

“BETTER
ENVIRONMENT
BETTER
TOMORROW”

SUSTAINABILITY
PERFORMANCE

GOVERNANCE

OUTLOOK

REPORT
2018

PERFORMANCE
AND POSITION

STRIVING
EXCELLENCE

“EMBEDDING SUSTAINABILITY
CREATING VALUE”

TRULY INTEGRATED

if undelivered please return to:

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ORGANIZATIONAL OVERVIEW
AND EXTERNAL ENVIRONMENT

FINANCIAL
STATEMENT

STRATEGY AND
RESOURCE ALLOCATION

RISK AND
OPPORTUNITY

MAJOR EVENTS

PERFORMANCE
AT A GLANCE



About The Cover

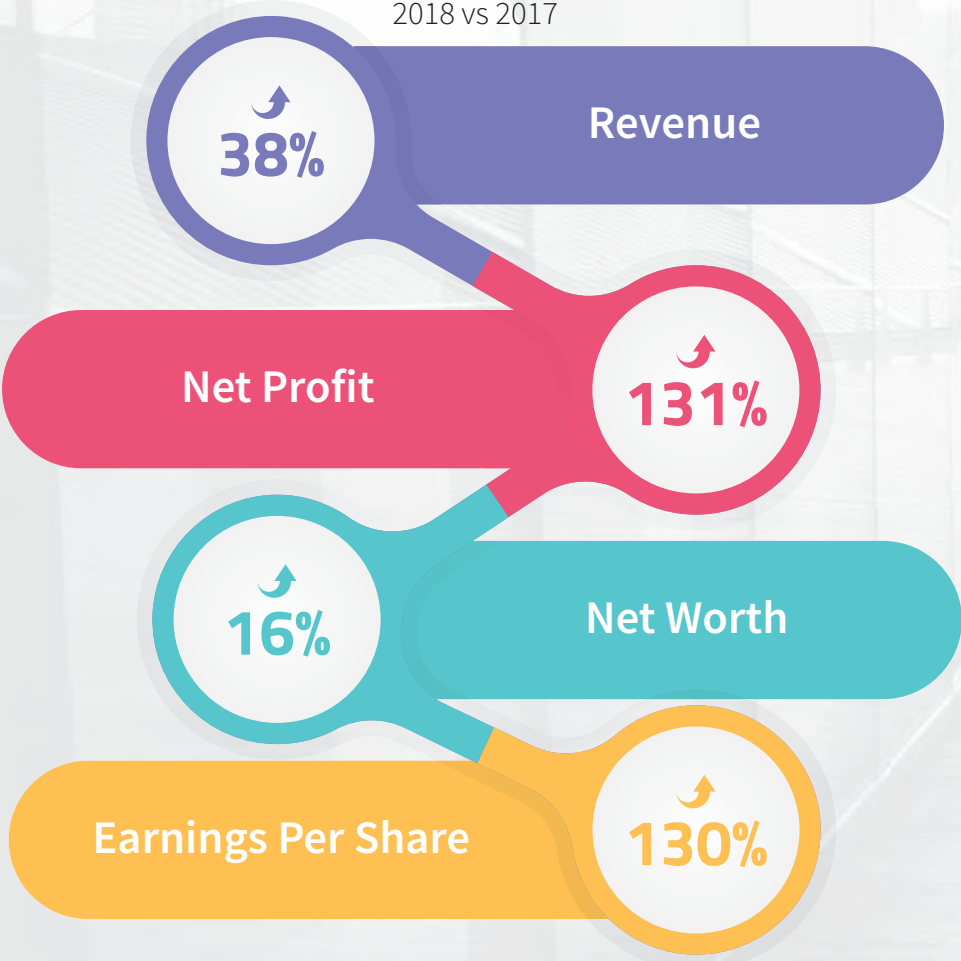
The splash of colors in the cover represent economic, social and environmental impacts of entity's operations however the correctly combined jigsaw represents how the entity has truly integrated and interlinked the information with transparency so as to provide its investors with accurate information they need to make more effective capital allocation decisions as well as shows provision of relevant information for its other stakeholders.

The text in the jigsaw blocks represent entity's values as well as the areas addressed in the report giving the users the idea of overall report at prima facie.



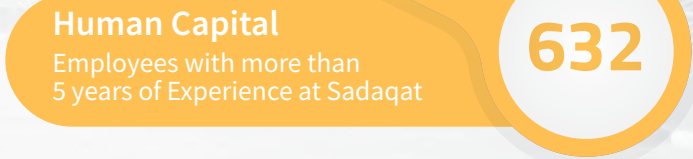
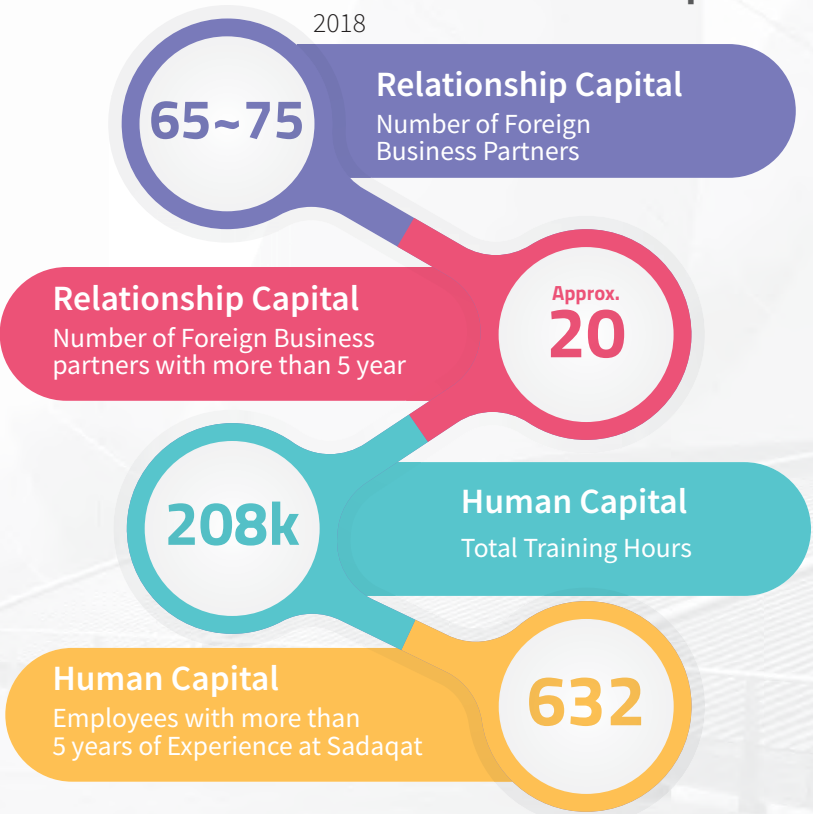
Performance at a Glance

Monetized Capital 2018 vs 2017

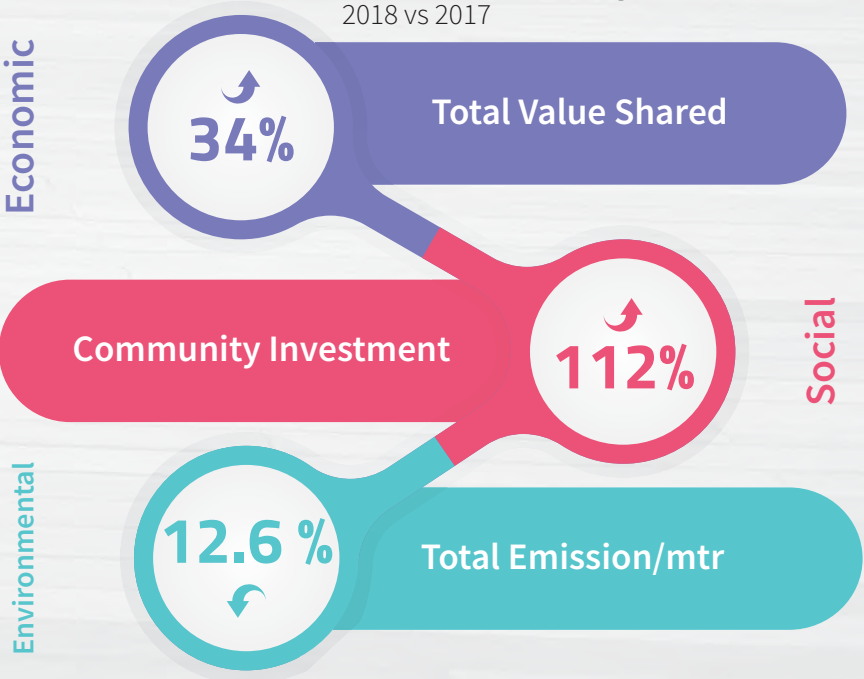


This Integrated Report provides information relating to both monetised capital and non- monetised capitals while providing in-depth assessment of the capitals and their value to the organization and its stakeholders.

Non-Monetized Capital 2018



Sustainability Related 2018 vs 2017





CALENDAR OF MAJOR EVENTS

2017 AUG 01 Awarded 2 nd Position at The Best Corporate and Sustainability Report 2016 Awards	2017 SEP 02 Awarded ICAEW Authorized Training Employer Status	2017 OCT/NOV 03 Quarterly & Annual Meeting of Board of Directors	2017 NOV 04 Annual General Meeting (AGM) of members
2017 DEC 05 Passed Audit of “SteP by OEKO-TEX” with Level 3 Ranking	2018 JAN 06 Quarterly Meeting of Board of Directors	2018 JAN 07 Award from National Forum of Environment & Health for Corporate Social Responsibility	2018 FEB 08 Living the UN Global Compact Business Sustainability Award 2017 (2nd Prize)
2018 MAR 09 Industrial Visit of ACCA Students at Sadaqat Limited	2018 APR 10 Incorporation of Sadaqat Toastmasters Corporate Club	2018 APR 11 Celebrated Health and Safety Day	2018 APR 12 Initiated Monthly Employees Support Package
2018 APR 13 Quarterly meeting of Board of Directors	2018 APR 14 13 th EFP Best Practices Award on Occupational Health and safety	2018 MAY 15 Fire Drills	2018 JUN 16 Garments Segment Introduced
2018 JUN 17 Plantation Activity	2018 JUN 18 Environmental day Celebrated	2018 AUG 19 ★ 3 rd Best Corporate Report Award 4 th Best Sustainability Report Awards (FY-2017)	2018 NOV 20 ★ Awarded Certificate of Appreciation for substantial reduction in carbon emission during FY 2017-18 under the WWF Green Office Initiative.

★ Note: Subsequent event related to FY-2018.

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Organizational Overview & External Environment

Sadaqat Limited has emerged as a premium exporter of textile products across the globe consistently producing quality products and achieving high levels of customer satisfaction. It has always opted for state of art technologies for better efficiencies and majorly procures from local vendors which also contributes toward country's economy.

Sadaqat Limited has been able to achieve PKR 15 Billion turnover in FY-2018 to cement its position among largest & finest exporters of home textiles. The organization has also reduced its carbon footprints and contributed towards greener and sustainable environment.

Company Profile



Company Overview

More than half a century of enriched experience and enchanting spectrum of home textiles have earned Sadaqat Limited numerous patrons 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.

MISSION

Our mission is to satisfy customers by exceeding their expectations in terms of quality, service and commitment. By surpassing industry standards, we aim to be recognized as the benchmark to which our competitors aspire.

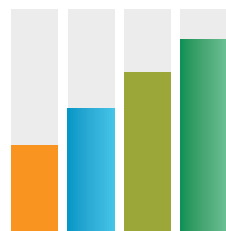
VISION

One That Becomes Standard For Others



FIGURES (PKR)

Sales Revenue = 15 Billion
Equity = 7.8 Billion
Total Debt = 6.9 Billion
Total Capitalization = 8.6 Billion



OUR LOCATIONS

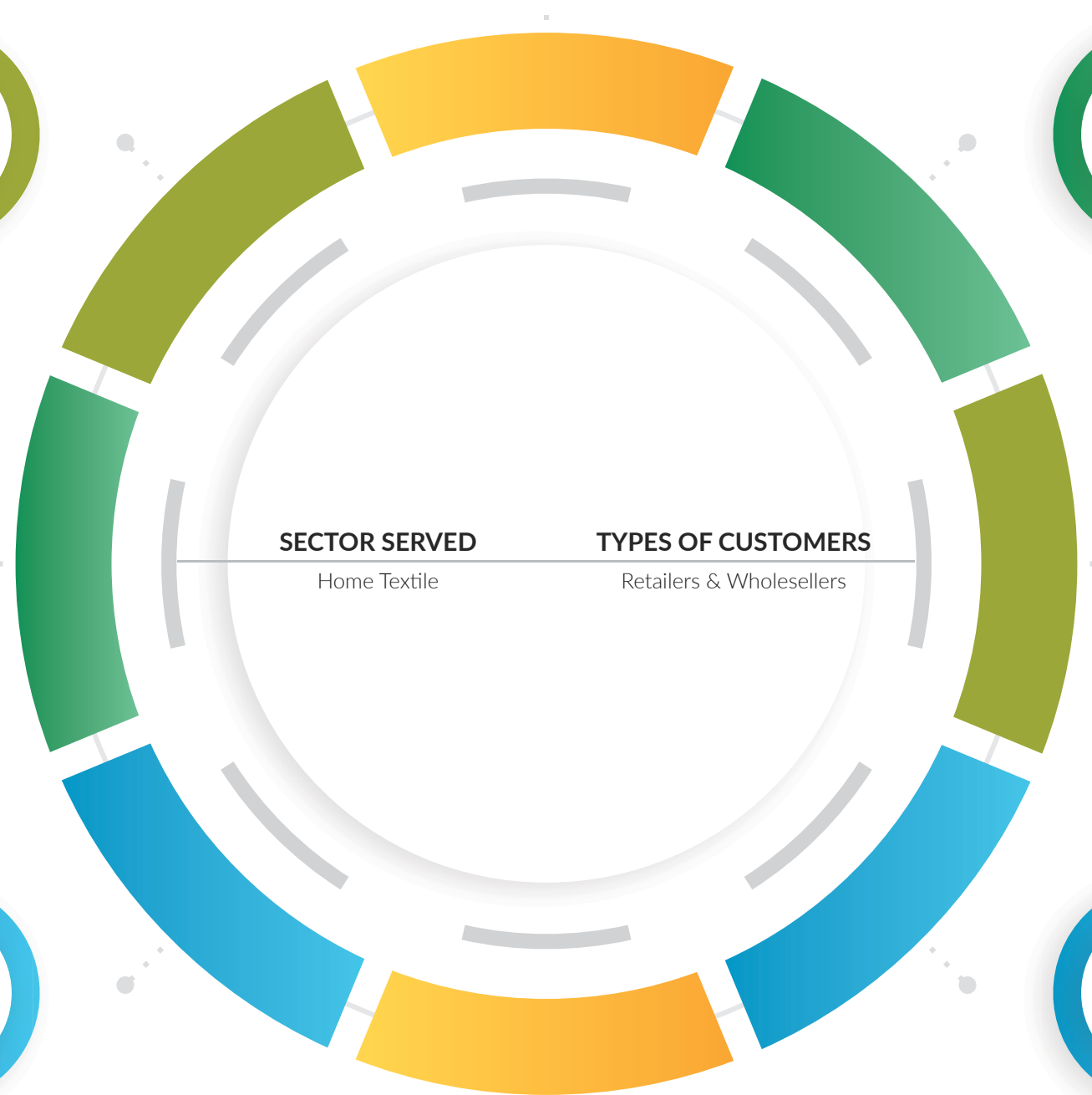
Production Facility: Khurrianwala, Faisalabad
Customer Markets: Europe, UK, USA, ASIA, Middle East, South Africa, Australia and New Zealand

BUSINESS VALUES

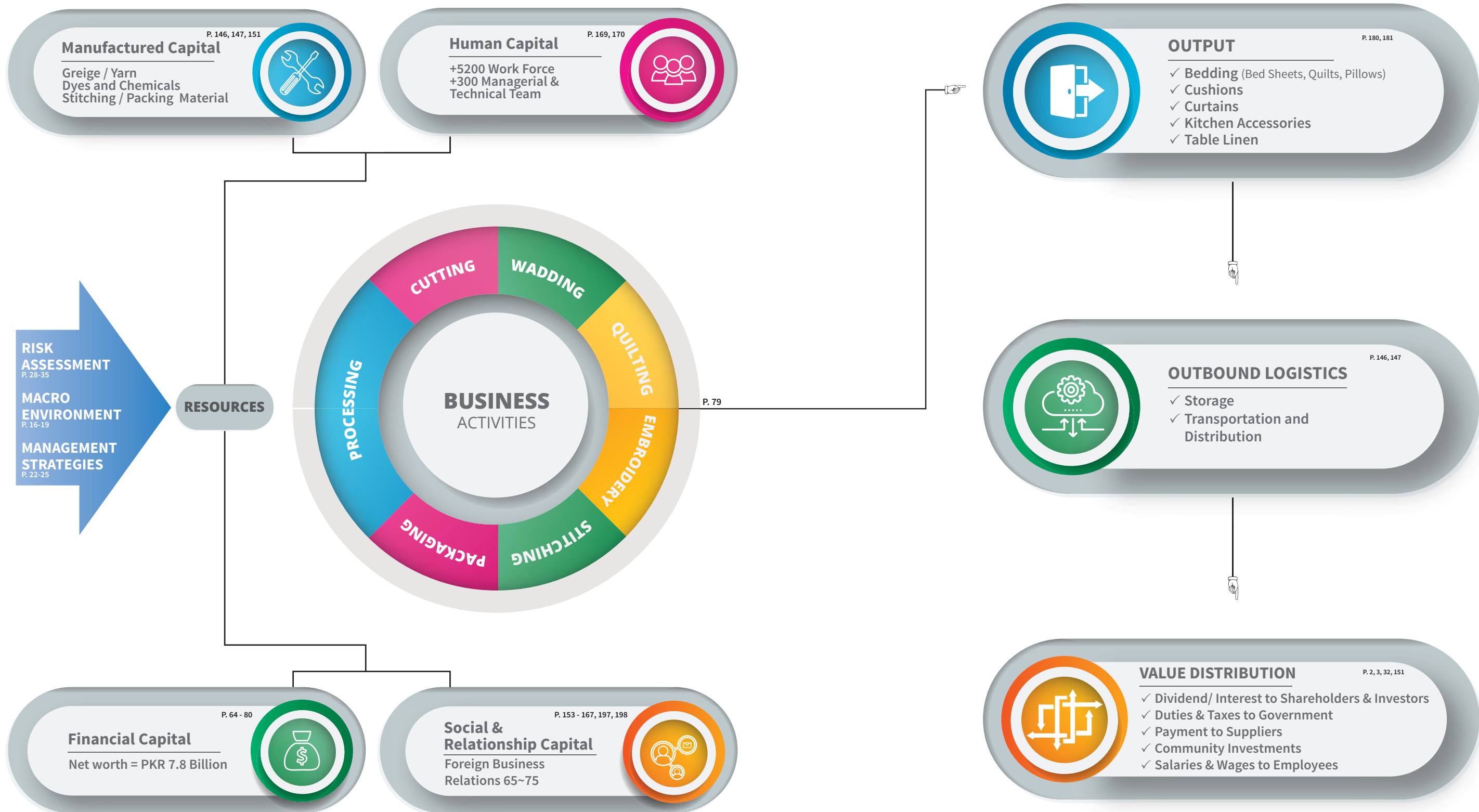
Integrity
Innovation
Diversity
Trust
Sustainability

ACHIEVEMENTS / AWARDS

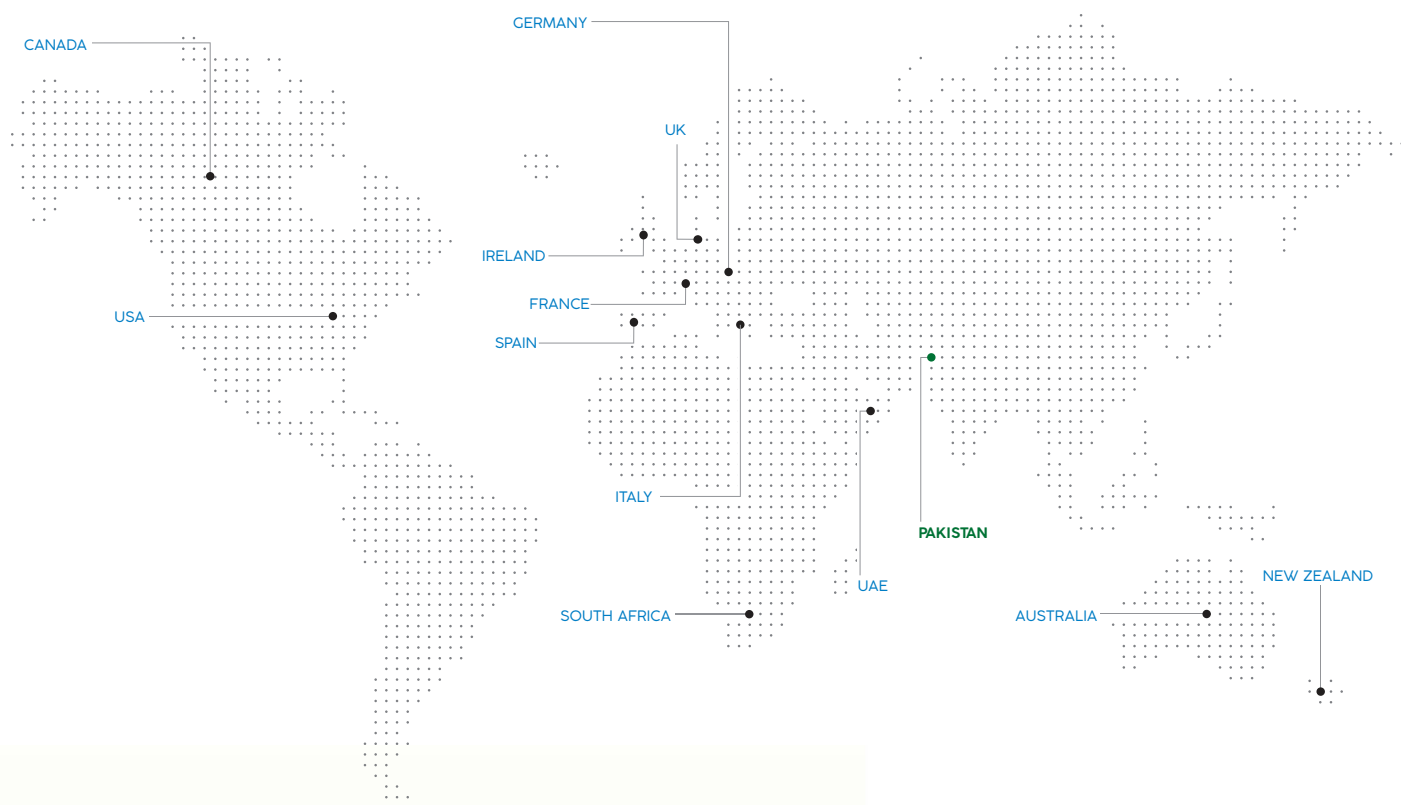
13th EFP Best Practices Award on Occupational Health and safety.
Living the UN Global Compact Business Sustainability Award 2017.
3rd position in Annual Report 2017.
4th position in Sustainability Report 2017.
CTPAT Score 100%.



