

**STRIVING FOR
THE BEST.....**

BETTER ENVIRONMENT BETTER TOMORROW



2017

Annual Report



ADDING QUALITY TO LIFE

WWW.SADAQATGROUP.NET

Table of Contents

Corporate Information	02
Company's Profile	03
Top Management Profile	04-06
Organogram	07
Vision, Mission & Statement of Ethics and Business Practices	08
Global Presence	09
Nature & Model of Business	10
Our Products	11
Objectives & Strategies	12-13
2017 At a Glance	14-15
CEO's Message	16-17
Corporate Governance	18-27
Directors' Report	28-31
Financial Highlights	32-47
Resource Management	48
Forward Looking Statement & Market Share	49
Responsible Corporate Citizenship & Corporate Sustainability	50-54
Major Events	55
Notice of Annual General Meeting	56
Financial Statements	57-100
Glossary of Terms	101

Corporate Information

Board of Directors

Mukhtar Ahmed (Chairman)
Khurram Mukhtar (CEO)
Hamid Mukhtar (Director)
Awais Mukhtar (Director)
Shoaib Mukhtar (Director)
Imran Noormohmed (Director)
Muhammad Ijaz (Director)

Head of Strategic Planning

Muhammad Iqbal Chori - FCMA

Chief Financial Officer

Hummayun Shahzad Mirza

Company Secretary

Muhammad Naseeb

Audit Committee

Awais Mukhtar (Chairman)
Mr. Imran Noormohmed (Member)
Shoaib Mukhtar (Member)
Zeeshan Afzal
(Chief Advisor to Audit Committee)

HR & R Committee

Hamid Mukhtar (Chairman)
Shoaib Mukhtar (Member)
Awais Mukhtar (Member)
Muhammad Iqbal Chori
(Chief Advisor to HR & R Committee)

Bankers

National Bank of Pakistan
Habib Bank Limited
United Bank Limited
Askari Bank Limited
Standard Chartered Bank
MCB/NIB Bank Limited
The Bank of Khyber
First Women Bank Limited

Legal Advisor

A.K. Brohi & Company
153-K, Block-2, PECHS, Karachi

Auditors

EY Ford Rhodes
(Chartered Accountants)
96 / B-1, 4th Floor, Pace Tower, M.M.Alam
Road, Gulberg III, Lahore, 54000, Pakistan

Insurance Company

EFU General Insurance
Jubilee Insurance
IGI General Insurance
The United Insurance
Century Insurance

Company's Registered Office

(Head Office)

2-KM, Sahianwala Road, Khurrianwala,
Faisalabad 37630 Pakistan.
UAN : +92 41 111 010 111
Fax : +92 41 8507511-12
Website: www.sadaqatgroup.net
E-mail: sadaqat.limited@sadaqatgroup.net



Company's Profile

More than half a century of enriched experience and enchanting spectrum of hometextile has earned Sadaqat Limited numerous patrons all across the world. Sadaqat Limited, a business established in 1951, is now a progressive export oriented textile manufacturing unit expanding tremendously both in quantitative and financial terms. With continuous and purpose oriented efforts of the founding family and their team, Sadaqat Limited is operating today as an unlisted public limited company having its headquarters at Khurrianwala, Faisalabad where its production facilities are also situated. Sadaqat Limited aims to represent the quintessential heritage of Pakistan and assimilate it with the latest trends prevalent in the world market.

Sadaqat Limited has a history of successful business operations based on professional and ethical practices, with a focus to achieve total customer satisfaction. Recognized as one of the major industrial business concern in Pakistan, Sadaqat is astutely diversified in its manufacturing operations in hometextiles. The management of the Company is committed to the maintenance of international standards, along with a continuous effort in raising quality and services in order to be dynamic and at the same time successfully meet the new challenges of changing business environment by adopting a pro-active approach.

It closely monitors its in-bound and out-bound logistics, from raw material procurement to end user sale, to ensure that the Company's values are embedded throughout the system. The Company boasts a wide range of bedding products, which are contemporary as well as fashion oriented. Its spectrum is diverse, from fabrics to finished products with perfect blend of cutting-edge latest technology and highly skilled craftsmanship, catering hometextiles ranges such as bedding, table linen, hotel collection and institutional textiles.

'Quality' being its motto, the name Sadaqat is synonymous with 'excellence and reliability'.

Top Management Profile

Mukhtar Ahmed
(Chairman)



Mr. Mukhtar has all-encompassing experience in textiles and commerce industry. He has been serving the sector for more than 45 years. His principal role as Chairman is to govern and spearhead the Board of Directors. He is also fulfilling his responsibility for overall corporate affairs and governance matters while playing an important role in laying down solid foundation for the Board as well as the Company.

Mr. Mukhtar has also served as Chairman of Faisalabad Dryport Trust and Chairman of Faisalabad Garment City Company (FGCC).

As a part of its responsibilities, he determines the values to be promoted throughout the organization, reviews organizational goals, determines appropriateness of Company's policies and practices.

Throughout the year, the Chairman has played a pivotal role in reviewing and evaluating present and future opportunities, threats and risks in the external environment and current as well as future potential strengths, weaknesses and risks relating to the Company and has taken important strategic decisions for the Company in consultation with directors.

Khurram Mukhtar
(CEO)



The professional career of Mr. Khurram Mukhtar spans over more than 25 years in the hometextile industry on executive management positions. He started his professional career with Sadaqat Limited as a director whereas at the moment he is leading in the capacity of Director/Chief Executive Officer of Sadaqat Limited and Sadaqat Global Limited (an associated undertaking of Sadaqat Limited).

During his professional career Mr. Khurram Mukhtar also enjoyed the following positions on National and International platforms

● **National Platforms.**

- o Chairman Faisalabad Electric Supply Company (FESCO)
- o Former Chairman Khurianwala Industrial Estate Association (KIEA)
- o Former Chairman Pakistan Textile Exporters Association (PTEA)
- o Former Director Faisalabad Garment City Company (FGCC)

● **International Platforms.**

- o Member of Young President Organization (YPO)
- o Member of International Textile Manufacturers Federation Switzerland (ITMF)

Being CEO of Sadaqat Limited, he is fulfilling his responsibility in providing leadership to the management of Company and devising strategic plans to advance the corporate vision and mission while overseeing the Company's operations in order to ensure production efficiency, quality and cost effective management of resources.

Mr. Khurram Mukhtar is leading the management in the day-to-day affairs of the business keeping this coherent with the business plans and strategies as finalized in the board meetings. He actively engages in developing and proposing new and innovative corporate strategies and policies for the Board's consideration. Throughout the financial year, he has been aggressively engaged in taking necessary actions to enhance the revenue, profitability and growth for the organization.

Top Management Profile



Hamid Mukhtar
(Director)

Member Entrepreneurs' Organization (EO)
Former Member of ADRC-CBR



Awais Mukhtar
(Director)

Member of PIFFC & FIATA Karachi
Member Young Entrepreneurs Organization Pakistan (YEOP)



Shoaib Mukhtar
(Director)

President Young Entrepreneurs Organization Pakistan (YEOP)
Member Entrepreneurs' Organization (EO)
Former Vice Chairman of PTEA



Imran Noormohmed
(Director)

Masters in Business Administration
More than 15 years of experience in the field of Marketing.
Key role in formulating Company's Marketing and Sales Strategy.



Top Management Profile



Muhammad Ijaz
(Director)

37 years of experience of export documentation and banking operations



Hummayun Shahzad
(Chief Financial Officer)

Professional Accounting Affiliate (ICAP)
Fellow Member (PIPFA)
MS Finance



Muhammad Iqbal Ghori FCMA, PURC (US)
(Head of Strategic Planning)

President - ICMA Pakistan
Chairman Research & Publications Committee (ICMAP)
Chairman Committee on Governmental & Public Sector Enterprises Accounting (SAFA)
Member of Board of Studies:

- National University of Modern Languages
- ISRA University



Zeshan Afzal (Advisor to Audit Committee)

Has played his role in the industry as a Director on boards of:
Arif Habib Limited
Crescent Textiles Limited
Safe Mix Concrete Limited
Reliance Sacks (Pvt.) Limited
Serendib Stock Brokers in Sri Lanka
Stylo Group of Companies
Peshawar Zalmi & Peshawar Zalmi Foundation (CEO)

Has been a part of:
Board of Education at IoBM
Provided lectures on Leadership, Critical Thinking, Leadership and Smart Finance in the educational sector.

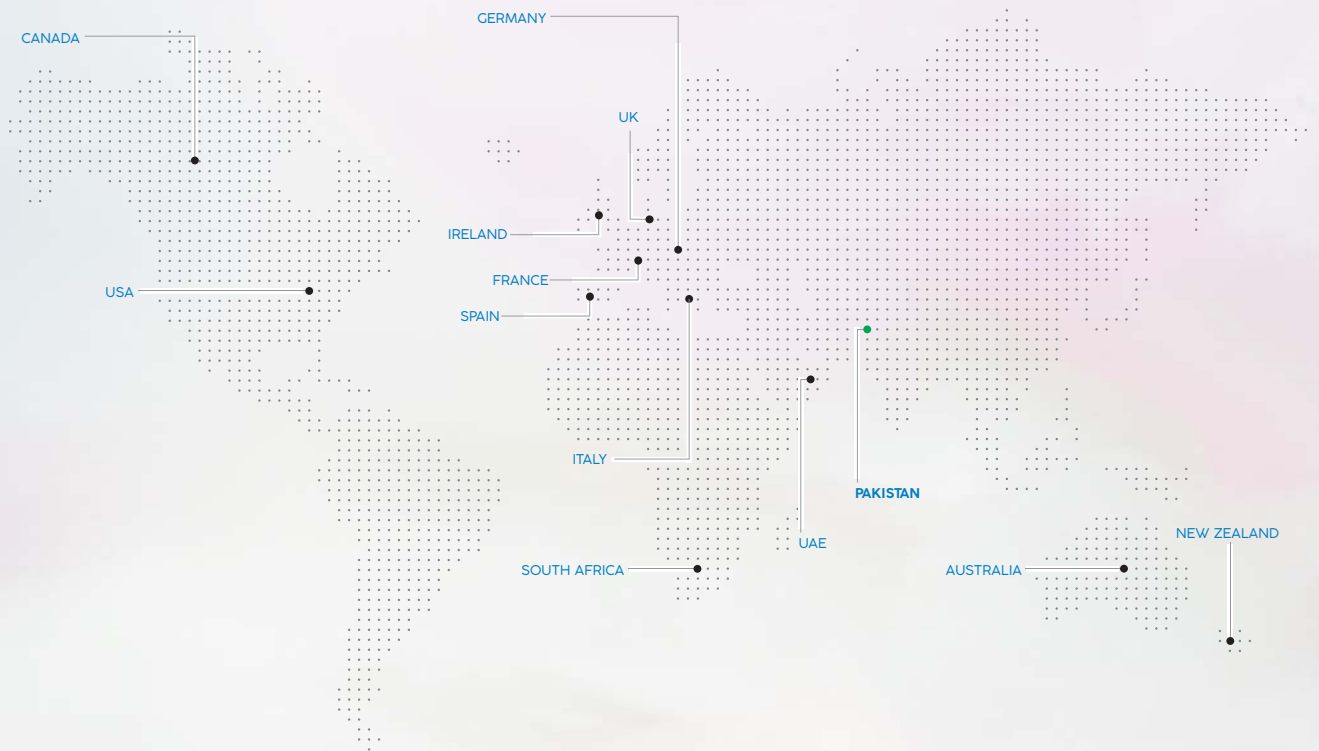
Organogram



Vision, Mission, Values & Business Ethics



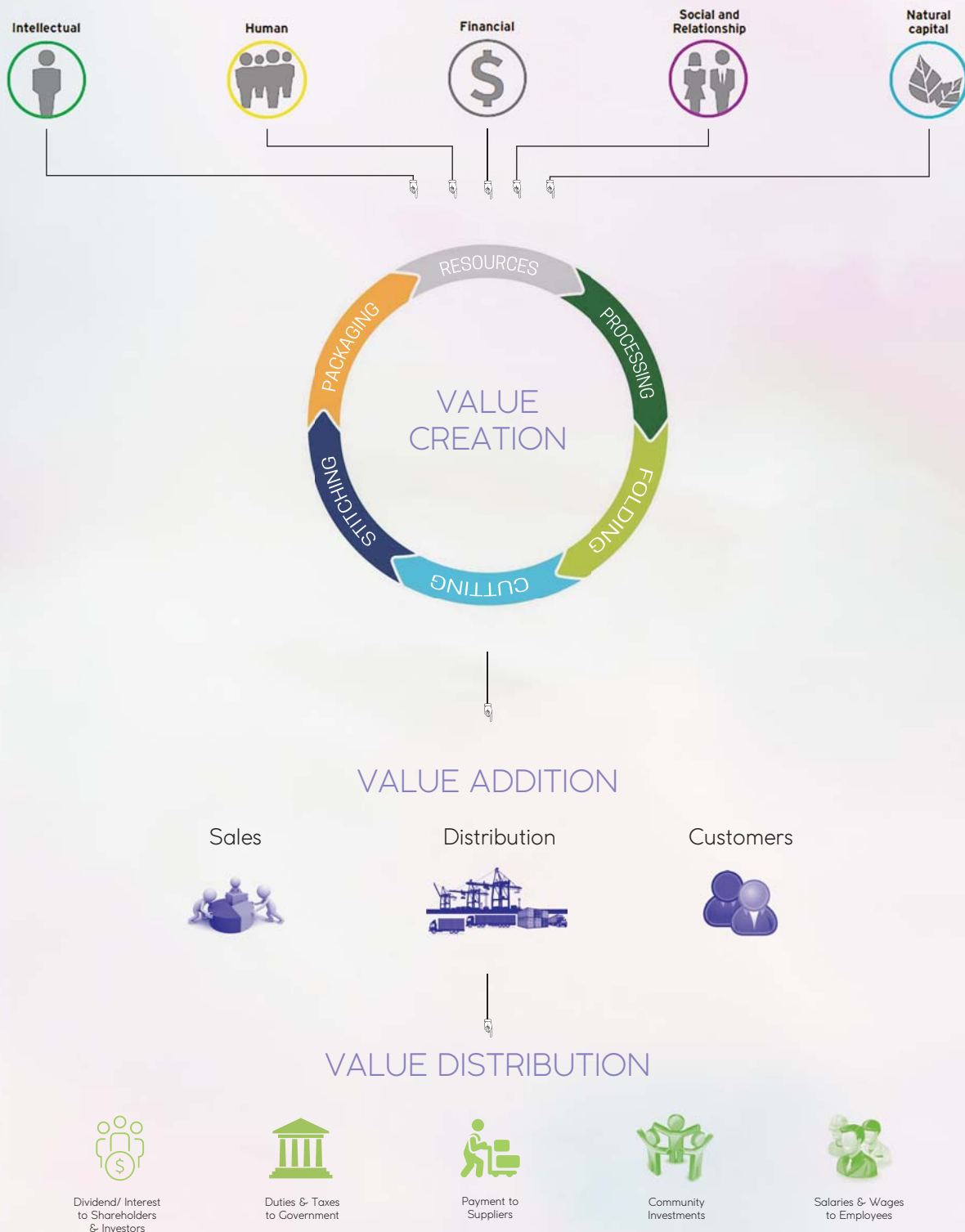
Global Presence



Regions

EUROPE
UK
USA
CANADA
AUSTRALIA/NEW ZEALAND
AFRICA
ASIA

Nature & Model of Business

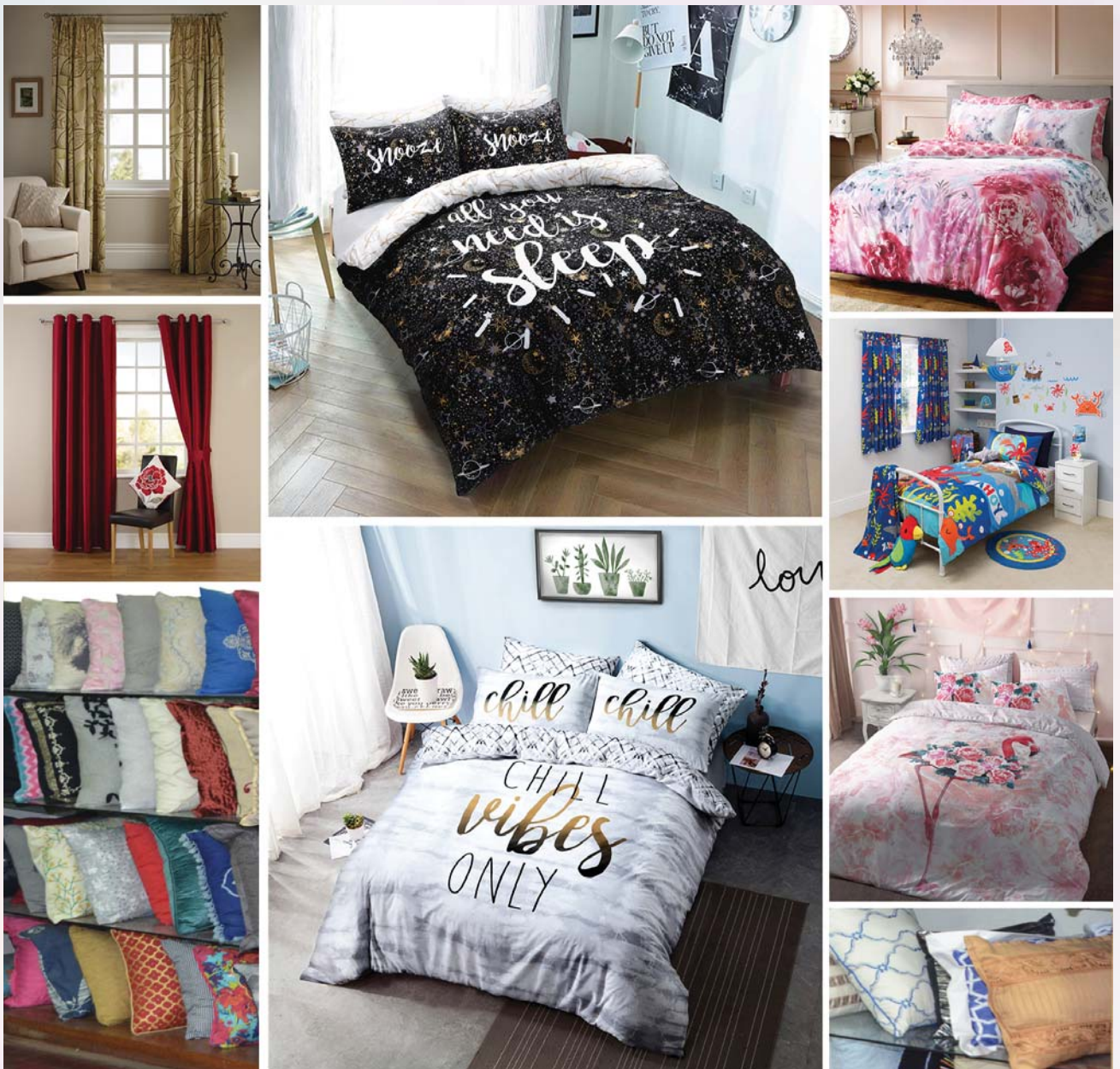


Our business model is central to our ability of creating and sharing value with our stakeholders while utilizing different modes of capitals.

Our Products

Over the years, Sadaqat Limited has introduced a number of new trends in hometextile articles including bedding, cushion, curtains and kitchen accessories. The multi faceted nature of textile makes it a dynamic nature business.

Through continuous innovation, Sadaqat Limited masters in Hometextiles while catering the needs of customers by offering them a diverse product mix. At Sadaqat Limited, we don't just aim at setting trends, but also believe in mastering them. The quality of our products is a key factor in our Company's success that also spearheads the achievement of our corporate goals.



Objectives and Strategies

O1

To maintain and improve profitability and global presence while focusing on process innovation and manufacturing adeptness to enable us to stay a market leader for our products.

O2

To target competitive position on the cost curve while ensuring to act as stewards of the environment complying with the highest applicable safety standards and making positive economic and social contributions to communities.

O3

To meet dynamic needs of technology up-gradation and automation and to counter any obsolescence in technology by persistently investing in modernization and automation in production facilities and systems.

O4

To seek and target quality, safety and compliance in culture from design development to customer services and to focus on achievement of customer satisfaction in true passion.

O5

To continue to outperform the market through product and market diversification, innovation, value addition, and strategic partnerships with world leading retailers.

O6

To improve, monitor and strengthen internal processes to achieve efficiencies, improve organizational structure and ensure the best utilization of available resources.

OVERALL
Strategic
Objectives

Management's strategies and significant changes

The Company understands that redesigning work flows, putting in place proper systems and redeploying resources can be a great source towards value maximization and cost minimization and this can eventually direct the Company's focus on scaling its business in multiple directions. In essence of this the Management has adopted concentric diversification approach by adding the products and markets with the aim to achieve a strategic fit.

The Company has implemented its well-articulated CAPEX plan and the investments it is making in strategic growth areas underpin its objectives. It is deploying best technology aimed towards innovation, minimization of waste and maximization of quality and customer satisfaction. The management has treated business risks with the priority and seriousness it deserves. This year management has diverted its focus towards scrutinizing the adequacy of its internal controls systems and improved them to establish a robust risk management system for identification and mitigation of business risks.

This year the management also established dedicated Sustainability Committee comprising of members from compliance and corporate planning department in order to diligently pave its methodology towards developing strategies for environment preservation while adopting all the possible means for environmental protection including establishment and implementation of SOPs for GHG emission reduction, waste water treatment, installation of pollutant traps and suppressing systems to control dust particles, Green Office initiative and Green energy through solar farm.

Results and Outcomes

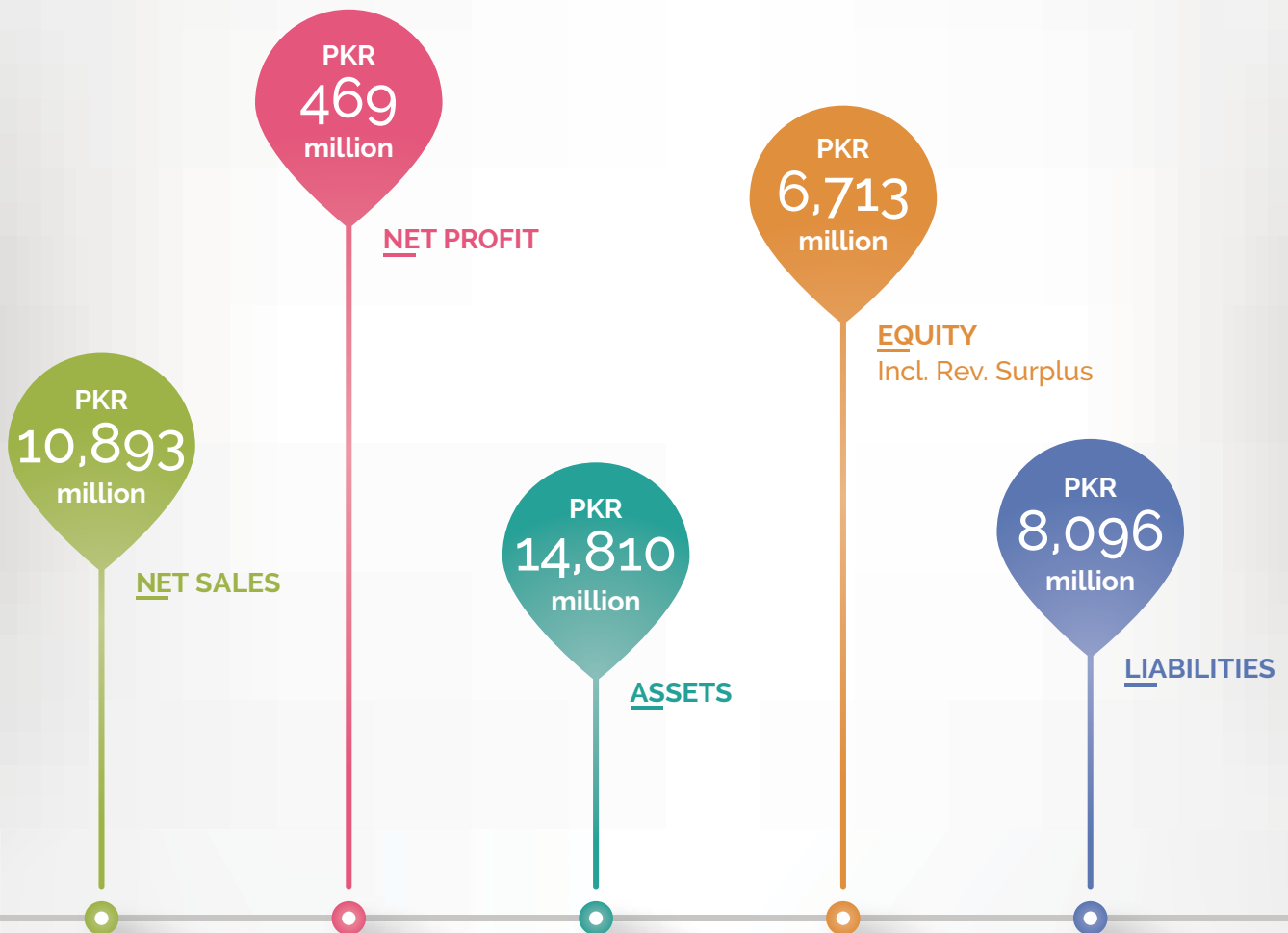
The Company has been able to deliver satisfactory financial performance despite challenging global economic conditions. Though it kept growing in quantitative terms however the profitability and export numbers slightly declined as compared to corresponding financial year due to unpredictability in the market, stiff global competition and unfavorable foreign currency fluctuation.

