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Al-Khair Gadoon Limited
Annual Report
2017

SR. NO.	CONTENTS	PAGE NO.
I	Company Information	2
II	Vision & Mission Statement	3
III	Notice of Annual General Meeting	4-6
IV	Directors' Report to the Members	7-13
V	Statement of Compliance with Code of Corporate Governance	14-15
VI	Review Report to the Members on Statement of Compliance with the best Practices of Code of Corporate Governance	16
VII	Auditors' Report to the Members	17
VIII	Balance Sheet	18
IX	Profit and Loss Account	19
X	Statement of Comprehensive Income	20
XI	Cash Flow Statement	21
XII	Statement of Changes in Equity	22
XIII	Notes to the Financial Statements	23-37
XIV	Year Wise Statistical Summary	38
XV	Pattern of Shareholding	39-40
XVI	Form of Proxy	41-42

COMPANY INFORMATION
BOARD OF DIRECTORS:

Mohammad Afzal Sheikh	- Chairman
Mohammad Saeed Sheikh	- Chief Executive
Mohammad Amin Sheikh	- Director
Sheikh Pervaiz Afzal	- Director
Mrs. Parveen Afzal	- Director
Mrs. Farnaz Saeed	- Director
Mrs. Nafeesa Amin	- Director
Mr. Tahir Subhani	- Independent Director

AUDIT COMMITTEE:

Mr. Tahir Subhani	- 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
Mr. Mushtaq Ahmed Shaheen	- Secretary

CFO / CHIEF ACCOUNTANT:

Abdul Hafeez Poswal

COMPANY SECRETARY:

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
Website: www.alkhairgadoon.com

Vision

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

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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 27th Annual General Meeting of Al-Khair Gadoon Limited, will be held on Friday the October 27, 2017 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 26th Annual General Meeting held on October 31, 2016.
- 2 To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2017, together with the Directors' and Auditors' Reports thereon.
- 3 To appoint Auditors of the Company and fix their remuneration.
- 4 Authorization for E-voting.

To consider and if deemed fit, to pass the following resolutions as special resolutions for alteration in the Articles of Association of the Company, with or without modification, addition(s) or deletion(s), as recommended by the Board of Directors:

“RESOLVED that pursuant to Section 38 and other applicable provisions, if any, of the Companies Act, 2017 and any other law(s), Articles of Association of the company be and are hereby amended by inserting new Articles 54-A and 54-B immediately after the existing Article 54 to read as under:

54-A. A member may opt for E-Voting in a general meeting of the Company under the provisions of the Companies (E-Voting) Regulations, 2016, as amended from time to time. In the case of E-voting, both members and non-members can be appointed as proxy. The instruction to appoint execution officer and option to e-vote through intermediary shall be required to be deposit with the company, at least ten (10) days before holding of the general meeting, at the Company’s Corporate office address or through email. The Company will arrange E-voting if the company receives demand for poll from at least five (5) members or by any members having not less than one tenth (1/10) of the voting power.

54-B. An instrument of proxy in relation to E-Voting shall be in the following form:

I/We _____ of _____ being a member of the _____ holder of _____ share(s) as per register Folio No. /CDC Account No. _____ hereby opt for E-Voting through intermediary and hereby consent the appointment of Execution Officer _____ as proxy and will exercise E-Voting as per The Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.

My secured email address is _____, please send login details, password and electronic signature through email.

Signature of Member
CNIC No. _____
Signed in the presence of;

Signature of Witness Signature of Witness
CNIC No. _____ CNIC No. _____

“FURTHER RESOLVED that the Chief Executive or Director or Company Secretary be and are hereby singly authorized to comply with the legal formalities under the Companies Act, 2017”

Authorization for E-voting.