Business Model



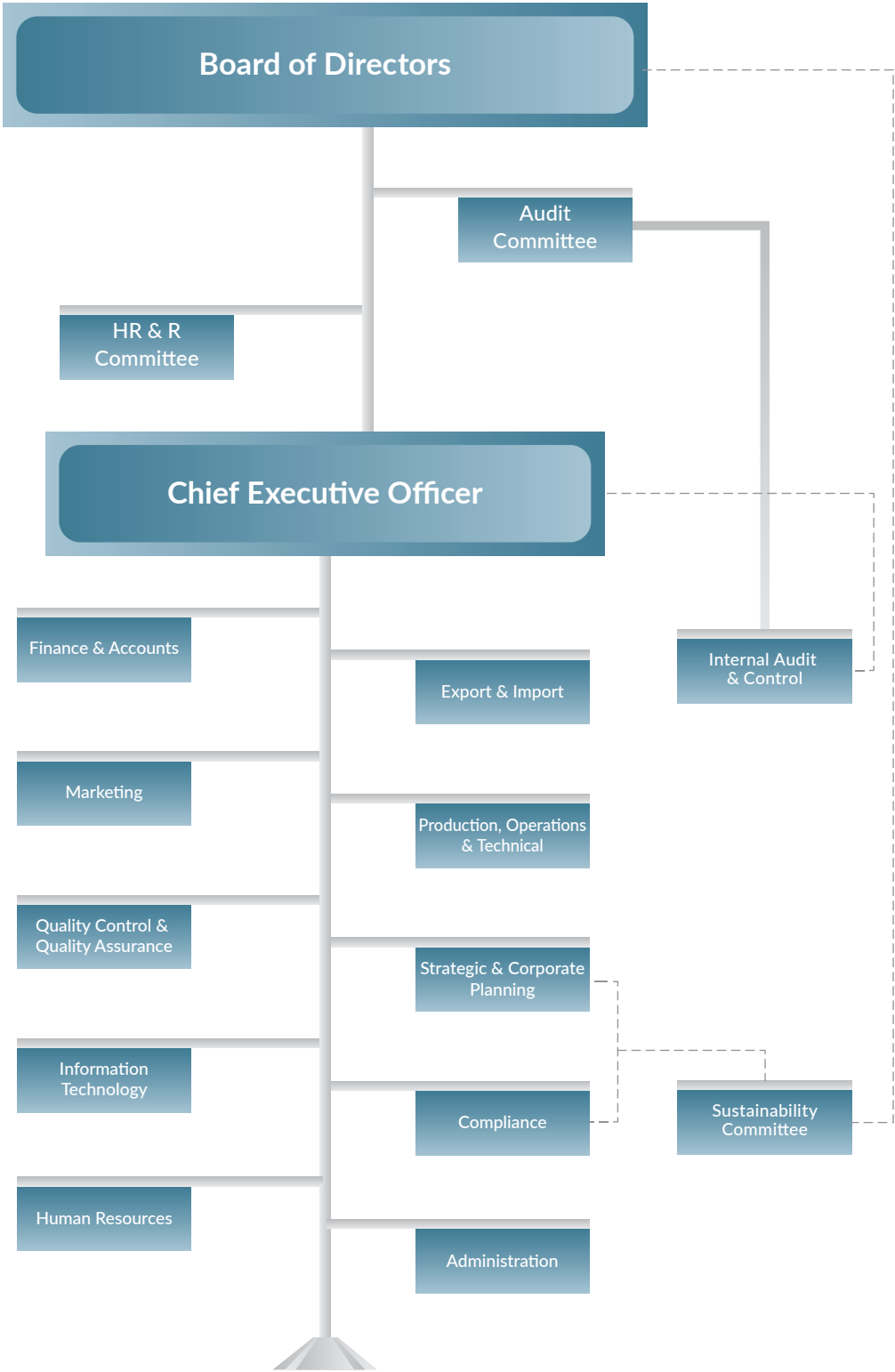
Global Presence



Regions

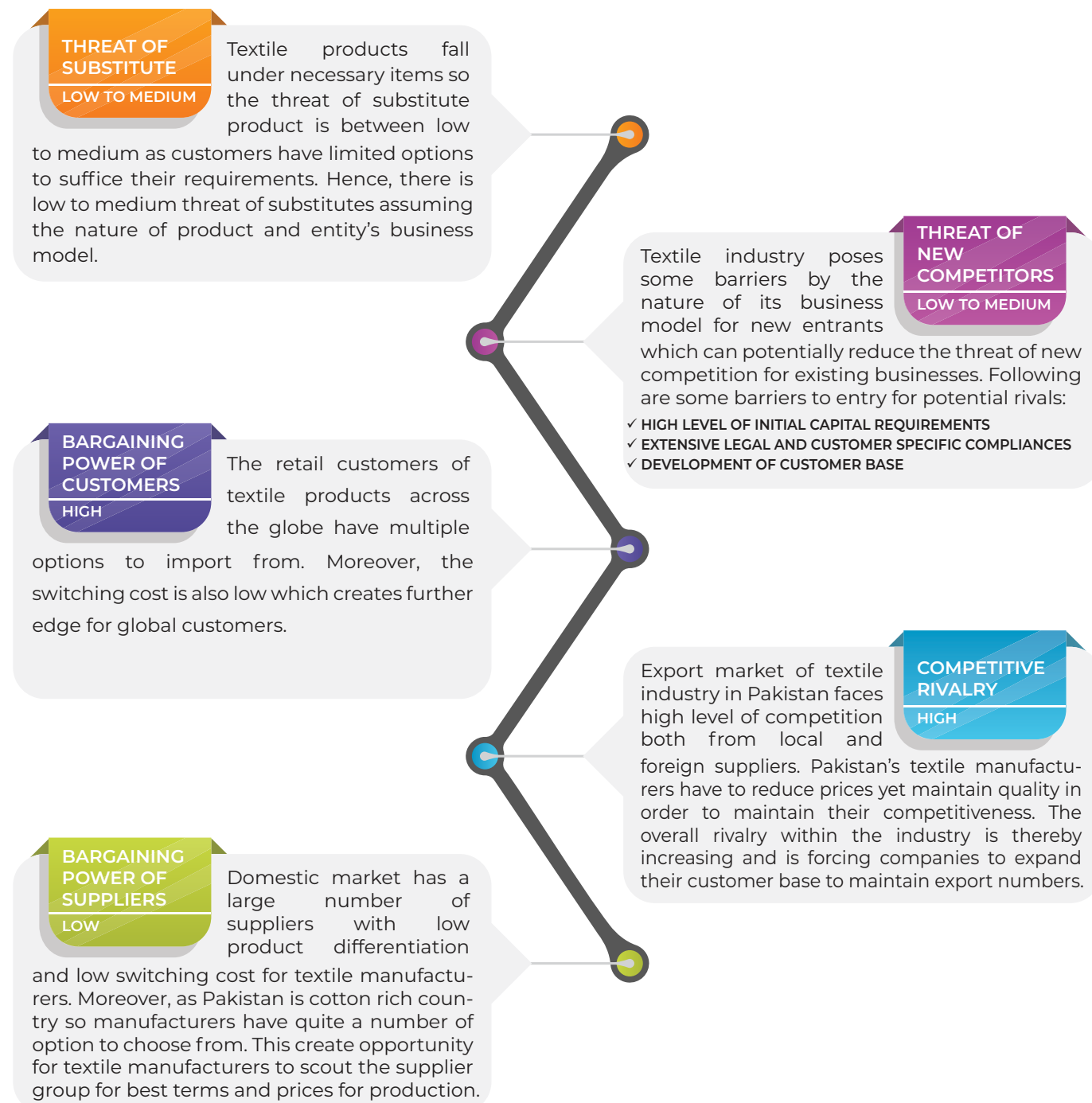
Europe (including UK), USA, ASIA, Middle East, South Africa, Australia & New Zealand

Organogram



MACRO Environment

PORTER'S FIVE FORCES



Seasonality of Business

Sadaqat Limited's business gets a boost during international festivals including Easter, Christmas and Halloween. Last four months of each calendar year are usually marked as peak period in term of exports, however, sales are slightly lower after above mentioned season as compared to peak period.

Composition of Local and Imported Material

Sadaqat Limited is among the leading exporter of textile products and has a strong customer base spread across the globe. Our major raw material comprises of greige/ yarn and dyes/chemicals which we procure both locally and also import from foreign markets. Our imports are around 18% of total raw material while remaining 82% is purchased from local suppliers.

Sensitivity to Exchange Rate Fluctuation

The Company is affected to certain extent owing to fluctuations in foreign currency exchange rates. Around 18% of imported raw material cost of the entity is exposed to variations in foreign currency. Keeping all other variables constant, 5% variation in exchange rates has respective impact of around 3.6% on gross profit margin due to increase/decrease in raw material cost. However, export sales are directly impacted as a result of change in exchange rate.

Significant Change from Prior Year

There is no significant change regarding the information disclosed in this section however the management has reconsidered and updated its business values in order to reflect current priorities and circumstances.

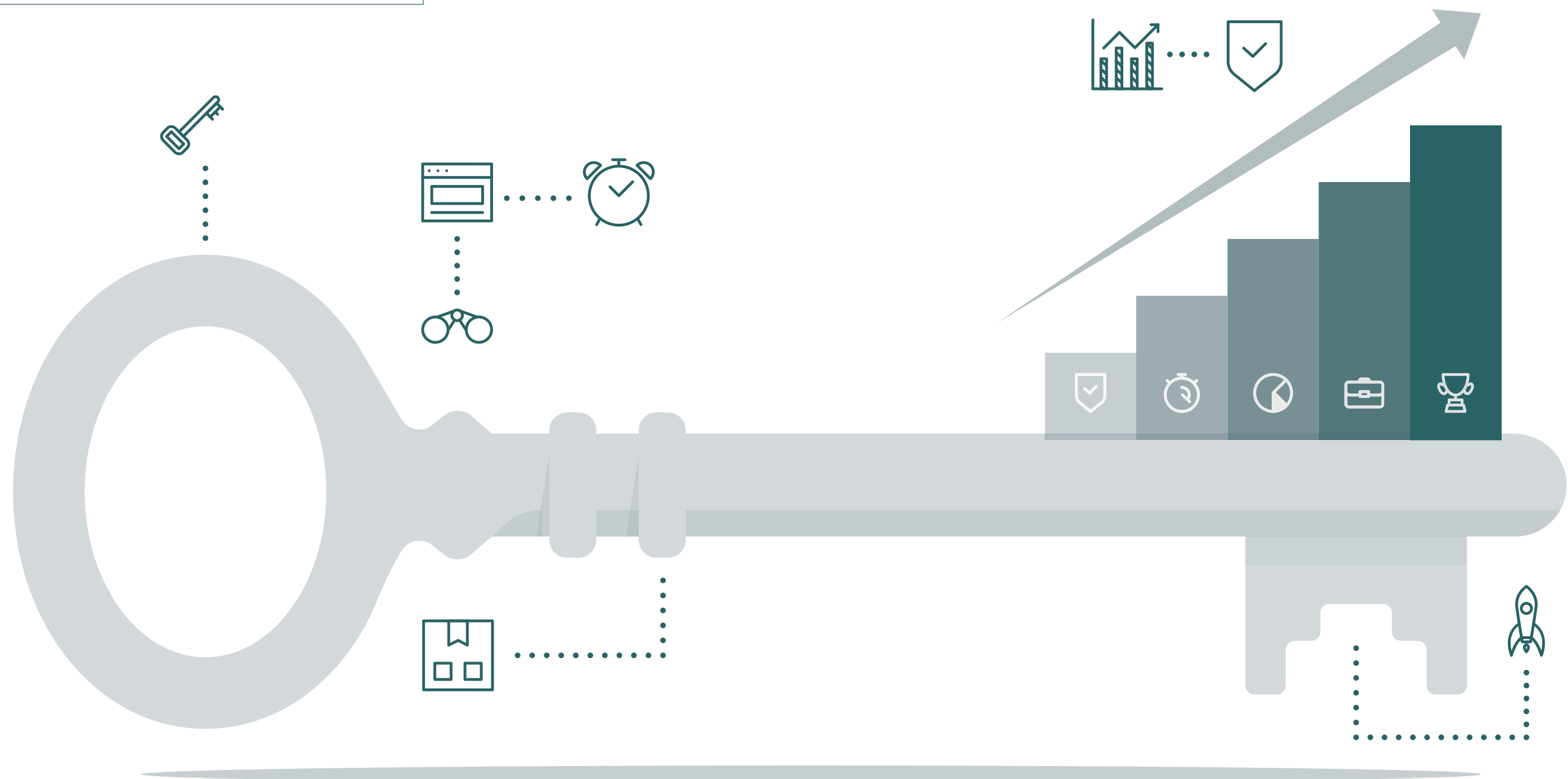
PESTLE ANALYSIS

Factor	P	E	S
	Political	Economic	Social
Description	Political environment of Pakistan has remained a bit uneasy during last few years and somehow posed challenges for overall industry.	Economic circumstances of country affect all industries that exist in that market. Interest costs, inflation and foreign currency changes mainly impacts the profit margins and pricing strategy of businesses.	Changes in fashion trends and cultures keeps the business environment as dynamic and manufacturers need to be aware of and cope with same. Moreover, increasing CSR awareness, provision of improved health and safety environment and compliance requirements from customers' keeps manufacturers and exporters engaged and active.
Impact	<div>✓ Minimum wage rate is low as compared to other countries which gives competitive edge in terms of lower production cost.</div> <div>✓ Challenges for industry in shape of regular supplies of gas, water and electricity. Rise in cost of energy resources also increase production costs.</div> <div>✓ Political haze and change in policies cause uncertainty in business environment</div>	<div>Interest rates Interest rates in Pakistan have increased by almost 30% which slightly squeezed profit margins of borrowing companies.</div> <div>Inflation rates Increased inflation rates during past few years led to threat of increase in cost of production.</div> <div>Exchange rate PKR depreciated by 15% ~ 20% against USD, GBP and Euro during FY-2018. This had positive impact on exporters in shape of exchange gains on trade receivables.</div>	Non-fulfillment/ non alignment with trends and requirements, negatively impact goodwill and brand image which eventually results in loss of potential or new customers.
Our Stance	We continuously monitor changes in policies and regulations for timely decision making. Our management rigorously follows up exports packages and reliefs offered to businesses and comply with exports regulations for smooth operations and business growth.	Sadaqat Limited has a dedicated treasury department to monitor the changes in exchange rates in foreign currencies and to develop risk minimization strategy. Our finance department continuously monitors and hedges the currency exchange rates and interest rates and plans its approach for upcoming period.	Sadaqat Limited actively takes part in social initiatives and work towards safe workplace environment. Moreover, entity has designer's teams in UK, USA, Australia & Pakistan to follow the local market trends and develop future designing plans. Our entity has also attained certifications to comply with health and safety regulations and maintain proper check for workplace safety.

T	L	E
Technological	Legal	Environmental
Technology is one of the most important factor today to stay competitive as the latest advancements provide improved productivity and new techniques of production.	Industries are faced with various laws and regulations. This includes statutory, corporate, legal, secretarial, taxation, export, environmental, health and safety laws and regulations.	There are number of laws and regulations regarding environmental stability and sustainable development. Further, there are strict requirements regarding treatment of waste water and regarding carbon emissions.
Companies under textile industry faces risk of technology obsolescence which may result in lagging behind competitors as advanced technology is coming and processes are becoming automated.	Owing to stringent check of regulations, businesses have to comply with all these applicable laws and regulations.	These compliances cause increase in environmental costs squeezing profits but contributing in improving global climate.
The Company prioritize the adoption of latest technology to enhance its operations and to attain competitive edge. Entity has modern machinery at its production facility. In addition to that, organization also has SAP ERP in place to allow real time environment.	Sadaqat Limited adheres with all the regulations and has no history of any material fine due to non-compliance. We develop our policies according to laws and keep our interactions with regulators to carry out participatory role in strategy making.	Sadaqat Limited adheres to all applicable laws and regulations and voluntarily takes initiatives to create long-term value for community and environment. The Company complies with EMS ISO 14001:2015 to follow with international rules on environmental protection. The Company also incurs significant environmental protection expenditures.

Strategy and Resource Allocation

The Board of Directors aim towards expansion and growth of Sadaqat Limited with generation of value for its stakeholders translated via their leadership, value and competitive edge. The management allocate resources effectively across all the areas to provide flexibility in executing our strategic objectives.



Strategic Objectives

In order to be the one that becomes standard for others, Sadaqat limited has defined its short, medium, long term strategic objectives as well as key performance indicators for each level of management aligned with its mission and vision. Moreover, strategies have been defined by board such as to ensure optimal utilization of human, financial, natural and intellectual resources to achieve those objectives.



Long Term Objectives

- Sustain industry leadership in its products.
- Optimum quality through process innovation and manufacturing proficiency.
- Regional, market and product diversification.
- Value creation for stakeholders.
- Responsible corporate citizenship.



Medium Term Objectives

- To acquire and implement state-of-the-art technology and techniques in order to enhance operational efficiencies.
- Train and develop human capital while providing a healthy working environment for employees.
- Create and achieve overall business synergies by maintaining operational efficiencies.



Short Term Objectives

- To achieve customer satisfaction by exceeding their expectations.
- Achievement of targeted monthly capacity utilization.
- Worker's on-job training in order to achieve cost minimization.
- Effective management of working capital.
- Achievement of periodic sales and profit targets.

Management Strategies

Our strategies, in line with our vision and mission pave way towards achievements of short, medium and long-term objectives.

The management is dedicated towards total cost management; focusing on reduction in production administration and finance costs to achieve healthier profits. The Company is advancing towards total automation by investing in and bringing state of the art technology. Management regards quality assurance as a core aspect of business and has procedures in place to ensure quality standards are met. The Company is focused on bringing diversification across regions and products with progression in online sales channels to generate higher sales and increased customer base.

Customers form part of Company's monetized capital hence their satisfaction is vital to its success. The Customer Relationship Management process (CRM) run by marketing and sales teams enables daily engagement with customers and helps in promptly responding to customer queries. Providing best quality and fulfilling demands on timely basis are the main strategies developed for customer satisfaction. Management has also taken step towards reduction in externalities of business.

The Company always seeks to achieve product innovation for which it has deployed latest technology and advanced manufacturing techniques in order to maximize overall efficiencies and provide customers with premium products in line with latest trends.

Expansion through entrance into new markets and products is a strategic decision that comes with high costs both in terms of capital expenditure as well as human capital requirements. Experienced management pool of Sadaqat Limited in the form of committees keeps eye on opportunities to invest and diversify its investments and risks, thus ensuring maximum value while increasing the global presence of the Company.

Our management constantly observes the business processes and look for ways to make the overall process lean and proficient. Industrial engineering department believe in the concept of lean manufacturing, total quality management and continuous improvement. Vertical integration is also under consideration to reduce risk of dependency and it can also result in maximum capacity utilization of manufactured capital.

Our vigilant finance department has been dedicated towards providing innovative & cost effective financing solutions. The major financing of the Company is under SBP refinancing schemes which reduce the risk arising through fluctuating base rate. Moreover, cash flow and working capital is managed by sufficient availability of short term working capital lines from multiple banks along with flexible payment terms with creditors.

Resource Allocation Plan

Effective and efficient planning for utilization of the available capitals leads to implementation of strategies in order to achieve the desired objectives aligned with Company's vision and mission.

The Company has developed resource allocation plan which is reviewed and updated in line with the corporate vision. The Company has established Industrial Engineering, Production Planning & Control (PPC) and Corporate Planning & Control (CPC) departments for effective development and implementation of resource allocation plan. These departments synergize their forces in order to optimize production capacity utilization, minimize wastages, adopt lean production techniques, introduce process engineering and undertake other measures in order to meet corporate objectives.

Financial Capital

In line with its business model and risk profile, the Company utilizes a mix of debt and equity in order to minimize its cost of capital as well as maintains its current and liquid ratio at optimal level to avoid surplus funds. The increase in working capital requirements each year are tagged with quantitative and numeric growth in business evident through the financial trend of past 6 years.

Further, the Company optimally avails the privilege of subsidized long and short term borrowing available to export oriented entities so as to effectively and efficiently manage its financial capital and the cost of financing.

Human Capital

The Company through its HR Committee periodically updates its HR policies and procedures to keep employee motivation intact which in turn results in optimal productivity and product quality as well.

Further, the entity assigns due value to its human capital and keeps on taking initiatives to build the capacity of its employees which in turn also benefits the employees as well as the organization along with contribution towards the economy in shape of skilled resources.

Manufactured Capital

Adhering to its expansion and concentric diversification plans, the entity keeps investing and has planned investment in infrastructure development in terms of land, building, plant and machinery to enhance production capacities and addition of new product segments within the umbrella of textile industry. The Company is also investing in automation to cut wastages of fabric dyes and chemicals and to eliminate redundant production processes while driving towards lean manufacturing. The Company ensures its resources are well utilized and not idle. The PPC and CPC department keeps eye on capacity utilization and addresses concerns, if any.

Social, Relationship and Nature Capital

The entity strives best to stay as socially responsible and to achieve this, it keeps care of its economic, social and environmental footprints. It engages itself in a number of social interactions through donations to health and educational institutes, support funds and packages for employees, training for employees, jobs for community and infrastructure development etc. The entity also puts effort to conserve natural resources by making investment resulting in energy and water conservation and maximum water consumption recycling and reuse. Further it also controls and monitors its GHG emissions. The entity has set targets to further curtail emission intensity and to consume water and energy resources. The overall management of social, natural and relationship capital keeps the organization socially responsible and sustainable in the long run.

Strategies To Manage Profitability & Liquidity And Entity's Corporate Plans & Decisions

The liquidity outlook of the Company is sound as both the current ratio (FY 2018 = 0.99:1; FY 2017 = 0.92:1) and the liquidity ratio (FY 2018 = 0.60:1; FY 2017 = 0.48:1) have improved as compared to last financial year reflecting the Company has sufficient current assets available to satisfy its total current liabilities even if they become due at once. In addition to the strengthened liquidity position, the interest coverage (FY 2018 = 3.78 times; FY 2017 = 2.31 times) and debt service coverage ratio (FY 2018 = 2.50 times; FY 2017 = 1.65 times) have gone quite safer than preceding financial year which reflects the Company is earning sufficient profits and generating sufficient cash flows from its operations to meet its debt principal and mark up obligations getting due upto next financial year.

Further, the entity's revenues and profits have gone up by 38% and 131% respectively in financial year 2018 as compared to last financial year and the entity projects to close financial year 2019 with a significant upward push in revenues as well as profitability which shall result from new segments introduced/ being introduced by the Company. The entity's confirmed export orders in hand for a certain number of upcoming months reflect that it shall not have problems of any fumbling sales or any operational losses.

The entity maintains strong business relationship with all its banks and investment companies and owing to the rising working capital needs, there are a number of financing facilities that have been approved and a number in pipeline awaiting approval from the banks which reflects it is not foreseen that the entity shall have any liquidity crunch or bumps as its operating under controlled financial environment.

In pursuit of its plans for business expansion, the Company made investment in building, plant and machinery targeted towards enhancement of production capacity and for routine balancing, modernization and replacement. The Company made investment in processing segment by adding calendaring machine, steam boiler, caustic recovery plant whereas stitching machines were also added to enhance overall stitching capacity.

The Company has also formulated its growth and business plan for the upcoming financial years in which it intends towards enhancement of its production capacities, investment in new projects including potential for backward integration, addition of new product lines and penetration into new market regions. For the planned investments, the Board of Directors are reviewing the proposal to obtain financing as well as making an initial public offer (IPO) in future in order to meet the financing requirements for the potential projects. Except for above decisions implemented and under consideration, there are no significant plans for any corporate restructuring or discontinuance of operations.

Further, the management regularly reviews its plans and strategies so as to keep them aligned with the mission and vision of the Company. The vision to become standard for others derives the entity in all aspects and a sustainable business creating value for stakeholders. There are no major changes in objectives and strategies from prior year.



Risks and Opportunities

Assessment of risks and opportunities associated with the entity and presence of mechanism to address those risks is essential for success of any organization. Our risk management procedures are designed to embed integrity in everything we do in our business, and we are committed to implement best practices of corporate governance. The uncertainties and risks that may have impact on the achievement of our corporate objectives are managed through risk management policies while opportunities are tapped into after cost and benefits analysis.

Risk Management



As seeking risk and creating value from opportunities is important to remain competitive and ensure sustainable success in dynamic environment, Sadaqat Limited through its Board of Directors and concerned committees considers and keeps an eye on both its internal and external environment and the risks associated to it. The management has adopted the approach to conduct business after analyzing short, medium, long term impact of risk and opportunities associated to it. In order to mitigate risks and capitalize opportunities, appropriate strategies are designed by the Board and its Audit Committee while necessary policies are drafted and aligned in accordance with corporate targets. Every risk faced and opportunity available with the Company is appropriately scored and weighted before any strategic decision is made. This risk management system allows capitalization of opportunities at the right time through utilization of human, intellectual and financial capital in alignment with designed policies and targets.

Managing risks and capitalizing opportunities are fundamental responsibilities of the Board hence in order to fulfil this obligation the Board and the Audit Committee continuously seek to refine its risk assessment and management process. In its risk management process, the Board identifies key risks, their tolerance level and their influences on organization's value creation in short, medium, long term and achievement of organizational goals. The Audit Committee has designed a Risk Control Matrix (RCM) where impact, likelihood and magnitude of each risk is narrated in detail along with the risk mitigation strategies. Such control matrix is discussed and updated on monthly basis and reviewed by board of directors on quarterly basis.

Business Continuity Planning (BCP)

In BCP, the management prioritizes critical business functions; allocate resources for monitoring those functions and the security measures that need to be taken to address the emergency situations. The company has devised a comprehensive plan and security arrangements for all factory sites for disaster recovery and business continuity. The company's BCP guides upon actions to be taken in the incident of crises and emergency situation.

The Company has developed effective firefighting system, insured all its physical assets including building, machinery, vehicles and inventory to cope with any unforeseen risks. To manage the database security risk, documented SOPs have been put in place as a part of BCP according to which monitoring of system is ensured and appropriate backup IT servers are established to prevent data loss.

BCP is reviewed and approved by board on annual basis. On the parallel, the Board also ensures whether BCP is kept up-to-date and employees are trained and well aware of their role in its implementation.

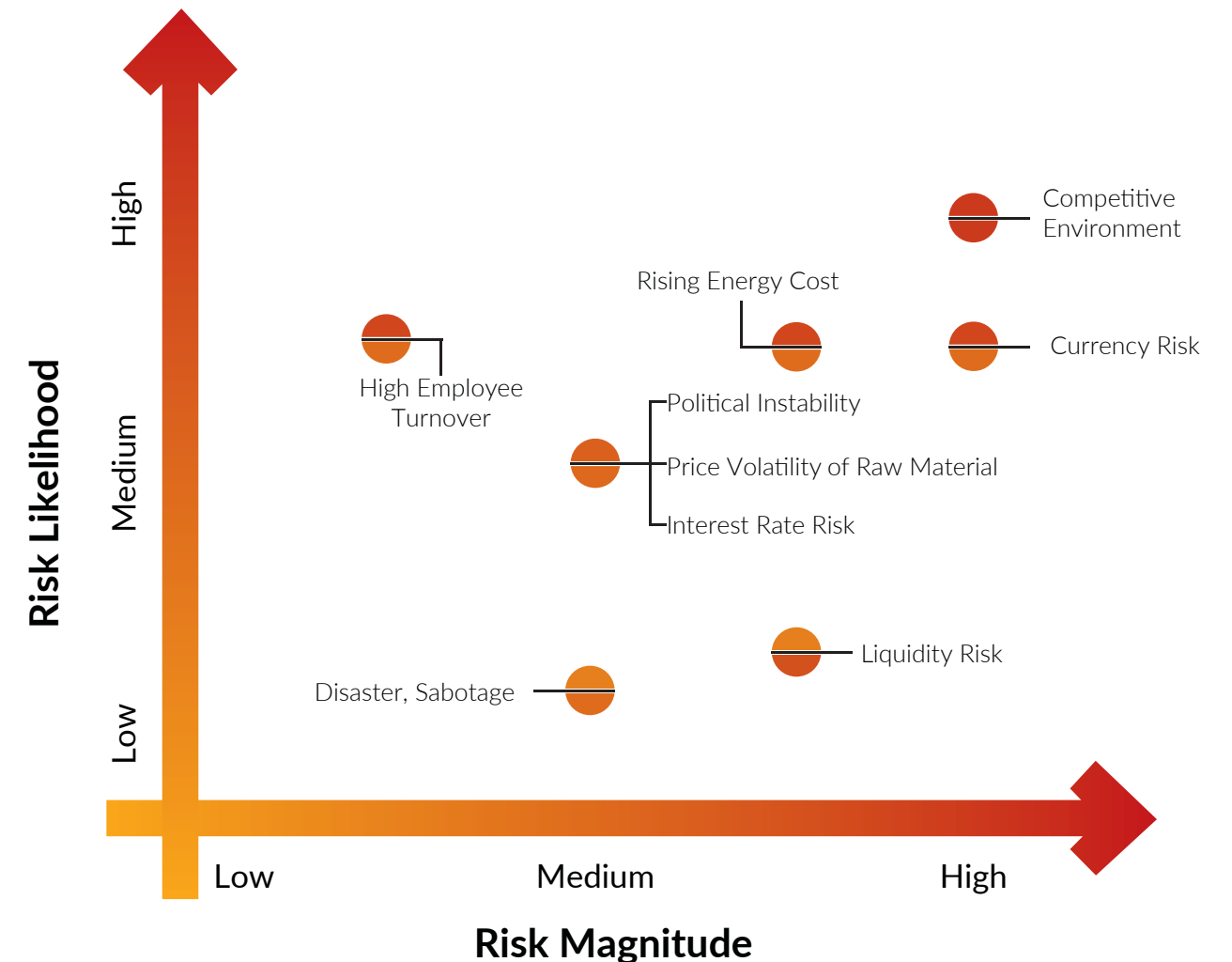
The management recognizes its duty to adhere with precautionary principles of Article 15 of RIO declarations. The management considers it as a significant matter and develops its updated policies towards risk management and also fulfil its responsibility towards operational planning and product development.