The analyses for FY 2017 reflect de-growth of 4.6% in sales revenue and in net profits by 38.6% as compared to the preceding financial year. The increase in overall costs along with competitive pricing strategy resulted in decrease in gross profit and net profit ratio from 17.5% to 15.5% and 6.7% to 4.3%, respectively. The earnings per share also declined from PKR 6.36/share to PKR 3.91/share.

The increased depreciation expense, arising due to significant additions to operating fixed assets valuing PKR 1,652 million, also contributed to temporary decline in profitability whereas the economic benefits of this carefully conceived investment in automation and process optimization is expected to reap remarkable results in upcoming financial years which shall reflect in terms of considerable control in production and administration costs.



◦ 2017 AT A GLANCE ◦



FY2017, JCR-VIS Re-affirmed Entity Rating of Sadaqat Limited at A/A-2.



2nd Position in Corporate Report (Textile sector)
at The Best Corporate and Sustainability Report Awards 2016
jointly organized by ICAP and ICMA Pakistan.



Organized Fundraising Iftar Dinner
to support Shahid Afridi Foundation



C-TPAT Scoring 100%
(for following certain security protocols)



Trainee Development - Gold

Approved Employer status by ACCA and
Approved Training Provider status by ICAEW
(Initiated in FY2017 where as concluded in FY2018)



Message from Khurram Mukhtar
CEO



It was yet another challenging year for the textile sector characterized by de-growth in textile exports, unpredictable market situation, stiff global competition and unfavorable foreign currency fluctuation due to BREXIT. Keeping in view the challenges of the sector, the Government of Pakistan announced PKR 180 billion incentive package for the exports oriented sectors including textile sector which is also the main beneficiary of this scheme.

Despite the tough economic conditions, the Company was able to deliver a resilient performance in FY 2016-17 as it sustained in quantitative terms however the profitability and export numbers declined to an extent as compared to preceding financial year which is mainly attributable to strict price competitiveness and increased depreciation expense arising due to significant additions to operating fixed assets causing temporary decline in profitability since the economic benefits of this investment in automation and process optimization is expected to reap its benefits in upcoming financial years.

The analyses for FY 2017 reflect de-growth of 4.6% in sales revenue and a decline in net profits by 38.6% as compared to the preceding financial year however the overall financial position of the Company strengthened as evident through an increase in net assets of the Company by PKR 1.43 billion.

Throughout the Company's history, we as a team, always worked hard in order to surpass industry standards while accomplishing our commitment of delivering propitious results towards quality and sustainability. We have a pragmatic approach towards these values which is engrained in our corporate culture.

Looking towards future, we are persistently focusing on continuous process innovation, manufacturing excellence and enhancement of our production capacity through addition of state-of-the-art technology which would enable us to stay as a market leader among our competitors. We are quite ambitious that the carefully conceived investment made by the Company in this financial year would drive its financial and operational performance through re-engineering, automation and optimization of processes which in turn would lead to healthy results in upcoming financial years.

The customer focused approach aspire us to comply with the standards and to adopt best business practices for safety, technology, employees' motivation and retention, ethical marketing and corporate social responsibility. The innovation and process improvement being two important activities continue to play its effective role from conceptualizing design to delivery of products to the customer.

We have embedded responsible to drive positive change which can be witnessed from our sustainability reports being published each year. Our business model is robust, resilient and attuned to creating long-term value for stakeholders. We are well aware of environmental and social impacts of our economic activities and are also certified for all leading textile industry specific certifications which demonstrate our commitment to become environmentally and socially compliant corporate citizen.

We are strongly devoted to sustainable development of our society. We feel pride in stating that Sadaqat Limited is actively working as a social member and donor to hospitals, charity foundations, blood banks, non-profit recreational clubs and government /private schools.

This year the Company also hosted a comprehensive fundraising exercise in collaboration with Shahid Afridi Foundation (SAF) to support its initiative "Hope – Not Out!" In addition to taking part in above fundraising activity, the Company also committed to contribute a certain amount of funds to the foundation on monthly basis in order to support those suffering from lack of basic health and educational facilities which has been planned to be documented soon through a formal MOU between the Company and Shahid Afridi Foundation.

As we advance our reporting and disclosures, we continue to support and measure our sustainability progress against the principles outlined in the Global Reporting Initiative (GRI) G4 Framework and our alignment with UNGC 10 principles as well as UN SDG's.

I feel pleasure in stating that this year, our Annual Report for FY 2016 secured 2nd position in textile sector at "Best Corporate and Sustainability Report Awards 2016" event jointly organized by ICAP and ICMAP. Report was privileged this accolade because of its accuracy, transparency and quality of presentation, which signifies our commitment to professionalism and limpidity.

Owing to sustained performance in the hometextile segment, strong governance, long-term association with internationally recognized brands, sustained profit margins with adequate interest and debt coverage, JCR – VIS Credit Rating Company reaffirmed our Entity Rating at A/A-2 which we can term as an achievement for the Company under tough economic conditions.

We wish and hope to continue our sincere efforts for business prosperity in the upcoming years and finally, I would like to express my gratefulness to the shareholders, bankers and other stakeholders for their contribution and efforts since a combined set of efforts and sincerity has been the backbone to our triumph.


Khurram Mukhtar
Chief Executive Officer





Corporate Governance

Board & Management Committee Meetings FY 2017

		Members	Agenda / Business Discussed	Meetings
Board of Directors		7	<ol style="list-style-type: none"> 1. Confirmation of minutes of last meeting. 2. Review of quarterly performance and group management information. 3. CAPEX planning and decision making regarding potential projects. 4. Review of departmental targets, approval of budget and review of it's achievement. 	4
Audit Committee		3	<ol style="list-style-type: none"> 1. Confirmation of minutes of last meeting. 2. Review of audit plan and internal audit reports. 3. Review of Internal Control Environment and its effectiveness. 4. Review of business risks & devising risk mitigation strategies. 	4
HR & R Committee		3	<ol style="list-style-type: none"> 1. Confirmation of minutes of last meeting. 2. Approval of strength. 3. Approval of inhouse and outside trainings for employees. 4. Review of employee appraisals. 5. Review of KPI's. 	4
Sustainability Committee		4	<ol style="list-style-type: none"> 1. Confirmation of minutes of last meetings. 2. Review of compliance with UNGC principles, UN SDG's and GRI Framework. 3. Review of implementation phase of KPI's throughout the organization. 	4
EHS Committee		6	<ol style="list-style-type: none"> 1. Confirmation of minutes of last meeting 2. Discussion, review and approval of Environmental, Health & Safety Policy 3. Review the performance of organization as per its EHS plan 	4

Note: None of the Board meetings were held outside Pakistan during the year.

Audit Committee



Awais Mukhtar
Chairman



Shoaib Mukhtar
Member



Imran Noormohmed
Member



Zeshan Afzal
Chief Advisor to Audit Committee

Internal Control Framework & Role of the internal Auditor

The board has overall responsibility for ensuring that risks encountered by the Company are appropriately managed and it also establishes the tone at the top regarding the importance of internal controls steering the entity towards achievement of its important objectives and sustainability of its performance.

The Company faces a variety of risks from external and internal sources and accordingly conducts risk assessment involving a dynamic process for identifying and assessing risks and devising strategies to address those risks.

The board recognizes that the rapidly growing business model, orientation towards technology, increasing regulatory requirements and scrutiny, globalization, and other challenges demand system of internal audit to be agile in adapting to changes in business and regulatory environments. While recognizing the Company's needs, this year it reconstituted its audit committee and also took on board Mr. Zeshan Afzal as Chief Advisor to Audit Committee which uplifted the strength of Company's Internal Audit function.

The Audit Committee performs its duties in accordance with the terms of reference as determined by the Board of Directors. As a part of its functions, the Audit Committee, before the approval of the Board, reviews Interim and Annual financial statements. Meetings of the Committee were held as per TORs and proper minutes of the meeting are kept in Company's records.

This financial year, the Company also revised its internal audit manual to improve the quality, coverage and to embed risk based approach in conduct of pre and post audit. Upon recommendations from members of Audit Committee, the Company's Internal Audit Department also adopted a practice to maintain a Risk Control Matrix (RCM) identifying the strategic, financial, compliance and related reputational risks prevalent in material processes, functions and departments which shall then be used as base document to address them and to devise strategy for mitigating those risks.

The Company boasts its effective and transparent system of financial reporting to ensure reliable performance measurement cum management and compliance to applicable local and international laws and regulations. The system of internal control is sound in design and has been effectively implemented and monitored.

As per best practices of governance, the Head of Internal Audit reports functionally to the Audit Committee and presents its findings and recommendations whereas administratively, it reports to the CEO.

The Company, without any imposition, voluntarily strives to adhere to the best principles of corporate governance and is committed to high standards of ethical business practices.

Business Continuity Plan and it's Review

Business continuity is of supreme importance for the long term success and survival of any Company.

The Company's risk management approach drives the need to have a detailed formal plan for disaster recovery and Business Continuity Plan (BCP). The Company has adequately planned to meet any risk of unforeseen disastrous events and has developed comprehensive Business Continuity Plan to mitigate the adverse effects of such events. The Company's BCP guides upon actions to be taken in the event of a crisis and emergency situations.

Examples of crisis may include major fire leading to closure of the business in addition to loss of lives and possible business discontinuity. The Company has adequate arrangements for security of all the factory sites and has hired well-trained security personnel. The Company has adequately insured all its physical assets including building, machinery, vehicles, and inventory to cope with any unforeseen risks. Effective fire fighting systems are in place at all our manufacturing facilities as well as the Head Office. Fire drills are conducted frequently for the training of employees and the staff team to cope with undesirable events.

To counter the risks related to loss of confidential information and database security, documented SOPs have been put in place as a part of BCP, according to which monitoring of system and its operational efficiency is ensured. The Company has maintained appropriate backup IT servers to prevent data loss and well-structured disaster recovery process to cope with any unforeseen circumstances.

The board and senior management sets and reviews the policy for BCP, prioritize critical business functions, ensure allocation of sufficient resources, approves BCP on annual basis and reviews test results. It also ensures whether BCP is kept up-to-date and employees are trained and aware of their role in its implementation.



Risks and Mitigation Strategies

Sadaqat Limited operates in an environment where factors such as globalization, technology, political uncertainty, dynamic markets, stiff global competition, and stringent regulatory requirements create business risks involving financial and reputational uncertainty. As a result, entity's Risk Management mechanism helps to prevent business failure and underpin business continuity and long term survival.

It recognises that risk is an integral and unavoidable component of business and is committed to managing the risk in a proactive and effective manner. Following is the summary of identified risks and strategies to mitigate them:

	Risks & Uncertainties	Management Approach & Mitigation Strategies
Strategic	<ul style="list-style-type: none"> ➤ Stiff global competition ➤ Unpredictable market situation ➤ Technology Obsolescence ➤ Information Systems / IT obsolescence 	<ul style="list-style-type: none"> ➤ Penetration in new products, markets, regions and customers while focusing on quality ➤ Sustainable business model including strong research & development function to look for changes in trends and fashion ➤ Significant amount of capital expenditure to achieve process re-engineering, automation and optimization through addition of state-of-the-art technology ➤ Implementation of SAP HANA ERP
Commercial	<ul style="list-style-type: none"> ➤ Customer Concentration and retention ➤ Dependence on suppliers 	<ul style="list-style-type: none"> ➤ Vigilant and strong marketing department to look for sustainability into existing and penetration into new markets ➤ Strong Research and Development department supported by design teams in UK and US who keep an eye on changes in trends, fashion and work on product development and innovation ➤ Combination of imports as well as local procurement which help reducing dependence on suppliers and assist in achievement of optimal cost levels
Operational	<ul style="list-style-type: none"> ➤ Energy Shortage Risks ➤ Capacity Utilization ➤ Labour Shortage ➤ Statutory and environmental compliance 	<ul style="list-style-type: none"> ➤ Sufficient sources of energy available (Coal, RLNG, Diesel generators and WAPDA) ➤ HR & R Committee working on challenges of HR function including training needs, promotion/ elevation of employees implementation of effective policies for succession planning of key employees ➤ Existence of efficiently functioning Production / Corporate Planning and Control wing directing efforts to optimize capacity utilization ➤ Existence of efficiently functioning of Internal Audit & Compliance department to monitor and ensure compliance with secretarial, production, environmental, social and labour laws / regulations
Financial	<ul style="list-style-type: none"> ➤ Unfavourable foreign currency fluctuation ➤ Interest rate risk ➤ Liquidity risks 	<ul style="list-style-type: none"> ➤ Use of financial instruments such as currency risk hedging through forward booking ➤ Major financing under SBP refinance schemes mitigates risk arising through fluctuating KIBOR ➤ Sufficient availability of short term working capital lines from multiple banks alongwith flexible payment terms with creditors

Opportunities

The Company can potentially exploit the following opportunities specifically available to it and to the textile industry of Pakistan:

- Prime Minister Package of incentives for exporters as approved by Economic Coordination Committee (ECC) of the Cabinet in order to provide duty drawback of taxes collected from garments, home textiles, processed fabric, greige fabric and yarn manufacturing cum-exporter units
- Diversification in new markets and regions owing to its strong presence and repute in the global market;
- Forward and backward vertical integration to strengthen upstream and downstream supply chain;
- Increasing trend towards e-commerce allowing easy global access to customers; and
- Other government incentives such as subsidized short term and long term mark-up rates for financing, technology upgradation funds, mark up rebate and zero rating in sales tax on exports



Policies and Practices

Conflict of Interest

A conflict of interest is a situation which is deemed to occur when an individual's personal interests conflict with their responsibility to act in the best interest of the Company, hence a non-goal congruent situation. Sadaqat Limited has a formal code of conduct and anti-corruption mechanisms in place to govern conflict of interest at Board and executive level. The code of conduct requires avoiding conflict of interest at first place. However, where it is not possible to avoid conflict of interest; the incident is required to be reported to Board of Directors for resolution. The Board of Directors are responsible for setting and updating the purpose, values, strategy and goals relating to economic, environmental and social impacts.

Social and Environmental Responsibility

The Company has integrated environment, health and safety policy in place along with Environment, Health, and Safety Committee. Local community is engaged through EHS department, which is primarily responsible for interventions in the field of environment, education, health and upliftment of the community.

The Head of HR & Compliance is responsible for performance, regulatory affairs and monitors the compliance for environment, health, and safety. The Company regularly sends its key staff for trainings on health, safety and environment to equip them with the latest knowledge on the subject.

Whistle Blowing Mechanism

The Company is committed to listen to the concerns of employees and they can report safely and anonymously if they evidence or suspect any unethical or unlawful activity, damage to environment, any offence or injustice. However combating corruption or any unethical/unlawful activity requires both top-down and a bottom-up communication approach. It starts from the mind set of senior most management to a worker perspiring at the processing plant. By guaranteeing potential whistle-blowers that they can act without fear of vengeance, we are one step closer in eradicating corruption.

Investors' Grievance Mechanism

Sadaqat Limited has a well-established, transparent, easier and simpler grievance redressal at mechanism for investor/shareholders' service and grievance handling.

The Company has identified a separate investor relation contact person along with contact details which are publicly available at the Company's website. In case of any grievance, it is discussed in the presence of all directors including CEO, Chairman and CFO. After mutual discussion, matter is reviewed and grievance is handled with efficiency, courtesy and fairness and necessary steps taken to prevent recurrence.

Data Protection and its Confidentiality

Sadaqat Limited has IT Governance and Safety of Records Policy in place providing directions and governance over access to information and its storage and deletion. The policy ensures if accurate records are created, captured, maintained, made accessible, stored and legally disposed of in accordance with legislative requirements. The policy also deals with access of storage devices, usage of internet, e-mails, password protection, data back-up, intrusion prevention and access to server room/data centre.

The policy aids in decision making process for IT investment and promotes accountability. The MIS Department acts as a support function in the achievement of entity's objectives and coordinate enterprise IT planning efforts and strategies for most effective use of resources.

HR Policy

Compensation & benefits policy

The Company provides compensation and benefits to all the employees as per Company's policy and law of land. Adequate compensation is paid for overtime hours working against festival holidays. The Company facilitates its employees with legal benefits like social security, group insurance, old-age benefits, bonus, annual leaves, and maternity leaves.

Health & Safety

The Company's priority is to provide employees with safe and healthy work environment including provision of hygienic water, clean and unpolluted air, adequate lighting, fire fighting arrangements in case of emergency. First Aid and other emergency equipment and related drills/trainings are also conducted on frequent basis for safety of employees.

Prohibition of Child/Forced/Bonded Labour Policy

Sadaqat limited does not employ any person below the age of eighteen years at its workplace. The Company strictly prohibits the use of child labour and forced or compulsory labour at its facility. No employee is forced to work against his/her will or work as bonded/forced labour, or subject to corporal punishment or coercion of any type related to work.

The Company believes that promoting fair and appropriate employment at its facility and within its supply chains is a critical part of the commitments we make to our people and local communities.

Security Policies and Measures

The Company has put in place necessary security arrangements for its factory site and has hired well-trained security personnel. It has been ensured that security team is continuously trained and equipped with appropriate armoury to apply new safety measures for overall security of the Company's sites and offices.

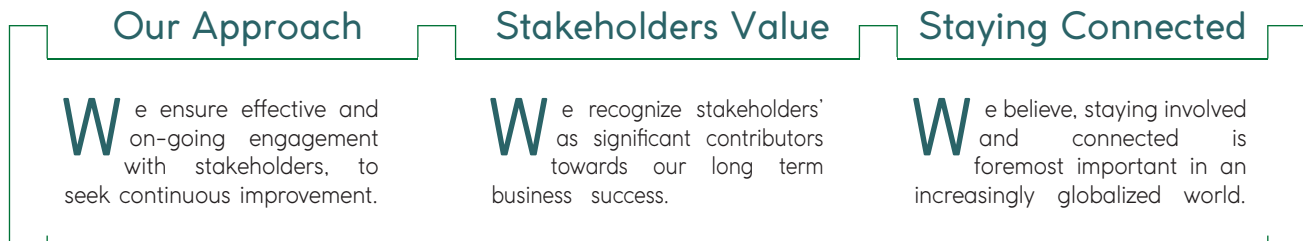
The Company insured all its physical assets including building, machinery, vehicles, and inventory to cope up with any unforeseen risks and damages. Effective fire fighting system is installed through out our manufacturing facilities as well as the head office which is reviewed on daily basis and attendance is marked by security personnel. The fire drills are frequently conducted for the training of employees and the staff team to handle unavoidable exigency.

In FY 2017, while acknowledging Company's security commitments, Custom-Trade Partnership against Terrorism (C-TPAT) **has awarded Sadaqat Limited 100% score** upon their annual audit regarding presence and compliance of detailed security protocols in the facility.

This security compliance is enhanced by attaining SCAN compliance.

Stakeholders' Engagement

We value our stakeholders' input which help us to formulate our business strategy to create and share value for all of our stakeholders.



Stakeholders are significant contributors for our business success and require active consultation to understand their concerns, identifying risks and opportunities and incorporating the inputs for improving decision making process to devise our strategy towards sustainability. The stakeholder engagement is continuously carried out throughout the year by respective departments as a normal business process. The stakeholder groups include shareholders and providers of capital, employees, customers, suppliers, local community, government, and media.

Sadaqat Limited values stakeholders input and interacts with all interest groups/ entities or individuals that can be significantly affected by our activities, products, and services; and whose actions can affect our ability to successfully implement our strategies and achieve our objectives. The details of our engagement activities with different stakeholders are mentioned hereunder.

Stakeholder Group	Stakeholder Interest	Mode of Consultation	Frequency
Shareholders and providers of capital	Increased rate of return, business growth, good corporate governance	Email and meetings	Annual/Need
Employees	Fair wages, training and education, and health and safety	Meetings and employee representation groups	Ongoing/Annual
Customers	Product quality, cost and timely delivery	Customer feed backs	Ongoing/Annual
Local community	Interventions for social uplift, environmental impact of operations	Meetings of Environmental Health and safety Committee or Sustainability Committee	Ongoing/Annual
Govt. and other regulatory bodies	Compliance of laws and regulations	Letters and E-mails	Ongoing/Need
Suppliers	Reasonable terms and conditions timely payments	Through procurement department/ Suppliers meetings	Ongoing/Annual
Media	Wider range of issues concerning different stakeholders	Depending on nature of requirement	Need basis

Board of Directors' Performance Review

As a best practice and to enable the Board members to play their effective role for on-going success of the Company, an annual self-evaluation is carried out in the meeting of Board of Directors held immediately after year-end for authorising the release of financial statements.

Directors are requested by the Chairman to rate & assess their performance against an Annual Evaluation Checklist centring on factors like alignment of objectives with overall vision, monitoring and evaluation of departments and long term strategic direction.

In the meeting of Board of Directors held on November 6, 2017, the Directors' Performance evaluation was conducted along with appreciation and suggestions from the Chairman.

CEO's Performance Review

To set a right tone from the beginning, the Company has a system of formally appraising the performance of CEO. Performance is not only appraised on quantitative but also on qualitative fronts.

In a previous exercise of review in company's meeting, CEO was appreciated for managing and effectively tackling challenges despite overall slowdown in textile sector, high currency fluctuation risk and worsening impact of uncertainty regarding government policies. The major reasons for sustainable growth are team-driven initiatives towards innovation from CEO and periodical technology up-gradation.



Directors' Ongoing Trainings

The directors periodically hold in-house training sessions involving discussion and presentation on various topics led by top level executives of the Company and invited professionals from outside the organization including senior officials from bank and government departments possessing relevant knowledge, skills and experience related to new applicable standards, corporate, secretarial and taxation laws and regulations, sustainability matters, corporate governance and industry updates.

This mechanism aims at providing an on-going and annual orientation cum training to the Board of Directors to update their knowledge, skills and experience and suggesting new leadership techniques. Director's training is focused on new applicable standards, acts and laws, enterprise risk management, sustainability issues, corporate governance and ethics, industry updates and changes in various functions and global economic scenario.

Although above in-house trainings took place during the year however, none of the directors completed Directors Training Program from the Institutes approved by the SECP. However from next financial year onwards, the Company is planning to arrange for formal training of directors under Directors Training Program from the Institutes approved by the SECP.



Directors' Report

We are pleased to present the 30th Directors' Report based on the results of business and operations of the Company together with the Audited Financial Statements for the financial year ended June 30, 2017.

Operating Performance and Financial Results at a glance

The Company has been able to deliver satisfactory financial performance despite challenging global economic conditions. Though it sustained in quantitative terms however the profitability and export numbers slightly declined as compared to corresponding financial year due to unpredictable market situation, stiff global competition and unfavorable foreign currency fluctuation. Due to these impeding factors, the Company maintained strict price competitiveness and restricted the value of its sales while moderating the bottom line. The increased depreciation expense, arising due to significant additions to operating fixed assets valuing PKR 1,652 million, also contributed to temporary decline in profitability whereas the economic benefits of this carefully conducted investment in automation and process optimization is expected to reap remarkable results in upcoming financial years which shall reflect in terms of considerable control in production and administration cost.

The analyses for FY 2017 reflect de-growth of 4.6% in sales revenue and in net profits by 38.6% as compared to the corresponding financial year. The increase in overall costs along with competitive pricing strategy resulted in decrease in gross profit and net profit ratio from 17.5% to 15.5% and 6.7% to 4.3%, respectively. The earnings per share also declined from PKR 6.36/share to PKR 3.91/share. Break-up value per share (without surplus on revaluation) observed an increase by PKR 4.3/share. Activity ratios indicate that there was an increase in inventory days yet the overall cash cycle decreased since the Company adjusted its procurements terms to grab the opportunity of bulk buying accordingly hence increasing trade payable days. The liquidity outlook temporarily seems feeble due to increase in short term borrowing during last quarter of financial year to meet the increased working capital requirements. The increase in working capital requirement is tagged with remarkable growth in business subsequent to financial year end and evident through the results for 1st quarter of FY 2018. Financial leverage of the Company remained almost stable during the financial year.

While maintaining the existing market share, the company adopted diversification policy through penetration in new products, markets, regions and customers in order to achieve a strategic balance which helped in mitigating business concentration risk. The Company is strongly committed to create value for its stakeholders through sustained performance and firmly believes that its business model is quite sustainable as compared to its peers in terms of capacity utilization, productivity, quality, infrastructure, real time environment, quality of financials and compliance to the regulatory framework.

