in the shares by Directors, CEO, CFO, Company secretary, Executives and their Spouses and Minor Children		
	Name	Sale	Purchase
	Mrs. Hina Ali	-	1,000



FORM OF PROXY

I/We _____
of _____
being a member of Al-Khair Gadoon Limited and holder of _____ Ordinary Shares as
per registered Folio No./CDC Participant's ID and Account No. _____ Sub-Account
No. _____ hereby appoint
(Name) _____ of

or failing him/her _____
(NAME) _____

of _____
who is also a member of the Company vide registered Folio No./CDC Participant's ID and Account
No. _____ as my / our proxy to vote for me / us and on my / our behalf at the 25th
Annual General Meeting of the Company to be held at Registered Office at 92/3, Phase III, Industrial
Estate, GadoonAmazai, District Swabi, Khyber Pakhtunkhwa, on Friday October 30, 2015 at 09:00
A.M. and at every adjournment thereof.

As witness my hand this _____ day of
_____ 2015.

signed by the said _____ in the presence
of _____

Signature:

Signature Across Two Rupees
Revenue Stamps

Note: Proxies in order to be effective, must be received at the Corporate/Registrar of the Company at Al-Khair House, 43-T, Gulberg II, Lahore, or Suite No. 31, 2nd Floor, Sadiq Plaza, 69-The Mall Road, Lahore respectively, not less than forty eight hours before the time for holding the meeting and must be stamped, signed and witnessed.



Since 1980

Al-Khair Gadoon Ltd.

43-T, Gulberg II, Lahore.

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E-mail: info@alkhairgroup.com, alkhairgroup@hotmail.com

URL: www.alkhairgroup.com