With an objective to continue as going concern, the Company is manages its capital structure in line with changes in global, economic and market conditions and overall risk appetite so that it can benefit its stakeholders and maintain a strong capital base to support the sustained development.

The Company manages its capital structure by monitoring the gearing ratio, equity multiplier, total liabilities to total assets ratio, mark up costs and return on net assets. Aligned with its capital structure of previous period, this year again the Company has been able to maintain its balanced capital structure with 46% of the total assets funded through equity investment, 49% through current liabilities whereas long term loans comprise only 5% of the total assets base.

There has been no default in payment of any debts whether short term or long term during the financial year 2018.

Risk Matrix



Principal Risks

Type	Risk	Source	Magnitude/ Likelihood	Impact Area	Possible Impact	Mitigating Strategy
Market Risk	Competitive Environment	External	5,5	Financial capital, Relationship capital	<ul style="list-style-type: none"> ✓ Low Profit Margins due to competitive pricing ✓ Sharing of of Customer base 	<ul style="list-style-type: none"> ✓ Satisfying customers by using product differentiation strategy by providing utmost quality products aligned with latest international trends. ✓ Investing in state of art technology to achieve cost competitiveness along with profit margin even at competitive price. ✓ Pursuing government to improve international ties with countries of export.
Operational Risk	Significant price volatility of raw materials due to local inflation and exchange rate fluctuations	External	3,3	Financial Capital, Manufactured Capital	Direct impact on profitability of the Company as raw material such as local and imported greige fabric, dyes and chemical form substantial part of cost of goods sold. Local currency depreciation makes imports expensive making it difficult to remain cost competitive as production cost increases.	<ul style="list-style-type: none"> ✓ Management look for alternative local and international sources for uninterrupted supply of raw materials. ✓ Effective inventory management by keeping it at optimal levels allowing reduction in storage cost as well as saving in cost of financing the working capital.
	Rising Energy Costs	External	4,4	Financial Capital	As a textile manufacturer energy cost is a significant portion of the overall cost of production. Any increase in energy cost directly impacts the profitability of the Company which may not be easy to pass on to the customers in at least short run.	<ul style="list-style-type: none"> ✓ The Company possess efficient productivity which help to reduce overall energy costs. ✓ The Company is fulfilling its energy requirement from number of sources such as Coal, Wapda, RLNG, Diesel and Solar hence having an adequate backup to adopt optimal mix in grid. Management has also nominated a dedicated team which look for optimal mix in order to manage energy costs.
Financial Risk	Interest Rate Risk	External	3,3	Financial Capital	Currently the Company has quite safe interest cover ratio however rising interest rate could slightly impede the financial health of the Company.	Management keep focusing towards availing optimal mix of financing majorly under SBP refinance scheme in order to mitigate risk arising through fluctuating base rate.
	Liquidity Risk	External/ Internal	4,2	Financial Capital	Any loss of grip over working capital management may lead to liquidity hurdles.	<ul style="list-style-type: none"> ✓ The Company has dedicated finance and corporate planning team looking after working capital in order to keep it at optimal levels including inventory and receivables management as well as management of creditors and short term finance.

Type	Risk	Source	Magnitude/ Likelihood	Impact Area	Possible Impact	Mitigating Strategy
	Exchange rate fluctuation risk	External	4,4	Financial Capital	Frequent fluctuation in currency exchange rates can potentially make it challenging for export/import oriented business to manage and absorb the transactional bumps.	✓ The Company possess a dedicated treasury desk and software solution to watch, predict and hedge the risk through booking at right window.
Human Capital Risk	High Employee Turnover	Internal	2,4	Human Capital	High employee turnover may end up with hurdles in finding skilled resources, increase in salaries and production costs.	<ul style="list-style-type: none"> ✓ Alignment of benefits and remuneration packages with the market and techniques to appropriate succession planning. ✓ In-house skill development and external training programs to keep employees motivated. ✓ Designed career paths for certain employee cadres showing stage wise growth based on time and performance.
Natural Risk	Natural disaster	External	3,1	Human Capital, Manufactured Capital, Financial Capital	Any natural disaster may halt production and lead to sudden capital needs for the re-building process.	<ul style="list-style-type: none"> ✓ The Company has implemented security management system, has well-established disaster recovery plan and data backup to cope with any unwarranted event along with the analysis of the preventive measures specific for site. ✓ It has also taken into consideration every possible aspect of safety measures during construction and erection of building and plant. ✓ Further, the Company has complete insurance cover in case of any catastrophic incident to enable company to restated at its position.
Political Risk	Political instability	External	3,3	Manufactured Capital, Financial Capital	Stable law and order situation in the Country improves the overall business performance, investor confidence, and also encourages export. However, political uncertainty may have unpleasant impact on business sustainability.	<ul style="list-style-type: none"> ✓ The Company believes in an open and transparent relationship with the government, regulators and other political stakeholders. Being among the top exporter of the country, the Company through its representatives, provide valuable suggestions to the regulators and political leaders. ✓ Management regularly monitor economic and legal impacts of Government policies and political actions over the Company as well over the textile industry at large in order to cope with them accordingly.

Opportunities

Type	Opportunity	Source	Impact on Capitals	Description	Capitalization Strategy
Market Opportunities	Increasing demand of home textiles in international market	External	Relationship Capital, Financial Capital.	Increasing world's population is also resulting in increasing demand for home textile products as well as need for textile products in international market hence creating an opportunity for the Company which may be capitalized to increase profitability and business share.	Management is creating regionally diversified customer base across the globe through its vigilant marketing teams which provide a sustainable growth to company's exports in the long run.
Human Capital Opportunities	Cheap and ample supply of labor	Internal/ External	Human Capital	Pakistan has one of the biggest manpower resources in the world. Moreover the labor is comparatively cheap and readily available.	Strategies are formed to utilize labor force in an optimal way which controls production costs without affecting rights of employees while abiding by related laws and regulations..
Technological Opportunities	Increasing trend towards e-commerce	Internal/ External	Financial Capital	There has been an increasing trend among people towards online purchases such as through e-commerce sites. This is creating an opportunity for businesses including Sadaqat Limited to expand their online segment.	The Company is directing its efforts towards expanding online sales on various online market places to sell throughout the world.
Economic Opportunities	Government incentives for exporters	External	Financial Capital	Government allows multiple incentives to exporters which includes; subsidized rates of financing, duty drawbacks, zero rating etc.	Dedicated team available to pursue, utilize and chase the benefits and rightful refunds made available by the government.



Governance

Corporate governance is a system of rules, practices and processes by which an entity is controlled and directed. We believe it is essential for an entity to balance the interests of its stakeholders that not only includes shareholders but management, customers, suppliers, banks, government and the community. Sadaqat Limited voluntarily adopts high standards of ethical business practices and fulfill its social obligations towards society along with achievement of financial objectives.

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 Ghori - FCMA

Chief Financial Officer

Hummayun Shahzad

Company Secretary

Muhammad Naseeb

Audit Committee

Awais Mukhtar (Chairman)
Imran Noormohmed (Member)
Shoaib Mukhtar (Member)
Zeshan Afzal
(Advisor to Audit Committee)

HR & R Committee

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

Bankers

National Bank of Pakistan
Habib Bank Limited
United Bank Limited
Askari Bank Limited
Standard Chartered Bank
Bank of Punjab
The Bank of Khyber
First Women Bank Limited
SAMBA Bank Limited

Legal Advisor

Siddiqui Bari Kasuri & Co.
179/180-A, Scotch Corner, Upper Mall, Lahore

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
Atlas Insurance
IGI General Insurance
The United Insurance
Century Insurance
Pak Qatar Insurance
UBL Insurance
Askari General Insurance

Company's Registered Office (Head Office)

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

Core Management Team

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 home textile 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 Director of Sadaqat Global Limited (an associated undertaking of Sadaqat Limited).

Mr. Khurram Mukhtar is serving / has served at the following positions on National and International platforms:

- National Platforms.
 - Chairman Pakistan Textile Exporters Association (PTEA)
 - Chairman Faisalabad Electric Supply Company (FESCO)
 - Former Chairman Khurrianwala Industrial Estate Association (KIEA)
 - Former Director Faisalabad Garment City Company (FGCC)
- International Platforms.
 - Member of Young President Organization (YPO)
 - Member of International Textile Manufacturers Federation Switzerland (ITMF)





Hamid Mukhtar
(Director)

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



Muhammad Ijaz
(Director)

Almost 40 years experience of export
documentation & banking operations



Awais Mukhtar
(Director)

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



Hummayun Shahzad
(Chief Financial Officer)

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



Shoaib Mukhtar
(Director)

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



Imran Noormohmed
(Non-Executive 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.



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

Former 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
He is also serving as:
CEO of Peshawar Zalmi & Peshawar Zalmi Foundation
Global CEO at Shahid Afridi Foundation
Chairman & Chief Visionary at StationeryX
President of TECH Pakistan
Founding President & MD C100 Think Tank
Founder and Chair, Think Ahead with ACCA entrepreneurial initiative

Review Report of Chairman



I am pleased to present before you the Company's financial and operational performance for FY 2018. This year we have mapped this complete report with Integrated Reporting framework of International Integrated Reporting Council (IIRC) which provided us a platform to present our performance and information in a more holistic manner and allowed us to communicate our value created and shared during the financial year.

Remarkable business growth of 38% in sales numbers established the company as a premier home textile brand and evidences further solidification of our market throughout the world. The net profitability margin also improved remarkably from 4.3% to 7.2% of sales despite that there were business challenges owing to the risks and uncertainties.

We are considering expansion through installation of our own circular knitting and processing lines and planning to expand in garments segment. The addition shall allow us concentric diversification and we shall be able to take benefit of the business synergies due to expansion within textile sector.

The Board is actively investing their energies towards strategic decision making and providing direction to management regarding ethically expanding and adding value towards all the stakeholders. The BOD has devised and approved its business plan for the upcoming financial years setting direction for Company's growth and future projects. The Board of Directors are also exploring the opportunity for initial public offer (IPO) for meeting their capital needs for expansion.

Good corporate governance has always been a priority of the Board and the assigned committees are performing their relevant role in reviewing and revamping corporate policies and procedures, and updating business risk inventory. The Board's Audit Committee ensures that sound systems of internal control is in place to safeguard entity's assets while the HR&R Committee reviews whether adequate HR policies and procedures are in place and recommends BOD for any changes in Board structure and provides advise related to succession planning at key positions.

Corporate Social Responsibility (CSR) is aligned with and integrated to our company's business model as we believe that it is one of the major success factors of the company. We support a wide range of efforts for education, global health, diversity, economic development and a sustainable change. Every year initiatives focused on community and the environment are taken in order to create value and protect the interests of stakeholders at large and we shall continue to operate sustainably through our established committees and performance teams.

Finally, I would like to thank Board of Directors for striving to set the right governance standards and enabling the Company to achieve its objectives. I greatly hope that the Company maintains its velocity of sustainable business growth as well as create value for its stakeholders.

Mr. Mukhtar Ahmed
(Chairman)

Note: In FY-2019, the Company has planned to take on board three (03) independent directors including one female director.

Message from the CEO

Sadaqat Limited is on a road towards success and brighter horizons. In FY 2018, the Company has performed outstandingly well while achieving new growth milestones in sales and net profit. Our profitability, liquidity, investment and asset turnover ratios have considerably improved during the financial year.



Country's political challenges, unpredictable market situation, stiff global competition and dramatic foreign currency fluctuations tested our agility, resourcefulness and strength of our team and I confidently state that we have the ability to formulate and implement effective counter strategies on right time.

While we have already come a long way in short span however still there is much that is to be achieved. Expansion and concentric diversification is our way forward. We have achieved a number of strategic goals mainly targeted to providing products and services of prime quality and value to our customers.

Looking to the future, we are planning to expand our current setup of home textiles and new added garments segment as well as also planning to add new knitting and processing business line to our production portfolio. These investments towards expansion are expected to generate promising returns in upcoming future. The Board is also working towards exploring the possibilities of entity's listing in near future.

Keeping in view entity's mission to exceed customer satisfaction, we are persistently focusing on continuous process innovation, manufacturing excellence and addition of state-of-the-art technology to stay as a market leader for our products. We are targeting financial and operational excellence through re-engineering, automation and optimization of processes. The customer oriented approach encourages us to comply to adopt best business practices for safety, technology, employees' motivation and retention, ethical marketing and corporate social responsibility.

Flowing from our philosophy, we are always geared to be responsive to stakeholder expectations and we strive to deliver and maintain transparency with our stakeholders. I feel pleasure in stating that this year, our Annual Report for FY 2017 secured 3rd position in textile sector whereas our Sustainability Report 2017 secured 4th position all over Pakistan at "The Best Corporate and Sustainability Report Awards 2017" which were jointly organized by ICAP and ICMAP. Our reports were privileged these accolades because of their accuracy, transparency and quality of presentation, which signifies our commitment to professionalism and limpidity.

The adoption of integrated reporting in financial year under review redirected us towards advancement of corporate reporting and has allowed us to achieve excellence in financial and sustainability reporting. In order to improve transparency, we have also complied with the GRI standards when reporting matters relating to sustainability in our integrated report.

Our business model is resilient and attuned to creating long-term value for stakeholders. We are well aware of environmental and social impact of our economic activities and are also certified for all leading textile industry specific certification which demonstrate our commitment to become environmentally and socially compliant corporate citizen.

Culture of responsible corporate citizenship is being strongly embedded in our corporate strategies which help management of economic, social and environmental impacts arising from our value creation process. Our slogan, "Better Environment Better Tomorrow", drives our commitment to be a responsible corporate citizen. Our focus on health, safety, environment and security remains strong.

Staying as a participant of United Nations Global Compact (UNGC) reflects our promising commitment towards environmental protection and contribution towards society and achievement of the UN Sustainable Development Goals (SDG).

Due to commitment towards employees, our company also joined the global network of toastmasters' club by attaining the club's charter and also sponsored more than 20 employees of the Company representing different departments in order to build and enhance their speaking, presentation and leadership skills. By regularly giving speeches, gaining feedback, leading teams and guiding others to achieve their goals in a supportive atmosphere, leaders emerge from the Toastmasters program.

We finally wish and hope to continue our sincere efforts for business and stakeholders' prosperity in the upcoming years and I would like to express my gratefulness to the shareholders, bankers, employees and other stakeholders for their contribution and efforts since they have always acted as a driving force behind the company's achievements.


Mr. Khurram Mukhtar
(Chief Executive Officer)

Directors' Report

We are pleased to present the 31th 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, 2018.

Review of Operating and Financial Performance

The Company has delivered a magnificent financial performance despite country's political challenges, unpredictable market situation, stiff global competition and dramatic foreign currency fluctuations. Although the above risks and uncertainties facing the company posed business challenges however the ability of board and management to surmount with the situation led to triumph for the company.

The results for financial year 2018 reflect a remarkable growth of 38% in sales revenue and an incredible increase in net profits by more than 131% as compared to the preceding financial year. There was improvement in product prices in terms of local currency as well as increase in cost of imported raw material due to significant devaluation of Pak Rupee in last quarter of financial year 2018. Despite adverse impact of devaluation on raw-material and energy costs, there was reduction in certain cost components due to effective cost control measures taken by the company and on the other hand the government's support in terms of drawback of duties and taxes for exporters also resulted in noticeable improvement in gross and net profit margins which incredibly jumped up from 15.5% to 18.2% and 4.3% to 7.2% respectively. The earnings per share (EPS) also climbed up to PKR 9/share as compared to PKR 3.9/share in last financial year. Break-up value per share (without surplus on revaluation) observed an increase by PKR 9.68/share.

Activity ratios also witnessed improvement in inventory management as the inventory holding period decreased however the overall cash cycle also shortened to an extent due to corresponding range bound fluctuation in debtors and creditors' days. The increased sales numbers and routine movement in customer wise business volume in current financial year resulted in receivables slightly pumped up to 62 days from 54 days in last financial year while on the other side gradual adjustments in procurement terms resulted in slight decline in creditors' days from 70 days from 64 days.

Profits for FY 2018 injected in current assets made liquidity outlook seem quite adequate as the current ratio and liquid ratio safely improved to above 0.99:1 and 0.60:1 respectively. The increase in working capital requirement is tagged with remarkable quantitative and numeric growth in business as evident through the sales and production numbers. The liquidity outlook looks quite harmonized whereas there was notable improvement in financial leverage of the company.

The company has adopted concentric diversification approach by adding new product range and markets to its existing business. In FY 2019, BOD is actively considering to install its own circular knitting and processing to its production facilities as well as planned to expand its recently added garments segment. Hence the addition/ expansion of these two segments in addition to the existing business shall allow product diversification as well as complementary managerial, operational and marketing synergies due to expanding within the textile umbrella. The goal of this diversification is to achieve strategic fit while diversifying the risk portfolio and the expansion and exploration of new business avenues. No other major changes have occurred during the financial year regarding the nature of entity's business.

The Company is strongly committed to create value for its stakeholders through sustained business performance yet ensuring ethical practices through its resilient business model which provide the Company notable competitive edge over its peers in terms of capacity utilization, productivity, product quality, advanced infrastructure, real time environment, quality of financial reporting, compliance with regulatory framework including social and environmental laws and regulations.

During financial year 2018, the company further made investment in building, plant and machinery targeted towards enhancement of production capacity and for routine balancing, modernization and replacement. In order to extend capacity and improve cost control, the company made investment in processing segment by adding calendaring machine, steam boiler, caustic recovery plant whereas stitching machines were also added to enhance overall stitching capacity.

While adhering to its comprehensively developed financial budget for FY 2018 and significant investment in automation and expansion made during last financial year, the Company produced exceptional financial and operational performance in FY 2018 which in turn led to a healthy bottom line.

The Company has also formulated its growth and business plan for the upcoming financial years in which it intends towards enhancement of its production capacities, investment in new projects including potential for backward integration, addition of new product lines and penetration into new market regions. For the planned investments, the Board of Directors are reviewing the proposal to make an initial public offer (IPO) in future in order to meet the required equity portion of financing mix for the potential projects.

The Company's commitment to good governance remains strong. The Audit Committee reviews company's system of internal control to ensure systems are in place and are effective to safeguard Company's assets and ensure reliability of financial statements. The Company keeps on rationalizing and strengthening its system of strong corporate governance, comprising of internally developed code of conduct, policies and procedures, synchronized with industry's best available governance practices.

The Board has placed special emphasis on perking up the quality of company's financial statements and the other information being published by the Company in its Annual and Sustainability Report. While continuing its winning streak, the Company secured 3rd position for its Annual Report 2017 in textile sector while conquered 4th position all over Pakistan in Sustainability Report 2017 at the Best Corporate and Sustainability Report Awards 2017 jointly organized by ICAP and ICMA Pakistan. This accolade testifies the unerring commitment of top management towards timeliness, accuracy and transparency of reporting and at the same time towards the sustainability of stakeholders at large.

While delivering in financial terms, the Company also focuses to embed sustainability in its corporate culture to manage the economic, environmental and social impact of its operations.

Dividend

In view of the Company's earnings, the Board of Directors has recommended the Final Cash Dividend for the financial year ended June 30, 2018, at the rate of 5% i.e. PKR 0.5 per share of PKR 10/- each, subject to the approval of the shareholders at the forthcoming Annual General Meeting. There was no interim dividend during the financial year ended June 30, 2018.

Post Balance Sheet Events

The board of directors has proposed a cash dividend for the financial year ended 30th June 2018 of Rs. 0.5 per share (2017: NIL) at their meeting held on 18th October, 2018. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in this financial statements.

No other 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 2018 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 31th Annual General Meeting. Being eligible, they offered themselves for re-appointment as auditors of the Company for the year ending 30th June 2019.

Board and its Committees

The oversight function of corporate governance is performed by the company's board of directors and its designated committees. Boards of directors perform their oversight function through well-structured, planned, and assigned committees to take advantage of the expertise of all the directors. The Board and its Committees play pivotal role in risk management and entity's strategic planning. It periodically reviews corporate policies, procedures, organization wide business risks and other crucial matters and also devises strategies to appropriately address those risks. The Committees of the Board have their own charter with goals and responsibilities.

Audit Committee

As a representative of the board of directors and main part of the corporate governance mechanism, the audit committee is involved in the organization's both internal and external audits, internal control, accounting and financial reporting, regulatory compliance, and risk management.

Primarily the committee provides oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations. The committee also reviews significant accounting and reporting issues and recent professional and regulatory pronouncements to understand the potential impact on financial statements.

The Audit Committee ensures that a sound system of financial and operational control is in place. The Audit Committee also reviews the periodical financial statements of the Company and makes recommendation to the board on appointment of external auditors.

The internal financial control are considered as adequate hence the Audit Department follows a risk based approach in its audit plan for conducting pre and post audit order to improve the quality, timeliness and to ensure effective coverage of audit areas including compliance with relevant statutory requirements, review of legal matters which may significantly impact financial statements, review of all related party transactions, monitoring compliance with the best practices of corporate governance, and investigating any violations thereof.

The Company has developed a Risk Control Matrix (RCM) identifying the strategic, financial, compliance and related reputational risks of the company and that base document is periodically updated and used 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 Audit Committee, before the approval of the Board, reviewed the Interim and Annual financial statements of the Company. Meetings were held as per terms of reference of the Committee and proper minutes of the meetings kept in Company's records.

Chairman Audit Committee was also present in Annual General Meeting (AGM) of the Company held on 15th November, 2018.

Human Resource & Remuneration Committee

The Human Resource & Remuneration (HR & R) Committee performs its functions in accordance with the terms of reference as determined by the Board of Directors.

The key role of Committee is to engage in all key aspects of HR management including review and recommendation, selection, evaluation and compensation of the Chief Executive, the executive management and the Chief Internal Auditor. It also reviews and recommends HR management policies and the succession planning process for key positions including the position of the Chief Executive.

The Committee reviews and recommends for Board approval the Human Resources strategy including key HR objectives, plans and workforce requirements, and monitor the implementation of same. It also engages in review of human resource development and organizational structure and recommends to the Board if any significant changes are required in organizational and board structure. The Committee also ensures that adequate policies and procedures related to HR are 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.

Environment, Health and Safety

Sadaqat Limited is devoted to act ethically and aims to embed sustainability in its business operations. The EHS Committee is actively working to harmonize the Company's health and safety activities within the direction and framework provided by the Board whereas Sustainability Committee oversees the planning and implementation of CSR activities.

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 and rigorously taking measures to continuously improve its health and safety environment across the entire system since its incorporation.

The Company holds Occupational Health and Safety (OSHAS) 18001:2007 certification and gets its facility certified on its protocols. This assurance provides the Company with certain comfort regarding standard of health and safety conditions at the facility. Effective firefighting system is installed throughout our manufacturing facilities and fire drills are frequently conducted for the training of employees and the staff team to cope with any emergency situation.

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.