Adhering to its strategic plan and carefully conceived budget for the financial year 2017, the Company successfully executed a notable capital expenditure of more than PKR 2 billion in terms of land, building, plant and machinery. It is anticipated that investment made by the Company would drive its financial and operational performance through re-engineering, automation and optimization of processes which in turn would lead to a healthy bottom line in upcoming financial years. The Company's investment was targeted towards expansion of its existing operations, enhancement of production capacity through addition of state-of-the-art technology leading to innovation, enhancement of product quality and competitive edge in the market. The Company has achieved end to end automation in dyeing, printing, cutting, stitching and packing units for which it expects to derive significant benefits in the long run.

Implementation of SAP HANA ERP reflects management's accordance of high priority to sound management information system that is expected to ensure accurate data processing, effective and efficient communication, streamlined business processes and integration of system aligned with international best practices. The Company also continues to focus in adopting latest technology and infrastructure to enable effective and timely decision making, achieve cost efficiencies, drive revenue growth and sustain in the long run through maintenance of competitive advantages.

The Company has revamped its internal controls including the structure of its strategic committees to review and address weaknesses in the management system. It has a strong corporate governance system in place, comprising of internally developed code of conduct, policies and procedures, harmonized with industry's best available governance practices. Owing to Company's commitment to professionalism and resulting improvement in level of accuracy, transparency and presentation of annual corporate report, Sadaqat Limited was able to secure 2nd position in textile sector at "The Best Corporate and Sustainability Report Awards 2016" jointly organized by ICAP and ICMA Pakistan.



The Company adopts a pragmatic approach to remain adaptable to dynamic business environment that eventually keeps its operations aligned along its fundamental principles. While delivering in financial terms, it is also focusing to engrain sustainability in its corporate culture to manage the economic, environmental and social impact of its operations.

Post Balance sheet events

No material changes and commitments affecting the company's financial position have occurred between the end of financial year of the Company to which the balance sheet relates and the date of the auditor's report.

Financial statements

The financial statements of the company for FY 2017 have been endorsed by Chief Executive and a director of the Company after approval of the Board. The auditors, EY Ford Rhodes, Chartered Accountants, audited the financial statements and have expressed an unmodified opinion on the financial statements.

Auditors

The present auditors EY Ford Rhodes, Chartered Accountants shall stand retired on the conclusion of the 30th Annual General Meeting. Being eligible, they offered themselves for re-appointment as auditors of the Company for the year ending 30th June 2018.

Board and its Committees

The Board independently as well as through its Committees remained engaged in strategic, financial and overall organizational planning. It periodically reviewed its policies, procedures, major risks factors of the business and other crucial matters and also devised strategies to address the risks and any outstanding policy matters. The Committees have their own charter with goals and responsibilities.

Audit Committee

The Audit Committee performed its duties in accordance with the terms of reference as determined by the Board of Directors. During this financial year, the Company also took on board Mr. Zeshan Afzal as Chief Advisor to Audit Committee which uplifted the strength of Company's Internal Audit function. The Company also revised its internal audit manual to improve the quality, coverage and to embed risk based approach in conduct of pre and post audits. Upon recommendations from advisor and members of Audit Committee, the Company's Internal Audit Department also adopted a practice to maintain a Risk Control Matrix (RCM) identifying the strategic, financial, compliance and related reputational risks prevalent in material processes, functions and departments which were then used as base document to address and devise audit strategy in order to mitigate those risks while considering the efficiency and effectiveness of internal controls linked to them. The Committee also periodically reviewed the effectiveness of the governance, risks management and control processes that management put into place to achieve the objectives and mission of the organization. As a part of its functions, the Audit Committee, before the approval of the Board, reviewed the Interim and Annual financial statements. Meetings of the Committee were held as per TORs and proper minutes of the meeting kept in Company's records.

Human Resource & Remuneration Committee

The Human Resource & Remuneration (HR & R) Committee performed its functions in accordance with the terms of reference as determined by the Board of Directors. The Committee was involved in all key aspects of HR management and reviewed policies on professional development, compensation and reward mechanism for employees. As part of its functions, it engaged in review of human resource development and organizational structure while recommending to the Board any required significant changes to ensure that a strategic workforce plan was in place. The Committee also kept ensuring that adequate policies and procedures related to HR were in place and implemented effectively.

Periodic meetings of the Committee were held as per TORs to discuss and review policy matters and terms of reference to ensure that they continue to meet best practice and the needs of the Board. Proper minutes of the meeting were kept and retained in Company's records.



Health & Safety Environment and Corporate Social Responsibility

Manufacturing sector demands excellence in health & safety management and respective procedures to be an all-encompassing priority for the Company, from the Board level down to the business units as it sometimes involves handling hazardous materials posing health and safety risk for employees engaged in manufacturing.

Sadaqat Limited is intensely committed to act ethically and support sustainability in all its business activities. In order to efficiently manage its health and safety matters, the Board of Directors delegated the Corporate Social Responsibility related issues to its Environment, Health and Safety (EHS) Committee. The EHS Committee is responsible to harmonize the Company's health and safety activities within the direction and framework provided by the Board. Accordingly, the Committee engaged in planning and implementation of CSR activities and also ensured that all the activities were in accordance with international standards and supply chain requirements. The EHS Committee includes individuals from key business functions such as compliance, human resources and health & safety department who make sure that all relevant strategic CSR and health and safety decisions, initiatives and activities are coherent to business mission and vision. The Company through its EHS Committee also plays pivotal role in working positively towards raising the educational, health & environmental standards of its community and extensively supporting educational and health projects such as in this financial year the Company hosted a comprehensive fund raising exercise in collaboration with Shahid Afridi Foundation (SAF) to support its initiative "Hope – Not Out!"

As a part of its health and safety mission, the Company holds certification for Occupational Health & Safety (OSHAS) 18001:2007 and its facility is certified to its protocols. This assurance provides the Company with certain level of comfort regarding health and safety conditions of the facility. The Company also developed a comprehensive annual training plan relating to health and safety awareness whereas the Social Performance Team (SPT) was assigned and trained to make sure occupational health and safety practices were adhered to.

The Company has standard policies and procedures in place to monitor and control its Green House Gases (GHG) emissions and in each financial year it publishes its sustainability report as per globally recognized GRI guidelines where detailed disclosures related to GHG emissions, consumption and conservation of energy and water resources are provided. The Company is directing its efforts to devise strategies and action plans to minimize its GHG emissions. The Company has in place Environmental Protection Authority (EPA) approved waste water treatment plant installed at its premises to ensure appropriate treatment of waste water to mitigate harmful elements to meet the National Environmental Quality Standard (NEQS) limits.

The sustainable practices and reporting of the Company entailed producing quality products, reducing the environmental burden of its processes, engaging its stakeholders for their valuable inputs and providing sustainable returns while contributing to socio-economic development in our community at large.

The Company maintains pleasant relationship with its employees, peers, bankers, society, regulators and other relevant institutions and organizations. Due to presence of strong mechanism related to Health and Safety and with the blessings of Almighty Allah no major accidents or incidents occurred in the Company during the financial year.

Issues Raised in Last Annual General Meeting (AGM)

Last Annual General Meeting of the Company was held on October 31, 2016. Agenda items were considered and approved however no special business was discussed and neither any specific issue raised by the members:

- a. Kreston Hyder Bhimji and Co., Chartered Accountants retired on the conclusion of the Annual General Meeting and were re-appointed as auditors of the Company for the year ended 30 June 2017 and remuneration was fixed at the meeting;
- b. No dividend for FY 2016 declared or approved in the meeting; and
- c. Audited financial statements for FY 2016 along with Directors' and Auditors' Report were reviewed and approved by the members

Names of directors during the financial year

1. Mukhtar Ahmad
2. Khurram Mukhtar
3. Hamid Mukhtar
4. Awais Mukhtar
5. Shoaib Mukhtar
6. Imran Noormohmed
7. Muhammad Ijaz

Remunerations to the Chief Executive and Directors

Remuneration of Chief Executive and directors remained unchanged during this financial year.

Pattern of Shareholding as at June 30, 2017 – as tabularized below

Number of shareholders	Shareholding		Total Shares held
	From	To	
2	101	500	1000
1	870,001	875,000	872,312
1	940,001	945,000	941,952
4	29,545,001	29,550,000	118,184,736
8			120,000,000

Shareholder's Category	Number of Shareholders	Number of Shares	Percentage %
Directors, Chief Executive Officer, and Their Spouse	8	120,000,000	100%
Total	8	120,000,000	100%

Acknowledgement

I on the behalf of all the Directors appreciate the support of our customers, banks, financial institutions, regulators and shareholders for achieving good results and hope that this cooperation and support continues to grow in the future.

I would also like to express my deep appreciation for the services, loyalty and efforts being continuously rendered by the employees of the Company and expect the same in future.

For and on behalf of the Board of Directors



Khurram Mukhtar
Chief Executive Officer



FINANCIAL HIGHLIGHTS



Financial Highlights

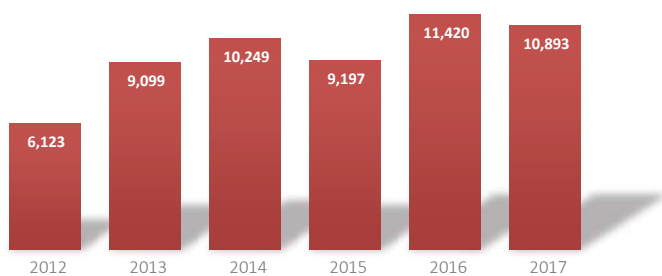
2017	2016	2015	2014	2013	2012
------	------	------	------	------	------

Rupees in millions

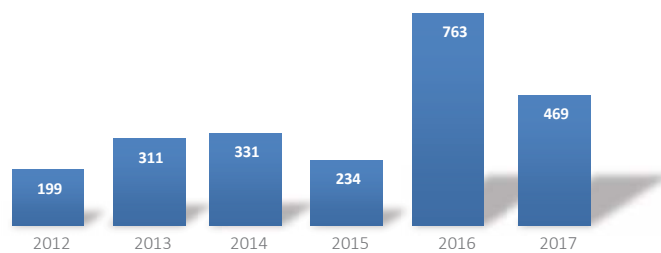
Critical Performance Indicators

Net Sales	10,893	11,420	9,197	10,249	9,099	6,123
Gross Profit	1,683	1,998	1,457	1,909	1,831	1,306
EBIT	915	1,291	744	843	780	619
Finance Cost	396	459	445	427	407	359
Pre-tax Profit	518	833	298	416	373	259
Post-tax Profit	469	763	234	331	311	199
Gross CAPEX (PPE/ CWIP/ Intangibles)	2,086	1,010	1,144	447	595	445
Net Worth	6,713	5,280	4,517	3,283	2,953	2,642

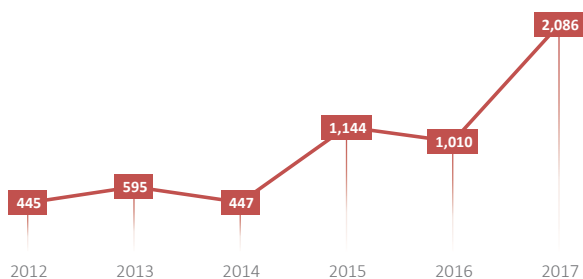
Net Sales



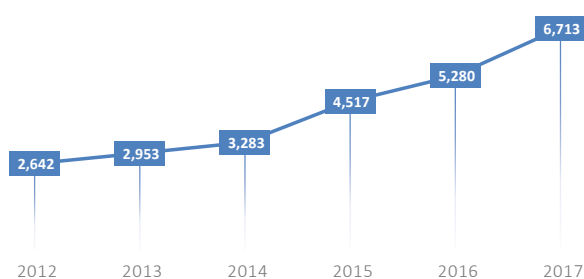
Post-tax Profit



Gross CAPEX (PPE/ CWIP/ Intangibles)



Net Worth



Key Financial Ratios

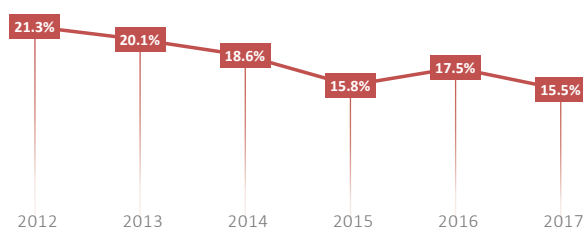
	2017	2016	2015	2014	2013	2012
--	------	------	------	------	------	------

Ratios

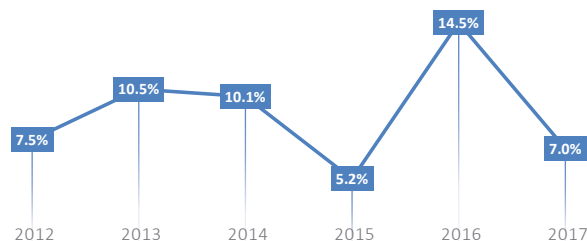
Profitability

Gross Profit Margin	15.5%	17.5%	15.8%	18.6%	20.1%	21.3%
EBITDA Margin to Sales	12.6%	14.7%	11.3%	10.4%	10.9%	12.8%
Operating Profit Margin	8.4%	11.3%	8.1%	8.2%	8.6%	10.1%
Net Profit Margin	4.3%	6.7%	2.5%	3.2%	3.4%	3.2%
Operating leverage ratio	6.32	3.05	1.15	0.63	0.54	1.77
Net Return on Equity (ROE) %	7.0%	14.5%	5.2%	10.1%	10.5%	7.5%
Net Return on Assets (ROA/ ROCE) %	3.2%	6.8%	2.5%	4.1%	4.5%	3.3%

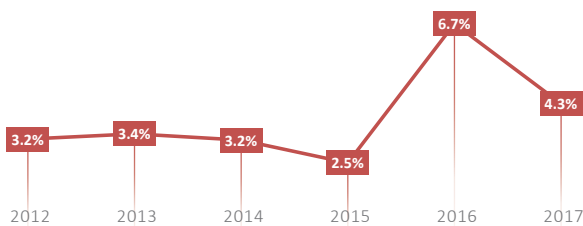
Gross Profit Margin



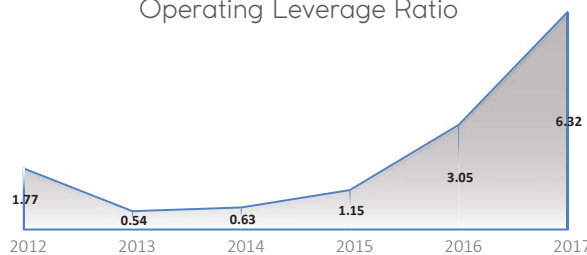
Net Return on Equity



Net Profit Margin



Operating Leverage Ratio



Comments

There is a range bound fluctuation in profitability margins during the last 6 years however net profit margin in FY 2017 yet remained above the average of preceding 5 financial years. During FY 2017, increased depreciation expense and strict price competitiveness squeezed overall profitability margins whereas increase in carrying amount of fixed assets owing to revaluation contributed to decline in return on equity/ assets. Although a temporary decline in profitability has occurred due to significant value of capital expenditure whereas the economic benefits of this carefully conceived investment in automation and process optimization is expected to reap remarkable results in upcoming financial years in terms of considerable control in production and administration cost.



Key Financial Ratios

	2017	2016	2015	2014	2013	2012
--	------	------	------	------	------	------

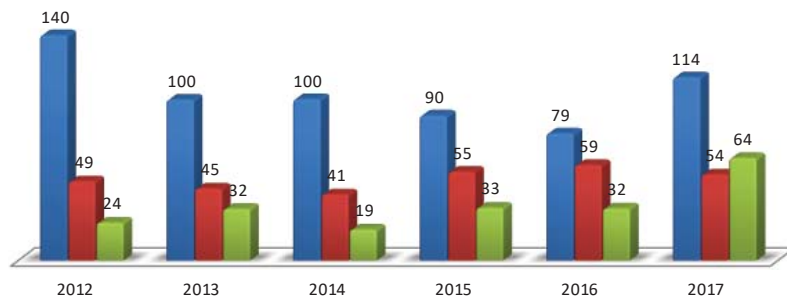
Ratios

Activity / Turnover Ratios

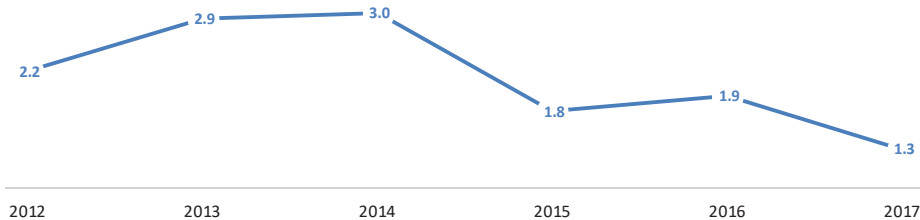
Stock in trade holding period (Days)	114	79	90	100	100	140
Stock in trade turnover (times)	3.2	4.6	4.0	3.6	3.6	2.6
Receivables Days	54	59	55	41	45	49
Debtors Turnover	6.8	6.1	6.6	8.9	8.1	7.4
Trade Creditors Days	64	32	33	19	32	24
Trade Creditors Turnover	5.7	11.2	11.1	18.9	11.3	15.5
Fixed Assets Turnover	1.3	1.9	1.8	3.0	2.9	2.2
Total Assets Turnover	0.7	1.0	1.0	1.3	1.3	1.0

Activity Ratios

■ Stock Holding Days ■ Receivables Days ■ Trade Payables Days



Fixed Assets Turnover



Comments

Cash cycle during the last 6 years is inching towards better levels through improvement in inventory management and control on overall debtor days. However during FY 2017, activity ratios indicate that there was an increase in inventory and creditor days since the Company adjusted its procurements terms to grab the opportunity of bulk buying accordingly. Assets turnover has slightly weakened due to increase in carrying amount of fixed assets owing to revaluation.



Key Financial Ratios

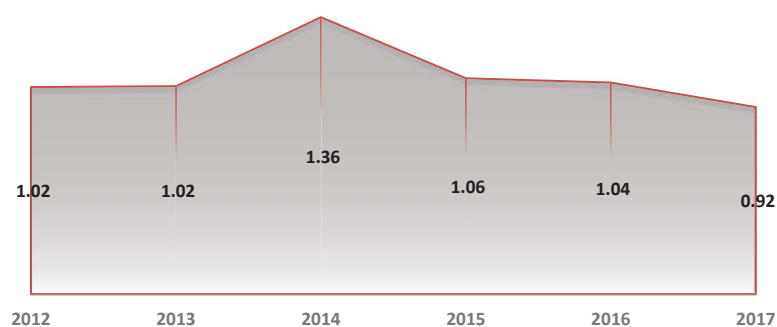
	2017	2016	2015	2014	2013	2012
--	------	------	------	------	------	------

Ratios

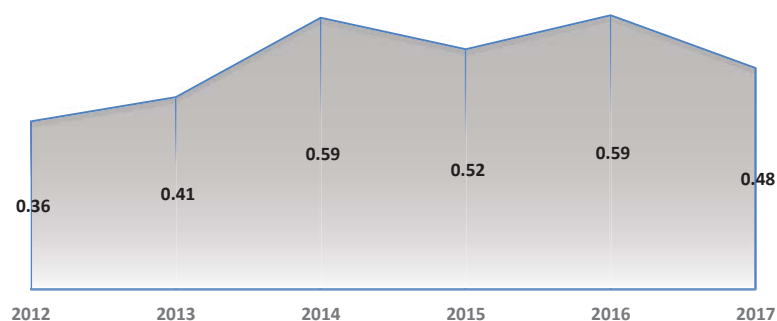
Liquidity

Current Ratio	0.92	1.04	1.06	1.36	1.02	1.02
Quick Ratio	0.48	0.59	0.52	0.59	0.41	0.36
Cash to Current Liabilities	0.02	0.02	0.02	0.02	0.01	0.01
Cash flow from operations to Sales	6.9%	2.6%	9.1%	-3.6%	2.7%	6.4%

Current Ratio



Quick Ratio



Comments

Except for current financial year there has been gradual movement in liquidity ratios over the preceding 5 years. In FY 2017, the liquidity outlook temporarily seems feeble due to increase in short term borrowing during last quarter of financial year to meet the increased working capital requirements tagged with remarkable growth in business subsequent to financial year end. Sufficient credit limits are available with various banks and financial institutions hence mitigating risks of any liquidity crunch.



Key Financial Ratios

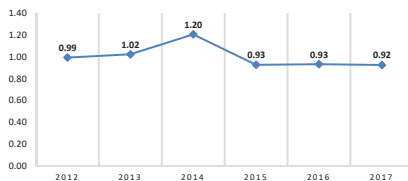
	2017	2016	2015	2014	2013	2012
--	------	------	------	------	------	------

Ratios

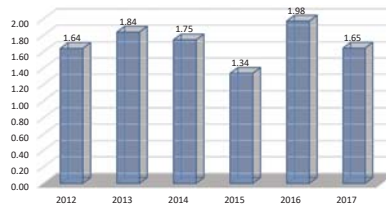
Capital Structure

Total Liabilities to Equity	1.20	1.13	1.11	1.43	1.36	1.27
Long Term Liabilities to Equity	0.17	0.15	0.22	0.42	0.10	0.06
Equity Multiplier	2.21	2.13	2.11	2.43	2.36	2.27
Financial Leverage ratio	0.92	0.93	0.93	1.20	1.02	0.99
Interest Coverage Ratio	2.31	2.82	1.67	1.98	1.92	1.72
Debt Service Coverage	1.65	1.98	1.34	1.75	1.84	1.64
Total Liabilities to Total Assets	55%	53%	53%	59%	58%	56%
Weighted average cost of finance	7.1%	10.1%	10.9%	12.2%	14.4%	13.8%

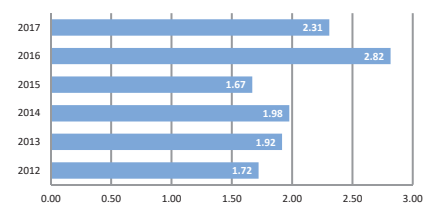
Financial Leverage Ratio



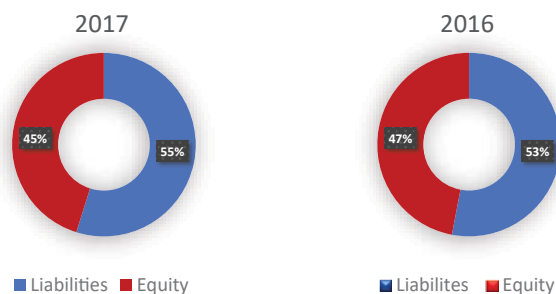
Debt Service Coverage



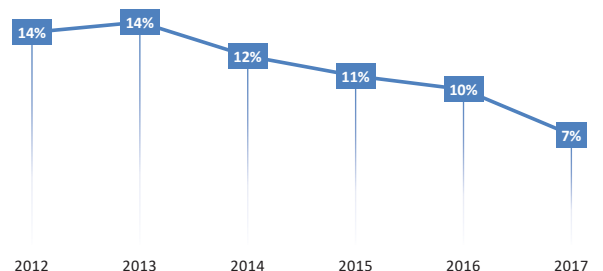
Interest Coverage Ratio



Composition of Total Assets



Weighted Average Cost of Finance



Comments

Interest and Debt service coverage ratios have marked gradual improvement over the preceding 5 financial years followed by a certain reduction in FY 2017. Total liabilities as a percentage of total assets have remained steady throughout the last 6 years whereas financial leverage has remained consistent. Weighted average financial cost % has gradually reduced over the last 6 years while it touched its lowest level in current year due to availability of cheaper financing through SBP source.