To consider and if deemed fit, to pass the following resolutions as special resolutions for alteration in the Articles of Association of the Company, with or without modification, addition(s) or deletion(s), as recommended by the Board of Directors:

“RESOLVED that pursuant to Section 38 and other applicable provisions, if any, of the Companies Act, 2017 and any other law(s), Articles of Association of the company be and are hereby amended by inserting new Articles 54-A and 54-B immediately after the existing Article 54 to read as under:

54-A. A member may opt for E-Voting in a general meeting of the Company under the provisions of the Companies (E-Voting) Regulations, 2016, as amended from time to time. In the case of E-voting, both members and non-members can be appointed as proxy. The instruction to appoint execution officer and option to e-vote through intermediary shall be required to be deposit with the company, at least ten (10) days before holding of the general meeting, at the Company’s Corporate office address or through email. The Company will arrange E-voting if the company receives demand for poll from at least five (5) members or by any members having not less than one tenth (1/10) of the voting power.

54-B. An instrument of proxy in relation to E-Voting shall be in the following form:

I/We _____ of _____ being a member of the _____ holder of _____ share(s) as per register Folio No. /CDC Account No. _____ hereby opt for E-Voting through intermediary and hereby consent the appointment of Execution Officer _____ as proxy and will exercise E-Voting as per The Companies (E-Voting) Regulations, 2016 and hereby demand for poll for resolutions.
My secured email address is _____, please send login details, password and electronic signature through email.

Signature of Member

CNIC No. _____

Signed in the presence of;

Signature of Witness Signature of Witness

CNIC No. _____ CNIC No. _____

“FURTHER RESOLVED that the Chief Executive or Director or Company Secretary be and are hereby singly authorized to comply with the legal formalities under the Companies Act, 2017”

- To transact any other business with the permission of the Chairman.

BY ORDER OF THE BOARD

(MOHAMMAD AMIN SHEIKH)

Company Secretary

Dated: October 04, 2017

NOTES:

- Share Transfer Books of the Company will remain closed from October 20 2017 to October 27, 2017 (both days inclusive). Transfers received in order upto the close of business on October 19, 2017 at the Corporate Office of the Company at Al-Khair House, 43-T, Gulberg II, Lahore 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 Securities and Exchange Commission of Pakistan has issued Companies (E-Voting) Regulation, 2016 on January 22, 2016 vide S.R.O 43(1)/2016. The directors have recommended alteration in the Articles of Association by inserting new Articles 54-A and 54-B to give the members option to be a part of the decision making in the general meeting of the company through electronic means. A member may opt for E-Voting in a general meeting of the Company under the provisions of the Companies (E-Voting) Regulations, 2016 as amended from time to time. In the case of E-Voting, both members and non-members can be appointed as proxy. The instruction to appoint Execution Officer and option to E-Vote through intermediary shall be required to be deposited with the Company at least ten (10) days before holding of the general meeting, at the Company's Corporate office address or through email. The Company will arrange E-Voting if the Company receives demand for poll from at least five (5) members or by any member or members having not less than one tenth (1/10) of the voting power. Accordingly, it has been proposed to pass the resolution as a Special Resolution as provided in the notice of meeting for alteration in the Articles of Association of the Company. The Directors are not interested, directly or indirectly, in the above business except to the extent of their shareholding.
- 4 Any individual Beneficial Owner of the Central Depository Company (CDC), entitled to vote at this meeting must bring his / her Computerized National Identity Card (CNIC) or passport (in case of foreigner) along with CDC account number to prove his / her identity and in case of proxy must enclose an attested copy of his / her CNIC or passport. Representatives of corporate members should bring the usual documents required for such purpose.
- 5 Members are requested to immediately inform the Company's Share Registrar of any change in their mailing address.
- 6 Members are requested to provide by mail, photocopy of their CNIC or passport (in case of foreigner), unless it has been provided earlier, enabling the Company to comply with relevant laws.

DIRECTORS' REPORT TO THE MEMBERS

The Directors of your Company are pleased to present the 27th Annual Report with the audited financial statements of the Company for the year ended June 30, 2017.