Sadaqat Limited is also pursuing green initiatives to protect the environment of its surroundings. Aligned with its commitment towards reducing environmental burden, it has partnered with World Wide Fund (WWF) on green office initiative to contribute towards reducing environmental footprints and to help contribute in slowing down climatic change. The Company has standard policies and procedures in place to monitor and control its Green House Gases (GHG) emissions and in each financial year

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 Kovariwala
- 7. Muhammad Ijaz

مالی سال کے دوران ڈائریکٹران کے نام:

- 1. مختار احمد
- 2. خرم مختار
- 3. حامد مختار
- 4. اویس مختار
- 5. شعیب مختار
- 6. عمران نورمحمد کوواریوالہ
- 7. محمد اعجاز

پیٹرن آف شیئر ہولڈنگ :

Pattern of Shareholding as at June 30, 2018 – as tabularized below

Number of shareholders	Shareholding		Total Shares held
	From	To	
	101	500	1000
2	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 remarkable 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)


Shoaib Mukhtar
(Director)


شعیب مختار
ڈائریکٹر


خرم مختار
چیف ایگزیکٹو آفیسر

کل شیئرز	حصص کی تفصیل		شیئر ہولڈر کی تعداد
	From	To	
	101	500	1000
2	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

فیصد%	شیئرز کی تعداد	شیئر ہولڈر کی تعداد	شیئر ہولڈرز کی کٹیگری
100%	120,000,000	8	ڈائریکٹرز ، چیف ایگزیکٹو آفیسر اور شریک حیات
100%	120,000,000	8	ٹوٹل

اعتراف:

میں تمام ڈائریکٹران کی طرف سے قابل قدر نتائج حاصل کرنے کے لئے اپنے گاہکوں، بینکوں، مالیاتی اداروں، ریگولیٹرز اور شیئر ہولڈرز کا شکر گزار ہوں اور امید رکھتا ہوں کہ مستقبل میں یہ تعاون اور امداد باہمی جاری رہے گی۔

میں ملازمین کی کمپنی کے لیے خدمات، وفاداری اور مسلسل محنت پر ان کا شکریہ ادا کرتا ہوں اور مستقبل میں بھی اسی محنت اور لگن کی توقع کرتا ہوں۔

منجانب : بورڈ آف ڈائریکٹرز

ڈائریکٹران کی رپورٹ

ہمارے لیے یہ بات باعثِ مسرت ہے کہ ہم 30 جون، 2018 کو ختم ہونے والے مالی سال کی آڈٹ کردہ مالی تفصیلات کے ساتھ 31 ویں ڈائریکٹران کی رپورٹ کو کاروبار کے عملی نتائج کے مطابق پیش کر رہے ہیں۔

معاملاتی اور مالیاتی کارکردگی کا جائزہ :

کمپنی نے ملک کے مشکل سیاسی حالات ، مارکیٹ کی غیر یقینی صورتحال،علاقائی حریفوں سے سخت مقابلے اور غیر ملکی کرنسی کے اتار چڑھاؤ کے باوجود شاندار کارکردگی کا مظاہرہ کیا ہے۔ اگرچہ کمپنی کو غیر یقینی صورتحال اور کاروباری مشکلات کا سامنا کرنا پڑا تاہم بورڈ اور مینجمنٹ کی صلاحیت کی بدولت کمپنی اس سے نمٹنے میں کامیاب رہی۔

مالی سال 2018 کے نتائج کے مطا بق گزشتہ مالی سال کے مقابلے آمدنی میں 38 فیصد اور خالص منافع میں 131 فیصد سے زیادہ اضافہ ہوا۔ مالیاتی سال 2018 کی آخری سہ ماہی میں روپے کی قدر میں کمی کی وجہ سے مصنوعات اور درآمدی خام مال کی قیمتوں میں اضافہ ہوا۔ خام مال اور توانائی کے اخراجات پر منفی اثرات کے باوجود، کمپنی لاگت پرقابوپانے میں کامیاب رہی۔ اور دوسری طرف، برآمدکنندگان کے لئے ڈیوٹی اور ٹیکس میں حکومت کی مدد کے نتیجے میں مجموعی اور خالص منافع بڑھ کربالترتیب 15.5فیصد سے 18.2 فیصد اور 4.3 فیصد سے 7.2 فیصد ہو گیا۔ جس سے حصص پر منافع 3.9 روپے فی حصص سے بڑھ کر 9 روپے فی حصص ہوگیا۔ بریک اپ ویلیومیں (ریو یلو یشن سرپلس کے بغیر) 9.68 روپے فی حصص اضافہ ہوا ہے۔

اعدادوشمار کے مطابق انونٹری کے نظام میں بھی بہتری آئی ہے کیونکہ انونٹری کو سنبھالنے کی مدت کم ہوئی جبکہ کاروباری حجم میں اضافے کے نتیجے میں گاہکوں سے وصولیوں کے دنوں میں تھوڑا سا اضافہ ہوا اور خریداری کی شرائط میں معمولی تبدیلی کی وجہ سے ادائیگییوں کے دنوں میں معمولی کمی آئی۔

مالی سال 2018 کے منافع جات میں اضافے کی وجہ سے لیکویڈیٹی تناسب اورکرنٹ تناسب میں بہتری آئی۔ آمدنی اور پیداوار میں خاطر خواہ اضافے کی وجہ سے ورکنگ کپیٹل کی ضرورت میں بھی اضافہ ہوا۔

کمپنی تنوع نقطہ نظر اپنانکر نئی مصنوعات اور مارکیٹوں میں شامل ہوئی ہے۔ مالی سال 2019 میں، بورڈ آف ڈائریکٹرز کے اجلاس میں کمپنی اپنی پیداوار اور اپنے حالیہ گارمنٹس کے حصے کو بڑھانے اور سرکلرنٹ مشینری اور نٹ پروسیسنگ مشینری لگانے پر غور کر رہی ہے۔ لہذا موجودہ کاروبار کے ساتھ ٹیکسٹائل کے سیکٹر کے اندر رہتے ہوئے ان دونوں شعبوں میں توسیع سے مینجمنٹ، آپریشنل اور مارکیٹنگ کے وسائل بہتر طریقے سے استعمال ہوسکیں گے۔ اس کے علاوہ مالی سال کے دوران ادارے کے کاروبار کی نوعیت کے بارے میں کوئی اہم تبدیلی نہیں آئی۔

کمپنی مضبوط کاروباری کارکردگی کے ذریعے اپنے متعلقین کو فائدہ دینے کاعزم رکھتی ہے اور اپنے کاروباری ماڈل ،اخلاقی طرز عمل ، ماحولیات، مالیاتی رپورٹنگ کے معیار ، اور سماجی قواعد و ضوابط کی تعمیل کی وجہ سے مارکیٹ میں سبقت رکھتے ہوئے ہے۔ مالی سال 2018 کے دوران کمپنی نے پیداواری صلاحیت کو بڑھانے کے لئے پروسیسنگ اور سٹیچنگ کی بلڈنگ، پلانٹ اور مشینری میں اضافہ کیا ، جس سے مجموعی پروسیسنگ اور سٹیچنگ کی پیداواری صلاحیت میں اضافہ ہوا۔

مالی سال 2018 کے بجٹ کو مدنظر رکھتے ہوئے کمپنی نے گزشتہ مالی سال کے دوران آٹومیشن اور توسیع میں نمایاں سرمایہ کاری کی، جس کی بناء پر کمپنی نے 2018 میں غیر معمولی مالیاتی اور معاملاتی کارکردگی کا مظاہرہ کیا اور کمپنی کے منافع میں خاطرخواہ اضافہ ہوا۔ اگلے مالی سالوں میں مزید ترقی کے لئے کمپنی نےکاروباری منصوبہ بندی تیار کر لی ہے۔ جس میں اس کی پیداواری صلاحیتوں میں اضافہ، نئے منصوبوں میں سرمایہ کاری، نئی مصنوعات اور نئی مارکیٹوں میں رسائی کے امکانات شامل ہیں۔ بورڈ آف ڈائریکٹرز مستقبل کے ممکنہ منصوبوں کے لئے " ابتدائی عوامی پیشکش " (آئی پی او) کی تجویز کا بھی جائزہ لے رہے ہیں۔

اچھی عملداری کی طرف کمپنی کا عزم مضبوط ہے۔ آڈٹ کمیٹی کمپنی کے اثاثوں کی حفاظت اور مالیاتی تفصیلات کی معقولیت کو یقینی بنانے کیلئے انٹرنل کنٹرولز کی موجودگی اوراسکے موثر ہونے کا جائزہ لیتی ہے۔ کمپنی نے اپنا ضابطہ اخلاق اور پالیسیوں کے نظام کو وضع کیا ہے جو کہ بہترین عملداری کے نظام کے ساتھ مطابقت رکھتا ہے ۔

بورڈ آف ڈائریکٹرز نے کمپنی کی مالی تفصیلات اور دیگر معلومات کو اپنی سالانہ اور سسٹینابیلٹی رپورٹ میں خصوصی طور پر کمپنی کی طرف سے شائع کیا، ICAP اور ICMA پاکستان کی طرف سے مشترکہ طور پر منظم کردہ بہترین سالانہ کارپوریٹ اور سسٹینابیلٹی رپورٹ ایوارڈ 2017 میں کمپنی نے ٹیکسٹائل سیکٹر میں سالانہ کارپوریٹ رپورٹ 2017 میں تیسری پوزیشن حاصل کی۔ جبکہ سسٹینابیلٹی رپورٹ 2017 میں پاکستان بھر میں چوتھی پوزیشن حاصل کی۔

ڈیویڈینڈ:

کمپنی کی آمدنی کو مدنظر رکھتے ہوئے بورڈ آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے مالی سال کے لئے نقد ڈیویڈنڈ 5فیصد یعنی 10 روپے کے حصص پر 50 پیسے ڈیویڈینڈ کی سفارش کی ہے۔ جو کہ آئندہ AGM میں شئربہولڈرز کی منظوری پر منحصر ہو گا۔ 30 جون، 2018 کو ختم ہونے والے مالی سال کے دوران کوئی ڈیویڈینڈ ادا نہیں کیا گیا۔

بعد از بیلنس شیٹ ڈیٹ واقعات :

بورڈ آف ڈائریکٹرز نے 18اکتوبر، 2018 کی میٹنگ میں 30 جون 2018 کے مالی سال کے لئے نقد ڈیویڈنڈ 5فیصد یعنی 10روپے کےحصص پر50پیسے ڈیویڈینڈ کی سفارش کی ہے۔ تاہم، اس ایونٹ کو "آئی اے ایس 10 " کے تحت ریکارڈ نہیں کیا گیا ہے۔

کمپنی کے مالی سال کے اختتام پر بیلنس شیٹ اور آڈیٹر رپورٹ کی تاریخ کے درمیان، کمپنی کی مالی پوزیشن پر ہونے والی کوئی مادی تبدیلی اور کئمنٹس وقوع پذیر نہیں ہوئی۔

مالیاتی تفصیلات:

مالی سال 2018 کے لئے کمپنی کی مالی تفصیلات کو بورڈ کی منظوری کے بعد چیف ایگزیکٹوآفیسر اور ایک ڈائریکٹر اپنے دستخطوں کے ہمراہ انڈورس کرتے ہیں، کمپنی کی مالیاتی سٹیٹمنٹ کمپنی کے آڈیٹرز میسرز EY Ford Rhodes ، چارٹرڈ اکاؤنٹنٹس کی طرف سے آڈٹ اور بغیر کسی اعتراض کے منظور کی گئی ہے اور ان کی رپورٹ مالیاتی سٹیٹمنٹ کے ساتھ لف ہے۔

آڈیٹرز:

موجودہ آڈیٹر میسرز EY Ford Rhodes ، چارٹرڈ اکاؤنٹنٹس 31 ویں سالانہ جنرل اجلاس کے اختتام پر ریٹائرڈ ہوں گے۔ اہل ہونے کی وجہ سے، انہوں نے 30 جون 2019 تک ختم ہونے والے مالی سال کیلئے دوبارہ تعیناتی کیلئے پیش کیا ہے۔

بورڈ اور اس کی کمیٹیاں:

کارپوریٹ گورننس کی نگرانی کمپنی کے بورڈ آف ڈائریکٹرز اور اس کی نامزد کمیٹیوں کی طرف سے کی جاتی ہے۔ بورڈ اور اس کی کمیٹیاں رسک مینجمنٹ اور ادارے کی اسٹریٹجک منصوبہ بندی میں اہم کردار ادا کرتی ہیں۔ یہ باقاعدگی سے ادارے کی پالیسیوں، طریقہ کار، وسیع کاروباری خطرات اور دیگر اہم معاملات کا جائزہ لیتی اور مناسب حکمت عملی اختیار کرتی ہیں۔

آڈٹ کمیٹی:

بورڈ آف ڈائریکٹرز کا نمائندہ اور کارپوریٹ گورننس کا ایک اہم حصہ ہونے کی وجہ سےآڈٹ کمیٹی کمپنی کے انٹرنل آڈٹ، ایکسٹرنل آڈٹ، انٹرنل کنٹرول، اکاؤنٹنگ، ریگولیٹری تعمیل، اور رسک مینجمنٹ جیسے تمام معاملات میں شامل ہوتی ہے۔

بنیادی طور پر کمیٹی مالیاتی رپورٹنگ کے عمل کی نگرانی، کمپنی کے انٹرنل کنٹرول کے نظام ،قوانین اور قواعد و ضوابط کے مطابق عمل کرتی ہے۔ کمیٹی اکاؤنٹنگ اور رپورٹنگ کےاہم معاملات کا جائزہ لیتی ہے۔

آڈٹ کمیٹی اس بات کو یقینی بناتی ہے کہ مالی اور آپریشنل کنٹرول کا موثرنظام موجود ہے۔ کمیٹی کمپنی کی مختصرمدت کی مالی تفصیلات کا جائزہ لیتی اور ایکسٹرنل آڈیٹرز کی تقرری پر بورڈ کو سفارش کرتی ہے۔

کمپنی نے اسٹریٹجک، مالی، تعمیلی خطرات کی نشاندہی کیلئےایک رسک کنٹرول میٹرکس (آر سی ایم) بنا یا ہے اور اس کو وقتاً فوقتاً اپ ڈیٹ کیا جاتا ہے ان خطرات کو کم کرنے کے لئے آڈٹ کی حکمت عملی وضع کی جاتی ہے۔

بورڈ کی منظوری سے قبل آڈٹ کمیٹی نے کمپنی کی درمیانی مدت اور سالانہ مالیاتی تفصیلات کا جائزہ لیا۔ آڈٹ کمیٹی کے اجلاس کو کمیٹی کی شرائط کے مطابق منعقد کیا گیا اور منعقد ہونے والے اجلاس کےاہم نکات کمپنی کے ریکارڈ میں محفوظ ہیں۔

ایچ - آر کمیٹی:

ایچ – آر کمیٹی بورڈ آف ڈائریکٹرز کے ذریعہ مقرر کردہ شرائط کے مطابق کام سرانجام دیتی ہے۔ کمیٹی کے اہم کام میں ایچ – آر مینجمنٹ کے تمام اہم پہلوؤں بشمول چیف ایگزیکٹو، ایگزیکٹو مینجمنٹ اور چیف انٹرنل آڈیٹر کی کارکردگی کا جائزہ ، انتخاب، جانچ پڑتال اور ان کے معاوضے کا تعین شامل ہے۔ یہ ادارے کی پالیسیوں اور اہم عہدوں بشمول چیف ایگزیکٹو کیلئے جانشرینی کے عمل کی منصوبہ بندی کا جائزہ لیتی ہے۔

کمیٹی ایچ - آرکی حکمت عملی، بشمول اس کے مقاصد، اور کام کرنے والوں کی ضروریات کا جائزہ لیتی ہے۔ یہ ایچ – آر کی ترقی اور تنظیمی ڈھانچے کی نظر ثانی میں بھی مشغول ہے اوراگر تنظیمی اور بورڈ کی ساخت میں کسی اہم تبدیلی کی ضرورت ہوتو بورڈ کے لئے تجویز تیار کرتی ہے۔

ماحولیات، صحت اور حفاظت:

صداقت لمیٹڈ اپنے کاروباری عمل کے دوران اخلاقی طرزعمل اورسسٹینابیلٹی کو ملحوظ خاطر رکھتی ہے۔ای ایچ ایس کمیٹی کمپنی کے ملازمین کی صحت اور حفاظت کی سرگرمیوں کو انجام دیتی ہے جبکہ سسٹینابیلٹی کمیٹی CSR سرگرمیوں کی منصوبہ بندی اور عمل درآمد کرتی ہے۔

کمپنی کی ماہر ٹیم اس کی مصنوعات کی سیلائی چین اور پراڈکٹ لائف سائیکل کا صحت اور حفاظت کے معیار کے مطابق بخوبی جائزہ لیتی ہے اور یقینی بناتی ہے کہ پراڈکٹس معیار کے مطابق ہیں اور پورے نظام میں مسلسل صحت اور حفاظت کے ماحول کو بہتر بنانے کے لئے اقدامات اٹھاتی ہے۔

کمپنی صحت اور سیفٹی OSHAS)18001:2007(کی سرٹیفیکیشن رکھتی ہے اور اس کے پروٹوکول کے مطابق کام کرتی ہے۔ کمپنی آگ بجھانے کے نظام اور ہنگامی صورت حال سے نمٹنے کے لئے ملازمین اور عملے کو تربیت بھی دیتی ہے۔

کمپنی نےجی ایچ جی کے اخراج کو کم سے کم کرنے کے لئے حکمت عملی اور عملی منصوبہ بندی تیار کی ہے۔ کمپنی کےپاس نقصان دہ عناصر کو کم کرنے اور فضلہ پانی کے مناسب استعمال کو یقینی بنانے کے لئے ماحولیاتی تحفظ اتھارٹی (ای پی اے) کا منظور شدہ واٹر ٹریٹمنٹ پلانٹ نصب ہے جوکہ قومی ماحولیاتی کوالٹی کے معیار (NEQS) کے مطابق ہے۔

صداقت لمیٹڈ ماحول کی حفاظت اور اسے سرسبز رکھنے کے لیے اقدامات کر رہی ہے۔ اس نے ماحولیاتی آلودگی اور ماحولیاتی اثرات کو کم کرنے اور تسلسل میں مدد دینے کے لئے (ڈبلیو ڈبلیو ایف) کے ساتھ شراکت کی ہے۔

Code of Conduct - Policies

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.

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.

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.

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 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.

Corporate Social Responsibility (CSR) Policy

Sadaqat Limited recognizes the importance of integrating its values and business operations to meet the interests and expectation of all stakeholders including investors, employees, customers and suppliers or vendors as well as the community and environment in which we operate. The Company has developed its CSR policy keeping in view the **CSR Voluntary Guidelines 2013 & Company's Act 2017** to establish its position as sustainable and corporate social responsible business. Entity delivers its CSR goals through its EHS committee, Sustainability Committee and HR & R Committee. These committees integrate the company's in placed policies across its local community and workplace to ensure safe working environment, sustainable growth and upliftment of society through education and health facilities. Sadaqat Limited preserve a budget to make monetary donations, these donations will aim to advance the arts, education and community events, donations to health sector institutions and to alleviate those in need.

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.

Prohibition of Child/Forced/ Bonded Labour Policy

Sadaqat limited does not employ any person below the age of eighteen years at its work-place. 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.

HR Policy

Compensation, Benefits & Succession Planning






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. Apart from this, the entity has documented plan for succession planning of key employees.

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.

In FY 2018, while acknowledging the Company's security commitments, Custom-Trade Partnership against Terrorism (C-TPAT) **has awarded Sadaqat Limited 100% score** in their annual audit regarding presence of and compliance with security protocols in the facility.

Committee Meetings

		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 management information. 3. CAPEX planning and decision making regarding potential projects. 4. Review of departmental targets, approval of budget and review of their 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 departmental strength. 3. Approval of inhouse and outside trainings for employees. 4. Review of employee appraisals and pay grades. 5. Key employees succession planning system. 	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. Discuss and update on Stakeholders meeting and their engagement. 	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.

Performance Evaluation

For effective and efficient performance of Board members directed towards organizational success and implementation of best practices of corporate governance, annual self-evaluation of Board is carried out in the meeting of Board of Directors held after year end for authorizing the release of financial statements.

Chairman asked Directors to assess and evaluate against criteria is prescribed by Annual Evaluation Checklist which mainly focuses on goal congruence with overall objective, long-term strategic direction in and vision of the Company. Director's performance evaluation was conducted with reviews and suggestions from Chairman during the meeting of Board of Directors held on 19th October 2018.

CEO's Performance Review

The Company has a formal system in place to appraise the performance of CEO in qualitative and quantitative manner to set the tone in direction towards evaluation of strategic goals.

Performance review was conducted during Board Meeting and CEO was appreciated on his duty to bring diversification and managing the business and financial challenges in efficient manner during tough environment for textile sector. Board members appraised CEO for taking up and dealing with challenges of currency fluctuations, rising energy cost and uncertainties regarding government export policies. CEO was also applauded for keeping entity on the track of sustainable growth.

Directors' Ongoing Trainings

Sadaqat Limited organizes in house training sessions for directors which include presentations and detailed discussion related to various technical and leadership oriented topics. These sessions are held by high class executives of the Company in collaboration with outside officials possessing relevant knowledge and skills.

None of the directors attended Directors' training program from institutes approved by SECP, however, directors have planned to conduct in house SECP's Directors' training program in FY-2019 for all the directors of the Company.

Sadaqat Limited did not conduct external evaluation of Board's performance although detailed formal orientation training sessions were organized within the entity to update knowledge of relevant matters. None of the executive director of the company act as non-executive director in any other organization.

Sadaqat Limited, without any ambiguity, believes that diversity within an organization provides valuable insights to the human capital of its organization. Board has implemented stringent policies regarding diversification of its employees on the basis of region, ethnicity and gender. Board specifically promotes women empowerment at workplace and believes that it has larger replicating effects over the performance.

The Company's commitment to good governance remains strong. The Company keeps on rationalizing and strengthening its system of strong corporate governance exceeding its legal requirements, comprising of internally developed code of conduct, policies and procedures, synchronized with industry's best available governance practices. The Board and its Committees play pivotal role in risk management and entity's strategic planning. Audit Committee, Environment, Health and Safety Committee, Human Resource & Remuneration Committee and Sustainability Committee are in place to perform its relevant tasks in line with entity's corporate governance compliance.

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

Audit Committee Report



Awais Mukhtar
Chairman/ Member



Shoaib Mukhtar
Member



Imran Noormohmed
Member



Zeshan Afzal
Advisor to Audit Committee/
Financial Expert



Muhammad Naeem Haider
Secretary/ Head of Internal Audit

Review of Operating and Financial Performance

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. The Company's management has the primary responsibility for the financial statements, for maintaining and assessing the effectiveness of internal control over financial reporting.

The Audit Committee reviewed quality, acceptability and application of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the quarterly, half yearly and annual financial statements of the Company and recommended them for approval of the Board of Directors.

The Audit Committee further reports that financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by International Accounting Standard Board (IASB) as notified under Companies Act, 2017 (the Act) and, provisions of and directives issued under the Act.

Audit Committee's Approach to Risk Management

The Committee periodically reviews corporate policies, procedures, organization wide business risks and other crucial matters and devises strategies to appropriately address those risks. The Head of Internal Audit has regularly attended the Audit Committee meetings and pointed out risks, their intensity and provided suggestions for mitigating risks and improvement areas. The business risks identified were then referred to the respective departments and mitigating actions implemented and being implemented. The Committee also reviewed the effectiveness of the entity's policies and procedures regarding internal control systems including the financial, operational, IT, risk management, legal and compliance by reviewing the work of the Internal Audit Department, liaise with external auditors, and other regular reports from management on regulatory compliance and legal matters. This has ensured the continuous evaluation of controls helped improvement in compliance with legal and statutory requirements.

Meetings of The Committee

Meetings of the Audit Committee are held at least once every quarter. The Head of internal Audit functionally reports to the Audit Committee and administratively to the CEO. During the financial year 2017-18, the Audit Committee held Four [4] meetings. The minutes of the meetings of the Audit Committee are provided to all the members, Directors and the Chief Financial Officer.

Review of Related Party Transactions

The Company entered into certain related party transactions as disclosed in note 43 of the financial statements. The Committee under the authority delegated by the Board, reviewed these transactions as to whether all transactions with related parties are carried out at arm's length prices and the prices are determined in accordance with comparable uncontrolled price method. The Audit Committee determined that all transactions with related parties were carried out at arm's length prices and approved all related party transactions.

Appointment of External Auditors

Each year, the Committee evaluates the qualifications, performance and independence of the Company's External Auditors and determines whether to re-engage the current Auditor. It considers the quality and efficiency of the services provided by the auditors, the auditors' technical expertise and knowledge of the Company's operations and industry. Based on this evaluation, the Audit Committee has recommended the appointment of M/s EY Ford Rhodes, Chartered Accountants as External Auditors of the Company for the year ending June 30, 2019.

Committee's Review of Annual Report

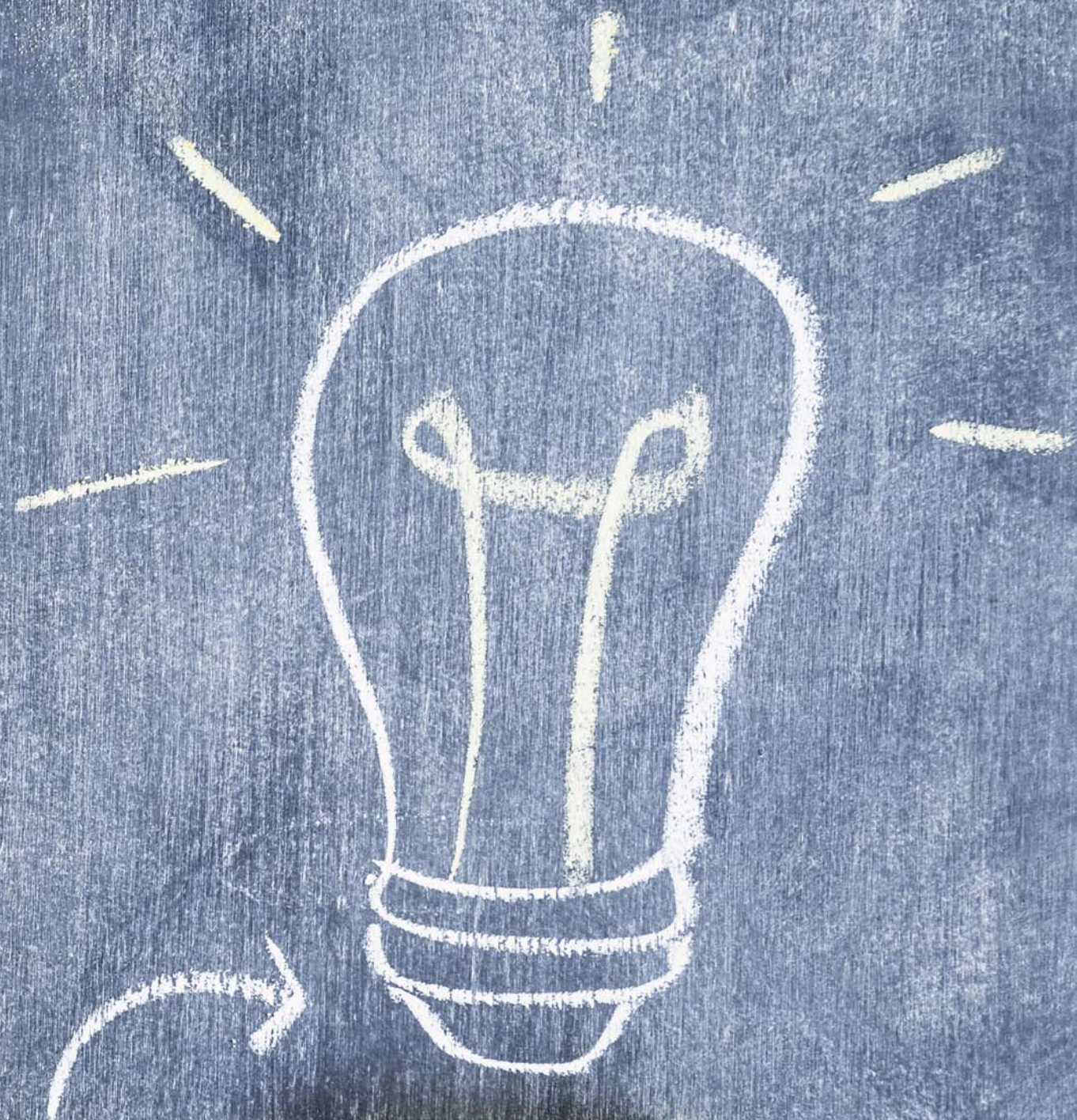
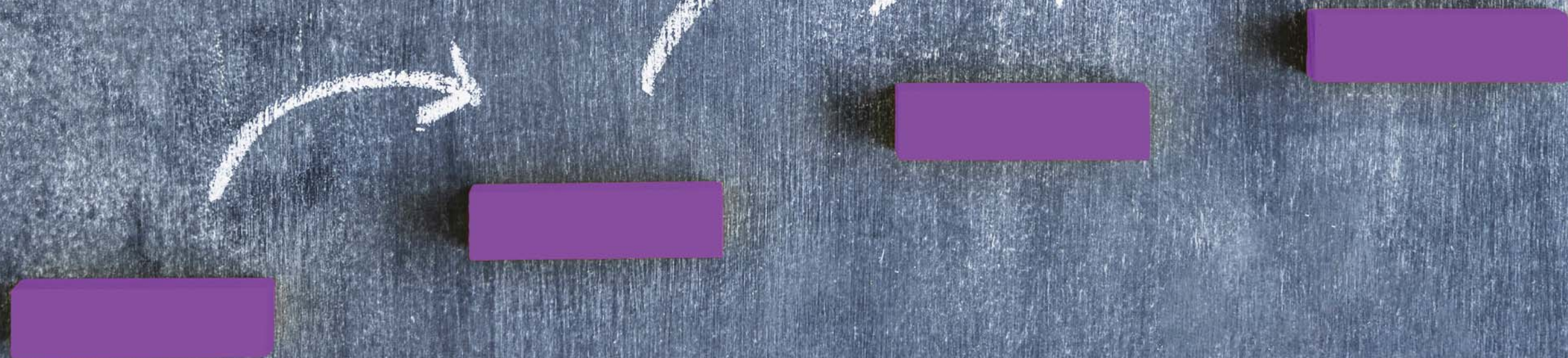
The Committee reviewed and read the Company's audited financial statements for the year ended June 30, 2018 and the other information included in the Annual Report to check whether it is materially consistent with the financial statements. The Committee found the annual report as fair, balanced and understandable for the users and contained sufficient and appropriate information necessary to assess company's position, performance, business model and strategy.