Key Financial Ratios

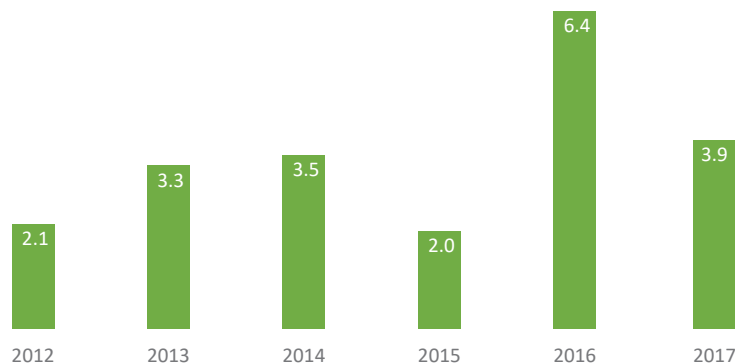
	2017	2016	2015	2014	2013	2012
--	------	------	------	------	------	------

Ratios

Investment

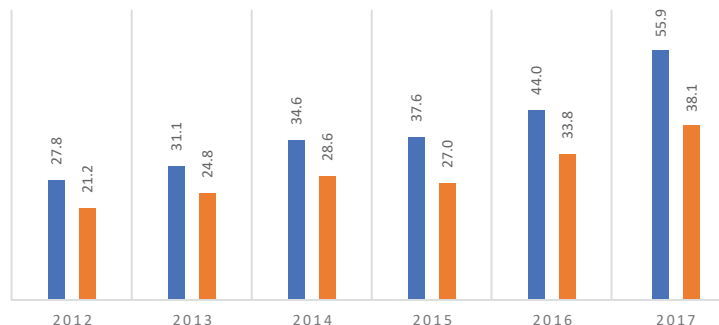
Earnings per share	3.9	6.4	2.0	3.5	3.3	2.1
Break up value per share with surplus on revaluation of fixed assets	55.9	44.0	37.6	34.6	31.1	27.8
Break up value per share without surplus on revaluation of fixed assets	38.1	33.8	27.0	28.6	24.8	21.2

Earnings per share



Break up value

- Break up value per share with surplus on revaluation of fixed assets
- Break up value per share without surplus on revaluation of fixed assets

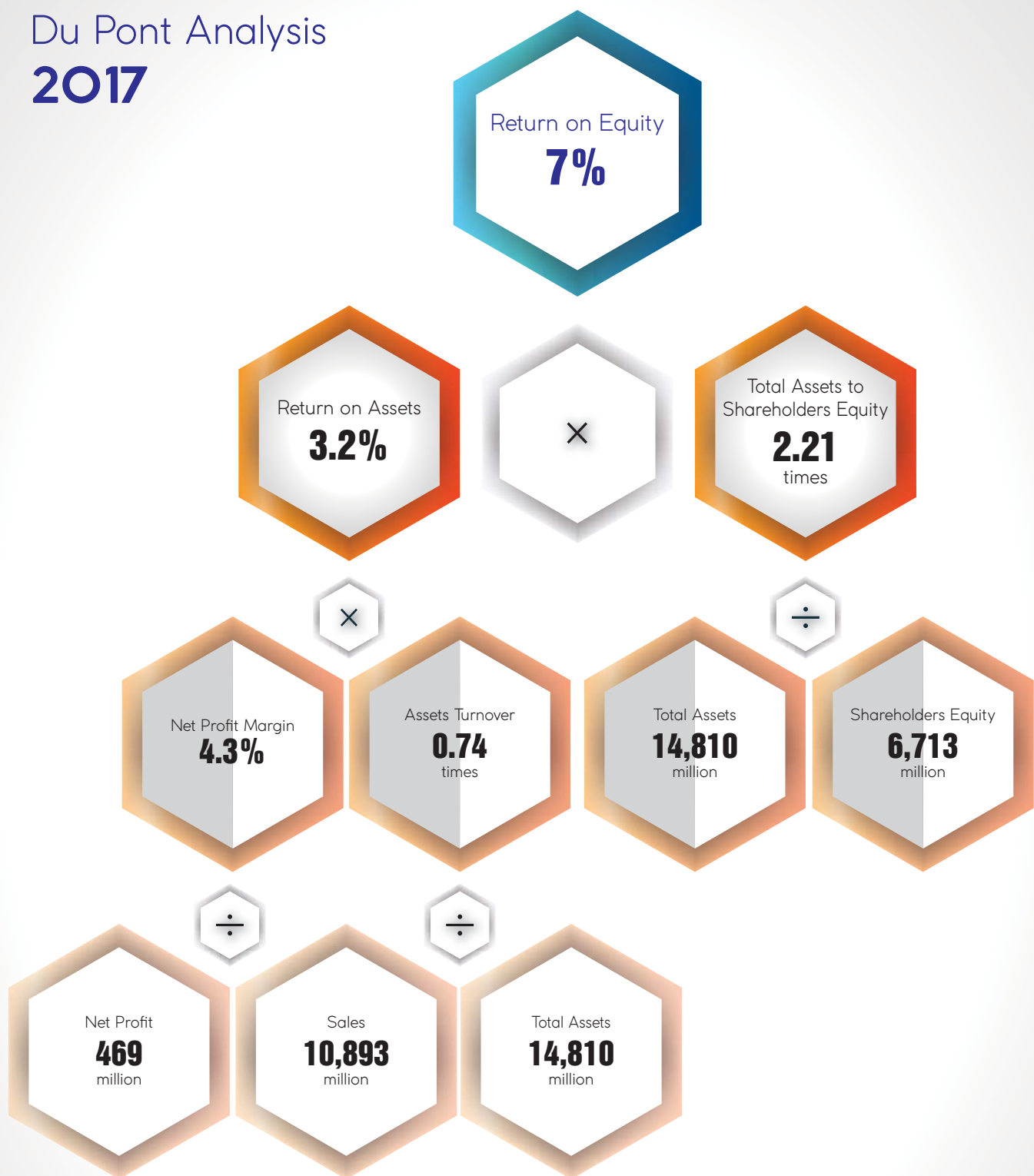


Comments

There has been a gradual improvement in Earnings per share over last few years except for the sharp increase in FY 2016 owing to exceptional results followed by decline in FY 2017. Break-up value per share with as well as without surplus has consistently evidenced increase every year owing to increase in entity's net assets. The ratios reflect Company's effectiveness in raising external finance as well as reinvestment of its reserves without making further issue of shares.



Du Pont Analysis 2017

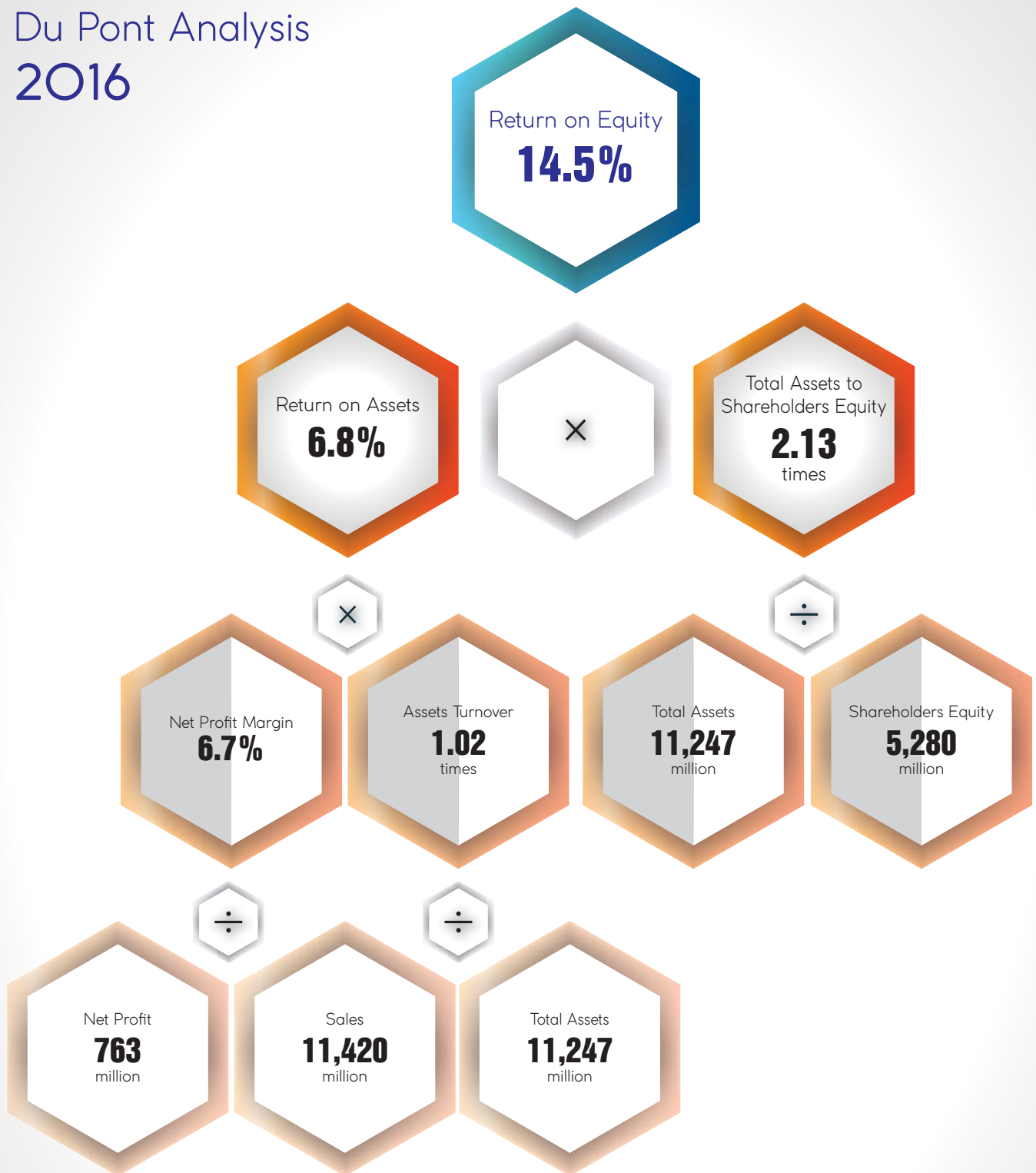


Comments

Duo Pont Analysis suggests decline in return on equity from 14.5% in FY 2016 to 7% in FY 2017 due to decline in return on assets resulted from decrease in net profit margin as well as assets turnover. Profitability margins also seem to have curtailed due to stiff price competition as well as increased depreciation cost whereas on the other hand revaluation in fixed assets contributed to decline in ROA as well as asset turnover ratio.



Du Pont Analysis 2016



Direct Method Cash Flow

2017

2016

Rupees in millions

Cash flows from operating activities

Cash receipts from customers	11,154	10,951
Cash paid to suppliers, employees and for expenses	(9,850)	(10,077)
Cash generated from operations	1,304	874
	-	-
Interest paid	(392)	(452)
Income taxes paid	(135)	(116)
WPPF	(45)	(16)
Long term deposits	15	2
Net cash from operating activities	748	292

Cash flows from investing activities

Purchase of property, plant and equipment	(1,339)	(860)
Addition in capital work in progress	(706)	(150)
Intangible assets	(41)	-
Sale proceeds from disposal of property, plant and equipment	55	-
Profit on bank deposits	1	1
Net cash used in investing activities	(2,031)	(1,008)

Cash flows from financing activities

Long term financing - net	413	(112)
Repayment of liabilities against assets subject to finance lease	(36)	7
Short term borrowings - net	904	858
Net cash generated from / (used in) financing activities	1,280	753
Net decrease in cash and cash equivalents	(3)	37
Cash and cash equivalents at the beginning of the year	111	74
Cash and cash equivalents at the end of the year	108	111



Summary of Cash Flows

	2017	2016	2015	2014	2013	2012
	Rupees in millions					
Cash Flow from Operating Activities	748	292	836	(371)	243	393
Cash Flow from Investing Activities	(2,031)	(1,008)	(1,139)	(446)	(592)	(441)
Cash Flow from Financing Activities	1,280	753	310	837	356	(21)
Changes in Cash & Cash Equivalents	(3)	37	7	20	7	(69)
Cash & Cash Equivalents - Year end	108	111	74	67	47	40

Operating Activities

Net cash generated/ used in operating activities has been fluctuating during past 6 years mainly due to fluctuation in net profits as well as investment in working capital. Cash flow from operating activities remained positive during the last three years reflecting stability in cash generated from operations.

Investing Activities

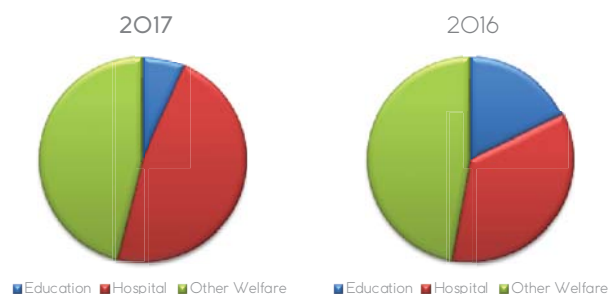
Overall trend for last 6 years suggests continuous increase in the level of funds being used for investing activities especially in FY 2017 where the company in aggregate invested more than PKR 2 billion in terms of land, buildings and state-of-the-art technology in order to achieve expansion of operations, innovation, enhancement in product quality and competitive edge in the market.

Financing Activities

There has been an increasing yet fluctuating trend over the last 6 years. Net increase in short and long term borrowing each year is tagged with investment made in plant & machinery funded through long term loan as well as the increasing working capital requirements owing to increase in business volume each year.

Statement of Charity Account

	2017	2016
	Rupees in millions	
Description		
Education	423,450	1,087,000
Hospital	2,980,233	2,132,471
Other Welfare	2,924,974	2,887,150
	6,328,657	6,106,621



Horizontal Analysis

%	2017	%	2016	%	2015	%	2014	%	2013	%	2012
---	------	---	------	---	------	---	------	---	------	---	------

Rupees in millions

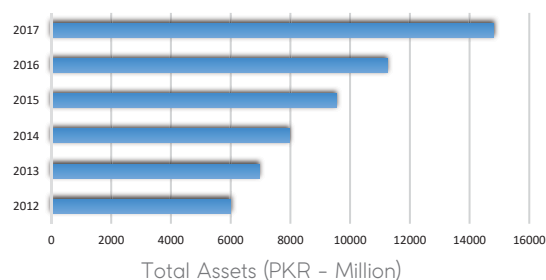
Balance Sheet

Property, plant and equipment	43	8,379	12	5,856	52	5,229	10	3,438	15	3,133	14	2,717
Intangibles	-	35	-	-	-	-	-	-	-	-	-	-
Long term advances	(22)	1	-	2	-	-	-	-	-	-	-	-
Long term deposits	1	20	1	20	(0)	20	12	20	69	18	23	10
Stores, spares and loose tools	(32)	193	(2)	283	3	290	2	281	6	274	5	259
Stock in trade	41	2,879	7	2,044	(17)	1,915	15	2,296	8	1,995	(1)	1,851
Trade debts	(14)	1,600	34	1,861	20	1,392	4	1,157	35	1,117	31	827
Loans and advances	1,147	469	(8)	38	(75)	41	59	166	30	104	(31)	81
Trade deposits and short term prepayments	(80)	14	88	70	(73)	37	1,856	137	(45)	7	(7)	13
Balances with statutory authorities	199	446	2	149	27	146	6	115	(12)	109	(22)	123
Interest accrued	-	2	-	-	(100)	-	-	3	-	-	-	-
Other receivables	214	59	-	19	-	19	-	-	(100)	-	62	20
Derivative financial assets	(100)	-	-	132	-	-	-	-	-	-	-	-
Tax refunds due from the Government	(9)	606	75	663	30	379	84	292	172	159	96	58
Cash and bank balances	(3)	108	50	111	11	74	43	67	18	47	(64)	40
Total Assets	32	14,810	18	11,247	20	9,541	14	7,971	16	6,963	8	6,000

Issued, subscribed and paid up share capital	-	1,200	-	1,200	26	1,200	-	950	-	950	-	950
Unappropriated profit	18	3,371	40	2,853	15	2,035	26	1,768	32	1,408	28	1,065
Surplus on revaluation of fixed assets	75	2,143	(4)	1,227	127	1,281	(5)	565	(5)	594	(5)	627
Shareholders equity	27	6,713	17	5,280	38	4,517	11	3,283	12	2,953	8	2,642
Long term financing	53	1,061	(18)	693	(36)	844	406	1,327	112	262	(5)	124
Liabilities against assets subject to finance lease	(34)	68	(23)	104	161	135	107	51	4	25	64	24
Long term deposits	51	30	78	20	2,496	11	-	0	-	-	-	-
Deferred taxation	-	15	-	-	-	-	-	-	-	-	-	-
Trade and other payables	81	1,758	25	974	17	782	(29)	666	39	941	41	679
Interest accrued on loans	8	59	13	54	(29)	48	33	68	(10)	51	(3)	57
Derivative financial liability	-	29	-	-	-	-	-	-	-	-	-	-
Short term borrowings	24	4,638	30	3,734	20	2,876	(8)	2,391	10	2,599	1	2,356
Current portion of non current liabilities	13	437	18	388	79	329	40	184	11	132	(6)	118
Total equity and liabilities	32	14,810	18	11,247	20	9,541	14	7,971	16	6,963	8	6,000

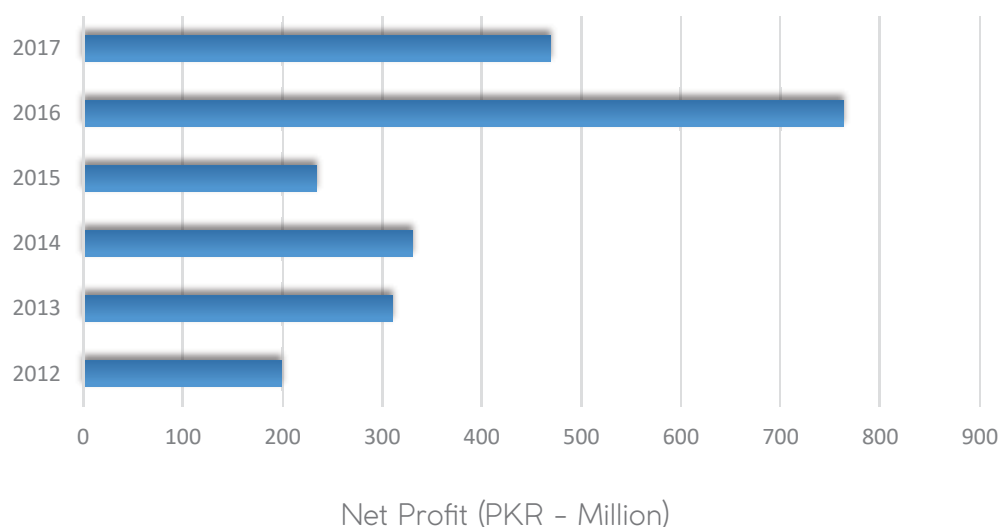
Comments

The footing size of balance sheet grew by 147% whereas the non-current assets increased by 209% over last 6 years. There has been a remarkable aggregate growth in total equity by 154% reflecting retention of profits and reserves for reinvestment.



Horizontal Analysis

	%	2017	%	2016	%	2015	%	2014	%	2013	%	2012
Rupees in millions												
Profit and Loss Account												
Sales - net	(5)	10,893	24	11,420	(10)	9,197	13	10,249	49	9,099	4	6,123
Cost of sales	(2)	9,210	22	9,422	(7)	7,740	15	8,340	51	7,268	2	4,817
Gross profit	(16)	1,683	37	1,998	(24)	1,457	4	1,909	40	1,831	8	1,306
Selling and distribution expenses	(2)	338	36	346	(55)	255	3	564	61	548	7	340
Administrative expenses	5	502	9	477	(9)	438	2	479	50	471	8	313
Other operating expenses	56	78	132	50	(21)	21	(15)	27	(6)	32	31	34
Other income	(10)	150	8,179	167	(55)	2	1,583	4	38	0	(96)	0
Operating profit	(29)	915	74	1,291	(12)	744	8	843	26	780	6	619
Finance cost	(14)	396	3	459	4	445	5	427	13	407	(1)	359
Profit before taxation	(38)	518	179	833	(28)	298	12	416	44	373	18	259
Taxation	(29)	50	9	70	(25)	64	37	86	4	63	(2)	60
Profit for the year	(39)	469	226	763	(29)	234	6	331	56	311	25	199



Comments

There is an aggregate growth of 78% in sales and 136% in net profits for current year as compared to FY 2012 highlighting success of Company in increasing the size of business as well as achieving growth in revenue and profits. It is pertinent to mention here that there was exceptional growth in profits during FY 2016 which reflects that profits grew by 284% from its base level in FY 2012 then followed by a certain level of de-growth in FY 2017.

Vertical Analysis

%	2017	%	2016	%	2015	%	2014	%	2013	%	2012
---	------	---	------	---	------	---	------	---	------	---	------

Rupees in millions

Balance Sheet

Property, plant and equipment	57	8,379	52	5,856	55	5,229	43	3,438	45	3,133	45	2,717
Intangibles	0	35	-	-	-	-	-	-	-	-	-	-
Long term advances	0	1	0	2	-	-	-	-	-	-	-	-
Long term deposits	0	20	0	20	0	20	0	20	0	18	0	10
Stores, spares and loose tools	1	193	3	283	3	290	4	281	4	274	4	259
Stock in trade	19	2,879	18	2,044	20	1,915	29	2,296	29	1,995	31	1,851
Trade debts	11	1,600	17	1,861	15	1,392	15	1,157	16	1,117	14	827
Loans and advances	3	469	0	38	0	41	2	166	2	104	1	81
Trade deposits and short term prepayments	0	14	1	70	0	37	2	137	0	7	0	13
Balances with statutory authorities	3	446	1	149	2	146	1	115	2	109	2	123
Interest accrued	0	2	-	-	-	-	0	3	-	-	-	-
Other receivables	0	59	0	19	0	19	-	-	-	-	0	20
Derivative financial assets	-	-	1	132	-	-	-	-	-	-	-	-
Tax refunds due from the Government	4	606	6	663	4	379	4	292	2	159	1	58
Cash and bank balances	1	108	1	111	1	74	1	67	1	47	1	40

Total Assets

100	14,810	100	11,247	100	9,541	100	7,971	100	6,963	100	6,000
-----	--------	-----	--------	-----	-------	-----	-------	-----	-------	-----	-------

Issued, subscribed and paid up share capital	8	1,200	11	1,200	13	1,200	12	950	14	950	16	950
Unappropriated profit	23	3,371	25	2,853	21	2,035	22	1,768	20	1,408	18	1,065
Surplus on revaluation of fixed assets	14	2,143	11	1,227	13	1,281	7	565	9	594	10	627
Shareholders equity	45	6,713	47	5,280	47	4,517	41	3,283	42	2,953	44	2,642
Long term financing	7	1,061	6	693	9	844	17	1,327	4	262	2	124
Liabilities against assets subject to finance lease	0	68	1	104	1	135	1	51	0	25	0	24
Long term deposits	0	30	0	20	0	11	0	0	-	-	-	-
Deferred taxation	0	15	-	-	-	-	-	-	-	-	-	-
Trade and other payables	12	1,758	9	974	8	782	8	666	14	941	11	679
Interest accrued on loans	0	59	0	54	1	48	1	68	1	51	1	57
Derivative financial liability	0	29	-	-	-	-	-	-	-	-	-	-
Short term borrowings	31	4,638	33	3,734	30	2,876	30	2,391	37	2,599	39	2,356
Current portion of non current liabilities	3	437	3	388	3	329	2	184	2	132	2	118

Total equity and liabilities

100	14,810	100	11,247	100	9,541	100	7,971	100	6,963	100	6,000
-----	--------	-----	--------	-----	-------	-----	-------	-----	-------	-----	-------

Comments

Composition of assets suggest there has been a gradual increase in proportion of non-current assets as compared to current assets over the last 6 years which now comprise 57% as compared to 45% in FY 2012 whereas as shareholder's equity rose from 44% in FY 2012 to 45% in FY 2017 as a percentage of total equity and liabilities.



Vertical Analysis

%	2017	%	2016	%	2015	%	2014	%	2013	%	2012
---	------	---	------	---	------	---	------	---	------	---	------

Rupees in millions

Profit and Loss Account

Sales - net	100	10,893	100	11,420	100	9,197	100	10,249	100	9,099	100	6,123
Cost of sales	85	9,210	83	9,422	84	7,740	81	8,340	80	7,268	79	4,817
Gross profit	15	1,683	17	1,998	16	1,457	19	1,909	20	1,831	21	1,306
Selling and distribution expenses	3	338	3	346	3	255	6	564	6	548	6	340
Administrative expenses	5	502	4	477	5	438	5	479	5	471	5	313
Other operating expenses	1	78	0	50	0	21	0	27	0	32	1	34
Other income	1	150	1	167	0	2	0	4	0	0	0	0
Operating profit	8	915	11	1,291	8	744	8	843	9	780	10	619
Finance cost	4	396	4	459	5	445	4	427	4	407	6	359
Profit before taxation	5	518	7	833	3	298	4	416	4	373	4	259
Taxation	0	50	1	70	1	64	1	86	1	63	1	60
Profit for the year	4	469	7	763	3	234	3	331	3	311	3	199

Comments

Gross profit ratio fluctuated approximately within range of 15% to 21% during the last 6 years while being at 15.5% in FY 2017 however net profits remained within the range of 2.5% to 6.7% with highest level in FY 2016 where it rose to exceptional level of 6.7% followed by a decline in FY 2017 to 4.3%. Finance costs as a %age of sales also fell from 5.9% in FY 2012 to 3.7% in FY 2017. Overall control on administrative and distribution costs also improved each year.