For the year 2016 - 2017, the Company's growth improved in terms of sales revenue and profitability as well. The Company achieved sales revenue of PKR 366 million as compared to PKR 351 million of previous year. However, there is a reduction of 1.02% in gross profit margin as compared to last year. The reduction in gross profit is mainly due to increase in prices of raw materials internationally. During the year under review, the net profit before tax was Rs.11.85 million as compared to Rs.10.202 million for the last year thus making a rise of 15.97% from last year's profit. The growth was achieved through 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 strictly controlled administrative expenses and distribution expenses resulting a decrease of 5.42% and 8.83% respectively. Financial charges are reduced from Rs.2.6 million to Rs.1.9 million thus recording a reduction of 25.97% with a visionary decision of management to concentrate on interest free borrowings.

Business Performance & Future Outlook

The Company expects to benefit from the recent economic measures, reduced rate of inflation and improved security concerns in Pakistan by 2018. However, intense competition from existing players and new entrants remains the greatest challenge to meet in future. To stand out of the competition, the Company will focus on assessing the needs of our consumers and bringing improved operational efficiencies and synergies. The Company anticipates pressure on margins as a result of aggressive marketing strategy and competitive pricing.

However, your Company stays committed to effective product mix management and better trade partnering customers. The Company has been exhibiting strong performance against challenges over the years, be it vulnerability of increased competition, fluctuation in raw material prices or 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 Pakistan Stock Exchange 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 Pakistan Stock Exchange relevant to the year 2017 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, 2017 because of the reason that the Company had to sustain losses during past years and liquidity problems faced by the Company in the past. The Company is expecting positive performance in future.

Attendance of Board and Committee Meetings

During the year eight board meetings, six 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 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	5	N/A
6	Mrs. Farnaz Saeed	6	5	3
7	Mrs. Nafeesa Amin	5	1	4
8	Mr. Tahir Subhani	6	5	N/A
9	Mrs. Hina Ali	2	N/A	1
10	Mushtaq Ahmed Shaheen	N/A	N/A	4
11	Khurram Iftikhar	N/A	6	N/A

Auditors

The auditors Messers Tahir Siddiqi & Co. Chartered Accountants (a member firm of TIAG International) 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, 2018.

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 22, 2017

ڈائریکٹرز رپورٹ

آپ کی کمپنی کے ڈائریکٹرز کمپنی کے 27 ویں سالانہ اجلاس میں 30 جون 2017 کو ختم ہونے والے سال کے کمپنی کے آڈٹ شدہ حسابات کے ساتھ آپ کو سالانہ رپورٹ پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔

مالی سال 2016-2017 کے لئے کمپنی کی سیل اور آمدنی میں خاطر خواہ بڑھوتری ہوئی۔ آپ کی کمپنی نے 366 ملین روپے کی سیل کا حدف مکمل کیا جو کہ 2015-2016 کی سیل 351 ملین روپے سے زیادہ رہی۔ تاہم، گذشتہ سال کے مقابلے میں مجموعی منافع میں 1.02 فیصد کمی رہی ہے۔ مجموعی منافع میں کمی کی بنیادی وجہ بین الاقوامی طور پر خام مال کی قیمتوں میں اضافہ ہے۔ دوران سال کمپنی کا ٹیکس سے پہلے کا منافع 11.85 ملین روپے رہا ہے۔ جبکہ پچھلے سال یہی منافع 10.202 ملین روپے تھا۔ جو کہ پچھلے سال سے 15.97 فیصد زیادہ ہے۔ کمپنی نے اپنے اخراجات کو کم رکھتے ہوئے بہترین اقدامات کئے ہیں۔ جس کی وجہ کسٹمرز کی بنیاد کا وسیع ہونا اور مصنوعات کا معیار بہتر ہونا ہے۔