Self Evaluation of Audit Committee

The Audit Committee regularly assess its own performance, the adequacy of its terms of reference and work plans to identify any gaps in which there is a potential to be more effective. It considers ascertaining whether the board is satisfied with the committee's performance through requesting feedback from the Board. Further the Committee is working towards a comprehensive self-evaluation checklist to determine its performance and effectiveness.

Performance and Position

This section details the entity’s performance and position highlighting the extent to which organization has been able to achieve its strategic objectives and outcomes in term of effect on its capital. This section covers both the financial as well as non-financial sides of the entity.



Management Approach

Every passing year, the management of the Company is striving to improve reporting framework in order to achieve optimal level of transparency, accuracy and quality of corporate and sustainable reporting to satisfy stakeholders need for information.

The management measures and reports entity's performance from both monetary and non-monetary angles. Through input of certain relevant stakeholders, the financial as well as non-financial key performance indicators are identified and then the performance is measured against defined targets for each KPI.

Certain set of ratios under the umbrella of profitability, liquidity, activity, capital structure and investment have been computed to determine financial health and achievement of targets set for monetized capital. However, for non-monetized capitals, performance has been measured against KPIs defined under the human, relationship, natural and intellectual capital.

An interview with Chief Financial Officer

"With discerning fingers on the financial pulse of the entity, our CFO remains ever vigilant for impactful trends to ensure the entity's future stability and smooth running of operations."

Which element was management's priority while compiling key performance indicators of the Company?

ANS

Input from stakeholders was the primary driver for key performance indicators through ongoing interactions. However, while compiling the results of KPIs, transparency was assigned highest importance to ensure accuracy of information for stakeholders.



Hummayun Shahzad

(Chief Financial Officer)

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

In your opinion whether these Indicators will remain relevant in the future?

ANS

Well, majority of indicators are fundamentals and intact with entity's mission and visions. Hence, are expected to remain relevant in foreseeable future.

Explanation over how the indicators and performance measures have changed over the period?

ANS

Through engagement of stakeholders and adoption of recognized reporting standards and guidelines, the entity kept improving and refining KPIs to ensure their relevance and synchronization with entity's objectives.

During current financial year, below capitals were also identified as important and performance has also been measured against each and targets set accordingly.

Human Capital

Human capital is compulsory element for growth of an organization. Considering this, the Company has been investing in training and development of employees for the last few years as a corporate social responsibility as well as this shall support the entity in its expansion phase. Human capital plays an important role in entity's success, thus incorporated as key performance indicator of the company.

Relationship Capital

Maintaining professional and healthy relationships with customers, shareholders and suppliers is essential for business sustainability. Long term business relationship reflects how well a company maintains relationships with its key stakeholders. Thus, including it as a non-financial indicator depict stakeholder management and importance of this capital.

Intellectual Capital

The Company also invests on intellectual capital evident through its affiliation with different work bodies and addition/retention of high profile employees and investment in management information and IT System. Including this as key non-financial indicator shall help the company identifying its strength in intellectual capital.

Natural Capital

The Company also invests on intellectual capital evident through its affiliation with different work bodies and addition/retention of high profile individual in its circle and investment in Management Information and IT System. Including this as key non-financial indicator shall help the company identifying its strength in intellectual capital.

Explanation of any negative change in the performance against prior year?

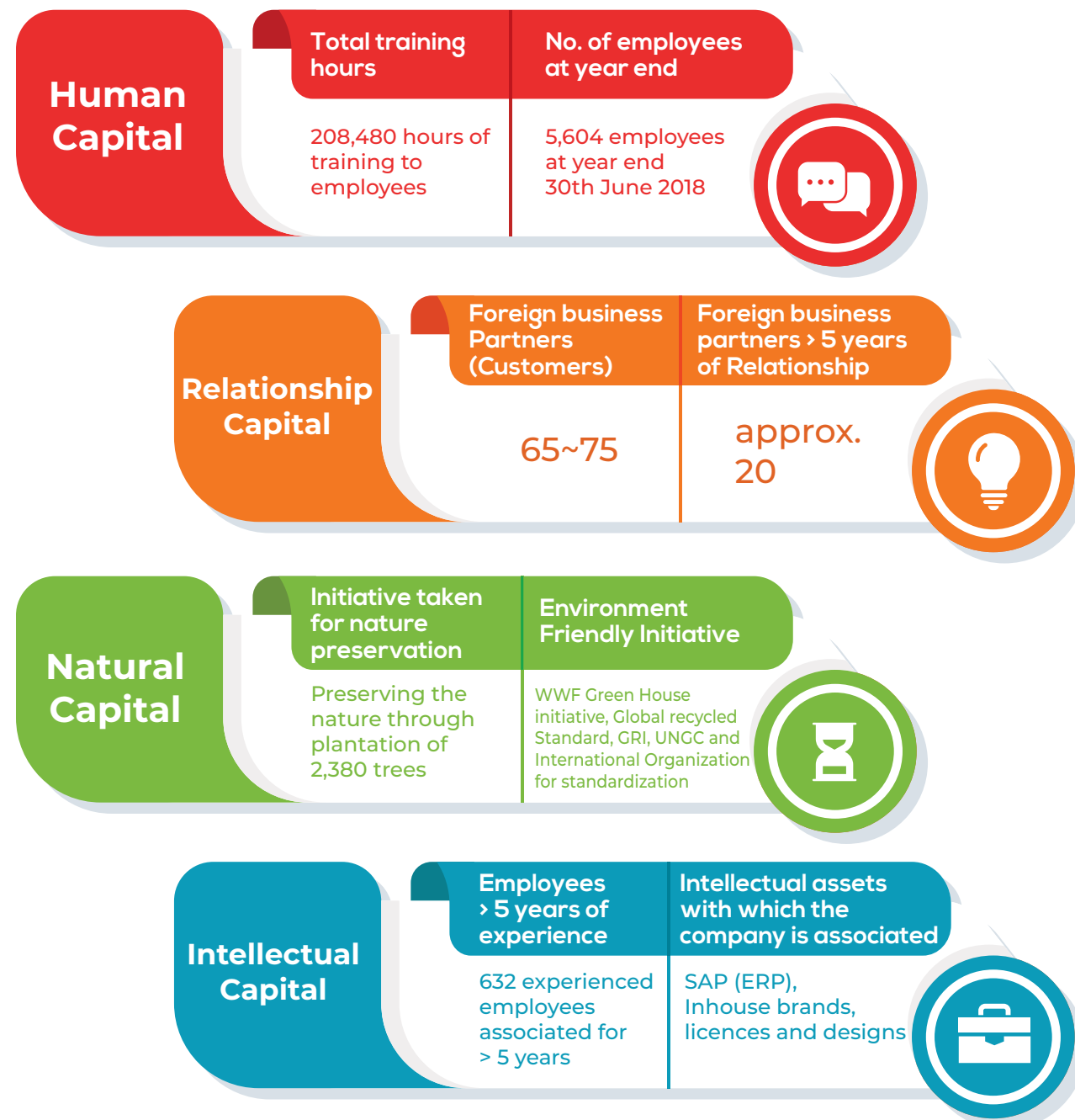
ANS

During the year the Company has outstandingly performed in each aspect as reflected in relevant segments of this report. Revenue and profitability have remarkably increased, capital structure, investor's and liquidity ratios have strengthened whereas on non-financial side, the entity has appreciably contributed towards economic, environmental and social fronts.

There has been no major fluctuation in interim and final accounts of the Company.

Key Performance Indicators

Key Non-Financial Performance Indicators with Actual Results



Comments

Human Capital

Human Capital is considered as one of the most important non – financial pillars of our organization. The Company firmly believes in the positive relationship between an employee's level of engagement and their contribution to value creation. Management has planned to measure this aspect from multiple dimensions however two KPI's are identified including "level of training the Company has provided to its associates" and "number of employees retained at the year-end".

This will help organization to train its employees in order to make them future leaders. Moreover this will also enhance employee's level of commitment towards their respective roles resulting in better efficiency and productivity.

Relationship Capital

The Company maintains and values its relationship with stakeholders that includes its customers, vendors, banks, employees, government and local community. It believes that success of the Company is linked to the success of stakeholders hence it undertakes a wide range of initiatives to engage stakeholder groups.

Further, for community, it takes part in activities for education, global health, diversity, economic and sustainable developments.

Natural Capital

The Company is committed to nature preservation and environment friendly approach as it has identified two basic KPI's to measure its natural capital which are "Initiatives taken for nature preservation" and "Initiatives taken for environment friendliness".

The company has started tree plantation as well as joined hands with WWF to support their green office initiatives.

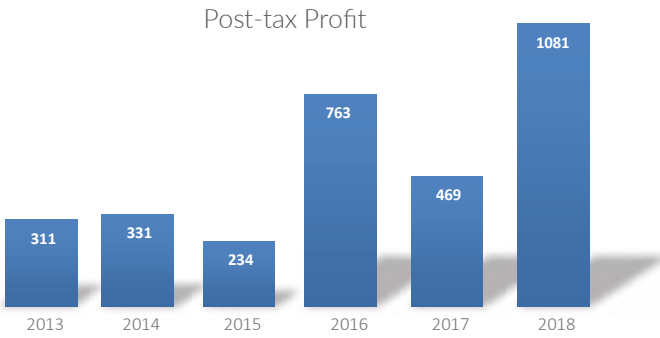
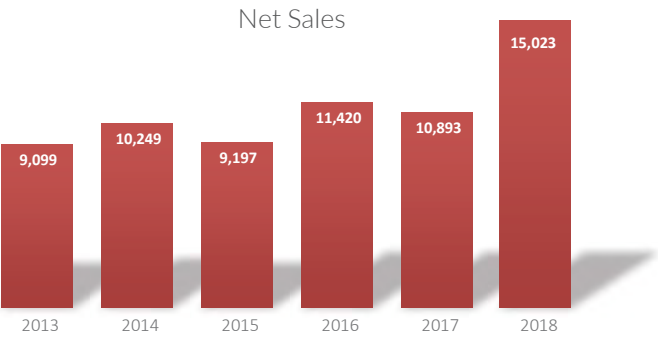
Intellectual Capital

The company focuses on retention and motivation of its intellectual and experienced employees also investing in state of art technology, IT infrastructure and brands/ licences/ certifications.

The Company value its experienced employees and also there are large no. of intellectual assets associated with the company. Its memberships, licenses, brands and certifications have kept it as market leader of its products.

Key Financial Performance Indicators

	2018	2017	2016	2015	2014	2013
Rupees in millions						
Net Sales	15,023	10,893	11,420	9,197	10,249	9,099
Gross Profit	2,735	1,683	1,998	1,457	1,909	1,831
EBIT	1,667	915	1,291	744	843	780
Finance Cost	441	396	459	445	427	407
Pre-tax Profit	1,226	518	833	298	416	373
Post-tax Profit	1,081	469	763	234	331	311
Net Assets	7,795	6,713	5,280	4,517	3,283	2,953



Comments



During the financial year 2018, the Company performed exceptionally well as evident in above identified Key financial performance indicators.

The above results are a reflection of increased capacity utilization, production efficiency, controls over wastages achieved through automation and investment in state of art technology improvised by employees training and development and improved corporate governance.

Summary for Budget v/s Actual FY 2018		
	Actual	Budget
Sales	15,023	14,400
Cost of Sales	12,288	11,937
Gross Profit	2,735	2,463
Net expense and taxes	1,653	1,460
Net Profit	1,081	1,003

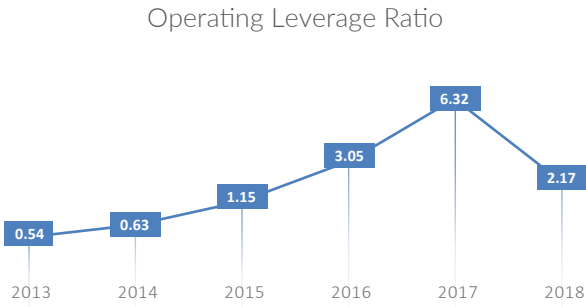
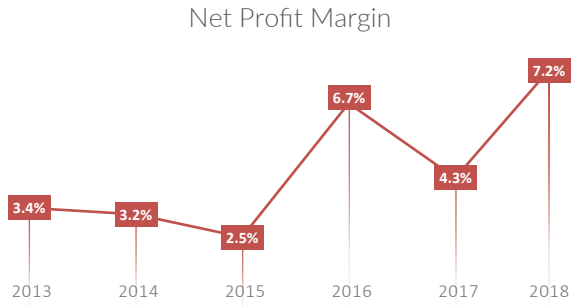
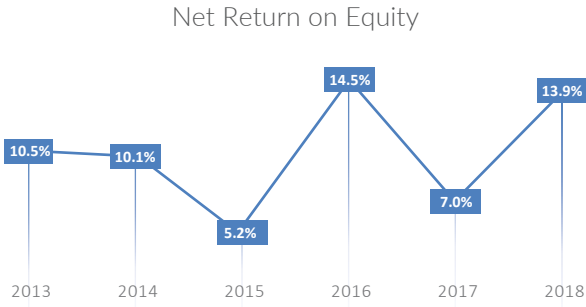
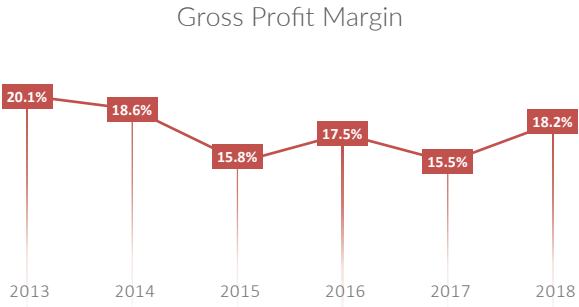
Comments

The Management set quite challenging financial targets keeping in view its resources and investments made during the last few years. However, it was able to exceed its targeted quantity and sales number as well as also met the targeted profitability level.

Financial Analysis

PROFITABILITY

	2018	2017	2016	2015	2014	2013
Ratios						
Gross Profit Margin	18.2%	15.5%	17.5%	15.8%	18.6%	20.1%
EBITDA Margin to Sales	14.6%	12.6%	14.7%	11.3%	10.4%	10.9%
Operating Profit Margin	11.1%	8.4%	11.3%	8.1%	8.2%	8.6%
Net Profit Margin	7.2%	4.3%	6.7%	2.5%	3.2%	3.4%
Operating leverage ratio	2.17	6.32	3.05	1.15	0.63	0.54
Net Return on Equity (ROE) %	13.9%	7.0%	14.5%	5.2%	10.1%	10.5%
Net Return on Assets (ROA) %	6.4%	3.2%	6.8%	2.5%	4.1%	4.5%



Comments

Gross Profit

During last 6 years, there has been a range bound fluctuation in gross profit margin however the margin of FY 2018 remained well above the average of last 5 years. This year, gross profit margin of the Company has jumped up from 15.5% to 18.2%. This boom in margin was mainly due to improvement in product prices in terms of local currency and at the same time effective cost control measures taken by the Company.

Despite of adverse impact of devaluation on raw-material and energy costs, there was reduction in certain cost components which led to improved profitability margins.

Net Profit

The Company has registered a strong post-tax profit of PKR 1,081 million marking a significant growth over the preceeding year. This growth signifies that the Company has the capacity to generate superior returns for its shareholders. The key drivers behind this triumph were achievement of sales targets, optimal capacity utilization and reduction in certain cost components. On the other hand the government's support in terms of draw-back of duties and taxes for exporters also resulted in noticeable improvement in net profit during the year.

In past 6 years the Company's net profit increased consistently though there was temporary drop in FY 2015 and 2017. Although the market competition remained stiff, yet the Company has been still able to achieve net profit margin of 7.2% as compared to 4.3% during the last financial year.

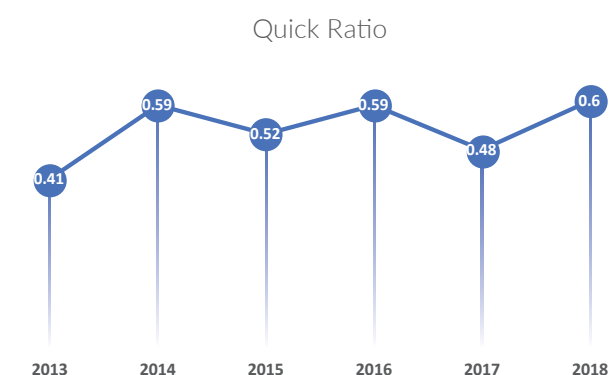
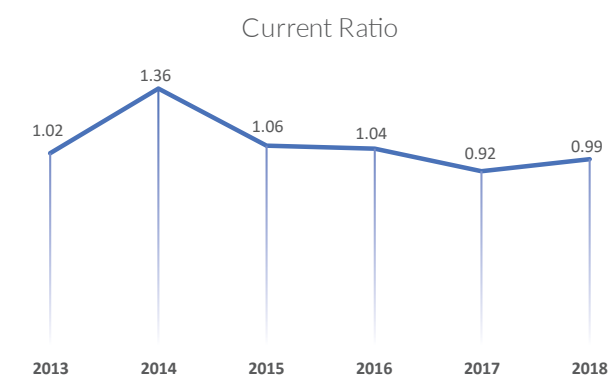
Return on Investment

During FY 2018, the Company has witnessed significant increase in return on capital employed which jumped up from 3.2% to 6.4%. At the same time return on equity has also increased from 7% to 13.9%. This significant increase in both ratios indicates that the Company is optimally utilizing its resources and owner's funds in order to generate strong financial results.

During last 6 years, there has been improvements in both the ratios. The results of FY 2016 stood at the top followed by a decline FY 2017 which is mainly due to increased depreciation charge related to capital expenditure made in FY 2017 and revaluation of fixed assets. However, the Company recouped its position in FY 2018 in shape of economic benefits of investments made in last few years.

LIQUIDITY

	2018	2017	2016	2015	2014	2013
Ratios						
Current Ratio	0.99	0.92	1.04	1.06	1.36	1.02
Quick Ratio	0.60	0.48	0.59	0.52	0.59	0.41
Cash to Current Liabilities	0.02	0.02	0.02	0.02	0.02	0.01
Net Cash flow from operations to Sales	1.3%	6.9%	2.6%	9.1%	-3.6%	2.7%



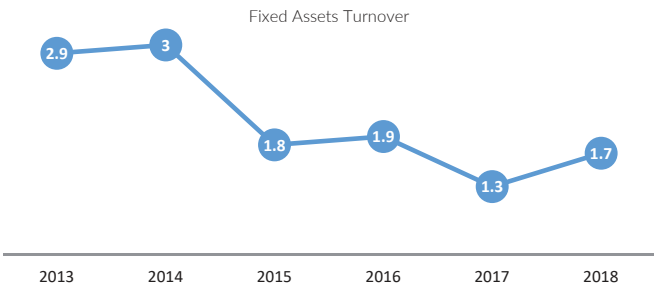
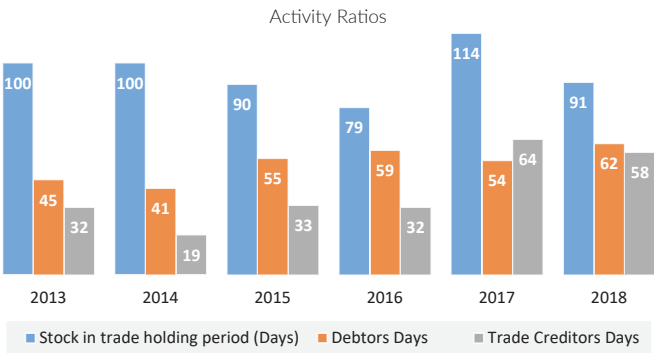
Comments

Over the years, effective working capital strategies has led the Company towards improved liquidity position. In the previous year liquidity ratios temporarily seems feeble due to increase in short term borrowings during last quarter of FY 2017 however the Company's liquidity portion has improved in FY 2018.

Quick ratio has witnessed highest level this year among all 6 years which reflects that the entity's liquidity risk has reduced.

ACTIVITY / TURNOVER RATIOS

	2018	2017	2016	2015	2014	2013
	Ratios					
Stock in trade holding period (Days)	91	114	79	90	100	100
Stock in trade turnover (times)	4.0	3.2	4.6	4.0	3.6	3.6
Debtors Days	62	54	59	55	41	45
Debtors Turnover	5.9	6.8	6.1	6.6	8.9	8.1
Trade Creditors Days	58	64	32	33	19	32
Trade Creditors Turnover	6.3	5.7	11.2	11.1	18.9	11.3
Fixed Assets Turnover	1.7	1.3	1.9	1.8	3.0	2.9
Total Assets Turnover	0.9	0.7	1.0	1.0	1.3	1.3



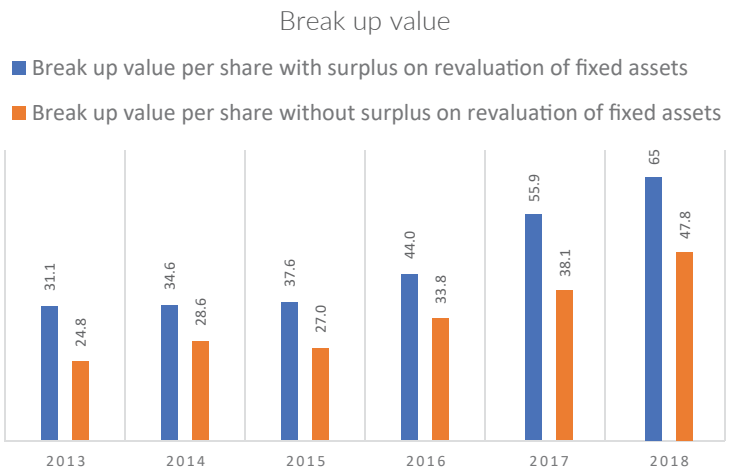
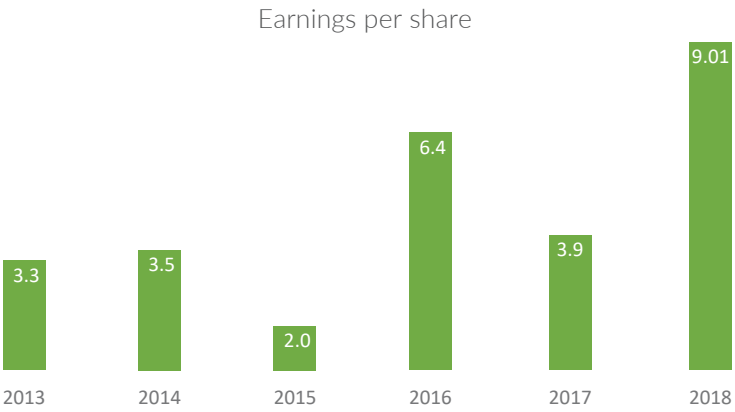
Comments



Cash cycle during the last six years has shortened and improved owing to optimal inventory management. Fixed and total assets turover have also improved owing to improved sales volume despite the impact of recent revaluation in FY 2017.

INVESTMENT

	2018	2017	2016	2015	2014	2013
	Ratios					
Earnings per share	9.01	3.9	6.4	2.0	3.5	3.3
Break up value per share with surplus on revaluation of fixed assets	65.0	55.9	44.0	37.6	34.6	31.1
Break up value per share without surplus on revaluation of fixed assets	47.8	38.1	33.8	27.0	28.6	24.8



Comments



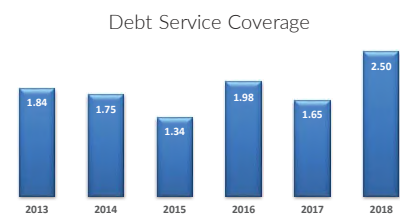
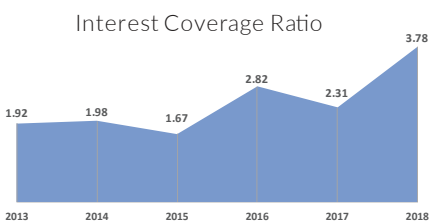
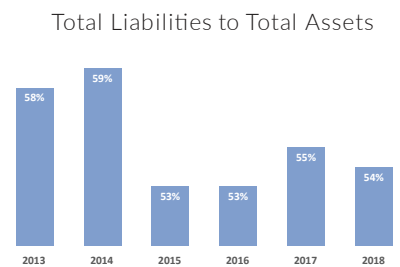
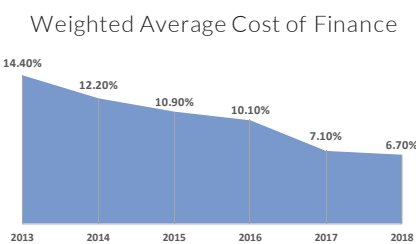
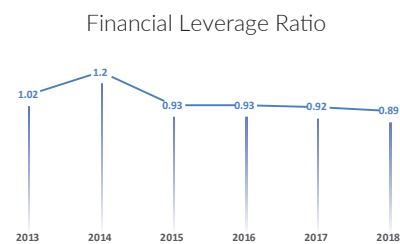
There has been gradual improvment in EPS over last few years except for sharp increase in FY 2016 and FY 2018 owing to exceptional profitability.

Break-up value with/without surplus on revaluation has consistantly evidenced increase owing to consistant profits and its reinvestment during the last many years.