Quarterly Results

Description	Sales	Profit	%age	Quarters	Sales	Profit
	PKR (M)				PKR (M)	
1st quarter ended	3,094	165	5.3%	Q1	3,094	165
Half year ended	6,211	366	5.9%	Q2	3,117	201
3 quarters ended	8,769	442	5.0%	Q3	2,558	76
Annual - Audited	10,893	469	4.3%	Q4	2,124	27

Comments

Although the Company has no statutory obligation to report the results of each quarter however as a best practice/ strong management control over financial reporting and to keep the stakeholders updated, accounts are prepared, reviewed and approved on quarterly basis and also circulated among board members as well as shared with banks and financial institutions. As evident above, there has been no major variation and fluctuation in the results compiled on quarterly basis and the results as per Audited Financials reflecting consistency and stability in revenues and profits of the entity during all four quarters.





Segmental Analysis

The Company's major segments of operation include processing, stitching, quilting, wadding and embroidery. Processing and stitching being the major segments whereas quilting, wadding and embroidery being the value adding segments of the Company. Below is the segmental brief on annual performance of Company's major segments:

Processing

Overall performance of the segment remained satisfactory. In light of Company's strategic plan for FY 2017, the Company successfully executed investment initiatives including import and installation of Automatic Colour Kitchen (for automatic colour mixing) worth more than PKR 70 million and mighty mercerizing range to improve the luster, strength and dye uptake of fabric costing more than PKR 200 million which resulted in increased processing quality and improvisation to capacity utilization. The overall processing capacity stayed at seventy two million meters per annum with approximately 90% utilization which has resulted in reasonable financial results for the Company. The CAPEX made in automation in processing segment is expected to reap remarkable results in upcoming financial years which shall reflect in terms of considerable control in production costs.

Stitching

The hemming units are equipped with high speed precision stitching machines while supported by Smart MRT Hanger system that acts as an all-efficient workflow and allows tracking and recording every stage of production in real-time. In addition the Company boasts of having automatic cut to sew TEXPA machines as a part of its cut & sew facility.

The capacity of this division is indeterminable due to multi product plants involving varying processes of manufacturing and run length of order lots.

During the FY 2017, the Company made further investment in automatic cutting, stitching and folding machines and the state of art Smart MRT hanger system. This investment in automation has made this segment's production as simple, neat and efficient.

Quilting, Wadding and Embroidery

Overall performance remained satisfactory and the available capacity proved sufficient to meet the orders. These segments provide the Company with competitive edge over peer companies. The Company has single and multi-needle quilting lines, wadding plant, precision controlled and high speed quilt and pillow filling facilities and computerized as well as hand guided setups for embroidery. This year the Company also invested more than PKR 20 M on procurement of multi-head computerized embroidery machines which added to the capacity of embroidery segment and helped fulfil the increase in demand.

The above facilities ensure consistent product quality and allow the Company to satisfy diversified fashion needs of the customers.



Resources Management

Resource Management and optimal capacity utilization is accorded high importance by the Company. The Company has developed strong supply chain networks across the globe to precisely identify the customer needs and to meet their requirements for quality and ethical standards. Resources that attract vigilant deliberation comprise of human capital and plant and machinery. Sadaqat Limited efficiently develops and executes its resource allocation plan to optimally utilize its available resources. It has effectively functioning Industrial Engineering, Production Planning & Control and Corporate Planning & Control Department in place that combine their forces to plan, organize and monitor utilization of entity's resources and devise strategies to optimize capacity utilization and ensure resource management through minimization of wastages and process re-engineering techniques.

Keeping in view its current business strategy aligned with the long term vision, the Company made significant investment in terms of land, building, plant and machinery targeted towards expansion of its existing operations, enhancement of production capacity through addition of state-of-the-art technology leading to innovation and enhancement of product quality however the investment temporarily resulted in deterioration in Company's fixed asset turnover since the economic benefits of this carefully conducted investment in automation and process optimization is expected to reap remarkable results in upcoming financial years in terms of considerable control in production and administration cost. During the year, net assets of the Company increased as compared to previous year partially contributed by revaluation of fixed assets and partially through profits for the current financial year.

Activity ratios witnessed fluctuation especially in inventory holding days yet the overall cash cycle decreased since the Company accordingly adjusted its procurements terms to grab the opportunity of bulk buying hence increasing trade payable days. The liquidity outlook temporarily seem to have weakened due to increase in short term borrowing to meet the increased working capital requirements, tagged with remarkable business growth subsequent to financial year end also evident through the results for 1st quarter. Financial leverage of the company remained almost stable in the financial year.

Aligned with its capital structure of previous period, this year again the Company has been able to maintain its balanced capital structure with 45% of the total assets funded through equity investment, 47% through current liabilities whereas long term loans comprise only 8% of the total assets base. Interest and debt coverage ratios observed a slight decline owing to strict price competitiveness which squeezed overall profitability margins and the increased depreciation expense owing to significant additions to operating fixed assets.

This year, the Company highly focused on its human resources and the Human Resource & Remuneration (HR & R) Committee performed its functions in accordance with the terms of reference as determined by the Board of Directors. The Committee was involved in all key aspects of HR management and reviewed policies on professional development, compensation and reward mechanism for employees. This year the Company collaborated and signed MOUs with different organizations at local, national and international level to accomplish the training and education needs of individuals. Moreover, employees received performance related appraisal, numerous employees received internal and external trainings were provided and session on capacity building and forward thinking as a part of intellectual development and retention program. Furthermore, the Company keeps on improving its grievance reporting mechanism to address the problems of its employees. It values human capital and being an organization with more than 5500 employees, it is voluntarily committed to ensure that its business activities and strategic decisions, follow, protect and respect labor laws, human rights declarations, anti-corruption regulations, responsible labour practices.

On its roadmap towards continuous improvement, the Company has implemented SAP HANA ERP which reflects management's accord of high priority to sound management information system to ensure accurate data processing, effective and efficient communication, streamlined business processes and integration of system aligned with international best practices. The Company also continues to focus in adopting latest technology and infrastructure to enable effective and timely decision making while achieving cost efficiencies and sustainability in the long run.



Forward Looking Statement

We have a motto of moving forward and we truly believe that sustainable business is the only way forward in today's world of finite resources and increasing demands. Hence, in the pursuit of our financial and economic objectives we are also aware of the environmental and social impacts of our Company. In the long run, to stay ahead and remain sustainable in respect of quality, cost competitiveness and customer service, we have ensured that our production facilities duly comply with environmental protection, total quality management, social compliance standards and keep up its pace aligned with innovative technology to stand out of its competitors.

Prior Year Statement

We are looking forward to grow responsibly and are expecting to maintain our revenue growth and return on capital to meet our financial and stakeholder obligations. Sadaqat is aiming to become a leader in quality, cost competitiveness and customer service while ensuring the safety and environmental stewardship. The business environment is quite competitive and there are uncertainties in fluctuation in exchange rate however we are optimistic about our performance for the coming year. The Company has targeted total automation in dyeing, printing, cutting and sewing of which we expect to reap significant benefits in the long run. It is persistently investing to modernize and automate its production facilities and systems which are expected to result in improvement of operational performance for the Company in the future.

Market share

Sadaqat Limited, a business established in 1951, is now a progressive export oriented textile manufacturing unit bearing annual exports of around PKR 11 billion per annum for the last two consecutive years.

With continuous and purpose oriented efforts of the founding family and their team, currently Sadaqat Limited is operating as an unlisted public limited company which produces and markets hometextile products to its customers located in Europe, UK, USA, Asia, Far / Middle East, North America, Canada, South Africa, Australia and New Zealand. It boasts a wide range of bedding products, which are contemporary & fashionable.

The Company earns valuable foreign exchange for the country and retains approx. 5 percent share of annual textile (bed ware) exports of Pakistan.

Current Year Results

This year the Company has thrived to maintain financial performance despite challenging global economic conditions. Though it sustained in quantitative terms however the profitability and export numbers slightly declined as compared to corresponding financial year due to unpredictability in the market, stiff global competition and unfavourable foreign currency fluctuation. Due to these impeding factors, the Company maintained strict price competitiveness and restricted the value of its sales while moderating the bottom line. The increased depreciation expense, arising due to significant additions to operating fixed assets valuing PKR 1,652 million, also contributed to temporary decline in profitability whereas the economic benefits of this carefully conducted investment in automation and process optimization is expected to reap remarkable results in upcoming financial years which shall reflect in terms of considerable control in production and administration cost.





Responsible Corporate Citizen & Corporate Sustainability

Efforts made to mitigate the adverse impact of industrial effluents & Environmental protection measures taken by the Company

Despite challenging global marketplace, companies are increasingly directing their efforts on optimal environmental protection as a business imperative. Sadaqat Limited is aware that its operations have major direct and indirect environmental impacts. The Company is dedicated to reduce environmental footprints of its operations through continuous monitoring of operations, modernization of its machinery and adoption of new technologies to reduce energy consumption and greenhouse gases emissions.

In order to efficiently manage and mitigate the adverse impact of industrial effluents, the Board of Directors has formulated Environment, Health and Safety (EHS) Committee. The EHS Committee is responsible to harmonize Company's activities within the direction and framework provided by Board and in accordance with the formulated guidelines and environmental protection principles. The Committee's approach is focused to avoid and mitigate negative impacts of its operations leading to cautious raw material usage, energy and water efficiency and reducing emissions and wastages. To further uplift its approach the Company also supports multiple environmental protection initiatives and conducts its operation, in accordance with their guidelines.

Moreover, the Company has also designed its training calendar to provide proper and ongoing training in order to create awareness about industrial effluents and its effective management. Environmental Protection Authority (EPA) approved waste water treatment plant is also installed at Sadaqat Limited which ensures appropriate treatment of waste water to mitigate harmful elements to conduct its operations within the limits of National Environmental Quality Standard (NEQS).

Energy conservation measures & plans to overcome escalating energy crisis

Energy consumption increased during the year owing to increased expenditure on automation. However, the Company took the following initiatives for conservation of energy by installing:

- Heat Exchanger
- Efficient Electric Motor;
- Condensation Recovery System
- Economizer at 2.5 MKCL Boiler
- State of the art heat recovery plant to capture
 - energy wastage and
 - reduce resultant emissions

Though Sadaqat Limited's operations are energy intensive and the energy requirements are mainly met through non-renewable sources yet it is directing its efforts to efficiently utilize its energy sources, reduce its carbon footprints and conserve natural resources.

Procedures for Quality Assurance of Products

At Sadaqat limited, we believe and target ourselves towards manufacturing the right product in optimal manner. The Company believes product stewardship is an integrated process that depends upon the commitment and expertise of numerous divisions, all serving for a common purpose – to identify and minimize environmental, health and safety risks at every stage of the product's lifecycle. The Company is continuously taking initiatives to embed innovation and ensure quality of its products:

- Investment in state of art technology and production facilities such as Automatic Colour Kitchen, Mercerizing Range, Smart MRT systems, Computerized Quilting machines, Multi-head computerized embroidery machines, Calendaring Machine, Gas Generator (Jenbacher)
- Providing guidance and training to production staff to ensure quality production;
- Dedicated staff trained on labelling as per applicable laws and regulations;
- Review of management approach on the basis of customer feedback;
- Improvements carried out to meet customer demands;
- Lean manufacturing and making efforts for aggressive minimization of wastage leading to cost reduction
- Regular interaction with customers to seek their input on regarding service product quality and related matters;
- Production facilities are certified to leading quality management, environmental protection and social compliance standards

Corporate Social Responsibility

Sadaqat Limited is intensely committed to act ethically and support sustainability in all its business activities. In order to efficiently manage its CSR activities, the Board of Directors has delegated the Corporate Social Responsibility related issues to its Environment, Health and Safety Committee (EHS). The EHS Committee is responsible to harmonize Company's CSR activities within the direction and framework provided by Board. Consequently the Committee is engaged in planning and implementation of CSR activities from donations and welfare activities to main-stream activities and they also ensure that all the activities are in agreement to international standards and supply chain requirements.

The EHS Committee includes individuals from key business functions such as compliance, human resources and health & safety department. This ensures that all relevant strategic CSR initiatives and activities which are discussed and approved are coherent with business objectives and CSR policy. For on-going monitoring of commitments towards sustainability, Board has established a management committee named as Sustainability Committee which supports Board of Directors in the development of overall framework of sustainable activities.

The Committee provides Board with deeper insights relating to the Company's sustainable growth by analysing the effectiveness of current enacted policies. At the same time, Committee actively engages with all possible stakeholders in identifying the sustainability related issues which they deem necessary for reporting in sustainability report.

The report is published in Portable Document Format (pdf) and printed versions and can be download from Company website (www.sadaqatgroup.net).

Community investment, National cause donation and Rural Development Programs

As Sadaqat Limited continues to grow, so does its impact on society that makes this aspect material for its stakeholders. To achieve a stable and sustainable equilibrium, this year the Company has shown greater commitment towards social well-being by taking part in socio-economic development of local community around its factory site.

To embed responsibility in its operations and activities, the Company has set Sustainable Development goals (SGD's)

as guiding principles for value creation and value sharing with local community in which it operates. The Company is also taking steps to uplift education, health and infrastructure facilities in the vicinity of its operations.

The Company has in place an Environment Health and Safety (EHS) Committee, which is mandated to devise strategies and programs for development around factory site. The Committee then uses numerous tools to monitor and follow-up the implemented programs, their performances and the value those programs add towards society.

The Company engages community on a continuous basis to obtain insights and suggestions for better community service. Prominently the Company engaged with Shahid Afridi Foundation, Ali Zaib Foundation and Faisalabad Institute of Cardiology to help support its drive towards community investment and welfare scheme.

The Company continued to effectively manage its social impacts by supporting educational institutions, hospitals around factory site and Faisalabad City for provision of quality education and better health facilities to the masses of local community and spur the socio economic development. During the year, it also made contribution on donations and community uplift disclosed in the financial statements.

The indirect economic impacts of the Company's presence include economic development around factory site, skill enhancement in textile industry, investment in infrastructure projects, and provision of support for health and education. The Company aims to increase positive impacts and work for inclusive growth by engaging local suppliers, and employing local workforce.

Sadaqat limited is also taking part in capacity building programs by developing and strengthening the skills and abilities of individuals. The Company view its communities as a pool from which talent may be drawn and polished. Sadaqat Limited has collaborated and signed MOUs with different organizations at local, national and international level to accomplish the training and education needs of individuals who may also reap benefits for the organization.

Consumer protection measures including Customer health and safety & Product and service labelling

Sadaqat Limited and its team is well aware of the impacts of its products on social fronts. Product stewardship and customer health and safety has always been an essential element of Company's approach towards sustainability,



This year, the Company also formulized its suppliers evaluation criteria.

The Company's dedicated team diligently reviews its products and its related supply chain to address health and safety across the life cycle of a product. It follows strict product and quality standards designed to ensure the safety and quality of each of its products. During the year

- No incident of non-compliance towards regulations and voluntary codes concerning health and safety impacts of products identified during the year.
- The Company production systems are certified for leading quality management, health and safety, environment and textile industry related standards such as BCI, BRC, QMS ISO 9001:2008, GOTS and OEKO-TEX.
- Labelling requirements as per applicable regulations and voluntary codes followed by the Company

Sadaqat Limited believes that long term sustainable success cannot be achieved without the alignment of all business partners including suppliers and customers. To ensure customer health and safety, it does not only screen its suppliers on human rights criteria but also encourages them to follow the universal regulations and international conventions especially human rights charter of UNGC. Moreover, the Company has developed a specific matrix for the identification of actual or potential negative human rights impacts in its supply chain.

Industrial Relations

At Sadaqat Limited well-being of human at large is always regarded as an important aspect. The Company clearly believes human rights extend beyond the rights of employees in the workplace and if they are treated with due care more efficiency can be achieved due to increased satisfaction level. At the same time, management of Sadaqat Limited considers that existence and effective implementation of policies and principles on child labor and forced labour is essential for socially responsible conduct towards the right to freedom of association and collective bargaining.

Management takes multiple initiatives for its employees, the local community and their needs, examples of which includes

- Economic development around factory site, skill enhancement trainings for employees, investment in infrastructure projects, and provision of support for health and education.
- The Company is implementing Industrial Training Program 2017 under the umbrella of Punjab Skill Development Fund (PSDF) in coordination with Government of Punjab to increase the skill set of youth for playing an important part in development
- The Company is also committed to reduce the risks of any occupational disease and strictly complies to its health and safety policy, which requires workers to comply to the safety measures during execution of work.

100% of employees are covered by Workers' Management Committee. Purely on non-discriminatory basis, all employees of the Company possess freedom and right to associate and collectively bargain using ethical and legal means to protect their rights through this Committee. On parallel means, all employees are free in their right to vote any representative, whom they are comfortable with, as representative of their rights. The Company follows a practice to furnish four weeks prior notice before making any kind of operational changes which can have significant impact over performance of its employees. This practice enhances organization's ability to uphold employees motivation during implementation of operational changes affecting their responsibilities and job description.

Employment of Special Persons

Although no specific quota assigned but the Company, believes that diversity within an organization provides valuable insights to the human capital of its organization. It has defined clear non-discrimination policy especially based on race, color, sex and religion and no employee is at disadvantage due to ethnicity, religion, age or gender.

The policy is communicated to all employees through different communication channels such as display at prominent places and through orientation sessions. There is zero tolerance on violation of policy discrimination at work. During the year, no such case regarding violation of policy was reported within the entity.

Occupational Safety & Health

The Company is committed to reduce the risks of any occupational disease and strictly complies with its health and safety policy, which requires workers to comply with the safety measures during execution of work. The monitoring of the systems is carried out on a continuous basis to check compliance with the internal policies targets, applicable laws, and customer requirements. The production facilities are certified for quality management system ISO 9001:2008, ISO 14001:2004 environmental management system and OSHAS 18001:2007 occupational health and safety.

The Environment, Health and Safety Committee (EHS) is delegated with this responsibility and the Committee scrutinize this process by meeting on regular basis to monitor health and safety issues and recommend improvements accordingly.

Health and Safety Initiatives

The Company has developed a comprehensive annual training plan related to health and safety. Following are some initiatives carried out by the Company to safeguard the health and safety needs of its associates.

During the year, 12 fire fighting training sessions were conducted to provide associates with basic skills related to fire equipment usage, awareness regarding where those equipment are installed in the facility and emergency evacuation plan in case of fire.

Social Performance Team (SPT) is also assigned and trained for occupational health and safety practices. The team includes workers from different departments so it aids in keeping an eye throughout the premises.

100% of the workforce is represented in formal joint management-worker health and safety committee which works at departmental level. The health and safety related topics/provisions are covered in the agreements with labour representatives. These agreements promote the acceptance of responsibilities by both parties and lead towards the development of positive and healthy culture.

To ensure safety of its workers, the Company has provided its work force with Personal Protective Equipment (PPE), so they can protect themselves from direct and indirect long term injury risks. Hands-on training

regarding usage of PPE is also provided in different awareness workshops.

The Company also conducts training workshops after every 4 months related to chemical handling, waste handling and safe driving instructions. The Company also uses practical demonstration methods to instil these protective measures among its associates.

The Company has extended its health and safety related approach by providing Group life insurance to its employees and amount of premium is paid by the Company. Moreover, employees are provided with health insurance facility, paternal leaves and retirement provision as well.

Business Ethics & Anti-corruption Measures

Sadaqat Limited has developed a work environment where staff could safely and anonymously report known or suspected instances of frauds. Fighting successfully against corruption entails both a top-down and a bottom-up communication approach. The Company has ensured to potential whistle-blowers that they can act anonymously without fear of unjust retribution, so they can act as an essential element in eliminating corruption.

All operations were assessed for the risks related to corruption. No incident of corruption reported during the year. The Company has a dedicated internal audit department which continuously reviews the operations to identify the incidents of corruption, if any.

The Company has not specifically provided any formal training on anti-corruption during the year. However, the formal code of conduct, which is provided to every governing body member and employees, contains Company's policy on anti-corruption

Contribution to National Exchequer

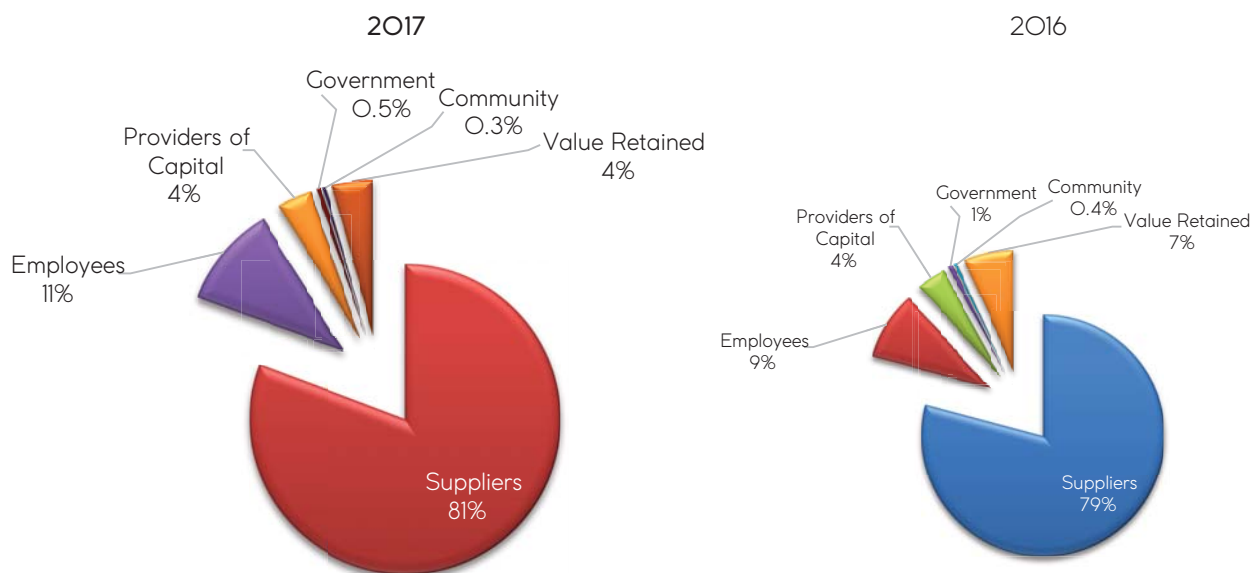
Though there was overall decline in exports at country level due to unpredictability in the market, stiff global competition and unfavourable foreign currency fluctuation yet the Company remained on the track of progression and contributed more than USD 100 million towards the total exports of the country. Moreover, the Company paid an amount of PKR 135 million in terms of taxation towards national exchequer.



Statement of Value Added and Distribution

Rupees in millions

Description	2017	2016	2015	2014
Revenue	11,047	11,595	9,204	10,256
Value Shared:				
Suppliers	8,921	9,181	7,636	8,736
Employees	1,173	1,064	797	649
Providers of Capital	396	459	445	427
Government	55	78	69	88
Community	34	50	22	26
Total	10,579	10,832	8,969	9,925
Value Retained	469	763	234	331



Presentations not Applicable

The financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of said directives shall prevail.

Since Sadaqat Limited is not involved in Conventional or Islamic banking operations, therefore following are not relevant and applicable to the Company;

- Sector wise analysis of deposits and advances;
- Segment analysis of gross income and profit before tax;
- Complete set of financial statements (Balance sheet, Income statement & Cash flow for Islamic banking operations);
- Adoption of IFAS 1 & IFAS 2 issued by the ICAP; and
- Sharia advisor/ Sharia advisor report

Major Events



Lahore University of Management Sciences



National Textile University



Shahid Afridi Foundation



Trainee Development - Gold

Association of Chartered Certified Accountants



2nd Position in Best Corporate Report 2016



C-TPAT



OEKO-TEX



Social Performance Team



Sustainability Committee



Institute of Chartered Accountants
of England and Wales

Annual and quarterly meetings of Board of Directors
Annual and quarterly meetings of committees of Board
Annual and quarterly meetings of management committees

* Details of the above mentioned events are available in polished Sustainability Report 2017



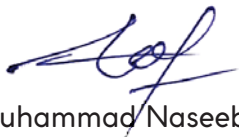
Notice of the Annual General Meeting (AGM)

Notice is hereby given that the 30th Annual General Meeting of the shareholders of the Company will be held on Monday, November 27, 2017 at 3:00 P.M. at 1st Floor, Head Office situated at 2-KM Sahianwala Road, Khurrianwala, Faisalabad to transact the following business:

Ordinary Business

1. To confirm the minutes of the preceding meeting of the shareholders of the Company.
2. To consider, approve and adopt the audited financial statements of the Company for the year ended June 30, 2017 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the financial year 2017-18 and fix their remuneration. The present auditors EY Ford Rhodes, Chartered Accountants have retired and offered themselves for re-appointment as external auditors of the Company for the financial year 2017-18.
4. To transact any other business with the permission of the Chair.

By Order of the Board



Muhammad Naseeb
Company Secretary

Faisalabad
November 6, 2017



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 2017

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Sadaqat Limited** ("the Company") as at **30 June 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 conduct 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, except for the changes referred in note 4.1 to the annexed financial statements, with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with 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 **30 June 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).

Other matter

The financial statements of the Company for the year ended 30 June 2016 were audited by another firm of Chartered Accountants who expressed an unqualified opinion dated 5th October 2016 on those financial statements.