دوران سال کمپنی نے انتظامی اور کاروباری اخراجات کو سختی سے کنٹرول کیا جس سے اخراجات میں 8.83 فیصد سے 5.42 فیصد تک کمی واقع ہوئی۔ مالی اخراجات 2.6 ملین روپے سے کم ہو کر 1.9 ملین روپے ہوئے جو کہ پچھلے سال سے 25.97 فیصد کم ہیں۔ اسکی وجہ مالی معاملات میں خصوصی بصیرت اور سود سے پاک قرضوں پر انحصار کرنا ہے۔

بزنس کارکردگی اور مستقبل کے نقطہ نظر

کمپنی 2017 حالیہ اقتصادی اقدامات، افراط زر کی شرح میں کمی اور بہتر سیکورٹی سے فائدہ کی توقع رکھتی ہے۔ اگرچہ اس بزنس میں موجود کمپنیوں اور نئی آنے والی کمپنیوں سے مستقبل میں شدید مسابقت ایک چیلنج (Challenge) ہوگا۔ مسابقت میں بہتری کے لئے کمپنی اپنے صارفین کی ضروریات کا اندازہ کرنے اور بہتر آپریشنل استعداد کار اور باہمی اشتراک لانے پر توجہ مرکوز کریگی۔ کمپنی جارہانہ مارکیٹنگ کی حکمت عملی اور مسابقتی قیمتوں کے نتیجے میں مارجن پر دباؤ کی توقع رکھتی ہے۔ تاہم کمپنی موثر مصنوعات کے مرکب اور کسٹمرز کے ساتھ بہتر تجارتی روابط کے لیے مصروف عمل ہے۔ کمپنی نے رواں سال چیلنجوں کے خلاف مضبوط کارکردگی کا مظاہرہ کیا ہے، خواہ وہ بڑھتا ہوا مقابلہ ہو، خام مال کی قیمتوں کا اتار چڑھاؤ یا قیمتی ردوبدل ہو۔ آپریشنل اور مینجمنٹ مہارت کی وجہ سے کمپنی نے اپنی سٹھ کو برقرار رکھتے ہوئے چیلنجز کا مقابلہ کیا ہے۔ سماجی ذمہ داری، مالی طور پر قابل عمل اور آپریشنل مہارت کمپنی کے مقاصد میں سرفہرست رہیں گے۔

رپورٹنگ

بورڈ نے کامل سچ اور مناسبت پر مبنی کمپنیز آرڈیننس 1984، پاکستان اسٹاک ایکسچینج اور بین الاقوامی معیارات کو مد نظر رکھتے ہوئے متواتر مالیاتی حسابات کو یقینی بنایا ہے۔