CAPITAL STRUCTURE

	2018	2017	2016	2015	2014	2013
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	Ratios					
Total Liabilities to Equity	1.18	1.20	1.13	1.11	1.43	1.36
Long Term Liabilities to Equity	0.11	0.17	0.15	0.22	0.42	0.10
Equity Multiplier	2.18	2.21	2.13	2.11	2.43	2.36
Financial Leverage ratio	0.89	0.92	0.93	0.93	1.20	1.02
Interest Coverage Ratio	3.78	2.31	2.82	1.67	1.98	1.92
Debt Service Coverage	2.50	1.65	1.98	1.34	1.75	1.84
Total Liabilities to Total Assets	54%	55%	53%	53%	59%	58%
Average cost of finance	6.7%	7.1%	10.1%	10.9%	12.2%	14.4%



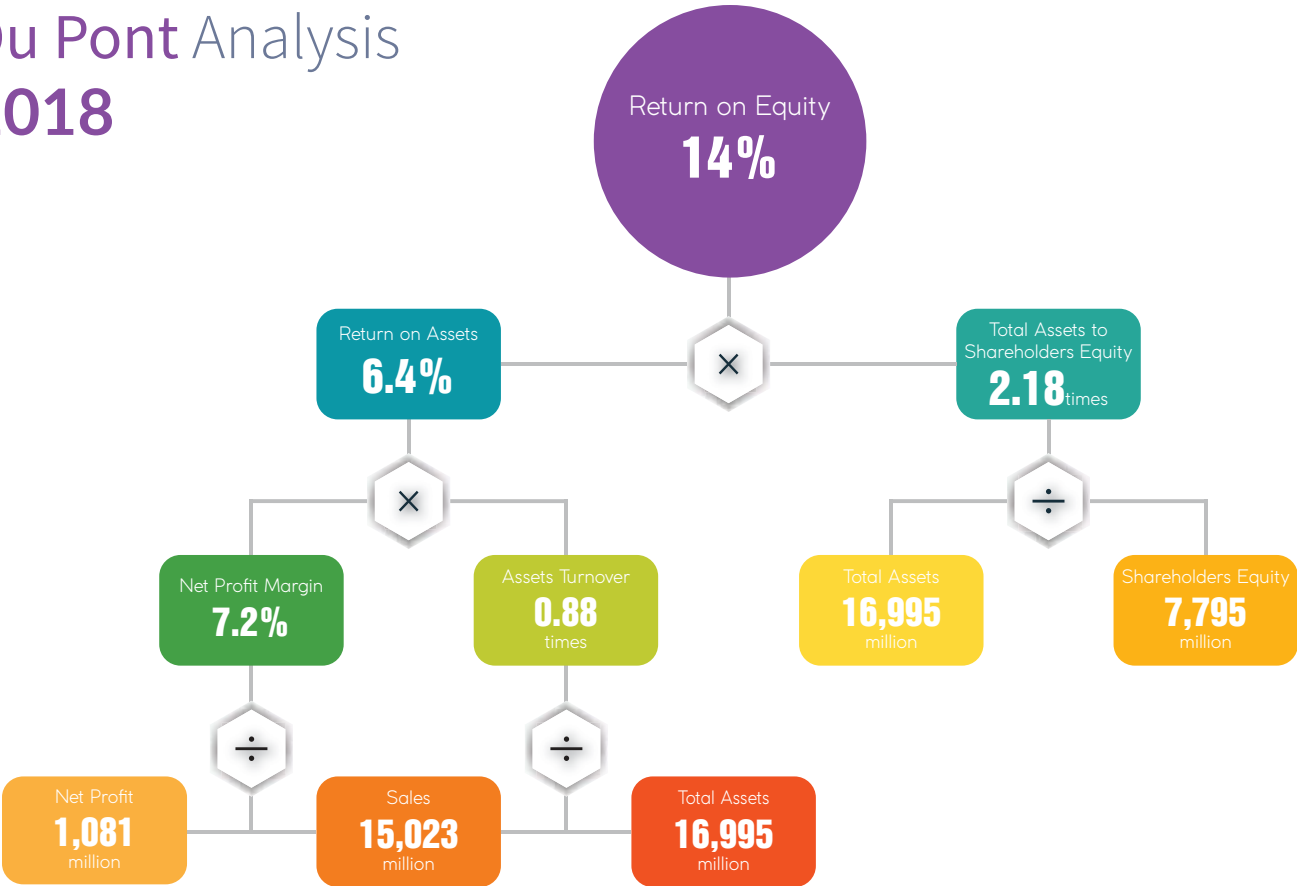
Comments

Interest and debt service coverage ratios have marked gradual improvement over pas six years. However there has been a significant upsurge in FY 2018 owing to exceptional profitability in that financial year.

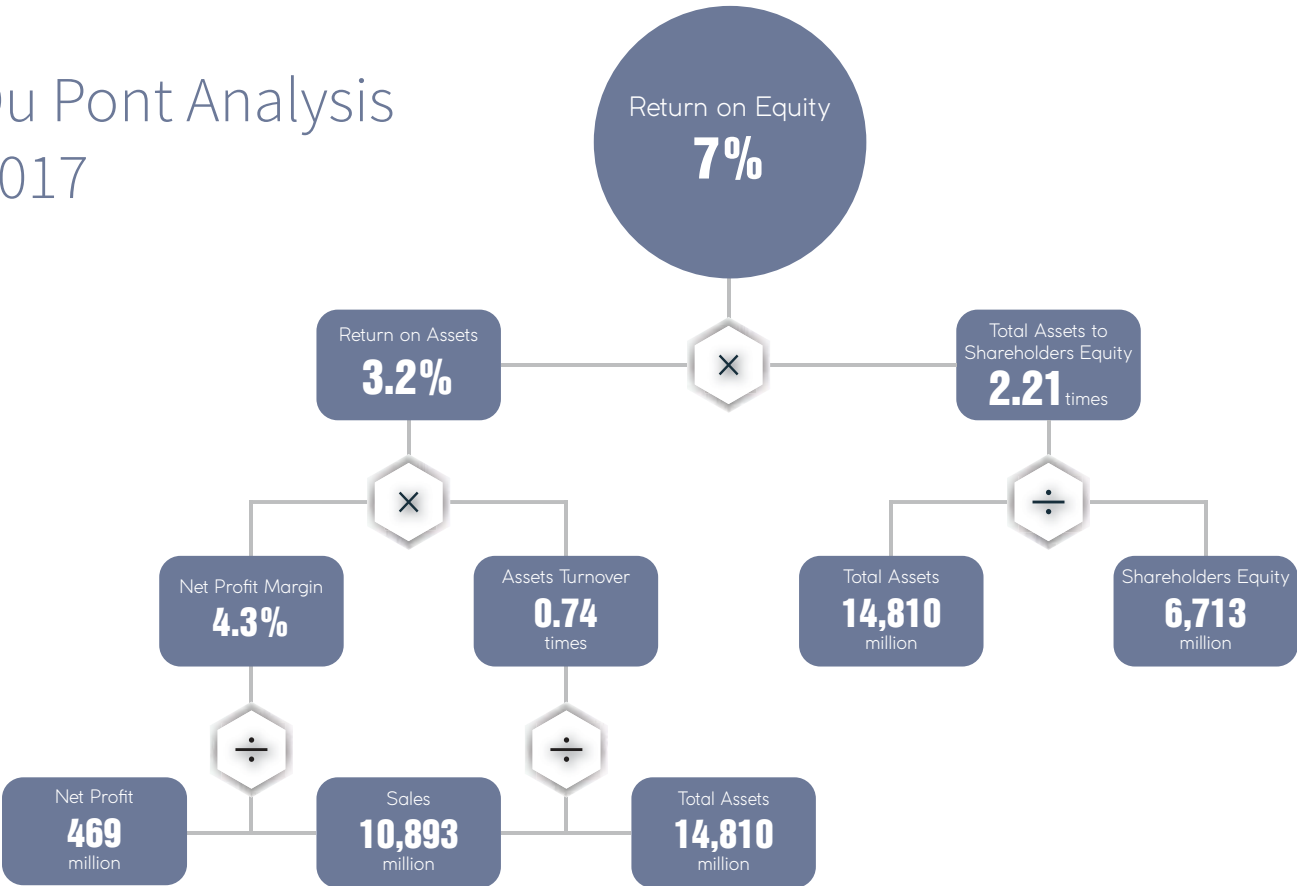
The liability as %age of total assets have almost remained steady throughtout the last six years. However financial leverage and equity multiplier have slightly declined reflecting increasing equity in the overall capital structure.

Average financial cost %age has consistently declined each year showing improvement in man-agement and control over debt structure as well as the cost of finance.

Du Pont Analysis 2018



Du Pont Analysis 2017



Horizontal Analysis

FOR THE LAST SIX FINANCIAL YEARS

Balance Sheet

	%	2018	%	2017	%	2016	%	2015	%	2014	%	2013
Property, plant and equipment	3	8,671	43	8,379	12	5,856	52	5,229	10	3,438	15	3,133
Intangibles	(22)	27	-	35	-	-	-	-	-	-	-	-
Long term advances	(100)	-	(22)	1	-	2	-	-	-	-	-	-
Long term deposits	15	23	1	20	1	20	(0)	20	12	20	69	18
Stores, spares and loose tools	10	212	(32)	193	(2)	283	3	290	2	281	6	274
Stock in trade	6	3,060	41	2,879	7	2,044	(17)	1,915	15	2,296	8	1,995
Trade debts	60	2,557	(14)	1,600	34	1,861	20	1,392	4	1,157	35	1,117
Loans and advances	29	603	1,147	469	(8)	38	(75)	41	59	166	30	104
Trade deposits and short term prepayments	(15)	12	(80)	14	88	70	(73)	37	1,856	137	(45)	7
Balances with statutory authorities	145	1,094	199	446	2	149	27	146	6	115	(12)	109
Interest accrued	50	3	-	2	-	-	(100)	-	-	3	-	-
Other receivables	(11)	53	214	59	-	19	-	19	-	-	(100)	-
Derivative financial assets	100	29	(100)	-	-	132	-	-	-	-	-	-
Tax refunds due from the Government	(33)	403	(9)	606	75	663	30	379	84	292	172	159
Short term investment	-	50										
Cash and bank balances	84	198	(3)	108	50	111	11	74	43	67	18	47
Total Assets	15	16,995	32	14,810	18	11,247	20	9,541	14	7,971	16	6,963
Issued, subscribed and paid up share capital	-	1,200	-	1,200	-	1,200	26	1,200	-	950	-	950
Unappropriated profit	34	4,532	18	3,371	40	2,853	15	2,035	26	1,768	32	1,408
Surplus on revaluation of fixed assets	(4)	2,063	75	2,143	(4)	1,227	127	1,281	(5)	565	(5)	594
Shareholders equity	(100)	7,795	27	6,713	17	5,280	38	4,517	11	3,283	12	2,953
Long term financing	(27)	779	53	1,061	(18)	693	(36)	844	406	1,327	112	262
Liabilities against assets subject to finance lease	(52)	33	(34)	68	(23)	104	161	135	107	51	4	25
Long term deposits	(31)	21	51	30	78	20	2,496	11	-	0	-	-
Deferred taxation	64	25	-	15	-	-	-	-	-	-	-	-
Trade and other payables	23	2,166	81	1,758	25	974	17	782	(29)	666	39	941
Interest accrued on loans	7	63	8	59	13	54	(29)	48	33	68	(10)	51
Derivative financial liability	(100)	-	-	29	-	-	-	-	-	-	-	-
Short term borrowings	22	5,678	24	4,638	30	3,734	20	2,876	(8)	2,391	10	2,599
Current portion of non current liabilities	(1)	435	13	437	18	388	79	329	40	184	11	132
Total equity and liabilities	15	16,995	32	14,810	18	11,247	20	9,541	14	7,971	16	6,963

Profit and Loss Account

	%	2018	%	2017	%	2016	%	2015	%	2014	%	2013
Sales - net	38	15,022	(5)	10,893	24	11,420	(10)	9,197	13	10,249	49	9,099
Cost of sales	33	12,288	(2)	9,210	22	9,422	(7)	7,740	15	8,340	51	7,268
Gross profit	62	2,734	(16)	1,683	37	1,998	(24)	1,457	4	1,909	40	1,831
Selling and distribution expenses	(3)	489	(2)	338	36	346	(55)	255	3	564	61	548
Administrative expenses	124	757	5	502	9	477	(9)	438	2	479	50	471
Other operating expenses	(6)	73	56	78	132	50	(21)	21	(15)	27	(6)	32
Other income	67	250	(10)	150	8,179	167	(55)	2	1,583	4	38	0
Operating profit	82	1,666	(29)	915	74	1,291	(12)	744	8	843	26	780
Finance cost	11	441	(14)	396	3	459	4	445	5	427	13	407
Profit before taxation	136	1,225	(38)	518	179	833	(28)	298	12	416	44	373
Taxation	190	144	(29)	50	9	70	(25)	64	37	86	4	63
Profit for the year	131	1,081	(39)	469	226	763	(29)	234	6	331	56	311
Other Comprehensive Income	(93)	80	-	1,075	-	-	-	-	-	-	-	-
Total Comprehensive Income	(25)	1,162	102	1,544	226	763	(29)	234	6	331	56	311

Horizontal Analysis

FOR THE LAST SIX FINANCIAL YEARS



Comments

Non-Current Assets

Non-Current Assets of the company increased continuously in last 5 years. The reason for this increase is expansion of company's business during previous years. There is significant increase in property plant and equipment in past years causing company's non-current assets to increase by 177% from 2013 to 2018.

Current Assets

Current assets of the company have increased over past 5 years by 117%. Main reason behind this increase is increase in stock in trade and trade debts as company's operations have grown rapidly over last 6 years.

Total Equity

Equity of the company has increased by 164% in last 5 years. Reason for this increase is retention of profit and surplus on revaluation of fixed assets.

Non-Current Liabilities

Non-current liabilities of company have increased by 198% during 5 years. Reason behind this increase is more long term financing availed by the company as company has expanded rapidly.

Current Liabilities

Current liabilities of company increased heavily by 124% over past 5 years. This increase is because of growing business volume and borrowing to finance the increasing working capital needs.

Sales

Sales of the company have grown overall by 65% in last 5 years. In 2018 sales grew by 38% reflecting the pace of work and vision of directors related to business growth.

Profit for the Year

Profit after tax has increased steadily over past 5 years except for a slight decrease in FY-2017. It grew by 248% from 2013 to 2018 mainly due to increased sales and controlled costs.

Gross Profit

Gross profit of the Company has also grown in line with the sales by 49% in last 5 years.

Vertical Analysis

FOR THE LAST SIX FINANCIAL YEARS

Balance Sheet

	%	2018	%	2017	%	2016	%	2015	%	2014	%	2013
Property, plant and equipment	51	8,671	57	8,379	52	5,856	55	5,229	43	3,438	45	3,133
Intangible Assets	0	27	0	35	-	-	-	-	-	-	-	-
Long term advances	-	-	0	1	0	2	-	-	-	-	-	-
Long term deposits	0	23	0	20	0	20	0	20	0	20	0	18
Non Current Assets	51	8,721	57	8,435	52	5,878	55	5,248	43	3,458	45	3,151
Stores, spares and loose tools	1	212	1	193	3	283	3	290	4	281	4	274
Stock in trade	18	3,060	19	2,879	18	2,044	20	1,915	29	2,296	29	1,995
Trade debts	15	2,557	11	1,600	17	1,861	15	1,392	15	1,157	16	1,117
Loans and advances	4	603	3	469	0	38	0	41	2	166	2	104
Trade deposits and short term prepayments	0	12	0	14	1	70	0	37	2	137	0	7
Balances with statutory authorities	7	1,094	3	446	1	149	2	146	1	115	2	109
Interest accrued	0	3	0	2	-	-	-	-	0	3	-	-
Other receivables	0	53	0	59	0	19	0	19	-	-	-	-
Derivative financial assets	0	29	-	-	1	132	-	-	-	-	-	-
Tax refunds due from the Government	2	403	4	606	6	663	4	379	4	292	2	159
Short term investment	0	50	-	-	-	-	-	-	-	-	-	-
Cash and bank balances	1	198	1	108	1	111	1	74	1	67	1	47
Current Assets	49	8,274	37	6,375	32	5,369	25	4,293	26	4,514	22	3,812
Total Assets	100	16,995	100	14,810	100	11,247	100	9,541	100	7,971	100	6,963
Issued, subscribed and paid up share capital	7	1200	8	1,200	11	1,200	13	1,200	12	950	14	950
Unappropriated profit	27	4532	23	3,371	25	2,853	21	2,035	22	1,768	20	1,408
Surplus on revaluation of fixed assets	12	2,063	14	2,143	11	1,227	13	1,281	7	565	9	594
Shareholders equity	46	7,795	45	6,713	47	5,280	47	4,517	41	3,283	42	2,953

Long term financing	5	779	7	1,061	6	693	9	844	17	1,327	4	262
Liabilities against assets subject to finance lease	0	33	0	68	1	104	1	135	1	51	0	25
Long term deposits	0	21	0	30	0	20	0	11	0	0	-	-
Deferred taxation	0	25	0	15	-	-	-	-	-	-	-	-
Trade and other payables	13	2,166	12	1,758	9	974	8	782	8	666	14	941
Interest accrued on loans	0	63	0	59	0	54	1	48	1	68	1	51
Derivative financial liability	-	-	0	29	-	-	-	-	-	-	-	-
Short term borrowings	33	5,678	31	4,638	33	3,734	30	2,876	30	2,391	37	2,599
Current portion of non current liabilities	3	435	3	437	3	388	3	329	2	184	2	132
Total equity and liabilities	100	16,995	100	14,810	100	11,247	100	9,541	100	7,971	100	6,963

Statement of Comprehensive Income

	%	2018	%	2017	%	2016	%	2015	%	2014	%	2013
Sales - net	100	15,023	100	10,893	100	11,420	100	9,197	100	10,249	100	9,099
Cost of sales	82	12,288	85	9,210	83	9,422	84	7,740	81	8,340	80	7,268
Gross profit	18	2,735	15	1,683	17	1,998	16	1,457	19	1,909	20	1,831
Selling and distribution expenses	3	489	3	338	3	346	3	255	6	564	6	548
Administrative expenses	5	757	5	502	4	477	5	438	5	479	5	471
Other operating expenses	0	72	1	78	0	50	0	21	0	27	0	32
Other income	2	250	1	150	1	167	0	2	0	4	0	0
Operating profit	11	1,667	8	915	11	1,291	8	744	8	843	9	780
Finance cost	3	441	4	396	4	459	5	445	4	427	4	407
Profit before taxation	8	1,226	5	518	7	833	3	298	4	416	4	373
Taxation	1	144	0	50	1	70	1	64	1	86	1	63
Profit for the year	7	1,081	4	469	7	763	3	234	3	331	3	311
Other Comprehensive Income	1	80	10	1,075	-	-	-	-	-	-	-	-
Total Comprehensive Income	8	1,162	14	1,544	7	763	3	234	3	331	3	311

Vertical Analysis

FOR THE LAST SIX FINANCIAL YEARS



Non-Current Assets

Non-current assets as % of total assets have decreased in FY 2018. Although property plant and equipment increased from last year but the current assets increased as due to rapid growth causing increase in stock, trade debts increased significantly.

Long Term Financing

Long term financing as % of total assets have decreased gradually over the past few years owing to repayments of loan already availed and increase in current portion of long term financing leading to higher portion being classified in current liabilities.

Gross Profit

Gross profit ratio fluctuated approximately within the range of 15~20% during the last 6 years with highest level achieved in FY 2013 whereas in FY 2018, the ratio was 18% being 3rd highest in last six financial years.

Total Equity

Equity/ Net assets have increased every year through increase in retained earnings owing to re-investment of net profits for each financial year.

Cash Flow Statement

Direct Method Cash Flow

Cash flows from operating activities

	2018	2017
	Rupees in millions	
Cash receipts from customers	14,064	11,154
Cash paid to suppliers, employees and for expenses	(13,305)	(9,850)
Cash generated from operations	759	1,304
		-
Interest paid	(437)	(392)
Income taxes paid	(93)	(135)
Settlement of derivative financial Asset	(17)	-
WPPF	(27)	(45)
Long term deposits	7	15
Net cash from operating activities	192	748

Cash Flows From Investing Activities

Purchase of property, plant and equipment	(376)	(1,339)
Addition in capital work in progress	(460)	(706)
Intangible assets	(3)	(41)
Sale proceeds from disposal of property, plant and equipment	20	55
Interest on loan to Associated undertaking	11	-
Profit on bank deposits	3	1
Net cash used in investing activities	(805)	(2,031)

Cash Flows From Financing Activities

Long term financing - net	(287)	413
Repayment of liabilities against assets subject to finance lease	(50)	(36)
Short term borrowings - net	1039	904
Net cash generated from / (used in) financing activities	703	1,280
Net decrease in cash and cash equivalents	90	(3)
Cash and cash equivalents at the beginning of the year	108	111
Cash and cash equivalents at the end of the year	198	108

Summary of Cash Flows

	2018	2017	2016	2015	2014	2013
	Rupees in millions					
Cash Flow from Operating Activities	192	748	292	836	(371)	243
Cash Flow from Investing Activities	(805)	(2,031)	(1,008)	(1139)	(446)	(592)
Cash Flow from Financing Activities	703	1,280	753	310	837	356
Changes in Cash & Cash Equivalents	90	(3)	37	7	20	7
Cash & Cash Equivalents - Year end	198	108	111	74	67	47



Comments

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 four years reflecting stability in cash generated from operations.

Investing Activities

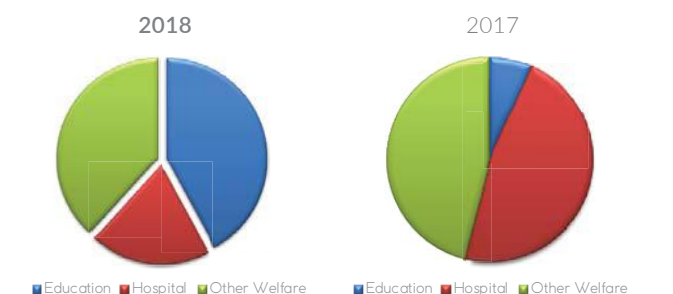
Overall trend for last 6 years suggests continuous increase in the level of funds being used for investing activities especially in FY 2017 where the company in aggregate invested more than PKR 2 billion in terms of land, buildings and state-of-the-art technology in order to achieve expansion of operations,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

	2018	2017
	Rupees in millions	
Education	3,416,355	423,450
Hospital	580,000	2,980,233
Other Welfare	3,084,618	2,924,974
	7,080,973	6,328,657



Free Cash Flow

Pkr (million)

Particulars	2018	2017
Profit Before Tax	1,226	518
Add: Non-Cash Items	790	982
	2,016	1,500
Less: Working Capital Changes	(1,256)	(329)
Less: Capital Expenditure	(839)	(2,086)
Less: Taxes Paid	(93)	(135)
Free Cash Flows	(172)	(1,050)

Comments



There are negative free cash flows for the last two years owing to significant investment in technological upgradation and expansion in production capacities and increase in working capital requirement consequent to increase in business volumes.

Economic Value Added (EVA)

Pkr (million)

Particulars	2018
Net Operating Profit After Tax	1,523
Cost of Capital	1,191
Economic Value Added	331
Cost of Capital	
Total Assets	16,995
Current Liabilities	8,342
Invested Capital	8,653
WACC %	13.8%
Cost of Capital	1,191

Formula

Economic Value Added = Net Operating Profit after Tax – Cost of Capital

Cost of Capital = Invested Capital x WACC %

Segmental and Quarterly Analysis

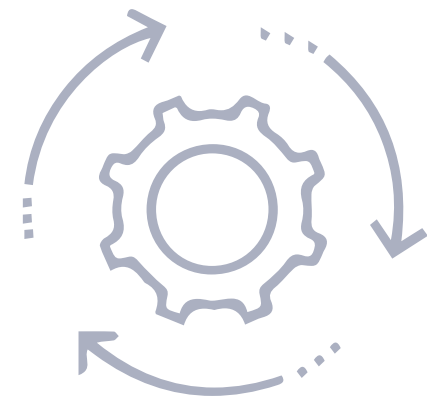


Segmental Analysis

The Company's major segments of operations 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. During financial year 2018, the Company further made investment in plant and machinery targeted towards enhancement of production capacity and for routine balancing, modernization and replacement. In order to extend capacity and improve cost control, the company made investment in processing segment by adding calendaring machine, steam boiler, caustic recovery plant. The overall processing capacity per annum increased by 6 million meters reaching seventy eight million meters per annum in total with approximately 94% capacity utilization which has resulted in remarkable 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.



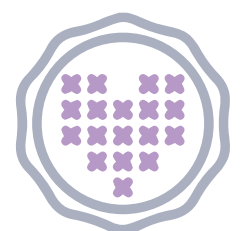
Stitching

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 2018, 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 to increase and remain 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.



Quarterly Analysis

Quarters Individual

Amount in PKR		
Quarters	Sales	Profit
Q1	3,705,206,988	191,098,134
Q2	4,025,756,678	390,840,979
Q3	3,820,372,518	270,321,547
Q4	3,471,299,852	229,227,911
Total	15,022,636,036	1,081,488,571

Quarters Consolidated

Amount in PKR	
Sales	Profit
3,705,206,988	191,098,134
7,730,963,666	581,939,113
11,551,336,184	852,260,660
15,022,636,036	1,081,488,571

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.

Market share

The Company is now a progressive export oriented textile manufacturing unit bearing annual exports of around PKR 15 billion in FY 2018 and rapidly progressing each year.

The Company markets its products to its customers located in Europe, UK, USA, Asia, Far / Middle East, North America, Canada, South Africa, Australia and New Zealand.

The Company earns valuable foreign exchange for the country and retains approx. 5~7 percent share of annual textile (bed ware) exports of Pakistan.



Presentations not applicable

The financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Act 2017. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the international Accounting Standards Board as are notified under the Companies Act 2017, provisions of and directives issued under the Companies Act 2017. Wherever, the requirements of the Companies Act 2017 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Act 2017 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;

- a. Sector wise analysis of deposits and advances.
- b. Segment analysis of gross income and profit before tax.
- c. Complete set of financial statements (Income Statement, Balance sheet & Cash flow)
- d. Adoption of IAS 7 and IAS 12 became effective from the current year.
- e. Sharia advisor/ Sharia advisory report.



WAY FORWARD

Outlook

In addition to entity's revenue and profitability, it has determinedly looked towards social, economic and environmental change that shall inspire others. The entity believe that it is part of our business philosophy to ensure that business activities are conducted with a sense of responsibility, whilst being a strategic partner in sustainable development.

Forward Looking Statement

We are looking forward towards the achievement of our targeted growth in succeeding financial year amidst competition and given economic conditions. The human, intellectual, relationship and other capitals have positioned the Company towards brighter horizons.

Entity keeps a keen eye on macro-economic indicators to develop and execute its short, medium and long strategies while adapting according to the need of situation. The transition phase of change in hands of government has completed hence there is positive expectation regarding political stability in upcoming years which is further expected to strengthen the country's economic environment and the international image. The recent infrastructural and other projects by the past government are expected to reap results and contribute towards country's economic growth and simultaneously there are hopes attached to the new policies and initiatives that new government might take for the uplift of overall economy specifically the suppressed textile sector and the country's exports. The Company is expecting release of funds locked with government in shape of textile refunds and duty drawbacks which would potentially support and give easy breath while easing out the working capital challenges of the textile export industry.

The Company has adopted diversification within the umbrella of its business through addition of product range and markets. In FY 2019, BOD has planned to install its own circular knitting and processing as well as it has already penetrated into garments segment which is expected to grow rapidly. The above concentric growth would allow benefit of managerial, operational and marketing synergies. The plans to diversify underpin our strategy for managing the product and market risk portfolio and the exploration of new business avenues.

In the recent past, there has been increased focus on statutory, legal and environmental compliances including voluntary as well as imposed by law and certain customer specific requirements. The Company complies with reporting, taxation, legal and environmental laws and regulations. The Company is ISO 9001:2015, ISO 14001:2004, OHSAS 18001:2007 and OEKO-TEX (Standard 100, STeP, Fair Trade) certified. The Company is strongly committed to create value for its stakeholders through sustainable business performance.