Chartered Accountants

Audit Engagement Partner: Naseem Akbar

Lahore: 06 November 2017

Sadaqat Limited


Balance Sheet

as at June 30, 2017

ASSETS	Note	2017 Rupees	2016 Rupees
Non-current assets			
Property, plant and equipment	5	8,378,970,314	5,856,252,802
Intangibles	6	34,552,286	-
Long term advances	7	1,251,400	1,613,629
Long term deposits	8	19,964,167	19,764,167
		<u>8,434,738,167</u>	<u>5,877,630,598</u>
Current assets			
Stores, spares and loose tools	9	192,769,394	282,978,685
Stock in trade	10	2,878,867,861	2,044,347,565
Trade debts	11	1,599,902,880	1,861,325,415
Loans and advances	12	468,569,062	37,580,517
Trade deposits and short term prepayments	13	14,141,355	69,816,138
Balances with statutory authorities	14	445,763,504	149,127,739
Interest accrued	15	2,000,000	-
Other receivables	16	59,303,981	18,897,275
Derivative financial assets		-	131,843,712
Tax refunds due from the Government	17	605,793,263	662,817,962
Cash and bank balances	18	107,883,502	110,663,408
		<u>6,374,994,802</u>	<u>5,369,398,416</u>
TOTAL ASSETS		<u><u>14,809,732,969</u></u>	<u><u>11,247,029,014</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid up share capital	19	1,200,000,000	1,200,000,000
Unappropriated profit		<u>3,370,556,893</u>	<u>2,852,954,953</u>
		4,570,556,893	4,052,954,953
Surplus on revaluation of operating fixed assets	20	2,142,840,712	1,226,925,493
Non-current liabilities			
Long term financing	21	1,060,700,547	692,893,733
Liabilities against assets subject to finance lease	22	68,389,097	103,772,821
Long term deposits	23	30,398,929	20,072,416
Deferred taxation	24	15,216,938	-
		<u>1,174,705,511</u>	<u>816,738,970</u>
Current liabilities			
Trade and other payables	25	1,758,481,045	973,629,310
Interest accrued on loans	26	58,991,158	54,494,592
Derivative financial liability		29,143,709	-
Short term borrowings	27	4,637,849,622	3,734,232,438
Current portion of non current liabilities	28	437,164,319	388,053,258
		<u>6,921,629,853</u>	<u>5,150,409,598</u>
		<u><u>14,809,732,969</u></u>	<u><u>11,247,029,014</u></u>
CONTINGENCIES AND COMMITMENTS	29	-	-

The annexed notes from 1 to 48 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR



Sadaqat Limited

Profit and Loss Account

For The Year Ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
Sales - net	30	10,892,822,646	11,420,041,642
Cost of sales	31	<u>9,209,602,442</u>	<u>9,422,105,802</u>
Gross profit		1,683,220,204	1,997,935,840
Selling and distribution expenses	32	<u>337,778,381</u>	<u>346,038,715</u>
Administrative expenses	33	<u>502,181,771</u>	<u>477,221,718</u>
Other operating expenses	34	<u>77,999,949</u>	<u>49,941,548</u>
		917,960,101	873,201,981
Other income	35	<u>149,549,252</u>	<u>166,652,511</u>
Operating profit		914,809,355	1,291,386,370
Finance costs	36	<u>396,333,709</u>	<u>458,522,750</u>
Profit before taxation		518,475,646	832,863,620
Taxation	37	<u>49,694,520</u>	<u>69,698,104</u>
Profit for the year		<u><u>468,781,126</u></u>	<u><u>763,165,516</u></u>
Earnings per share - basic and diluted	38	<u><u>3.91</u></u>	<u><u>6.36</u></u>

The annexed notes from 1 to 48 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

Sadaqat Limited

Statement of Comprehensive Income

For The Year Ended June 30, 2017

	2017 Rupees	2016 Rupees
Profit for the year	468,781,126	763,165,516
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods	-	-
Items not to be reclassified to profit or loss in subsequent periods	-	-
Total comprehensive income for the year	<u>468,781,126</u>	<u>763,165,516</u>

Surplus arising on 'revaluation of operating fixed assets' is presented under a separate head below equity as 'surplus on revaluation of fixed assets' in accordance with the requirements specified by the Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O.45(I)/2003 dated 13 January 2003 and the repealed Companies Ordinance, 1984.

The annexed notes from 1 to 48 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

Sadaqat Limited

Statement of Changes in Equity

For The Year Ended June 30, 2017

	Share capital	Unappropri- ated profit	Total
	----- Rupees -----		
Balance as on 01 July 2015	1,200,000,000	2,035,229,745	3,235,229,745
Transferred from surplus on revaluation of operating fixed assets	-	54,559,692	54,559,692
Total comprehensive income for the year	-	763,165,516	763,165,516
Balance as at 30 June 2016	<u>1,200,000,000</u>	<u>2,852,954,953</u>	<u>4,052,954,953</u>
Transferred from surplus on revaluation of operating fixed assets	-	48,820,814	48,820,814
Total comprehensive income for the year	-	468,781,126	468,781,126
Balance as at 30 June 2017	<u><u>1,200,000,000</u></u>	<u><u>3,370,556,893</u></u>	<u><u>4,570,556,893</u></u>

The annexed notes from 1 to 48 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

Sadaqat Limited

Cash Flow Statement

For The Year Ended June 30, 2017

	Note	2017 Rupees	2016 Rupees
Profit before taxation		518,475,646	832,863,620
Adjustments for non-cash items:			
Depreciation on property, plant and equipment	(5.1.1)	457,043,633	382,086,600
Surplus disposed off during the year	(20)	(30,581,272)	-
Amortization on intangibles	(6.1)	6,097,462	-
Profit on bank deposits		(571,808)	(1,357,990)
Interest on loan to associated undertaking		(2,000,000)	-
Loss on disposal of operating fixed assets		6,278,279	-
Advance to supplier written off		8,962,715	-
Finance costs	(36)	396,333,709	458,522,750
Exchange gain - net		101,965,528	31,886,809
Unrealized exchange loss / (gain) on derivative financial asset		29,143,709	(131,843,712)
Provision for Workers' Profit Participation Fund		27,286,589	43,834,927
Reversal made for provision of Workers' welfare fund		(17,614,965)	-
Claims to department (FESCO)		(11,884,836)	-
		<u>970,458,743</u>	<u>783,129,384</u>
Cash flows before working capital changes		1,488,934,389	1,615,993,004
(Increase) / decrease in current assets:			
Stores, spares and loose tools	(9)	90,209,291	6,693,472
Stock in trade	(10)	(834,520,296)	(129,092,230)
Trade debts	(11)	159,457,007	(500,972,253)
Loans and advances	(12)	(439,951,260)	3,203,234
Trade deposits and short term prepayments	(13)	55,674,783	(34,250,826)
Balance with statutory authorities	(14)	(296,635,765)	(3,027,081)
Other receivables	(16)	(28,521,870)	-
Derivative financial assets		131,843,712	-
Tax refunds due from government	(17)	157,672,586	(237,571,724)
		<u>(1,004,771,812)</u>	<u>(895,017,408)</u>
Increase in current liabilities:			
Trade and other payables	(25)	819,949,724	153,012,775
Cash generated from operations		<u>1,304,112,301</u>	<u>873,988,371</u>
Finance costs paid		(391,837,143)	(451,854,491)
Income tax paid		(135,125,469)	(115,863,847)
Workers' profit participation fund paid		(44,769,613)	(16,061,249)
Long term security deposits received		15,319,365	2,151,857
		<u>(556,412,860)</u>	<u>(581,627,730)</u>
Net cash generated from operating activities		<u>747,699,441</u>	<u>292,360,641</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,339,200,110)	(859,739,814)
Addition in capital work in progress		(706,276,570)	(149,772,299)
Intangibles		(40,649,748)	-
Sale proceeds from disposal of property, plant and equipment		54,754,561	-
Profit on bank deposits		571,808	1,357,990
Net cash used in investing activities		<u>(2,030,800,059)</u>	<u>(1,008,154,123)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - net	(21)	412,626,472	(112,343,913)
Repayment of liabilities against assets subject to finance lease	(22)	(35,922,944)	7,061,107
Short term borrowings - net	(27)	903,617,184	857,870,274
Net cash generated from financing activities		<u>1,280,320,712</u>	<u>752,587,468</u>
Net (decrease) / increase in cash and cash equivalents		(2,779,906)	36,793,986
Cash and cash equivalents at the beginning of the year		110,663,408	73,869,422
Cash and cash equivalents at the end of the year	(18)	<u>107,883,502</u>	<u>110,663,408</u>

The annexed notes from 1 to 48 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR



Sadaqat Limited

Notes to and forming part of the Financial Statements For The Year Ended June 30, 2017

1. LEGAL STATUS AND OPERATIONS

Sadaqat Limited (the Company) was initially incorporated in Pakistan in the name and style "Sadaqat Textile Mills (Private) Limited" on November 01, 1987. On June 03, 2008 the Company was converted into public unlisted company. Subsequently, the name of the Company was changed to "Sadaqat Limited" on October 10, 2008. The registered office of the Company is situated at 2-KM Sahianwala Road, Khurrianwala, Faisalabad. The Company is engaged in the business of textile manufacturing and of weaving, bleaching, dyeing, printing, stitching and otherwise dealing in and export of all kinds of value added fabrics and home textile products.

2. STATEMENT OF COMPLIANCE

During the year, the Companies Act 2017 (the Act) has been promulgated, however, Securities and Exchange Commission of Pakistan vide its circular no. 17 of 2017 dated 20 July 2017 communicated that the companies whose financial year closes on or before June 30, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

Hence, these financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of repealed Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the repealed Companies Ordinance, 1984. Wherever the requirements or directives issued by Securities and Exchange Commission of Pakistan differ with the requirements of IFRS, the requirements of the repealed Companies Ordinance, 1984 or the requirements of the said directives shall prevail.

3. BASIS OF MEASUREMENT

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention except land, building on free hold land, plant and machinery, generators, staff retirement benefits and financial instruments. Free hold land is stated at revalued amount. Building, plant and machinery and generators are stated at revalued amount less accumulated depreciation and impairment losses, if any. Staff retirement benefits are measured at present value. Financial instruments are stated at fair value. In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

3.2 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is also the Company's functional currency.

3.3 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgement was exercised in application of accounting policies are as follows:

3.3.1 Taxation (Note 4.13)

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decision by appellate authorities on certain issues in the past.

3.3.2 Provision for doubtful receivables (Note 4.11)

The Company reviews its doubtful trade debts at each reporting date to assess whether provision should be recorded in the profit and loss account. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required.

3.3.3 Useful life, residual values, impairment and method of depreciation of property, plant and equipment (Note 4.2)

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment, if any.

3.3.4 Impairment of non-financial assets (Note 4.18)

The Company assesses whether there are any indicators of impairment for all non financial assets at each reporting date. Non-financial assets are also tested for impairment when there are indicators that the carrying amounts may not be recoverable.

3.3.5 Contingencies (Note 4.12)

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities which may differ on the occurrence / non-occurrence of the uncertain future events.

3.3.6 Stock in trade and stores and spare parts (Note 4.4 & 4.3)

The company reviews the net realizable value of stock-in-trade and stores and spares to assess any diminution in the respective carrying values. Net realizable value is estimated with reference to the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as disclosed in note 4.1.

4.1 New and amended standards and interpretations become effective

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as describe below:

New Standards, Interpretations and Amendments

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements: Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 – Joint Arrangements-Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment) 374



IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 – Property, Plant and Equipment

IAS 41 – Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 – Financial Instruments: Disclosures - Servicing contracts

IFRS 7 – Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 – Employee Benefits - Discount rate: regional market issue

IAS 34 – Interim Financial Reporting - Disclosure of information elsewhere in the interim financial report

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements

4.2 Property, plant and equipment

4.2.1 Operating fixed assets

Owned

These are stated at cost less accumulated depreciation and impairment loss, if any, except freehold land, building on freehold land, plant and machinery and generators. Freehold land is stated at revalued amount. Building on freehold land, plant and machinery and generators are stated at revalued amount less accumulated depreciation and impairment loss, if any. Cost includes expenditures that are directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with them will flow to the entity and its cost can be reliably measured. Cost incurred to replace a component of an item of the property, plant and equipment is capitalized and the asset so replaced is retired from use. Normal repairs and maintenance are charged to profit and loss account during the period in which they are incurred.

Depreciation is charged to income applying the reducing balance method so as to write off the historical cost of the assets over their expected useful life at the rates mentioned in property, plant and equipment note - 5.1. Depreciation on additions during the year is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off. The residual values and useful lives are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant.

Gains and losses on disposal of operating fixed assets are charged to profit and loss account.

Lease hold

Assets held under finance lease arrangements are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets in view of certainty of ownership of assets at the end of the lease term. Depreciation on leasehold assets is charged to profit and loss account applying the same basis as for owned assets. Depreciation on additions to leased assets is charged from the month in which an asset is acquired, while no depreciation is charged for the month in which the asset is disposed off.

31 ✓

Leases in terms of which the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at cost less accumulated depreciation. These assets are depreciated over their expected useful lives on the same basis as owned assets.

4.2.2 Capital Work in Progress

Capital work in progress is stated at cost less any identified impairment loss and represents expenditure on property, plant and equipment during the construction and installation. Cost also includes applicable borrowing costs. Transfers are made to relevant assets category as and when assets are available for its intended use.

4.2.3 Intangibles

Expenditure incurred to acquire computer software are capitalized as intangible assets and stated at cost less accumulated amortization and any identified impairment loss, if any. Intangible assets are amortized using the reducing balance method 20 % per annum.

Amortization on additions to intangible assets is charged from the month in which an asset is acquired or capitalized while no amortization is charged for the month in which the asset is disposed off.

The Company assesses at each balance sheet date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the amortization charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

4.3 Stores, spares and loose tools

These are valued principally at lower of moving average cost and net realizable value (NRV). Items in transit are valued at cost comprising invoice value plus other charges paid thereon. Net realizable value signifies the estimated selling price in the ordinary course of business less costs necessarily to be incurred to make the sale. Provision is made in the financial statements for obsolete and slow moving stores and spares based on management estimate.

4.4 Stock in trade

These are stated at the lower of cost and net realizable value (NRV).

Cost is determined on the following basis :-

- | | |
|--------------------|--|
| - Raw material | - Weighted average cost |
| - Goods in transit | - Invoice value plus direct charges in respect thereof. |
| - Work in process | - Prime cost including a proportion of production overheads. |
| - Finished goods | - Prime cost including a proportion of production overheads. |
| - Wastes | - Prime cost including a proportion of production overheads. |

Stock in trade is regularly reviewed by the management and any obsolete items are brought down to their net realizable value. Net realizable value signifies the selling price in the ordinary course of business less cost necessary to be incurred in order to make the sale.

37.



4.5 Trade debts and other receivables

Trade debts are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Other receivables are recognized at nominal amount which is fair value of the consideration to be received in future. Balances considered bad are written off when identified.

4.6 Cash and cash equivalents

Cash and cash equivalents comprise of cash and cheques in hand and at banks and include short term highly liquid investments. The cash and cash equivalents are readily convertible to known amount of cash and are subject to insignificant risk of change in value.

4.7 Surplus on revaluation of property, plant and equipment

The Company follows the requirement of section 235 of the repealed Companies Ordinance, 1984 and accordingly the revaluation surplus is credited to the "surplus on revaluation of fixed assets" except to the extent that it reverses a revaluation decrease of the same asset previously recognized in profit or loss, in which case the increase is recognized in profit or loss. An annual transfer from the surplus on revaluation of fixed assets (net of deferred tax if any) to unappropriated profit is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

This surplus is not free for setting-off or reducing any deficit of the Company. However, it can only be utilized:

- i) to the extent actually realized on disposal of the assets which are revalued;
- ii) to the extent of incremental depreciation arising out of revaluation of fixed assets; or
- iii) setting-off or in diminution of any deficit arising from the revaluation of any other fixed assets of the Company.

4.8 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all risks and rewards of ownership to the lessee. All other leases are classified as operating lease.

The liability to the lessor is included in the balance sheet as liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payment. Lease payments are apportioned between finance charges and reduction of the liabilities against assets subject to finance lease so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit and loss account, unless they are directly attributable to qualifying assets, in which case these are capitalized.

Rentals payable under operating leases are charged to profit and loss account on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

4.9 Staff retirement benefits

The Company operates a defined contributory provident fund for all its permanent employees. Contributions are made equally by the Company and the employees at the rate of 8.5% per annum of basic salary subject to completion of minimum qualifying period of service as determined under the rules of the fund. The assets of the fund are held separately under the control of trustees.

74.

4.10 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently at amortized cost using effective interest rate method. Exchange gains and losses arising on translation in respect of liabilities in foreign currency are added to the carrying amount of the respective liabilities.

4.11 Provisions

Provisions are recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

4.12 Contingencies

The assessment of the contingencies inherently involves the exercise of significant judgment as the outcome of the future events cannot be predicted with certainty. The Company, based on the availability of the latest information, estimates the value of contingent assets and liabilities, which may differ on the occurrence/ non-occurrence of the uncertain future event(s).

4.13 Taxation

Current

The charge for current taxation is based on taxable income at current rates of taxation after taking into account tax credits, rebates and exemptions available, if any. However income covered under Final Taxation Regime (FTR), taxation is based on the applicable tax rates under such Regime.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable income. Deferred tax is calculated by using the tax rates enacted at the balance sheet date. In this regard, the effect on deferred taxation of the portion of income subjected to Final Tax Regime is adjusted in accordance with the requirements of Accounting Technical Release – 27 of the Institute of Chartered Accountants of Pakistan, if considered material.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4.14 Foreign currency translation

Transactions in foreign currency during the year are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency at the rate of exchange prevailing at the balance sheet date (except for derivatives which are revalued according to note 4.15). All non monetary items are translated into rupees at exchange rates prevailing on date of transaction or on date when fair values are determined. Exchange differences are charged to profit and loss account.

₹ 1 v.



4.15 Financial instruments

All financial assets and liabilities are recognised at the time when the Company becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are initially recognized at fair value and transaction costs are expensed in the profit and loss account. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred; and the company has transferred substantially all the risks and rewards of ownership.

Financial liabilities are classified according to substance of contractual arrangements entered into. These are recognised initially at fair value less attributable transaction cost, if any. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest basis.

Any gain or loss on the recognition and de-recognition of the financial assets and liabilities is included in the profit and loss account for the period in which it arises.

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and subsequently re-measured at the prevailing market price as on balance sheet date with respect to the outstanding period till maturity, which is considered their fair value. Any change in the fair value of the derivative financial instruments is taken to profit and loss account.

4.16 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. Revenue is measured at fair value of consideration received or receivable on following basis:

a) **Sale of goods**

Local sales are recognized on dispatch of goods to customers whereas export sales are recognised on the date of bill of lading, which is the time when the risks and rewards are transferred.

b) **Dividend**

Dividend income is recognized when the Company's right to receive payment is established.

c) **Mark up income**

Revenue is recognized as the mark up accrues during the period by reference to the principal outstanding and the applicable rate of return.

4.17 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to profit and loss account in the period of incurrence.

31.12.2017

4.18 Impairment of assets

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flow of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

Losses are recognised as an expense in the profit and loss account. When a subsequent event causes the amount of impairment loss to decrease, this reduction is reversed through the profit and loss account.

Non financial assets

The carrying amounts of the Company's non-financial assets, other than stock in trade and stores and spares, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in profit and loss account. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets of the unit on a pro-rata basis.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised. Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

4.19 Drawback refund

Drawback income is accounted for on accrual basis and is recognized when this becomes due and there is reasonable assurance that it will be received.

4.20 Earnings per share

The Company presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

4.21 Related party transactions

All transactions with related parties are carried out at arm's length prices. The prices are determined in accordance with comparable uncontrolled price method. *3y v.*



4.22 Standards, Interpretations and Amendments to Published Approved Accounting Standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective Date (Annual periods beginning on or after)
IFRS 2: Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 7 Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	01 January 2017
IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	01 January 2017
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	01 January 2018
IFRIC 23 Uncertainty over Income Tax Treatments	01 January 2019

The above standards and amendments are not expected to have any material impact on the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

Further, the following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan:

Standard	IASB effective date (Annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14 – Regulatory Deferral Accounts	01 January 2016
IFRS 15 – Revenue from Contracts with Customers	01 January 2018
IFRS 16 – Leases	01 January 2019
IFRS 17 – Insurance Contracts	01 January 2021

37.

5. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets-tangible
Capital work in progress
Advance for capital work in progress
Advance for land purchase

	2017	2016
	Rupees	Rupees
	7,795,965,916	5,728,666,717
	434,683,718	127,584,085
	50,000,000	-
	98,320,680	-
	8,378,970,314	5,856,252,802

5.1 Operating fixed assets - tangible

PARTICULARS	COST				Rate (%)	DEPRECIATION				Net book value as at 30 June 2017
	As at 1st July 2016	Adjustment due to revaluation surplus	Additions	Transfer / disposal		As at 1st July 2016	For the year	Transfer / disposal	As at 30 June 2017	
Owned:-----Rupees-----										
Freehold land										
Cost	261,553,508	-	276,290,253	(13,815,083)		-	-	-	-	524,028,678
Revaluation surplus	515,931,963	469,214,339	-	-		-	-	-	-	985,146,322
	777,485,491	469,214,339	276,290,253	(13,815,083)		1,509,175,000				1,509,175,000
Buildings on freehold land - factory										
Cost	2,450,849,964	-	250,856,257	(21,515,090)	5	444,448,914	102,610,522	(10,421,942)	536,637,494	2,143,553,637
Revaluation surplus	473,177,967	322,341,430	-	(35,668,490)	5	27,607,226	22,278,537	(5,087,218)	44,798,545	715,052,362
	2,924,027,931	322,341,430	250,856,257	(57,183,580)		472,056,140	124,889,059	(15,509,160)	581,436,039	2,858,605,999
Plant and machinery										
Cost	2,174,020,956	-	807,334,843	-	10	749,353,361	183,095,344	-	932,448,705	2,048,907,094
Revaluation surplus	679,123,148	162,177,977	-	-	10	419,734,339	25,938,881	-	445,673,220	395,627,905
	2,853,144,104	162,177,977	807,334,843	-		1,169,087,700	209,034,225	-	1,378,121,925	2,444,534,999
Generators										
Cost	91,155,352	-	88,215,541	-	10	46,868,958	10,345,480	-	57,214,438	122,156,455
Revaluation surplus	6,882,057	41,583,559	-	-	10	848,097	603,396	-	1,451,493	47,014,123
	98,037,409	41,583,559	88,215,541	-		47,717,055	10,948,876	-	58,665,931	169,170,578
Electric installations	235,524,843	-	63,882,348	-	10	76,661,796	18,178,694	-	94,860,490	204,546,701
Furniture and fixtures	75,487,413	-	6,332,795	-	10	23,408,578	5,726,155	-	29,134,733	52,586,475
Office equipment	144,496,756	-	15,953,718	-	10	47,627,464	10,623,036	-	58,250,500	102,199,974
Sui gas installations	2,066,066	-	-	-	10	1,175,842	89,022	-	1,264,864	801,202
Work shop equipments	15,629,627	-	-	-	10	8,841,327	678,830	-	9,520,157	6,109,470
Vehicles	190,948,335	-	59,199,521	4,981,636	20	113,755,888	22,895,346	2,155,582	88,278,019	67,858,969
				(98,992,504)				(50,528,797)		
Total	7,316,847,975	995,317,305	1,568,065,276	(165,009,531)		1,950,351,790	403,063,243	(63,882,375)	2,299,532,658	7,415,688,367
Leasehold:										
Plant and machinery										
Generators	322,482,487	-	36,438,941	-		49,161,217	30,985,619	-	80,146,836	278,774,592
Vehicles	32,825,663	-	-	-		12,557,173	2,026,849	-	14,584,022	18,241,641
	117,965,345	-	47,006,199	(4,981,636)		39,382,573	20,967,922	(2,155,582)	42,335,475	83,261,316
	473,273,495	-	83,445,140	(34,393,117)		101,100,963	53,980,390	(15,859,438)	137,066,333	380,277,549
				(39,374,753)				(18,015,020)		
Total	7,790,121,470	995,317,305	1,651,510,416	(204,384,284)		2,061,452,753	457,043,633	(61,897,395)	2,436,598,991	7,795,965,916