کارپوریٹ اور مالیاتی رپورٹنگ

- آپ کی کمپنی کارپوریٹ گورننس کے اعلیٰ ترین معیارات کو حاصل کرنے میں مصروف عمل ہے۔ بورڈ کارپوریٹ گورننس کے درجہ ذیل ضوابط کے تقاضوں کو پورا کرنے میں خوشی محسوس کرتا ہے۔
- 1 الخیر گدون لمیٹیڈ کی طرف سے بنائے گئے مالی حسابات اس کے معاملات، اس کی کاروباری سرگرمیوں کے نتائج، نقدی بہاؤ اور ایجوٹی میں تبدیلی کی منصفانہ عکاسی کرتے ہیں۔
 - 2 الخیر گدون لمیٹیڈ نے باضابطہ طور پر اکاؤنٹس کی کتابوں کو برقرار رکھا ہے۔
 - 3 ان مالیاتی حسابات کی تیاری میں مخصوص اکاؤنٹنگ پالیسیوں کے تسلسل کی پیروی کی گئی ہے اور اکاؤنٹنگ تخمینے معقول اور دانش مندانہ رائے پر مبنی ہیں۔
 - 4 ان مالیاتی حسابات کی تیاری میں فنانشل رپورٹنگ کے بین الاقوامی معیارات، جن کا اطلاق پاکستانی کمپنیوں پر ہوتا ہے، کی پیروی کی گئی ہے۔
 - 5 انٹرنل کنٹرول کا نظام اپنے ڈیزائن کے اعتبار سے مستحکم ہے اور اس کے اطلاق کی موثر طریقے سے نگرانی کی گئی ہے۔
 - 6 بطور ادارہ کمپنی کے کام جاری رکھنے کی صلاحیت میں کوئی شک و شبہ نہیں ہے۔
 - 7 متعین شدہ اصول و ضوابط میں تفصیلاً درج کارپوریٹ گورننس کے رہنما اصولوں سے کوئی انحراف نہیں کیا گیا۔
 - 8 گزشتہ 6 سال کا اہم کاروباری اور مالیاتی ڈیٹا کا خلاصہ اس رپورٹ کے ساتھ منسلک ہے۔
 - 9 کمپنی کے ڈائریکٹرز، سی ای او، سی ایف او، انٹرنل آڈٹ کے ہیڈ، کمپنی سیکرٹری اور ان کے اہل و عیال نے کمپنی کے حصص کی خرید و فروخت میں کوئی حصہ نہیں لیا۔ سوائے اس کے جو ریگولیٹری حکام کو مطلع کیے جا چکے ہیں۔
 - 10 گزشتہ سال کے آپریٹنگ نتائج سے انحراف کے اسباب مالیاتی حسابات کے نوٹس میں دیے گئے ہیں۔
 - 11 ٹیکسوں اور محصولات سے متعلق معلومات مالیاتی حسابات کے نوٹس کا حصہ ہیں۔
 - 12 کمپنی رواں سال میں کارپوریٹ تنظیم نو، کاروبار کی توسیع اور آپریشن کے بند کرنے کا کوئی ارادہ نہیں رکھتی۔
 - 13 بورڈ کو درون خانہ بریفنگ میں تمام معلومات برائے کوڈ، لاگو قوانین، انکی ذمہ داریاں اور فرائض فراہم کر دی گئی ہیں۔ تاکہ وہ حصص یافتگان کی جانب سے کمپنی کے امور کو موثر طور پر منظم کرنے کے قابل ہو سکیں۔

کوڈ آف کارپوریٹ گورننس اور ٹرانسفر انسٹنگ کا اطلاق:

SECP اور ICAP کی طرف سے تیار کردہ کارپوریٹ گورننس کے کوڈ کا اطلاق منسلکہ مالیاتی حسابات کی تیاری پر کیا گیا ہے اور ٹرانسفر انسٹنگ سے متعلقہ سٹاک ایکسچینج کے انسٹنگ قوانین برائے سال 2017 پر بھی عمل کیا گیا ہے۔

ملازمین کی ریٹائرمنٹ کے فوائد:

کمپنی اپنے ملازمین کی ریٹائرمنٹ کے وقت مالی فوائد کے لیے ایک غیر شراکتی گریجویٹی سکیم کا انتظام کرتی ہے جس میں ملازمین، جن کی مدت ملازمت 06 ماہ سے زیادہ ہے، فائدہ حاصل کر سکتے ہیں۔

تقسیم منافع:

مالیاتی سال 30 جون، 2017 کے لیے بورڈ نے منافع تقسیم نہ کرنے کی سفارش کی ہے جس کی وجہ کمپنی کو درپیش لیکویڈیٹی مسائل اور پچھلے سالوں میں ہونے والے نقصانات ہیں۔ مستقبل میں کمپنی بہتر اور مثبت کارکردگی کی توقع رکھتی ہے۔

حاضری برائے بورڈ اور کمیٹی میٹنگ:

ممبران بورڈ، آڈٹ کمیٹی اور ہیومن ریسورس کمیٹی کے اجلاس اور حاضری کی تفصیلات درج ذیل ہیں۔

نمبر شمار	نام	حاضری	
		بورڈ	آڈٹ کمیٹی
1	محمد افضل شیخ	8	-
2	محمد سعید شیخ	8	-
3	محمد امین شیخ	8	-
4	شیخ پرویز افضل	8	4
5	مسز پروین افضل	6	5
6	مسز فرناز سعید	6	5
7	مسز نفیسہ امین	5	1
8	طاہر سبحانی	6	5
9	مسز حنا علی	2	-
10	مشتاق احمد شاہین	-	4
11	خرم افتخار	-	6