Customers form part of our non-monetized capital hence their satisfaction is vital to our success. The Customer Relationship Management process (CRM) enables daily engagement with customers and helps us to respond to customer queries and problems faster. Providing best quality and fulfilling demands on timely basis are the main strategies developed for customer satisfaction.

Product Innovation is one of the main strategy of Sadaqat Limited. For this, management has timely deployed latest technologically advanced manufacturing techniques in order to maximize overall efficiencies and provide customers with optimal solutions.

Interview with Head of Strategic Planning

How does your organization pursue new market development for its products?



ANS

Sadaqat Limited has formulated comprehensive business plan where it documents its plan to add new product lines, penetrate into new markets and explore new regions. The Company is positive about its market growth strategy as being among top home textile exporters, Sadaqat Limited is in great position to meet diverse customer requirements. The Company's policy to stand by its quality standards has established its customer base and made it supplier of choice.

Explanation as to how the Performance of the entity meets the forward looking statement in the previous year?



ANS

In FY 2017, the Company had made significant CAPEX exceeding PKR 2 billion in expansion and innovation while it was expecting that that CAPEX would reap results in upcoming year and the results of FY 2018 proved that the entity met its expectations in terms of phenomenal sales growth of 38% and profits increasing to more than double. In the pursuit of its financial and economic objectives the Company has also taken great care of the economic, environmental and social impact of its operations by voluntarily adhering to as well as staying compliant with applicable laws and regulations.

What future outlook you expect in term of revenue and profit in upcoming periods?



ANS

We have a lot to look forward in 2019 and beyond hence we are strongly committed to grasp bigger market globally with our efficient processes and competent management team. We are striving towards prosperous future growth and the Company has projected an average revenue growth of 25 ~ 30% p.a. in the next 3 years. Moreover, the profitability is expected to be maintained in line with growth in export numbers.

Management has estimated the following figures for upcoming years however any changes in plans for investment or new projects may have an impact on projected numbers:

PKR (Billions)	2018/19	2019/20	2020/21
Revenue	19 ~ 21	26 ~ 28	31 ~ 33
Net Profit	1.4 ~ 1.6	1.9 ~ 2.1	2.3 ~ 2.5



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

Former 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

What assumptions the entity undertook while forecasting and using data resources?



ANS

The entity keeps researching on potential business ventures and proposals are discussed in meetings of the board of directors to make decisions for further action. Assumptions taken for preparation of projections are compiled after extensive research and meetings with concerned person including technical, financial and marketing expert within or outside the organization.

The Company has a dedicated Corporate Planning and Control department which carefully conceive the budgets and forecasts after conducting meetings and liaising with top management and all relevant departments including sales booking & marketing department, HR department, production & planning department and finance department to obtain such relevant information regarding orders in hand, expected future sales, departmental budgets for expenditure and also analyses the past trends, future predictions and country's economic scenario and challenges to reach the closest expectation of future numbers.

In addition to above, the entity also hires and seeks expert opinion of consultants test the assumptions and finalize the feasibility studies and financial budgets of the company.

In the same manner as stated above, the projections for next 3 years have been drawn and finalized after due consultation with Board of Directors, CFO and the concerned departments keeping in view entity's vision, plans and future outlook.

What are the entity's major projects in pipeline?



ANS

Sadaqat Limited has enhanced its capacity as well as utilization of capacity during the FY 2018. The Company majorly installed calendaring machine, steam boiler, stitching machines and caustic recovery plant whereas it also made certain expenditure on automation which assisted in the achievement of the set targets. These initiatives not only extended the production capacity but also created competitive edge in cost controls.

The entity is in right position to penetrate into new product and market regions to achieve optimal benefits of its investments incurred and goodwill earned through performance of past many years.

The Company is expanding rapidly in its existing product mix as well as it has also initiated garments segment during the financial year and is planning to expand the same in upcoming year. Further, the board is actively planning to set up inhouse knitting and processing plant which is expected in to be finalized in FY 2019. These investments are expected to provide managerial, operational and marketing synergies due to the existing well established set up.





Striving for Excellence

While preparing and presenting its financial statements, The Company complies with IFRS issued by IASB as notified under Companies Act-2017 and provisions and directives issued under the Act. Moreover, for reporting/ financial and non-financial capitals, it has adopted Integrated Reporting framework of IIRC as well as reported its sustainability report as per GRI Standards to provide detailed insight and disclosure of organization's activities and their impact on economy, society and environment.

Compliances and Disclosures

Compliance with IFRS and Companies Act 2017

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

The Company has adopted the following revised standards and amendments of IFRSs which became effective for the current year:

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment).

IAS 12 Income Taxes — Recognition of Deferred Tax Assets for Unrealized losses (Amendments).

The adoption of the above amendments to accounting standards did not have any effect on the financial statements.

Adoption and Statement of Adherence with the Integrated Reporting Framework by International Integrated Reporting Council (IIRC)

Sadaqat Limited has always worked towards transparency, integrity and authenticity of information presented to its stakeholders. Keeping in view the changes in corporate environment, the Company has made effort and adopted International Integrated Reporting framework to provide additional disclosures beyond the compulsory requirements in order to enhance the value of its corporate reporting. This reflects commitment of management towards the improvement in transparency, consistency, comparability and conciseness of reporting to facilitate its stakeholders.

Sadaqat Limited unreservedly adhered to the Integrated Reporting (IR) framework. However, it's the first time management has produced its report as per <IR> framework and upon getting feedback from stakeholders it shall further refine and precise the presented information in upcoming years.

Disclosures Beyond Legal Requirements

The Company voluntarily adheres to a number of best practices under code of corporate governance applicable to listed companies. To pursue transparency, consistency, comparability and presentable information for its stakeholders, the organization mapped its report with:

- GRI-Standards: Core Option
- International Integrated Reporting Framework
- United Nation SDGs
- The ten principles of UNGC





Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

To the members of Sadaqat Limited

Report on the audit of financial statements

Opinion

We have audited the annexed financial statements of the **Sadaqat Limited** (the Company), which comprise the statement of financial position as at **30 June 2018** and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2018** and of the profit and comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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2

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

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

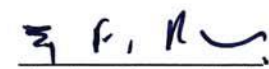
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Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditors' report is Naseem Akbar.



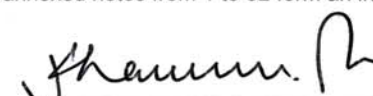
Chartered Accountants

Lahore: 22nd October 2018

SADAQAT LIMITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

ASSETS	Note	2018 Rupees	2017 Rupees (Re-stated)	2016 Rupees (Re-stated)
Non-current assets				
Property, plant and equipment	7	8,671,671,520	8,378,970,314	5,856,252,802
Intangible assets	8	26,962,420	34,552,286	-
Long term advances	9	-	1,251,400	1,613,629
Long term deposits	10	23,049,167	19,964,167	19,764,167
		<u>8,721,683,107</u>	<u>8,434,738,167</u>	<u>5,877,630,598</u>
Current assets				
Stores, spares and loose tools	11	212,493,664	192,769,394	282,978,685
Stock in trade	12	3,059,919,587	2,878,867,861	2,044,347,565
Trade debts	13	2,557,319,150	1,599,902,880	1,861,325,415
Loans and advances	14	602,484,055	468,569,062	37,580,517
Trade deposits and short term prepayments	15	12,170,626	14,141,355	69,816,138
Balances with statutory authorities	16	1,094,148,105	445,763,504	149,127,739
Interest accrued	17	2,540,955	2,000,000	-
Other receivables	18	52,715,242	59,303,981	18,897,275
Derivative financial assets		29,132,292	-	131,843,712
Tax refunds due from the Government	19	402,446,283	605,793,263	662,817,962
Short term investment	20	50,000,000	-	-
Cash and bank balances	21	198,102,278	107,883,502	110,663,408
		<u>8,273,472,237</u>	<u>6,374,994,802</u>	<u>5,369,398,416</u>
TOTAL ASSETS		<u>16,995,155,344</u>	<u>14,809,732,969</u>	<u>11,247,029,014</u>
EQUITY AND LIABILITIES				
Share capital and reserves				
Issued, subscribed and paid up share capital	22	1,200,000,000	1,200,000,000	1,200,000,000
Capital reserve - surplus on revaluation of operating fixed assets	23	2,062,823,891	2,142,840,712	1,226,925,493
Revenue reserve - unappropriated profit		<u>4,532,062,285</u>	<u>3,370,556,893</u>	<u>2,852,954,953</u>
		<u>7,794,886,176</u>	<u>6,713,397,605</u>	<u>5,279,880,446</u>
Non-current liabilities				
Long term financing	24	778,697,821	1,060,700,547	692,893,733
Liabilities against assets subject to finance lease	25	33,197,511	68,389,097	103,772,821
Long term deposits	26	21,161,594	30,398,929	20,072,416
Deferred taxation	27	24,977,614	15,216,938	-
		<u>858,034,540</u>	<u>1,174,705,511</u>	<u>816,738,970</u>
Current liabilities				
Trade and other payables	28	2,166,064,835	1,758,481,045	973,629,310
Interest accrued on loans	29	63,210,300	58,991,158	54,494,592
Derivative financial liability		-	29,143,709	-
Short term borrowings	30	5,677,674,711	4,637,849,622	3,734,232,438
Current portion of non current liabilities	31	435,284,782	437,164,319	388,053,258
		<u>8,342,234,628</u>	<u>6,921,629,853</u>	<u>5,150,409,598</u>
		<u>16,995,155,344</u>	<u>14,809,732,969</u>	<u>11,247,029,014</u>
CONTINGENCIES AND COMMITMENTS	32	-	-	-

The annexed notes from 1 to 52 form an integral part of these financial statements.



CHIEF EXECUTIVE OFFICER



DIRECTOR

SADAQAT LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 Rupees	2017 Rupees
Sales - net	33	15,022,636,036	10,892,822,646
Cost of sales	34	12,288,108,128	9,209,602,442
Gross profit		2,734,527,908	1,683,220,204
Selling and distribution expenses	35	488,632,873	337,778,381
Administrative expenses	36	756,855,615	502,181,771
Other operating expenses	37	72,279,248	77,999,949
		1,317,767,736	917,960,101
Other income	38	250,162,911	149,549,252
Operating profit		1,666,923,083	914,809,355
Finance costs	39	441,060,922	396,333,709
Profit before taxation		1,225,862,161	518,475,646
Taxation	40	144,373,590	49,694,520
Profit for the year		1,081,488,571	468,781,126
Earnings per share - basic and diluted	41	9.01	3.91

The annexed notes from 1 to 52 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

SADAQAT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	2018 Rupees	2017 Rupees (Re-stated)
Profit for the year	1,081,488,571	468,781,126
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:		
Revaluation surplus during the year	-	995,317,305
Transfer from surplus on revaluation of operating fixed assets	80,016,821	79,402,086
Other comprehensive income for the year	80,016,821	1,074,719,391
Total comprehensive income for the year	1,161,505,392	1,543,500,517

The annexed notes from 1 to 52 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

SADAQAT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Share capital	Capital reserve surplus on revaluation of fixed asset	Revenue reserve - unappropriated profit	Total
	Rupees			
Balance as on 01 July 2016	1,200,000,000	-	2,852,954,953	4,052,954,953
Adjustment due to change in accounting policy note 6	-	1,226,925,493	-	1,226,925,493
As at 01 July 2016 - restated	1,200,000,000	1,226,925,493	2,852,954,953	5,279,880,446
Transferred from surplus on revaluation of operating fixed assets	-	(79,402,086)	48,820,814	(30,581,272)
Surplus on revaluation of assets during the year	-	995,317,305	-	995,317,305
Total comprehensive income for the year	-	-	468,781,126	468,781,126
Balance as at 30 June 2017	1,200,000,000	2,142,840,712	3,370,556,893	6,713,397,605
Transferred from surplus on revaluation of operating fixed assets	-	(80,016,821)	80,016,821	-
Total comprehensive income for the year	-	-	1,081,488,571	1,081,488,571
Balance as at 30 June 2018	1,200,000,000	2,062,823,891	4,532,062,285	7,794,886,176

The annexed notes from 1 to 52 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

SADAQAT LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

Note	2018 Rupees	2017 Rupees
Profit before taxation	1,225,862,161	518,475,646
Adjustments for non-cash items:		
Depreciation on property, plant and equipment	(7.1.1) 523,767,655	457,043,633
Surplus disposed off during the year	(23) -	(30,581,272)
Amortization on intangibles	(8.1) 10,200,894	6,097,462
Profit on bank deposits	(38) (3,106,277)	(571,808)
Interest on loan to associated undertaking	(38) (9,837,454)	(2,000,000)
Gain on disposal of operating fixed assets	(38) (426,898)	6,278,279
Advance to supplier written off	-	8,962,715
Finance costs	(39) 441,060,922	396,333,709
Exchange gain - net	(38) (195,800,022)	101,965,528
Exchange gain / (loss) on derivative financial asset	(38) (40,992,260)	29,143,709
Provision for Workers' Profit Participation Fund	(28.1) 65,198,275	27,286,589
Reversal made for provision of Workers' welfare fund	-	(17,614,965)
	790,064,835	982,343,579
Cash flows before working capital changes	2,015,926,996	1,500,819,225
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(11) (19,724,270)	90,209,291
Stock in trade	(12) (181,051,726)	(834,520,296)
Trade debts	(13) (761,616,248)	159,457,007
Loans and advances	(14) (135,649,833)	(439,951,260)
Trade deposits and short term prepayments	(15) 1,970,729	55,674,783
Balance with statutory authorities	(16) (648,384,601)	(296,635,765)
Other receivables	(18) 6,588,739	(40,406,706)
Short term investment	(20) (50,000,000)	-
Tax refunds due from the Government	(19) 161,666,239	157,672,586
	(1,626,200,971)	(1,148,500,360)
Increase in current liabilities:		
Trade and other payables	(28) 369,672,104	819,949,724
Cash generated from operations	759,398,129	1,172,268,589
Finance costs paid	(436,841,780)	(391,837,143)
Income tax paid	(92,932,173)	(135,125,469)
Settlement of derivative financial assets	(17,283,741)	131,843,712
Workers' profit participation fund paid	(27,286,589)	(44,769,613)
Long term security deposits received	6,850,987	15,319,365
	(567,493,296)	(424,569,148)
Net cash generated from operating activities	191,904,833	747,699,441
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(376,371,785)	(1,339,200,110)
Addition in capital work in progress	(459,912,902)	(706,276,570)
Intangibles	(2,611,028)	(40,649,748)
Sale proceeds from disposal of property, plant and equipment	20,242,724	54,754,561
Interest on loan to associated undertaking	11,031,339	-
Profit on bank deposits	3,106,277	571,808
Net cash used in investing activities	(804,515,375)	(2,030,800,059)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long term financing - net	(24) (287,440,102)	412,626,472
Repayment of liabilities against assets subject to finance lease	(25) (49,555,669)	(35,922,944)
Short term borrowings - net	(30) 1,039,825,089	903,617,184
Net cash generated from financing activities	702,829,318	1,280,320,712
Net increase / (decrease) in cash and cash equivalents	90,218,776	(2,779,906)
Cash and cash equivalents at the beginning of the year	107,883,502	110,663,408
Cash and cash equivalents at the end of the year	(21) 198,102,278	107,883,502

The annexed notes from 1 to 52 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

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.

- 1.1 The Company is currently operating Processing unit and Stitching unit 1, located at 2-KM Sahianwala Road, Khurrianwala, Faisalabad and Small Industrial Estate, Daewoo road, Faisalabad respectively.

2. SUMMARY OF SIGNIFICANT TRANSACTIONS AND EVENTS OCCURRED DURING THE YEAR

Following is the summary of significant transaction and events that have affected the financial position and performance of the Company:

- The accounting policies for surplus on revaluation of property, plant and equipment was changed during the year due to enactment of the Companies Act, 2017. Consequently, some of the amounts reported in the prior years have been restated (note 6).
- To finance the significant increase in sale orders, the Company obtained significant amount of short term loans during the current year. As a result, total short term loan outstanding at 30 June 2018 is Rs. 5,667.67 million (2017: Rs. 4,637.85 million) (note 30).
- Devaluation of Pak Rupee during the year ended 30 June 2018 resulted in exchange gain amounting to Rs. 195.80 million (2017: Rs. 101.97 million) on receivables denominated in US Dollar, EURO and Great British Pound (note 38).
- For a detailed discussion about the Company's performance please refer to the Directors' report.

3. STATEMENT OF COMPLIANCE

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

The Act has also brought certain changes with regard to the preparation and presentation of these financial statements. These changes, amongst others, included change in respect of presentation and measurement of surplus on revaluation of property plant and equipment as fully explained in note 6 of these financial statements, change in nomenclature of primary statements. Further, the disclosure requirements contained in the fifth schedule of the Act have been revised, resulting in elimination of duplicative disclosure with the IFRS disclosure requirements and incorporation of additional amended disclosures including, but not limited to, management assessment of sufficiency of tax provision in the financial statements (refer note 40.2), summary of significant transaction and events (refer note 2) etc.

4. BASIS OF MEASUREMENT

4.1 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.

4.2 Functional and presentation currency

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

4.3 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:

4.3.1 Taxation (Note 5.13)

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.

4.3.2 Useful life, residual values, impairment and method of depreciation of property, plant and equipment (Note 5.2)

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.

4.3.3 Impairment of non-financial assets (Note 5.18)

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.

4.3.4 Contingencies (Note 5.12)

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.

5. 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 5.22.

5.1 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 revised standards and amendments of IFRSs which became effective for the current year:

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes — Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

The adoption of the above amendments to accounting standards did not have any effect on the financial statements.

5.2 Property, plant and equipment

5.2.1 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 or loss during the period in which they are incurred.

A revaluation surplus is recorded in other comprehensive income (OCI) and credited to the asset revaluation surplus in equity. However, the increase is recorded in the statement of profit or loss to the extent it reverses a revaluation deficit of the same asset previously. A decrease as a result of revaluation is recognised in the statement of profit or loss however, a decrease is recorded in statement of other comprehensive income to the extent of any credit balance entry in revaluation surplus in respect of same assets.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on 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 surplus relating to the particular asset being sold is transferred to unappropriated profit.

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 or loss .

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 or loss 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.

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.

5.2.2 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.

5.2.3 Intangible assets

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 or loss. 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.

5.3 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.

5.4 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.

5.5 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.

5.6 Investments - held to maturity

Investments with fixed or determinable payments and fixed maturities are classified as held to maturity. When the entity has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the effective interest rate method (EIR) less impairment if so determined. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or cost that are integral part of effective interest rate. The effective interest rate amortization is included in the finance income in the income and expenditure account. The losses arising on impairment are recognized in the income and expenditure account.

5.7 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.

5.8 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 or loss, unless they are directly attributable to qualifying assets, in which case these are capitalized.

Rentals payable under operating leases are charged to profit or loss 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.

5.9 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.

5.10 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.

5.11 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.

5.12 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).

5.13 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 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.

5.14 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 5.15). 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 or loss.

5.15 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 or loss. 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 or 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 or loss 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 or loss.

5.16 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

Mark up income is accrued using effective interest rate method.

5.17 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 or loss in the period of incurrence.

5.18 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 or loss. When a subsequent event causes the amount of impairment loss to decrease, this reduction is reversed through the profit or loss.

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 or loss. 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.

5.19 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.

5.20 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.

5.21 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.

5.22 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 9: Financial Instruments	01 July 2018
IFRS 9: Prepayment Features with Negative Compensation - (Amendments)	01 January 2019
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 15: Revenue from Contracts with Customers	01 July 2018
IFRS 16: Leases	01 January 2019
IAS 19: Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)	01 January 2019
IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	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 except for IFRS 15- Revenue from contracts with customers. The Company is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. 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.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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 14 – Regulatory Deferral Accounts	01 January 2018
IFRS 17 – Insurance Contracts	01 January 2018

The Company expects that above new standards will not have any material impact on the Company's financial statements in the period of initial application.

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6. CHANGE IN ACCOUNTING POLICY

During current year, the Company changed its accounting policy for the revaluation surplus on property, plant and equipment, in accordance with requirements of the accounting and reporting standards as applicable in Pakistan under the Companies Act, 2017. Previously, the Company's accounting policy for surplus on revaluation of property, plant and equipment was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984. Further, the revaluation surplus on property, plant and equipment was shown as a separate item below equity, in accordance with the presentation requirement of the repealed Companies Ordinance, 1984.

The Companies Act, 2017 has not retained the above mentioned specific accounting and presentation requirements of revaluation surplus on property, plant and equipment. Consequently, this impacted the Company's accounting policy for revaluation surplus on property, plant and equipment, and now the related accounting and presentation requirements set out in IFRS are being followed by the Company. The new accounting policy is explained under note 5.2 above. Further, the revaluation surplus on property, plant and equipment is now presented in the statement of financial position and statement of changes in equity as a capital reserve i.e. part of equity.

In these financial statements the above explained change in accounting policy has been accounted for retrospectively, with the restatement of the comparative information and the Company has presented its statement of financial position as at the beginning of the earliest comparative period i.e., July 01, 2016, and related notes in accordance with requirement of IAS 1 — Presentation of Financial Statements (Revised) (IAS 1). Had the accounting policy not been changed, the surplus on revaluation of fixed assets would have been shown as a separate line item (below equity in the statement of financial position) amounting to PKR 2,142.84 million and PKR 1,226.93 million for the year ended 30 June 2017 and 2016 respectively.

	As at 01 July 2016			As at 30 June 2017		
	As previously reported	Adjustments	As restated (Restated)	As previously reported	Adjustments	As restated (Restated)
	-----Rupees-----					
Effect on statement of financial position:						
Surplus on revaluation of PPE (below equity)	1,226,925,493	-	(1,226,925,493)	2,142,840,712	-	(2,142,840,712)
Share capital and reserves	-	1,226,925,493	1,226,925,493	-	2,142,840,712	2,142,840,712
Effect on statement of changes in equity:						
Capital reserves	-	1,226,925,493	1,226,925,493	-	2,142,840,712	2,142,840,712
	-----Rupees-----					
	For the year 30 June 2017					
	As previously reported	Adjustments	As restated (Restated)	-----Rupees-----		
Effect on statement of other comprehensive income:						
Gain on revaluation of operating fixed asset - net of deferred tax	-	-	-	-	-	-

7. PROPERTY, PLANT AND EQUIPMENT

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

7.1 Operating fixed assets - tangible

PARTICULARS	COST			Rate (%)	DEPRECIATION			Net book value as at 30 June 2018
	As at 1st July 2017	Adjustment due to revaluation surplus	Additions		Transfer / (disposal)	For the year	As at 30 June 2018	
Owned:-----Rupees-----								
Freehold land								
Cost	524,028,678	-	5,458,525	-	-	-	-	529,487,203
Revaluation surplus	985,146,322	-	-	-	-	-	-	985,146,322
	1,509,175,000	-	5,458,525	-	-	-	-	1,514,633,525
Buildings on freehold land - factory								
Cost	2,680,191,131	-	-	-	536,637,494	107,177,682	643,815,176	2,036,375,955
Revaluation surplus	759,850,907	-	-	-	44,798,545	35,752,618	80,551,163	679,299,744
	3,440,042,038	-	-	-	581,436,039	142,930,300	724,366,339	2,715,675,699
Plant and machinery								
Cost	2,981,355,799	-	236,037,364	200,651,814	932,448,705	221,155,769	1,213,923,546	2,204,121,431
Revaluation surplus	841,301,125	-	-	-	445,673,220	39,562,791	485,236,011	356,065,114
	3,822,656,924	-	236,037,364	200,651,814	1,378,121,925	260,718,560	1,699,159,557	2,560,186,545
Generators								
Cost	179,370,893	-	2,600,000	-	57,214,438	12,388,979	69,603,417	112,367,476
Revaluation surplus	48,465,616	-	-	-	1,451,493	4,701,412	6,152,905	42,312,711
	227,836,509	-	2,600,000	-	58,665,931	17,090,391	75,756,322	154,680,187
Electric installations	299,407,191	-	37,690,235	-	94,860,490	22,366,192	117,226,682	219,870,744
Furniture and fixtures	81,820,208	-	4,504,050	-	29,134,733	5,431,910	34,566,643	51,757,615
Office equipment	160,450,474	-	29,859,627	-	58,250,500	12,051,282	70,301,782	120,008,319
Sui gas installations	2,066,066	-	-	-	1,264,864	80,120	1,344,984	721,082
Work shop equipments	15,629,627	-	-	-	9,520,157	610,947	10,131,104	5,498,523
Vehicles	156,136,988	-	48,936,258	(24,737,731)	88,278,019	15,640,186	108,593,130	90,163,601
	9,715,221,025	-	365,086,059	194,335,299	2,299,532,658	476,919,888	2,841,446,543	7,433,195,840
Leasehold:-----Rupees-----								
Plant and machinery								
Generators	358,921,428	-	-	(200,651,814)	80,146,836	23,414,623	(60,319,072)	115,027,227
Vehicles	32,825,663	-	-	(18,421,216)	14,584,022	1,824,164	16,408,186	16,417,477
	125,596,791	-	53,287,529	(18,421,216)	42,335,475	21,608,980	54,347,625	106,115,479
	517,343,882	-	53,287,529	(219,073,030)	137,066,333	46,847,767	113,998,198	237,560,183
	10,232,564,907	-	418,373,588	(24,737,731)	2,436,598,991	523,767,655	(4,921,905)	7,670,756,023