31



PARTICULARS	COST				Rate (%)	DEPRECIATION			Net book value as at 30 June 2016
	As at 1st July 2015	Adjustment due to revaluation surplus	Additions	Transfer / disposal		As at 30 June 2016	For the year	Transfer / disposal	
Owned:-----Rupees-----									
Freehold land									
Cost	115,913,017	-	145,640,491	-		-	-	-	261,553,508
Revaluation surplus	515,931,983	-	-	-		-	-	-	515,931,983
	631,845,000	-	145,640,491	-		-	-	-	777,485,491
Buildings on freehold land - factory									
Cost	2,222,232,665	-	228,617,299	-	5	349,648,003	94,800,911	-	444,448,914
Revaluation surplus	473,177,967	-	-	-	5	4,392,084	23,225,142	-	27,607,226
	2,695,410,632	-	228,617,299	-		354,030,087	118,026,053	-	472,056,140
Plant and machinery									
Cost	1,621,537,055	-	523,600,590	28,883,311	10	608,947,998	132,518,111	7,887,252	749,353,361
Revaluation surplus	679,123,148	-	-	-	10	389,112,130	30,622,209	-	419,734,339
	2,300,660,203	-	523,600,590	28,883,311		998,060,128	163,140,320	7,887,252	1,169,087,700
Generators									
Cost	91,155,352	-	-	-	10	41,990,148	4,878,810	-	46,868,958
Revaluation surplus	6,882,057	-	-	-	10	135,756	712,341	-	848,097
	98,037,409	-	-	-		42,125,904	5,591,151	-	47,717,055
Electric installations									
Furniture and fixtures	213,610,753	-	21,914,090	-	10	60,151,702	16,530,094	-	76,681,796
Office equipment	56,610,781	-	18,876,632	-	10	18,786,804	4,621,774	-	23,408,578
Sui gas installations	105,236,362	-	39,260,394	-	10	38,254,631	9,372,833	-	47,627,464
Work shop equipments	2,066,066	-	-	-	10	1,076,928	98,914	-	1,175,842
Vehicles	15,629,627	-	-	-	10	8,087,071	754,256	-	8,841,327
	154,425,397	-	28,129,223	8,393,715	20	95,809,648	14,740,203	3,206,037	113,755,888
Total	6,273,532,230	-	1,006,038,719	37,277,026		1,616,382,903	332,875,598	11,093,289	1,960,351,790
Leasehold:									
Plant and machinery									
Generators	293,468,927	-	57,896,871	(28,883,311)		28,283,777	28,764,692	(7,887,252)	49,161,217
Vehicles	32,825,563	-	-	-		10,305,118	2,252,055	-	12,557,173
	102,034,707	-	24,324,353	(6,393,715)		24,394,355	18,194,255	(3,206,037)	39,382,573
	428,329,297	-	82,221,224	(37,277,026)		62,983,250	49,211,002	(11,093,289)	101,100,963
Total	6,701,861,527	-	1,088,259,843	-		1,679,366,153	382,086,600	-	2,061,452,753
									5,728,568,717





5.1.1 Depreciation charge for the year has been allocated as under :-

	Note	2017 Rupees	2016 Rupees
Cost of sales	(31)	396,831,174	335,157,535
Administrative expenses	(33)	60,212,459	46,929,065
		<u>457,043,633</u>	<u>382,086,600</u>

5.2 CAPITAL WORK IN PROGRESS

Building civil works	(5.2.1)	392,681,915	127,584,085
Plant and machinery	(5.2.1)	42,001,803	-
		<u>434,683,718</u>	<u>127,584,085</u>

5.2.1 Movement in capital work in progress

	Building and civil works	Plant and machinery	Total
2017	2016	2017	2016

Opening balance	127,584,085	142,317,715	-	127,584,085	142,317,715
Addition during the year	515,954,087	213,786,499	42,001,803	-	557,955,890
Transferred to operating fixed assets	(250,856,257)	(228,520,129)	-	-	(228,520,129)
Closing balance	<u>392,681,915</u>	<u>127,584,085</u>	<u>42,001,803</u>	<u>-</u>	<u>434,683,718</u>

6. INTANGIBLES

PARTICULARS	BALANCE AS AT 01 JULY 2016			FOR THE YEAR			BALANCE AS AT 30 JUNE 2017			Rate (%)
	Cost	Accumulated Amortization	Net Book Value	Additions	Disposal Cost/ (Accumulated Amortization)	Amortization	Cost	Accumulated Amortization	Net Book Value	
Software	-	-	-	40,649,748	-	6,097,462	40,649,748	6,097,462	34,552,286	20
	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,649,748</u>	<u>-</u>	<u>6,097,462</u>	<u>40,649,748</u>	<u>6,097,462</u>	<u>34,552,286</u>	

6.1 Amortization charge for the year has been allocated as under :-

Administrative expenses	(33)	6,097,462	-
-------------------------	------	-----------	---

7. LONG TERM ADVANCES

This represents advances paid to financial institutions against assets subject to finance lease.

8. LONG TERM DEPOSITS	Note	2017 Rupees	2016 Rupees
LG margin with banks		17,610,630	17,610,630
Security deposits - FESCO		715,472	715,472
Other security deposits		1,638,065	1,438,065
		<u>19,964,167</u>	<u>19,764,167</u>

9. STORES, SPARES AND LOOSE TOOLS

Stores		149,257,674	241,846,764
Spares		41,079,198	37,690,494
Loose tools		2,432,522	3,441,427
		<u>192,769,394</u>	<u>282,978,685</u>

10. STOCK IN TRADE

Raw material			
- in hand		394,258,831	704,490,110
- in transit		112,951,967	-
- held by third parties		50,713,306	90,669,148
		557,924,104	795,159,258
Work in process		1,503,030,259	867,028,653
Finished goods	(10.1)	784,131,236	323,848,554
Waste		33,782,262	58,311,100
		<u>2,878,867,861</u>	<u>2,044,347,565</u>

10.1 It includes stocks amounting Rs. 390 million (2016: 148 million) in transit to port for shipment to customers.

11. TRADE DEBTS

Considered good

Foreign

- Secured		57,413,146	1,206,982,074
- Unsecured		1,464,280,688	577,771,443
	(11.1)	1,521,693,834	1,784,753,517

Local

- Unsecured	(11.2)	78,209,046	76,571,898
		<u>1,599,902,880</u>	<u>1,861,325,415</u>

11.1 Foreign debts include Rs. 769 million (2016: Rs. 806 million) due from Sadaqat Global Limited, UK - an associated undertaking.

11.2 It includes Rs. 58 million (2016: Rs. 54 million) due from KHAS Holdings - an associated undertaking.

		2017 Rupees	2016 Rupees
11.3	The aging of trade debts at balance sheet date was:		
	Neither past due nor impaired		
	0 to 3 Months (0 - 90 days)	1,514,311,792	1,659,249,697
	4 to 6 Months (91 - 180 days)	38,137,631	177,132,928
	Past due nor impaired		
	7-12 Months	18,527,012	24,942,790
	Over 12 Months	28,926,445	-
		<u>1,599,902,880</u>	<u>1,861,325,415</u>

12. LOANS AND ADVANCES - UNSECURED AND CONSIDERED GOOD

Loan to KHAS Holdings - associated undertaking	(12.1)	150,000,000	-
Advance to director against expenses		3,332,340	-
Advances to employees against expenses			
- Executives (other than CEO and Directors)		1,541,539	392,472
- Other employees		5,065,706	4,646,847
		6,607,245	5,039,319
Advances to suppliers		308,629,477	32,541,198
		<u>468,569,062</u>	<u>37,580,517</u>

12.1 This loan carries markup at 8% per annum and is repayable on demand after one month notice.

13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits:			
- Deposit under collection account		-	197,630
- Deposit under debt repayment account		-	4,535,660
- Deposit under sinking fund account		-	57,200,000
- Letters of credit		9,322,679	3,635,953
		9,322,679	65,569,243
Prepayments		4,818,676	4,246,895
		<u>14,141,355</u>	<u>69,816,138</u>

14. BALANCES WITH STATUTORY AUTHORITIES

Gas infrastructure development cess		5,436,856	5,436,856
Workers' welfare fund		12,573,678	-
Special excise duty		12,442,697	12,442,697
Drawback on local taxes and levies	(14.1)	45,588,172	31,791,779
Drawback of customs-duty	(14.2)	108,526,068	99,456,407
Duty drawback on taxes	(14.3)	261,196,033	-
		<u>445,763,504</u>	<u>149,127,739</u>

		2017	2016
	Note	Rupees	Rupees
14.1 Drawback on local taxes and levies			
Balance at the beginning of the year		31,791,779	8,506,313
Claimed during the year		13,796,393	48,233,719
Received during the year		-	(24,948,253)
		<u>45,588,172</u>	<u>31,791,779</u>
14.2 Drawback of customs-duty			
Balance at the beginning of the year		99,456,407	125,151,648
Claimed during the year		109,315,838	57,814,236
Received during the year		(100,246,177)	(83,509,477)
		<u>108,526,068</u>	<u>99,456,407</u>
14.3 Duty drawback on taxes			
Balance at the beginning of the year		-	-
Claimed during the year		291,294,172	-
Received during the year		(30,098,139)	-
		<u>261,196,033</u>	<u>-</u>

15. INTERSET ACCRUED

This represents interest accrued on loan to KHAS Holdings, an associated undertaking.

16. OTHER RECEIVABLES

Mark up support	(16.1)	18,897,275	18,897,275
Punjab Revenue Authority (PRA)	(16.2)	14,706,787	-
Faisalabad Electric Supply Company (FESCO)	(16.3)	11,884,836	-
Receivables from associated undertaking	(16.4)	13,815,083	-
		<u>59,303,981</u>	<u>18,897,275</u>

16.1 This represents mark up support under Technology Upgradation Fund scheme of State Bank of Pakistan.

16.2 This represents amount forcefully withdrawn by PRA on account of withholding tax on payments made to suppliers for the period when the Company was not registered as withholding agent.

16.3 This represents receivable from FESCO against ownership transferred for electric lines installed by the Company.

16.4 This represents receivable from an associated undertaking, KHAS Holdings against sale of land.

17. TAX REFUNDS DUE FROM THE GOVERNMENT

Income tax	247,399,892	146,752,005
Sales tax	358,393,371	516,065,957
	<u>605,793,263</u>	<u>662,817,962</u>

71.

		2017 Rupees	2016 Rupees
18. CASH AND BANK BALANCES	Note		
Cash in hand		5,892,268	26,773,007
Balance with banks under current accounts		101,991,234	83,890,401
		<u>107,883,502</u>	<u>110,663,408</u>
19. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
19.1 Authorized share capital			
150,000,000 (2016: 150,000,000) ordinary shares of Rs. 10/- each		<u>1,500,000,000</u>	<u>1,500,000,000</u>
19.2 Issued, subscribed and paid up share capital			
69,147,801 ordinary shares of Rs. 10/- each fully paid in cash		691,478,010	691,478,010
4,573,890 ordinary shares of Rs. 10/- each issued for consideration other than cash		45,738,900	45,738,900
46,278,309 Ordinary shares of Rs. 10/- each issued as fully paid bonus shares		462,783,090	462,783,090
		<u>1,200,000,000</u>	<u>1,200,000,000</u>
20. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS			
Surplus on revaluation of assets at the beginning of year		1,226,925,493	1,281,485,185
Surplus on revaluation of assets during the year		995,317,305	-
		<u>2,222,242,798</u>	<u>1,281,485,185</u>
Less :			
Surplus relating to incremental depreciation charged on related assets transferred to unappropriated profit		(48,820,814)	(54,559,692)
Surplus relating to assets deposited during the year		(30,581,272)	-
		<u>2,142,840,712</u>	<u>1,226,925,493</u>

The most recent revaluation was carried out on June 30, 2017 by an independent valuers M/S Hamid Mukhtar & Co. (Pvt) Limited.

The resultant surplus on revaluation of freehold land, building on freehold land, plant and machinery and generators is not distributable to the shareholders as per requirements of the repealed Companies Ordinance, 1984. The basis for revaluation was as under:

Description	Basis
Freehold land	Market value
Building on freehold land	Depreciated market value
Plant and machinery	Depreciated market value
Generators	Depreciated market value

21. LONG TERM FINANCING

	Note	2017 Rupees	2016 Rupees
LTF-EOP / LTFF	(21.2)	543,044,752	63,268,050
Demand finance	(21.3)	316,352,916	183,503,146
Syndicated term finance	(21.4)	550,000,000	750,000,000
		1,409,397,668	996,771,196
Less: Current portion shown under current liabilities	(28)	(348,697,121)	(303,877,463)
		1,060,700,547	692,893,733

21.1 Terms and conditions of these borrowings are as follows:

Lender	Nature	Mark-up / profit rate per annum (%)	Installment Amount	No. of Installment Outstanding	Date of final Repayment
Askari Commercial Bank Limited	LTF-EOP	SBP rate + 2.5%	3,411,009	18	17-Dec-2021
Askari Commercial Bank Limited Tranche 1	LTF-EOP	SBP rate + 2.5%	1,718,539	16	21-May-2021
Askari Commercial Bank Limited Tranche 2	LTF-EOP	SBP rate + 2.5%	1,508,000	15	27-Mar-2021
The Bank of Khyber 1	LTF-EOP	SBP rate + 1.75%	996,325	20	28-Jan-2024
The Bank of Khyber 2	LTF-EOP	SBP rate + 1.75%	1,531,095	20	2-Feb-2024
The Bank of Khyber 3	LTF-EOP	SBP rate + 1.75%	2,180,780	20	26-May-2024
The Bank of Khyber 4	LTF-EOP	SBP rate + 1.75%	751,790	20	8-Feb-2024
NIB Bank Limited 1	LTF-EOP	SBP Refinance Rate + 2%	2,375,224	16	28-Jun-2021
NIB Bank Limited 2	LTF-EOP	SBP Refinance Rate + 2%	1,494,600	18	30-Jun-2021
NIB Bank Limited 3	LTF-EOP	SBP Refinance Rate + 2%	1,111,500	18	28-Feb-2022
NIB Bank Limited 4	LTF-EOP	SBP Refinance Rate + 2%	667,860	19	13-Apr-2022
Pak Brunei Investment Company Limited Tranche 1	LTF-EOP	Base rate + 2.5%	3,175,050	8	28-Jun-2021





Lender	Nature	Mark-up / profit rate per annum (%)	Installment Amount	No. of Installment Outstanding	Date of final Repayment
Pak Brunei Investment Company Limited Tranche 2	LTF-EOP	Base rate + 2.5%	8,740,000	8	3-Nov-2021
Pak Brunei Investment Company Limited Tranche 3	LTF-EOP	Base rate + 2.5%	1,177,000	8	16-Sep-2021
United Bank Limited	LTF-EOP	SBP rate + 2%	1,150,000	24	31-Dec-2023
United Bank Limited Tranche 1	LTF-EOP	SBP rate + 2%	1,277,706	24	20-Sep-2023
United Bank Limited Tranche 2	LTF-EOP	SBP rate + 2%	2,572,019	24	20-Sep-2023
United Bank Limited	LTF-EOP	3 Month KIBOR + 2%	7,575,000	0	14-Jun-2017
The Bank of Khyber Tranche 1	Demand Finance	SBP rate + 1.75%	10,416,667	7	1-Mar-2019
National Bank of Pakistan Tranche 1	Demand Finance	3 Month KIBOR + 1.5%	2,659,233	10	21-Mar-2018
National Bank of Pakistan Tranche 2	Demand Finance	3 Month KIBOR + 1.5%	744,990	60	23-Nov-2023
National Bank of Pakistan Tranche 3	Demand Finance	3 Month KIBOR + 1.5%	8,607,225	20	6-Jan-2024
United Bank Limited	Syndicated term Finance	3 Month KIBOR + 2.75%	50,000,000	11	7-Feb-2020

21.2 This finance has been obtained for import of textile machinery. These loans are secured against first exclusive charge of Rs. 611 million over specific fixed assets, first joint pari passu charge of Rs. 147 million over fixed asset and personal guarantees of all sponsoring directors of the Company. Payment is to be made in quarterly and monthly equal installments.

21.3 This finance has been obtained for import of textile machinery. These loans are secured against first exclusive charge of Rs. 368 million over specific fixed assets, ranking charge of Rs. 299 million over fixed assets, first joint pari passu charge of Rs. 74 million over fixed assets and personal guarantees of all the directors of the Company. Installments are payable on quarterly basis.

21.3.1 Ranking charge of Rs. 299 million and first exclusive charge of Rs. 225 million over fixed assets in favor of National Bank of Pakistan will be vacated after execution of 13th supplemental joint pari passu charge of Rs. 299 million over fixed assets.

21.4 This finance has been obtained for support of working capital requirements. The facility is secured against first pari passu charge of Rs. 333.33 million over all current assets, first pari passu charge Rs. 1,000 million over fixed asset and personal guarantees of all sponsoring directors of the Company. Installments are payable on quarterly basis.

22. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	Note	2017 Rupees	2016 Rupees
Future minimum lease payments		169,449,713	218,520,211
Less: Unamortized finance charges		(17,786,270)	(30,571,595)
Present value of minimum lease payments		151,663,443	187,948,616
Less: Current portion shown under current liabilities	(28)	(83,274,346)	(84,175,795)
		<u>68,389,097</u>	<u>103,772,821</u>

2017		
Minimum lease payments	Finance cost for future periods	Principal Outstanding
-----Rupees-----		

Not later than one year	95,815,035	12,540,689	83,274,346
Later than one year but not later than five years	73,634,678	5,245,581	68,389,097
	<u>169,449,713</u>	<u>17,786,270</u>	<u>151,663,443</u>

2016		
Minimum lease payments	Finance cost for future periods	Principal Outstanding
-----Rupees-----		

Not later than one year	102,715,652	18,539,857	84,175,795
Later than one year but not later than five years	115,804,559	12,031,738	103,772,821
	<u>218,520,211</u>	<u>30,571,595</u>	<u>187,948,616</u>

The Company has entered into lease agreements for lease of vehicles and plant and machinery with various financial institutions. These are secured by way of exclusive ownership of leased assets, specific exclusive charge of Rs. 40 million over plant and machinery of the Company in favour of Orix Leasing, postdated cheques to Askari Leasing and personal guarantee of all sponsoring directors of the Company.

The rentals are payable in monthly and quarterly installments. Interest rate implicit in lease ranges from 3 to 6 months KIBOR plus 2% to 5% per annum (2016: 3 to 6 months KIBOR plus 2% to 5% per annum). The purchase option is available to the Company on payment/surrender of deposit along with last installment.

23. LONG TERM DEPOSITS	2017 Rupees	2016 Rupees
Long term deposits	35,591,781	20,072,416
Less: Current portion shown under current liabilities	(5,192,852)	-
	<u>30,398,929</u>	<u>20,072,416</u>

These represent security deposits received from employees which, by virtue of agreement, are interest free. These are repayable / adjustable after end of service or transfer of vehicle to them.

24. DEFERRED TAXATION	2017 Rupees	2016 Rupees
Taxable temporary differences on unrealized export debtors	<u>15,216,938</u>	<u>-</u>

77

25. TRADE AND OTHER PAYABLES	Note	2017 Rupees	2016 Rupees
Creditors		1,610,683,893	837,911,393
Accrued liabilities		100,660,094	53,903,627
Advances from customers		12,852,708	14,379,456
Tax Payable		6,997,761	5,984,942
Workers' profit participation fund	(25.1)	27,286,589	43,834,927
Workers' welfare fund	(25.2)	-	17,614,965
		<u>1,758,481,045</u>	<u>973,629,310</u>
25.1 Workers profit participation fund (WPPF)			
Opening balance		43,834,927	15,703,983
Allocation for the year		27,286,589	43,834,927
Interest on WPPF		934,686	357,266
		<u>72,056,202</u>	<u>59,896,176</u>
Less: Payments during the year		<u>(44,769,613)</u>	<u>(16,061,249)</u>
		<u>27,286,589</u>	<u>43,834,927</u>
25.2 Workers' welfare fund (WWF)			
Balance at the beginning of the year		17,614,965	17,614,965
Less: reversal during the year	(25.2.1)	<u>(17,614,965)</u>	<u>-</u>
		<u>-</u>	<u>17,614,965</u>
25.2.1 The Honorable Supreme Court of Pakistan through its judgment dated November 10, 2016 has held that "WWF is in the nature of a fee and not a tax". Therefore, the WWF Ordinance, 1971 cannot be amended through a Money Bill and hence the amendments made in WWF Ordinance, 1971 through the Finance Acts 2006 and 2008 are unconstitutional and unlawful and consequently the provisions of the WWF Ordinance 1971, as these stood before the amendments of 2006 and 2008 are restored. This amount represents reversal of WWF liability recognized in prior years on income under final tax regime.			
26. INTEREST ACCRUED ON LOANS - secured			
Long term financing		16,822,513	16,377,528
Short term borrowings		<u>42,168,645</u>	<u>38,117,064</u>
		<u>58,991,158</u>	<u>54,494,592</u>
27. SHORT TERM BORROWINGS			
Financial institutions-secured			
Export refinance facilities	(27.3)	2,002,199,989	1,775,000,000
Short term running finance	(27.4)	66,879,316	54,190,863
Other short term finance	(27.5) & (27.1)	2,561,370,317	1,699,102,683
Export finance under FE-25	(27.6)	-	195,538,892
		<u>4,630,449,622</u>	<u>3,723,832,438</u>
Loan from directors - unsecured	(27.7)	7,400,000	10,400,000
		<u>4,637,849,622</u>	<u>3,734,232,438</u>
27.1	This includes Rs. 17,819,876 overdrawn as on 30 June 2017.		
27.2	These loans are secured against joint pari passu charge of Rs. 4,049 million on current assets and Rs. 4,760 million on fixed assets of the company, ranking charge of Rs. 834 million on all current assets and Rs. 934 million on fixed asset, lien on import and export documents and personal guarantee of all the directors of the Company. Available limits and pricing are as under;		

27.3	Export refinance facilities		
	Limit	Pricing	
	Sanctioned Limit amounting Rs. 2,410 million and available limit Rs. 386.70 million.	At the rate of SBP tariff plus 1% p.a. (2016: SBP tariff plus 1% p.a.)	
27.4	Short term running finance		
	Limit	Pricing	
	Sanctioned Limit amounting Rs. 90 million and available limit Rs. 47.49 million.	At the rate of 3 months KIBOR plus 1.5% to 1 month KIBOR plus 2.5% (2016: 3 months KIBOR plus 1.5% to 2%) p.a.	
27.5	Other short term finance		
	Limit	Pricing	
	Sanctioned Limit amounting Rs. 2,765 million and available limit Rs. 242.55 million.	At the rate of 1 month KIBOR plus 1.3% to 1 month KIBOR plus 1.75% (2016: SBP tariff and 1 to 3 months KIBOR plus 1.5% to 2%) p.a.	
27.6	Export finance under FE-25		
	Limit	Pricing	
	Nil	Nil. (2016: At the rate of 1 to 6 months LIBOR plus 1.3% to 1.4%) p.a.	
27.7	It represents interest free loan from Chief Executive and Director of the Company and is payable on demand.		

		2017	2016
28.	CURRENT PORTION OF NON CURRENT LIABILITIES	Rupees	Rupees
	Long term financing	348,697,121	303,877,463
	Liabilities against assets subject to finance lease	83,274,346	84,175,795
	Long term deposits	5,192,852	-
		<u>437,164,319</u>	<u>388,053,258</u>

29. CONTINGENCIES AND COMMITMENTS

29.1 Contingencies

29.1.1 Honorable Supreme Court of Pakistan vide its order dated 22 August 2014 directed that Gas Infrastructure Development Cess (GIDC), which was levied through GIDC Act 2011, was invalidly levied under Article 77 of the Constitution of Pakistan. Pursuant to the aforesaid decision, the Company has availed stay orders from Honorable Lahore High Court and Honorable Sindh High Court against current levy of Gas Infrastructure Development Cess (GIDC) under GIDC Act 2015 and recovery of arrears under GIDC Act 2011 and GIDC Ordinance 2014 amounting to Rs. 57,407,147. Prudently, the Company has not recorded payable of the aforesaid amount.