آڈیٹران :

موجودہ آڈیٹرز طاہر صدیقی اینڈ کو، چارٹرڈ اکاؤنٹنٹ ریٹائر ہو رہے ہیں اور انہوں نے دوبارہ تعیناتی کے لیے رضامندی ظاہر کی ہے۔ یہ یقین دہانی کرائی ہے کہ انسٹی ٹیوٹ آف چارٹرڈ اکاؤنٹنٹ (ICAP) کی طرف سے انہیں تسلی بخش درجہ بندی عطا کی گئی ہے اور کوڈ آف ایٹھکس آف انٹرنیشنل فیڈریشن آف اکاؤنٹنٹ (IFAC) جو کہ ICAP نے اختیار کئے ہیں سے بھی مطابقت کی تصدیق کی ہے۔

آڈٹ کمیٹی اور بورڈ آف ڈائریکٹرز نے آڈیٹرز کی دوبارہ تعیناتی کے سلسلے میں باہمی رضامندی سے طے ہونے والے مشاہدے پر تعیناتی کی برائے مالی سال 2017-18 سفارش کی ہے۔

شیئر ہولڈنگ کی ترتیب :

کمپنی کے شیئر ہولڈنگ کی ترتیب اور اضافی معلومات کی نشاندہی کرنے والی ایک اسٹیٹمنٹ رپورٹ ساتھ منسلک ہے۔

اظہار تشکر :

بورڈ انتظامی ٹیم کے کارکنوں، عملے اور ارکان کی سخت محنت کے لیے انکی تعریف کرتا ہے۔ صارفین اور خوردہ فروش ہماری کمپنی کے اہم عناصر ہیں اور ہم ان کے مسلسل تعاون پر ان کا شکریہ ادا کرتے ہیں۔

محمد افضل شیخ
چیئر مین

لاہور : 22 ستمبر، 2017

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Name of the Company: Al-Khair Gadoon Limited

Year Ending: June 30, 2017

This statement is being presented to comply with the requirements of Rule Book of Pakistan Stock Exchange Limited, Chapter 5.19 of the Code of Corporate Governance where the Company is listed 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 independent director, non-executive directors and directors representing minority interest on its Board of Directors. At present the Board includes:

Category	Names
Independent Director	i. Mr. Tahir Subhani
Non-Executive Directors	i. Mohammad Afzal Sheikh
	ii. Mohammad Amin Sheikh
	iii. Mrs. Parveen Afzal
	iv. Mrs. Farnaz Saeed
	v. Mrs. Nafeesa Amin
Executive Directors	i. Mohammad Saeed Sheikh
	ii. Sheikh Pervaiz Afzal

- 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.

- 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 four members of whom two 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 exchange.
- 22 Material /price sensitive information has been disseminated among all market participants at once through stock exchange.
- 23 We confirm that all other material principles contained in the Code of Corporate Governance have been complied with.

ON BEHALF OF THE BOARD

MOHAMMAD AFZAL SHEIKH
Chairman

Lahore: September 22, 2017

**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, 2017 to comply with the requirements of Rule 5.19 of the Rule Book of the Pakistan 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, 2017.

Tahir Siddiqi & Co.

Chartered Accountants

(A member firm of TIAG Int'l)

Engagement Partner: Mohammad Tahir Siddiqi, FCA

Lahore: September 22, 2017

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of AL-KHAIR GADOON LIMITED ("the Company") as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a. in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b. in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the 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, 2017 and of the profit, its comprehensive income, 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 22, 2017

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rs.	2016 Rs.
Sales - net	15	366,692,651	351,321,479
Cost of sales	16	(320,662,620)	(303,649,387)
Gross profit		46,030,031	47,672,092
Administrative expenses	17	(19,551,401)	(20,672,586)
Distribution expenses	18	(12,755,334)	(13,991,087)
		(32,306,735)	(34,663,673)
Operating profit		13,723,296	13,008,419
Finance cost	19	(1,916,553)	(2,589,060)
Other operating expenses	20	(968,923)	(829,923)
Other operating income	21	1,015,024	613,517
		(1,870,452)	(2,805,466)
Profit before taxation		11,852,844	10,202,953
Provision for Taxation	22	(3,751,276)	(2,482,099)
Profit for the year		8,101,568	7,720,854
Earnings per share - before tax (basic and diluted - Rupees)	23	1.19	1.02
Earnings per share - after tax (basic and diluted - Rupees)	23	0.81	0.77

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

Lahore: September 22, 2017

MOHAMMAD AFZAL SHEIKH
CHAIRMAN

MOHAMMAD SAEED SHEIKH
CHIEF EXECUTIVE

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	<u>Rs.</u>	<u>Rs.</u>
Profit for the year	8,101,568	7,720,854
Other comprehensive income for the year:		
<i>Items that will not be re-classified to profit or loss</i>		
Re-measurement of retirement benefits	(554,383)	(523,435)
Total comprehensive income for the year	<u><u>7,547,185</u></u>	<u><u>7,197,419</u></u>

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

Lahore: September 22, 2017

MOHAMMAD AFZAL SHEIKH
CHAIRMAN

MOHAMMAD SAEED SHEIKH
CHIEF EXECUTIVE

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rs.	2016 Rs.
Cash flows from operating activities			
Profit before taxation		11,852,844	10,202,953
Adjustments for non cash items:			
Depreciation on property, plant and equipment	4.2	9,241,881	8,724,968
Finance cost		1,916,553	2,589,060
Gain on sale of property, plant and equipment	4.4	(1,015,024)	(233,415)
Provision for Gratuity		1,700,978	1,717,972
Provision for doubtful debt		(96,735)	78,716
Gain on Disposal of Investment in Associated Company		-	(600,806)
Loss of fixed assets due to fire - net of insurance claim		-	420,704
Provision for Workers' profit participation fund		641,088	551,644
Provision for Workers' welfare fund		327,835	278,279
		<u>12,716,576</u>	<u>13,527,121</u>
Operating profit before working capital changes		24,569,420	23,730,074
(Increase)/decrease in current assets			
Stores and spares		(213,246)	112,197
Stock-in-trade		26,686,595	12,003,347
Trade debts		1,934,702	(1,574,334)
Advances, deposits and prepayments		10,741,064	(22,422,466)
		<u>39,149,115</u>	<u>(11,881,256)</u>
Increase/(decrease) in current liabilities			
Trade and other payables		(33,414,268)	(20,809,183)
Cash generated from / (used in) operations		30,304,267	(8,960,365)
Finance cost paid		(1,956,948)	(3,341,908)
WPPF paid		(551,644)	-
Taxes (paid) / Refund		(2,073,195)	50,425,823
Gratuity paid		(64,384)	(549,666)
		<u>(4,646,171)</u>	<u>46,534,249</u>
Net cash generated from operating activities		25,658,096	37,573,884
Cash flows from investing activities			
Fixed capital expenditure		(9,472,593)	(10,524,416)
Capital work in progress		-	341,050
Proceeds from sale of property, plant and equipment		1,420,000	275,000
Proceeds from Insurance Company against loss due to fire		-	3,690,763
Proceeds from disposal of Associated Company		-	13,870,375
Net cash (used in) / generated from investing activities		(8,052,593)	7,652,772
Cash flows from financing activities			
Short term borrowings		(17,669,366)	(43,740,413)
Net cash used in financing activities		(17,669,366)	(43,740,413)
Net (decrease) / increase in cash and cash equivalents		(63,863)	1,486,243
Cash and cash equivalents at the beginning of year		2,953,241	1,466,998
Cash and cash equivalents at the end of year	9	2,889,379	2,953,241

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