29.1.2 Bank guarantees issued by banks on behalf of the Company in favour of:

- Sui Northern Gas Pipelines Limited for supply of gas	39,639,400	39,639,400
- Faisalabad Electricity Supply Company for supply of electricity	9,286,300	9,286,300
- Collector of customs Karachi for infrastructure cess	993,500	993,500
29.1.3 Post dated cheques issued in favour of custom authorities for release of goods imported for re-export	1,005,285,715	354,901,396
29.1.4 Foreign bills (Under Letter of Credits) discounted with banks	219,574,699	303,015,854

29.2 Commitments

29.2.1 Under letters of credit for:

Raw material	412,791,835	123,332,062
Stores and spares	8,147,521	16,149,507
Capital expenditure	30,296,950	470,629,320
	<u>451,236,306</u>	<u>610,110,889</u>

29.2.2 Against Purchase of Land

Within one year	47,659,344	93,137,680
After one year but not more than five years	191,622,946	239,282,290
	<u>239,282,290</u>	<u>332,419,970</u>

TV



30. SALES - net	Note	2017 Rupees	2016 Rupees
Export sales		10,982,584,328	11,442,094,239
Local sales			
Processing Receipts		54,691,036	75,012,694
Waste sale		74,131,233	94,407,794
		<u>128,822,269</u>	<u>169,420,488</u>
Gross sales		11,111,406,597	11,611,514,727
Less:			
Foreign commission and discount		(213,528,724)	(183,446,456)
Sales tax		(5,055,227)	(8,026,629)
		<u>(218,583,951)</u>	<u>(191,473,085)</u>
		<u>10,892,822,646</u>	<u>11,420,041,642</u>
 31. COST OF SALES			
Raw material consumed	(31.1)	6,680,941,406	6,193,401,547
Stores and spares consumed	(31.2)	1,671,559,106	1,535,941,084
Salaries, wages and benefits	(31.3)	935,212,859	792,193,960
Fuel and power		457,096,546	421,860,913
Conversion and processing charges		297,957,297	202,594,754
Folding and packing		40,497,772	33,365,262
Freight		69,780,933	21,690,850
Loading & Handling charges		57,028,864	33,365,262
Insurance		21,568,878	19,643,746
Repairs and maintenance		67,289,459	48,871,600
Depreciation	(5.1.1)	396,831,174	335,157,535
		<u>10,695,764,294</u>	<u>9,638,086,513</u>
Work in process			
Opening balance		867,028,653	733,207,133
Closing balance	(10)	1,503,030,259	867,028,653
		<u>(636,001,606)</u>	<u>(133,821,520)</u>
Cost of goods manufactured		10,059,762,688	9,504,264,993
Finished goods			
Opening balance		382,159,654	406,048,418
Closing balance	(10)	817,913,498	382,159,654
		<u>(435,753,844)</u>	<u>23,888,764</u>
		9,624,008,844	9,528,153,757
Less:			
Duty drawback		400,610,009	68,997,321
Drawback of local taxes and levies		13,796,393	37,050,634
		<u>414,406,402</u>	<u>106,047,955</u>
		<u>9,209,602,442</u>	<u>9,422,105,802</u>
 31.1 Raw material consumed			
Raw material opening inventory		795,159,258	775,999,784
Add: Purchases during the year		6,443,706,252	6,212,561,021
Raw material available for consumption		7,238,865,510	6,988,560,805
Raw material closing inventory	(10)	(557,924,104)	(795,159,258)
		<u>6,680,941,406</u>	<u>6,193,401,547</u>

		2017	2016
	Note	Rupees	Rupees
31.2 Stores and spares consumed			
Opening inventory		282,978,685	289,672,157
Add: Purchases during the year		1,581,349,815	1,529,247,612
		1,864,328,500	1,818,919,769
Closing inventory	(9)	(192,769,394)	(282,978,685)
		1,671,559,106	1,535,941,084
31.3	This include Rs. 24 million (2016: Rs. 16 million) in respect of provident fund contribution.		
32. SELLING AND DISTRIBUTION EXPENSES			
Staff salaries and benefits	(32.1)	42,236,412	31,636,332
Sea and air freight		34,727,086	27,914,208
Clearing and forwarding		141,483,557	185,854,485
Freight and octroi		42,048,922	35,690,159
Advertisement		261,554	214,680
Sales promotion expenses		26,951,649	19,188,753
Export development surcharge		28,767,348	32,605,993
Claims & Damages		21,301,853	12,934,105
		337,778,381	346,038,715
32.1	This include Rs.1.8 million (2016: Rs. 1.5 million) in respect of provident fund contribution.		
33. ADMINISTRATIVE EXPENSES			
Directors' remuneration		49,830,960	49,956,280
Staff salaries and benefits	(33.1)	145,722,962	190,279,277
Postage and telecommunication		36,468,339	32,562,481
Utilities		50,788,505	27,205,390
Printing and stationery		3,914,724	3,083,649
Vehicle running and maintenance		22,380,527	20,426,302
Travelling and conveyance		61,203,062	59,727,211
Fee and subscription		10,515,681	7,443,726
Legal and professional		1,950,000	568,000
Entertainment		9,794,575	16,879,379
Repairs and maintenance		20,955,083	9,300,700
Auditors' remuneration	(33.2)	1,600,000	1,600,000
Insurance		10,043,837	3,741,667
Depreciation	(5.1.1)	60,212,459	46,929,065
Amortization	(6.1)	6,097,462	-
Zakat		7,342,946	4,849,372
Others		3,360,649	2,669,219
		502,181,771	477,221,718
33.1	This include Rs. 6 million (2016: Rs. 7 million) in respect of provident fund contribution.		
33.2 Auditors' remuneration			
Audit fee		1,500,000	1,500,000
Out of pocket expenses		100,000	100,000
		1,600,000	1,600,000
34. OTHER OPERATING EXPENSES			
Provision for Workers' Profit Participation Fund		27,286,589	43,834,927
Charity and donations	(34.1)	6,328,657	6,106,621
Unrealised exchange loss on derivative financial instrument		29,143,709	-
Loss on disposal of operating fixed assets		6,278,279	-
Advances written off		8,962,715	-
		77,999,949	49,941,548

		2017 Rupees	2016 Rupees
34.1	Name of donees in which a director or his spouse has an interest:		
	Name of Donee:		
	Chiniot Blood Bank and Dialysis Centre	660,000	905,000
	Mofad-E-Amma Chiniot Sheikh Association (Regd.) Faisalabad	300,000	275,000
	Anjuman-E-Islamia (Regd.) Faisalabad	275,000	275,000
	Chiniot Educational Society	220,000	220,000
	Islamia Hospital Chiniot	250,000	335,000
		<u>1,705,000</u>	<u>2,010,000</u>
35.	OTHER INCOME		
	Income from financial assets		
	Exchange gain-net	101,965,528	31,886,809
	Profit on saving accounts	571,808	1,357,990
	Workers' welfare fund	30,188,643	-
	Claims to department (FESCO)	11,884,836	-
	Unrealized gain on derivative financial instruments	-	131,843,712
		144,610,815	165,088,511
	Interest on loan to associated undertaking	2,000,000	-
	Income from non-financial assets:		
	Others	2,938,437	1,564,000
		<u>149,549,252</u>	<u>166,652,511</u>
36.	FINANCE COSTS		
	Mark up on:		
	- Long term financing	90,905,481	101,941,239
	- Short term borrowings	196,684,209	221,454,678
		287,589,690	323,395,917
	Interest on workers' profit participation fund	934,686	357,266
	Interest on Sadaqat Limited - Employees' Provident Fund Trust	2,846,919	2,043,867
	Lease finance charges	22,890,602	23,866,918
	Bank charges and commission	82,071,812	108,858,782
		<u>396,333,709</u>	<u>458,522,750</u>
37.	TAXATION		
	Current	34,477,582	69,698,104
	Deferred	15,216,938	-
		<u>49,694,520</u>	<u>69,698,104</u>
37.1	The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the Company falls under the ambit of final tax regime under section 169 and 154 of the Income Tax Ordinance, 2001. Provision for taxation is made accordingly.		
38.	EARNINGS PER SHARE-BASIC AND DILUTED		
	Profit for the year (Rupees)	468,781,126	763,165,516
	Weighted average number of ordinary shares	120,000,000	120,000,000
	Earnings per share	3.91	6.36
38.1	Diluted earnings per share		
	No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have a diluted impact on earnings per share when exercised.		

51.



39. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2017			2016		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	-----Rupees-----					
Managerial remuneration	6,400,000	26,820,640	24,569,680	6,306,667	26,997,520	24,025,680
House rent allowance	2,560,000	10,728,256	9,827,872	2,522,666	10,799,008	9,610,272
Utilities	640,000	2,682,064	2,456,968	630,667	2,699,752	2,402,568
Total	9,600,000	40,230,960	36,854,520	9,460,000	40,496,280	36,038,520
Number of persons	1	5	24	1	5	23

39.1 The Chief Executive Officer, Directors and some executives have been provided with Company maintained cars, further they are also entitled to reimbursement of medical expenses.

40. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated undertakings, directors of the Company, key management personnel and post employment benefit plans. The Company in the normal course of business carries out transactions with various related parties. Amounts due from and to related parties are shown under respective notes to the financial statements. Transactions entered with related parties during the year and their outstanding balances as on balance sheet date are as follows:

Name	Nature of relationship	Nature of transaction	2017	2016
			-----Rupees-----	
Sadaqat Global Limited - UK	Associated undertaking	Sales	3,223,125,142	2,696,415,303
Sadaqat Global Limited - UK	Associated undertaking	Commission expense	134,813,952	110,197,299
KHAS Holding	Associated undertaking	Sales	26,935,285	43,755,421
KHAS Holding	Associated undertaking	Loan	150,000,000	-
KHAS Holding	Associated undertaking	Transfer of Land	8,500,702	-
Provident Fund	Related party	Amount Contributed	31,025,408	24,909,369
			3,574,400,489	2,875,277,392



41. EMPLOYEES PROVIDENT FUND TRUST

The Company has maintained an employees provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 227 of the repealed Companies Ordinance 1984 and the rules formulated for this purpose. The salient information of the fund is as follows:

	Un-Audited 2017	Audited 2016
	Rupees	Rupees
Size of the fund	135,062,513	101,437,110
Cost of investment made	110,966,698	82,430,373
Percentage of investments made	82%	81%
Fair value of investments	117,545,874	85,712,752
41.1 Breakup of investment:		
UBL Asset Allocation Fund	-	308,741
Faysal savings growth fund	-	1,033,275
Al-Ameen Islamic Active Allocation Plan	18,095,723	14,868,352
Al-Ameen Islamic Principal Preservation Fund	-	5,815,097
NAFA Islamic Active Allocation Plan	1,504,246	21,687,287
UBL -Al Ameen Islamic Active Allocation Plan VI	6,434,565	-
NBP Profit and Loss A/C	84,000,000	-
First Woman Bank	7,511,340	-
NIB Saving Account	-	42,000,000
	<u>117,545,874</u>	<u>85,712,752</u>

42. FINANCIAL RISK MANAGEMENT

The Company's financial assets comprise long term deposits, trade debts, loans, trade deposits, interest accrued, other receivables, derivative financial asset and cash and bank balances that arrive directly from its operations. The Company's financial liabilities comprise long term financing, liabilities against assets subject to finance lease, trade deposits, trade and other payables, interest accrued on loans, derivative financial liability and short term borrowings. The main purpose of these financial liabilities is to raise finances for Company's operations.

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

51.

The following significant exchange rates were applied during the year :

Currency	2017		2016	
	Average Rate	Reporting Date Rate	Average Rate	Reporting Date Rate
	-----Rupees-----		-----Rupees-----	
US Dollar	104.65	104.79	104.31	104.50
Euro	117.94	119.80	115.82	116.08
Great British Pound	138.26	136.40	143.35	140.12

Currency rate sensitivity analysis

The following analysis demonstrates the sensitivity to a reasonably possible change in exchange rates, with all other variables held constant, of the Company's profit before tax.

	Changes in Rate	2017 Rupees	2016 Rupees
Foreign debtors/ (Foreign creditors) - GBP	+1	8,665,462	12,288,346
	-1	(8,665,462)	(12,288,346)
Foreign debtors/ (Foreign creditors) - USD	+1	1,444,172	2,164,472
	-1	(1,444,172)	(2,164,472)
Foreign debtors/ (Foreign creditors) - EURO	+1	2,832,812	1,710,609
	-1	(2,832,812)	(1,710,609)

(ii) Other price risk

Other price risk represents 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) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity and equity price risk.

**(iii) Interest rate risk**

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk arises from the possibility that changes in interest rate will affect the fair value or future cash flows of financial instruments. The Company is exposed to interest rate risk for loans obtained from the financial institutions and liabilities against assets subject to finance lease, which have been disclosed in the relevant note to the financial statements.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2017	2016
	Rupees	Rupees
Floating rate instruments:		
Long term financing	1,409,397,668	996,771,196
Liabilities against assets subject to finance lease	151,663,443	187,948,616
Short term borrowings	4,630,449,622	3,723,832,438
	<u>6,191,510,733</u>	<u>4,908,552,250</u>

Cash flow sensitivity analysis for variable rate instruments

The following analysis demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's profit before tax. This analysis is prepared assuming the amounts of floating rate instruments outstanding at balance sheet dates were outstanding for the whole year.

	Changes in Interest Rate	Effects on Profit Before Tax
	Percent	Rupees
2017	+1	61,915,107
	-1	(61,915,107)
2016	+1	49,085,523
	-1	(49,085,523)

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2017 Rupees	2016 Rupees
Long term deposits	19,964,167	19,764,167
Trade debts	1,542,489,734	654,343,341
Loans	150,000,000	-
Trade deposits	9,322,679	65,569,243
Interest accrued	2,000,000	-
Derivative financial asset	-	131,843,712
Other receivables	59,303,981	18,897,275
Bank balances	101,991,234	83,890,401
	<u>1,885,071,795</u>	<u>974,308,139</u>

The age of trade debts at balance sheet date was:

	2017		2016	
	Foreign	Local	Foreign	Local
Age analysis of trade debts:				
Neither past due nor impaired				
0 to 3 Months (0 - 90 days)	1,493,107,402	21,204,390	1,630,934,727	28,314,970
4 to 6 Months (91 - 180 days)	28,586,432	9,551,199	153,818,790	23,314,138
Past due but not impaired				
7-12 Months	-	18,527,012	-	24,942,790
Over 12 Months	-	28,926,445	-	-
	<u>1,521,693,834</u>	<u>78,209,046</u>	<u>1,784,753,517</u>	<u>76,571,898</u>
Age analysis of trade debts from associated undertaking:				
Neither past due nor impaired				
0 - 90 days	753,666,343	10,964,278	672,479,099	12,444,874
91 - 180 days	15,288,965	6,588,116	133,094,267	17,177,956
Past due but not impaired:				
7-12 Months	-	17,790,271	-	24,369,289
Over 12 Months	-	22,157,882	-	-
	<u>768,955,308</u>	<u>57,500,547</u>	<u>805,573,366</u>	<u>53,992,119</u>

31.



The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate. The table below shows the bank balances held with some major counterparties at the balance sheet date:

Banks:	Rating			2017 Rupees	2016 Rupees
	Short term	Long term	Agency		
Bank Alfalah Ltd	A-1+	AA+	JCR-VIS	523,637	198,608
Bank Of Khyber	A-1	A	JCR-VIS	1,756,057	23,007,259
Bank Of Punjab	A1+	AA	PACRA	728,512	121,697
Dubai Islamic Bank	A-1	AA-	JCR-VIS	5,696	5,696
Faysal Bank	A-1+	AA	JCR-VIS	94,318	94,018
First Women Bank Ltd.	A2	A-	PACRA	242,992	223,156
Habib Bank Ltd	A-1+	AAA	JCR-VIS	10,444,343	14,739,633
Mcb Bank Ltd	A1+	AAA	PACRA	4,603,326	1,336,316
Meezan Bank	A-1+	AA	JCR-VIS	357,358	27,029
National Bank Of Pakistan	A-1+	AAA	JCR-VIS	60,271,960	36,240,326
Nib Bank Limited (MCB)	A1+	AAA	PACRA	19,924,166	-
Silk Bank Limited	A-2	A-	JCR-VIS	50,000	-
Standard Chartered Bank	A1+	AAA	PACRA	-	1,075,858
United Bank Ltd	A-1+	AAA	JCR-VIS	1,503,565	6,445,312
Waseela Microfinance Bank	A2	A-	PACRA	1,485,304	375,493
				101,991,234	83,890,401

Credit quality of a customers is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit. Due to the Company's long standing business relationships with these counterparties along with their individual credit worthiness and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company.

T.M.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

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 stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Company has unused borrowing limits available as referred in note 27. Furthermore available cash and bank balances are sufficient to meet any liquidity issues.

The table below analysis the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years
	(Rupees)			
30 June 2017				
Long term financing	1,409,397,668	1,511,259,303	369,069,448	1,142,189,855
Liabilities against assets subject to finance lease	151,663,443	169,449,713	83,274,346	86,175,367
Trade deposits	35,591,781	35,591,781	5,192,852	30,398,929
Trade and other payables	1,711,343,987	1,711,343,987	1,711,343,987	-
Interest accrued on loans	58,991,158	58,991,158	58,991,158	-
Derivative financial liability	29,143,709	29,143,709	29,143,709	-
Short term bank borrowings	4,637,849,622	4,637,849,622	4,637,849,622	-
Total financial liabilities	8,033,981,368	8,153,629,273	6,894,865,122	1,258,764,151
30 June 2016				
Long term financing	996,771,196	1,083,049,953	321,133,215	761,916,738
Liabilities against assets subject to finance lease	217,618,762	217,618,762	83,274,346	134,344,416
Trade deposits	20,072,416	20,072,416	-	20,072,416
Trade and other payables	891,815,020	891,815,020	891,815,020	-
Interest accrued on loans	54,494,592	54,494,592	54,494,592	-
Short term bank borrowings	3,734,232,438	3,734,232,438	3,734,232,438	-
Total financial liabilities	5,915,004,424	6,001,283,181	5,084,949,611	916,333,570

The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup rates effective as at 30 June of respective year. The rates of mark up have been disclosed in respective notes to the financial statements.



**43. Fair value of financial instruments**

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

43.1 Financial instruments by categories

	2017		
	Financial asset at fair value through profit or loss	Cash and cash equivalents	Loans and receivables
	-----Rupees-----		
Long term deposits	-	-	19,964,167
Trade debts	-	-	1,599,902,880
Loans	-	-	150,000,000
Short term deposits	-	-	9,322,679
Interest accrued	-	-	2,000,000
Other receivables	-	-	59,303,981
Cash and bank balances	-	107,883,502	-
	-	107,883,502	1,840,493,707
	=====		
	2016		
	Financial asset at fair value through profit or loss	Cash and cash equivalents	Loans and receivables
	-----Rupees-----		
Long term deposits	-	-	19,764,167
Trade debts	-	-	1,861,325,415
Short term deposits	-	-	65,569,243
Derivative financial asset	131,843,712	-	-
Other receivables	-	-	18,897,275
Cash and bank balances	-	110,663,408	-
	131,843,712	110,663,408	1,965,556,100
	=====		

Liabilities as at balance sheet date	Financial liability at amortized cost	
	2017	2016
	-----Rupees-----	
Long term financing	1,409,397,668	996,771,196
Liabilities against assets subject to finance lease	151,663,443	217,618,762
Trade deposits	35,591,781	20,072,416
Trade and other payables	1,711,343,987	891,815,020
Interest accrued on loans	58,991,158	54,494,592
Short term bank borrowings	4,637,849,622	3,734,232,438
	<u>8,004,837,659</u>	<u>5,915,004,424</u>

43.2 Level of Fair value Modelling

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair values are observable either, directly or indirectly.

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The carrying values of all financial assets and liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

As at 30 June 2017, the Company held the following financial instruments measured at fair value:

Financial liabilities measured at fair value	Rupees-----		
	2017	Level 1	Level 2 Level 3
Derivative financial liability	-	-	29,143,709



As at 30 June 2016, the Company held the following financial instruments measured at fair value:

Financial Assets measured at fair value	2016	Level 1	Level 2	Level 3
Derivative financial asset	-	-	131,843,712	-

There were no material transfer in current and prior year between level 1, 2 and 3 of the financial instruments stated above.

43.3 Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, or issue new shares in the form of bonus or right. No changes were made in the objectives, policies or processes during the year ended 30 June 2017 from last year.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The company includes net debt, interest bearing loans and borrowings, less cash and cash equivalents. Capital includes accumulated losses and equity attributable to the equity holders.

	Note	2017	2016
		Rupees	Rupees
Long term financing	21	1,409,397,668	996,771,196
Short term borrowings	27	4,637,849,622	3,734,232,438
Debt		6,047,247,290	4,731,003,634
Equity		4,570,556,893	4,052,954,953
Capital and debt		10,617,804,183	8,783,958,587
Gearing ratio		57.0%	53.9%

The Company expects that based on contracts in hand, it will be able to generate profits and accordingly will result in healthy gearing.

31,

44. PLANT CAPACITY AND ACTUAL PRODUCTION**Processing**

Installed capacity	72,000,000	72,000,000
Capacity utilized	64,000,000	65,000,000
Number of shifts worked per day	3	3

Stitching

The capacity of this division is indeterminable due to multi product plants involving varying processes of manufacturing and run length of order lots.

Reasons for shortfall

The actual production is planned to meet the market demand and orders in hand.

45. NUMBER OF EMPLOYEES

The number of employees at the year end were as follows:

	2017	2016
Number of employees at the end of the year	5543	4620
Average number of employees during the year	5128	4712

46. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on

06 NOV 2017

31.



Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising from various currency exposures, primarily with respect to various currencies. Currently, the Company's foreign exchange risk exposure is restricted to the amounts receivable from/payable to the foreign entities, bank balances and investments which are denominated in currency other than the functional currency of the Company. The Company's exposure to currency risk is significant, therefore, is hedged through forward rate agreements. The Company exposure to currency risk is as follows:

Particulars	Currency	2017		2016	
		F.Currency	Rupees	F.Currency	Rupees
Receivables					
Foreign debtors	US Dollar	9,183,565	962,377,045	12,346,971	1,290,258,482
	Euro	1,444,172	173,033,171	2,195,076	254,804,445
	Great British Pound	2,832,812	386,283,618	1,710,609	239,690,591
		13,460,549	1,521,693,834	16,252,656	1,784,753,518
Less:					
Foreign creditors	US Dollar	518,103	54,292,034	58,626	6,126,421
	Great British Pound	-	-	30,604	4,288,168
		518,103	54,292,034	89,230	10,414,589
		13,978,652	1,575,985,868	16,341,886	1,795,168,107
On Balance sheet Exposure					
Under letter of credit	US Dollar	4,167,139	436,674,496	5,838,382	610,110,889
Under letter of credit	Euro	121,551	14,561,810		
		4,288,690	451,236,306	5,838,382	610,110,889

51,

47. CORRESPONDING FIGURES

Corresponding figures have been re-arranged or reclassified wherever necessary, for better and fair presentation. However, no significant reclassification / rearrangement has been made except as follows:

<u>Restated / reclassification from</u>	<u>To</u>	<u>Note</u>	<u>Rupees</u>
Long term deposits	Liabilities against assets subject to finance lease		60,727,552
Long term deposits	Long term advances		1,613,629
Trade debts	Derivative financial assets		131,843,712
Advances, deposits, prepayment and other receivables	Loans and advances	12	37,580,517
Advances, deposits, prepayment and other receivables	Trade deposits and prepayments	13	69,816,138
Advances, deposits, prepayment and other receivables	Other receivables	16	18,897,275
Advances, deposits, prepayment and other receivables	Liabilities against assets subject to finance lease		1,529,900
Tax refunds due from the Government	Balances with statutory authorities	14	149,127,739
Trade & other payables	Long term deposits	23	20,072,416
Sales	Other Income	35	131,843,712
Sales	Other Income	35	31,886,809

48. GENERAL

Figures have been rounded off to the nearest rupee, unless otherwise stated.

71.


CHIEF EXECUTIVE OFFICER


DIRECTOR

Glossary of Terms

AGM	Annual General Meeting
AFS	Available For Sale
Board	Board of Directors
BOD	Board of Directors
BCP	Business Continuity Plan
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
CSRCP	Corporate Social Responsibility Centre Pakistan
EBIT	Earnings before Interest and Taxation
EBITDA	Earnings before Interest, Taxation, Depreciation and Amortization
EHS	Environment, Health, and Safety
EO	Entrepreneurs' Organization
EPS	Earnings per Share
ERP	Enterprise Resource Planning
FESCO	Faisalabad Electric Supply Company
FGCC	Faisalabad Garment City Company
FTR	Final Taxation Regime
FFO	Funds from Operations (FFO)
GHG	Green House Gas
GSP	Generalised Scheme of Preferences
GP	Gross Profit
GRI	Global Reporting Initiative
HR	Human Resource
HR & R	Human Resource and Remuneration
IAS	International Accounting Standards
IASB	International Accounting Standards Board
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost and Management Accountants of Pakistan
IFRS	International Financial Reporting Standards
IR	Integrated Reporting
IT	Information Technology
JCR	Japan Credit Rating
KIBOR	Karachi Interbank Offer Rate
NP	Net Profit
NRV	Net Realizable Value
ODS	Ozone Depletion Substance
PIFFC	Pakistan International Freight Forwarders Council
PIPFA	Pakistan Institute of Public Finance Accountants
PR	Public Relations
PSDF	Punjab Skill Development Fund
ROA	Return on Asset
ROE	Return on equity
SECP	Securities and Exchange Commission of Pakistan
SOP	Standard Operating Procedure
TUF	Technology Up gradation Fund
UNGC	United Nations Global Compact
YEOP	Young Entrepreneurs Organization Pakistan
YPO	Young President Organization



QUALITY

RELIABILITY

EXCELLENCE

ETHICS

if undelivered please return to:

Sadaqat Limited

Sahianwala Road, Khurrianwala, Faisalabad 37630 Pakistan

UAN: +92 41 111 010 111, Fax: +92 41 8507511-12

✉ sadaqat.limited@sadaqatgroup.net

🌐 www.sadaqatgroup.net