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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)	For the year	As at 30 June 2017	
Owned:----- Rupees -----								
Freehold land								
Cost	261,553,508	-	276,290,253	(13,815,083)	-	-	-	524,028,678
Revaluation surplus	515,931,983	469,214,339	-	-	-	-	-	985,146,322
	777,485,491	469,214,339	276,290,253	(13,815,083)	-	-	-	1,509,175,000
Buildings on freehold land - factory								
Cost	2,450,849,964	-	250,856,257	(21,515,090)	444,448,914	102,610,522	(10,421,942)	2,143,553,637
Revaluation surplus	473,177,967	322,341,430	-	(35,668,490)	27,607,226	22,278,537	(5,087,218)	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)	2,858,605,999
Plant and machinery								
Cost	2,174,020,956	-	807,334,843	-	749,353,361	183,095,344	-	2,048,907,094
Revaluation surplus	679,123,148	162,177,977	-	-	419,734,339	25,938,881	-	395,627,905
	2,853,144,104	162,177,977	807,334,843	-	1,169,087,700	209,034,225	-	2,444,534,999
Generators								
Cost	91,155,352	-	88,215,541	-	46,868,958	10,345,480	-	122,156,455
Revaluation surplus	6,882,057	41,583,559	-	-	848,097	603,396	-	47,014,123
	98,037,409	41,583,559	88,215,541	-	47,717,055	10,948,876	-	169,170,578
Electric installations	235,524,843	-	63,882,348	-	76,681,796	18,178,694	-	204,546,701
Furniture and fixtures	75,487,413	-	6,332,795	-	23,408,578	5,726,155	-	52,685,475
Office equipment	144,496,756	-	15,953,718	-	47,627,464	10,623,036	-	102,199,974
Sui gas installations	2,066,066	-	-	-	1,175,842	89,022	-	801,202
Work shop equipments	15,629,627	-	-	-	8,841,327	678,830	-	6,109,470
Vehicles	190,948,335	-	59,199,521.00	4,981,636 (98,992,504)	113,755,888	22,895,346	2,155,562 (50,528,797)	67,858,969 -
Total	7,316,847,975	995,317,305	1,568,065,276	(165,009,531)	1,960,351,790	403,063,243	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	-	278,774,592
Vehicles	32,825,663	-	-	-	12,557,173	2,026,849	-	18,241,641
	117,965,345	-	47,006,199	(39,374,753)	39,382,573	20,967,922	(18,015,020)	83,261,316
	473,273,495	-	83,445,140	(39,374,753)	101,100,963	53,980,390	(18,015,020)	380,277,549
	7,790,121,470	995,317,305	1,651,510,416	(204,384,284)	2,061,452,753	457,043,633	(81,897,395)	7,795,965,916

7.1.1 Depreciation charge for the year has been allocated as under
Cost of sales
Administrative expenses

7.1.2 Forced sale value as per the last revaluation report as of June 30, 2017 is Rs. 5,674.52 million.

7.1.3 Details of operating fixed assets disposal having aggregate net book value in excess of PKR 500,000 are as follows:

For the year ended June 30, 2018

Asset Description	Particulars of the purchaser	Relationship of purchaser with the Company	Mode of Disposal	Cost / Revalued Amount	Accumulated Depreciation	Net book value	Sale proceed	Gain / (Loss)
Rupees-----								
Vehicles :								
Motor Cycle FDN-14-9817	Shamsher Ahmad	Employee	Company Policy	73,400	56,163	17,237	16,932	(305)
Motor Cycle FDN-14-9814	Usman Zakria	Employee	Company Policy	73,400	56,163	17,237	16,932	(305)
Motor Cycle FDQ-15-220	Yasir	Employee	Company Policy	106,679	24,181	82,498	81,041	(1,457)
Motor Cycle FDR-15-4717	Asif Hussain	Employee	Company Policy	66,885	15,161	51,724	50,811	(913)
Motor Cycle FDR-15-8340	Falak Sher	Employee	Company Policy	66,885	13,377	53,508	52,599	(909)
Motor Cycle FDV-15-1822	Siddiq Akber	Employee	Company Policy	66,885	14,269	52,616	51,690	(926)
Motor Cycle FDV-14-8078	Ghulam Mohy Uddin	Employee	Company Policy	73,400	56,163	17,237	16,932	(305)
Motor Cycle FDX-15-9694	Basharat Ali	Employee	Company Policy	66,885	17,836	49,049	48,465	(584)
Motor Cycle FDR-14-3336	Sarfraz Ali	Employee	Company Policy	73,400	56,163	17,237	16,932	(305)
Motor Cycle FDW-14-1443	Ashfaq Packing	Employee	Company Policy	73,400	56,163	17,237	16,932	(305)
Motor Cycle FDR-15-4721	Farhat Abbas	Employee	Company Policy	66,885	15,161	51,724	50,869	(855)
Motor Cycle FDR-15-4718	Munawar Ali	Employee	Company Policy	66,885	16,944	49,941	49,403	(538)
Motor Cycle FDX-15-9692	Muhammad Irshad	Employee	Company Policy	66,885	15,161	51,724	50,869	(855)
Motor Cycle FDX-15-9689	Nasir Ali	Employee	Company Policy	66,885	14,269	52,616	51,690	(926)
Motor Cycle FDY-15-2231	Irfan Ashiq	Employee	Company Policy	107,689	27,226	80,463	79,597	(866)
Motor Cycle FDN-16-1630	Mumtaz Hussain	Employee	Company Policy	66,885	14,173	52,712	52,144	(568)
Motor Cycle FDW-16-4816	Riaz	Employee	Company Policy	71,000	54,327	16,673	16,397	(276)
Motor Cycle FDR-13-7715	Shahid	Employee	Company Policy	107,000	81,873	25,127	24,726	(401)
Motor Cycle FDN-14-4652	Imran	Employee	Company Policy	73,400	56,163	17,237	16,952	(285)
Motor Cycle FDP-14-6214	Akhlaq Ahmad	Employee	Company Policy	73,400	56,163	17,237	16,952	(285)
Motor Cycle FDV-14-8046	Khalil	Employee	Company Policy	66,885	15,161	51,724	50,869	(855)
Motor Cycle FDV-15-1825	Tehseen Ijaz	Employee	Company Policy	66,885	15,161	51,724	50,869	(855)

7.1.3 Details of operating fixed assets disposal having aggregate net book value in excess of PKR 500,000 are as follows:

For the year ended June 30, 2018

Asset Description	Particulars of the purchaser	Relationship of purchaser with the Company	Mode of Disposal	Cost / Revalued Amount	Accumulated Depreciation	Net book value	Sale proceed	Gain / (Loss)
Rupees-----								
Vehicles :								
Motor Cycle FDN-14-9817	Shamsher Ahmad	Employee	Company Policy	73,400	56,163	17,237	16,932	(305)
Motor Cycle FDN-14-9814	Usman Zakria	Employee	Company Policy	73,400	56,163	17,237	16,932	(305)
Motor Cycle FDQ-15-220	Yasir	Employee	Company Policy	106,679	24,181	82,498	81,041	(1,457)
Motor Cycle FDR-15-4717	Asif Hussain	Employee	Company Policy	66,885	15,161	51,724	50,811	(913)
Motor Cycle FDR-15-8340	Falak Sher	Employee	Company Policy	66,885	13,377	53,508	52,599	(909)
Motor Cycle FDV-15-1822	Siddiq Akber	Employee	Company Policy	66,885	14,269	52,616	51,690	(926)
Motor Cycle FDV-14-8078	Ghulam Mohy Uddin	Employee	Company Policy	73,400	56,163	17,237	16,932	(305)
Motor Cycle FDX-15-9694	Basharat Ali	Employee	Company Policy	66,885	17,836	49,049	48,465	(584)
Motor Cycle FDR-14-3336	Sarfraz Ali	Employee	Company Policy	73,400	56,163	17,237	16,932	(305)
Motor Cycle FDW-14-1443	Ashfaq Packing	Employee	Company Policy	73,400	56,163	17,237	16,932	(305)
Motor Cycle FDR-15-4721	Farhat Abbas	Employee	Company Policy	66,885	15,161	51,724	50,869	(855)
Motor Cycle FDR-15-4718	Munawar Ali	Employee	Company Policy	66,885	16,944	49,941	49,403	(538)
Motor Cycle FDX-15-9692	Muhammad Irshad	Employee	Company Policy	66,885	15,161	51,724	50,869	(855)
Motor Cycle FDX-15-9689	Nasir Ali	Employee	Company Policy	66,885	14,269	52,616	51,690	(926)
Motor Cycle FDY-15-2231	Irfan Ashiq	Employee	Company Policy	107,689	27,226	80,463	79,597	(866)
Motor Cycle FDN-16-1630	Mumtaz Hussain	Employee	Company Policy	66,885	14,173	52,712	52,144	(568)
Motor Cycle FDW-16-4816	Riaz	Employee	Company Policy	71,000	54,327	16,673	16,397	(276)
Motor Cycle FDR-13-7715	Shahid	Employee	Company Policy	107,000	81,873	25,127	24,726	(401)
Motor Cycle FDN-14-4652	Imran	Employee	Company Policy	73,400	56,163	17,237	16,952	(285)
Motor Cycle FDP-14-6214	Akhlaq Ahmad	Employee	Company Policy	73,400	56,163	17,237	16,952	(285)
Motor Cycle FDV-14-8046	Khalil	Employee	Company Policy	66,885	15,161	51,724	50,869	(855)
Motor Cycle FDV-15-1825	Tehseen Ijaz	Employee	Company Policy	66,885	15,161	51,724	50,869	(855)

7.2 CAPITAL WORK IN PROGRESS

Building civil works
Plant and machinery

Note	2018 Rupees	2017 Rupees
(7.2.1)	877,498,484	392,681,915
(7.2.1)	-	42,001,803
	<u>877,498,484</u>	<u>434,683,718</u>

7.2.1 Movement in capital work in progress

Opening balance
Addition during the year
Transferred to operating fixed assets
Closing balance

	Plant and machinery		Total
	2018	2017	2017
	-----Rupees-----		
Opening balance	392,681,915	127,584,085	434,683,718
Addition during the year	484,816,569	515,954,087	484,816,569
Transferred to operating fixed assets	-	(250,856,257)	(42,001,803)
Closing balance	<u>877,498,484</u>	<u>392,681,915</u>	<u>434,683,718</u>

8. INTANGIBLE ASSETS

PARTICULARS	BALANCE AS AT 01 JULY 2017			FOR THE YEAR			BALANCE AS AT 30 JUNE 2018			Rate (%)
	Cost	Accumulated Amortization	Net Book Value	Additions	Disposal Cost/ (Accumulated Amortization)	Amortization	Cost	Accumulated Amortization	Net Book Value	
	-----Rupees-----									
Software	40,649,748	6,097,462	34,552,286	2,611,028	-	10,200,894	43,260,776	16,298,356	26,962,420	20
	<u>40,649,748</u>	<u>6,097,462</u>	<u>34,552,286</u>	<u>2,611,028</u>	<u>-</u>	<u>10,200,894</u>	<u>43,260,776</u>	<u>16,298,356</u>	<u>26,962,420</u>	

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

Administrative expenses

Note	2018 Rupees	2017 Rupees
(36)	<u>10,200,894</u>	<u>6,097,462</u>

SADAQAT LIMITED**9. LONG TERM ADVANCES**

This represented advances paid to financial institutions against assets subject to finance lease. Amortization impact was insignificant.

10. LONG TERM DEPOSITS

LG margin with banks
Security deposits - FESCO
Other security deposits

Note	2018 Rupees	2017 Rupees
	17,610,630	17,610,630
	3,695,472	715,472
	1,743,065	1,638,065
	<u>23,049,167</u>	<u>19,964,167</u>

11. STORES, SPARES AND LOOSE TOOLS

Stores
Spares
Loose tools

	166,081,965	149,257,674
	42,978,403	41,079,198
	3,433,296	2,432,522
	<u>212,493,664</u>	<u>192,769,394</u>

12. STOCK IN TRADE

Raw material
- in hand
- in transit
- held by third parties

	877,372,329	394,258,831
	50,146,866	112,951,967
	83,871,420	50,713,306
	<u>1,011,390,615</u>	<u>557,924,104</u>

Work in process
Finished goods
Waste

	1,027,323,102	1,503,030,259
(12.1)	976,412,144	784,131,236
	44,793,726	33,782,262
	<u>2,048,528,972</u>	<u>2,320,943,757</u>
	<u>3,059,919,587</u>	<u>2,878,867,861</u>

12.1 It includes stocks amounting Rs. 509.13 million (2017: 390 million) in transit to port for shipment to customers.

13. TRADE DEBTS**Considered good****Foreign**

- Secured
- Unsecured

	2,202,752,328	57,413,146
	295,009,111	1,464,280,688
(13.1)	<u>2,497,761,439</u>	<u>1,521,693,834</u>

Local

- Unsecured

(13.2)	59,557,711	78,209,046
	<u>2,557,319,150</u>	<u>1,599,902,880</u>

13.1 Foreign debts include Rs. 1,639.09 million (2017: Rs. 768.95 million) due from Sadaqat Global Limited, UK - an associated undertaking. The maximum aggregate amount due from associated undertaking at any month end during the year was Rs. 1,265 million (2017: Rs. 912 million).

13.2 It includes Rs. 19.29 million (2017: Rs. 57.50 million) due from KHAS Holdings - an associated undertaking. The maximum aggregate amount due from associated undertaking at any month end during the year was Rs. 66 million (2017: Rs. 52 million).

SADAQAT LIMITED

	Note	2018 Rupees	2017 Rupees
13.3 The aging of trade debts at balance sheet date was:			
Neither past due nor impaired			
0 to 3 Months (0 - 90 days)		2,483,099,283	1,514,311,792
4 to 6 Months (91 - 180 days)		23,388,382	38,137,631
Past due nor impaired			
7-12 Months		37,735,899	18,527,012
Over 12 Months		13,095,586	28,926,445
		<u>2,557,319,150</u>	<u>1,599,902,880</u>

14. LOANS AND ADVANCES - UNSECURED AND CONSIDERED GOOD

Loan to KHAS Holdings - associated undertaking	(14.1)	99,448,154	150,000,000
Advance to director against salary	(14.2)	2,496,796	3,332,340
Advances to employees against expenses:			
- Executives (other than CEO and Directors)		2,313,720	1,541,539
- Other employees		20,341,839	5,065,706
		22,655,559	6,607,245
Advances to suppliers		477,883,546	308,629,477
		<u>602,484,055</u>	<u>468,569,062</u>

14.1 This loan carries markup at 8% per annum and is repayable on demand after one month notice. The maximum aggregate amount due from associated undertaking at any month end during the year was Rs. 128.22 million (2017: Rs. 150 million). Total amount past due is more than one year.

14.2 Balance at the beginning of the year	3,332,340	-
Disbursements during the year	-	5,334,352
Repayment	835,544	2,002,012
	<u>2,496,796</u>	<u>3,332,340</u>

This represents amount advanced to Director, as an advance payment for salary. The maximum aggregate amount due from director at any month end during the year was Rs. 3.25 million (2017: Rs. 5.33 million). The entire amount of the advance is considered good.

15. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS

Trade deposits:			
- Deposit under collection account		77,322	-
- Deposit under debt repayment account		363,022	-
- Letters of credit		8,050,668	9,322,679
		8,491,012	9,322,679
Prepayments		3,679,614	4,818,676
		<u>12,170,626</u>	<u>14,141,355</u>

16. BALANCES WITH STATUTORY AUTHORITIES

Gas infrastructure development cess		5,436,856	5,436,856
Workers' Welfare Fund		11,847,153	12,573,678
Special excise duty		12,442,697	12,442,697
Drawback on local taxes and levies	(16.1)	45,588,172	45,588,172
Drawback of customs-duty	(16.2)	144,536,670	108,526,068
Duty drawback on taxes	(16.3)	874,296,557	261,196,033
		<u>1,094,148,105</u>	<u>445,763,504</u>

SADAQAT LIMITED

	Note	2018 Rupees	2017 Rupees
16.1 Drawback on local taxes and levies			
Balance at the beginning of the year		45,588,172	31,791,779
Claimed during the year		-	13,796,393
Received during the year		-	-
		<u>45,588,172</u>	<u>45,588,172</u>

16.2 Drawback of customs-duty

Balance at the beginning of the year	108,526,068	99,456,407
Claimed during the year	99,772,984	109,315,838
Received during the year	(63,762,382)	(100,246,177)
	<u>144,536,670</u>	<u>108,526,068</u>

16.3 Duty drawback on taxes

Balance at the beginning of the year	261,196,033	-
Claimed during the year	894,954,762	291,294,172
Received during the year	(281,854,238)	(30,098,139)
	<u>874,296,557</u>	<u>261,196,033</u>

17. INTEREST ACCRUED

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

18. OTHER RECEIVABLES

Mark up support	(18.1)	18,846,951	18,897,275
Punjab Revenue Authority (PRA)	(18.2)	14,706,787	14,706,787
Faisalabad Electric Supply Company (FESCO)	(18.3)	11,884,836	11,884,836
Receivables from associated undertaking	(18.4)	7,276,668	13,815,083
		<u>52,715,242</u>	<u>59,303,981</u>

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

18.2 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.

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

18.4 This represents receivable from an associated undertaking, KHAS Holdings against sale of land. Total amount past due is more than one year.

19. TAX REFUNDS DUE FROM THE GOVERNMENT

Income tax	205,719,151	247,399,892
Sales tax	196,727,132	358,393,371
	<u>402,446,283</u>	<u>605,793,263</u>

SADAQAT LIMITED

		2018 Rupees	2017 Rupees
20. SHORT TERM INVESTMENTS	Note		
Term deposit receipts (TDRs)	(20.1)	50,000,000	-
20.1 These represent investments in local currency TDRs. The TDRs carry mark up at 6.75% (2017: Nil) per annum payable quarterly in arrears. As stated in note 23, TDRs of Rs. 50 million are given as security against syndicate demand finance facility arranged with National Bank of Pakistan.			
21. CASH AND BANK BALANCES			
Cash in hand		5,141,140	5,892,268
Balance with banks under current accounts		192,961,138	101,991,234
		<u>198,102,278</u>	<u>107,883,502</u>
22. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
22.1 Authorized share capital			
150,000,000 (2017: 150,000,000) ordinary shares of Rs. 10/- each		<u>1,500,000,000</u>	<u>1,500,000,000</u>
22.2 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		<u>462,783,090</u>	<u>462,783,090</u>
		<u>1,200,000,000</u>	<u>1,200,000,000</u>
23. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS			
Surplus on revaluation of assets at the beginning of year		2,142,840,712	1,226,925,493
Surplus on revaluation of assets during the year		-	995,317,305
		<u>2,142,840,712</u>	<u>2,222,242,798</u>
Less :			
Surplus relating to incremental depreciation charged on related assets transferred to unappropriated profit		(80,016,821)	(48,820,814)
Surplus relating to assets disposed during the year		-	(30,581,272)
		<u>2,062,823,891</u>	<u>2,142,840,712</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		

	2018 Rupees	2017 Rupees
SADAQAT LIMITED		
	523,863,648	543,044,752
	248,093,918	316,352,916
	350,000,000	550,000,000
	<u>1,121,957,566</u>	<u>1,409,397,668</u>
	<u>(343,259,745)</u>	<u>(348,697,121)</u>
	<u>778,697,821</u>	<u>1,060,700,547</u>
Note		
(24.2)		
(24.3)		
(24.4)		
(31)		

24. LONG TERM FINANCING

LTF-EOP / LTFF
Demand finance
Syndicated term finance

Less: Current portion shown under current liabilities

24.1 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
LTF-EOP/LTFF:					
Askari Commercial Bank Limited	LTF-EOP	SBP rate + 2.5%	3,411,009	14	17-Dec-2021
Askari Commercial Bank Limited Tranche 1	LTF-EOP	SBP rate + 2.5%	1,718,539	12	21-May-2021
Askari Commercial Bank Limited Tranche 2	LTF-EOP	SBP rate + 2.5%	1,508,000	11	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	12	28-Jun-2021
NIB Bank Limited 2	LTF-EOP	SBP Refinance Rate + 2%	1,494,600	14	30-Jun-2021
NIB Bank Limited 3	LTF-EOP	SBP Refinance Rate + 2%	1,111,500	14	28-Feb-2022
NIB Bank Limited 4	LTF-EOP	SBP Refinance Rate + 2%	667,860	15	13-Apr-2022
Pak Brunei Investment Company Limited Tranche 1	LTF-EOP	Base rate + 2.5%	3,175,050	7	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	7	3-Nov-2021
Pak Brunei Investment Company Limited Tranche 3	LTF-EOP	Base rate + 2.5%	1,177,000	7	16-Sep-2021
United Bank Limited	LTF-EOP	SBP rate + 2%	1,150,000	22	31-Dec-2023
United Bank Limited Tranche 1	LTF-EOP	SBP rate + 2%	1,277,706	21	20-Sep-2023
United Bank Limited Tranche 2	LTF-EOP	SBP rate + 2%	2,572,019	21	20-Sep-2023
Bank of Punjab 1	LTF-EOP	SBP rate + 2%	1,645,000	18	7-Feb-2023
Bank of Punjab 2	LTF-EOP	SBP rate + 2%	737,222	18	25-Apr-2023
Bank of Punjab 3	LTF-EOP	SBP rate + 2%	955,556	18	23-May-2023
National Bank of Pakistan Tranche 3	LTF-EOP	SBP rate + 2%	8,607,225	20	6-Jan-2024
Demand Finance:					
The Bank of Khyber Tranche 1	Demand Finance	SBP rate + 1.75%	10,416,667	3	1-Mar-2019
National Bank of Pakistan Tranche 2	Demand Finance	6 Month kibar + 2%	744,990	60	23-Nov-2023
Syndicated Term Finance:					
United Bank Limited	Syndicated term Finance	3 months KIBOR+ 2.75%	50,000,000	7	7-Feb-2020

24.2 This finance has been obtained for import of textile machinery. These loans are secured against first exclusive charge of Rs. 1,001 million over specific fixed assets, first joint pari passu charge of Rs. 173 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.

24.3 This finance has been obtained for import of textile machinery. These loans are secured against first exclusive charge of Rs. 143 million over specific fixed assets and personal guarantees of all the directors of the Company. Installments are payable on quarterly basis.

24.4 This finance has been obtained for support of working capital requirements. The facility is secured against investment in term deposit receipts, first pari passu charge of Rs. 334 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.

SADAQAT LIMITED

25. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Note	2018 Rupees	2017 Rupees
Future minimum lease payments	109,637,478	169,449,713
Less: Unamortized finance charges	(8,781,104)	(17,786,270)
Present value of minimum lease payments	100,856,374	151,663,443
Less: Current portion shown under current liabilities	(31) (67,658,863)	(83,274,346)
	<u>33,197,511</u>	<u>68,389,097</u>

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

2018	2018 Rupees	2017 Rupees
Not later than one year	74,738,079	67,658,863
Later than one year but not later than five years	34,899,399	33,197,511
	<u>109,637,478</u>	<u>100,856,374</u>
2017		
Not later than one year	95,815,035	83,274,346
Later than one year but not later than five years	73,634,678	68,389,097
	<u>169,449,713</u>	<u>151,663,443</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 (2017: 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.

26. LONG TERM DEPOSITS

Note	2018 Rupees	2017 Rupees
Long term deposits	45,527,768	35,591,781
Less: Current portion shown under current liabilities	(24,366,174)	(5,192,852)
	<u>21,161,594</u>	<u>30,398,929</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.

27. DEFERRED TAXATION

Taxable temporary differences on unrealized export debtors	<u>24,977,614</u>	<u>15,216,938</u>
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28. TRADE AND OTHER PAYABLES

Creditors	1,955,370,835	1,610,683,893
Accrued liabilities	101,987,154	98,014,453
Advances from customers	31,522,215	12,852,708
Payable to provident fund	8,013,055	2,645,641
Workers' profit participation fund	(28.1) 65,846,844	27,286,589
Withholding tax payable	3,324,732	6,997,761
	<u>2,166,064,835</u>	<u>1,758,481,045</u>

SADAQAT LIMITED

		2018	2017	
28.1	Workers profit participation fund (WPPF)	Rupees	Rupees	
	Opening balance	27,286,589	43,834,927	
	Allocation for the year	65,198,275	27,286,589	
	Interest on WPPF	648,569	934,686	
		93,133,433	72,056,202	
	Less: Payments during the year	(27,286,589)	(44,769,613)	
		65,846,844	27,286,589	
29.	INTEREST ACCRUED ON LOANS - secured			
	Long term financing	18,927,784	16,822,513	
	Short term borrowings	44,282,516	42,168,645	
		63,210,300	58,991,158	
30.	SHORT TERM BORROWINGS			
	Financial institutions-secured			
	Export refinance facilities (30.2)	3,407,800,000	2,002,199,989	
	Short term running finance (30.3)	64,482,217	66,879,316	
	Other short term finance (30.4)	2,205,392,494	2,561,370,317	
		5,677,674,711	4,630,449,622	
	Loan from directors - unsecured (30.5)	-	7,400,000	
		5,677,674,711	4,637,849,622	
30.1	These loans are secured against joint pari passu charge of Rs. 4,183 million on current assets and Rs. 4,886 million on fixed assets of the Company, ranking charge of Rs. 1,409 million on all current assets and Rs. 1,235 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;			
30.2	Export refinance facilities			
	Limit	Pricing		
	Sanctioned Limit amounting Rs. 3,550 million and available limit Rs. 142.22 million.	At the rate of SBP tariff plus 1% p.a. (2017: SBP tariff plus 1% p.a.)		
30.3	Short term running finance			
	Limit	Pricing		
	Sanctioned Limit amounting Rs. 115 million and available limit Rs. 50.52 million.	At the rate of 3 months KIBOR plus 1.5% to 1.75% (2017: 3 months KIBOR plus 1.5% to 1 month KIBOR plus 2.5%) p.a.		
30.4	Other short term finance			
	Limit	Pricing		
	Sanctioned Limit amounting Rs. 3,265 million and available limit Rs. 1,059.72 million.	At the rate of 1 month KIBOR to 3 month plus 1% to 2.5% (2017: 1 month KIBOR plus 1.3% to 1 month KIBOR plus 1.75%) p.a.		
30.5	It represents interest free loan from Chief Executive and Director of the Company and is payable on demand.			
31.	CURRENT PORTION OF NON CURRENT LIABILITIES	Note	2018 Rupees	2017 Rupees
	Long term financing	(24)	343,259,745	348,697,121
	Liabilities against assets subject to finance lease	(25)	67,658,863	83,274,346
	Long term deposits	(26)	24,366,174	5,192,852
			435,284,782	437,164,319

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32. CONTINGENCIES AND COMMITMENTS**32.1 Contingencies**

32.1.1 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.

32.1.2 The Deputy Collector Customs vide order bearing No. 51/2013 dated 20 December 2013 on account of non-payment of income tax at the time of import of goods by mentioning that the goods imported under SRO 326(I)/2008 are not eligible for exemption and created the demand of Rs. 3,242,654. The Company filed an appeal before the Collectorate of Customs (Appeals) who declared the order illegal being time barred and out of jurisdiction. The Collector of Customs has filed an appeal before the Customs (Appellate Tribunal Inland Revenue who has decided the case in favor of the Company. Being aggrieved, the Collector of Customs has filed reference application before the Lahore High Court which is pending adjudication. The management is of the opinion that the case will be decided in favor of the Company.

32.1.3 The Deputy Commissioner Enforcement has passed an order dated 09 September 2016 while contending that the Company has failed to withhold the sales tax under Punjab Sales Tax on Services (Withholding) Rules, 2015 for the tax periods March 2015 to May 2016 and created the demand of Rs. 14,012,944. Being aggrieved, the Company has filed an appeal before the Commissioner Appeals, PRA who has decided the case against the Company. The Company has accordingly filed an appeal before the Appellate Tribunal which is pending adjudication. At the same time, the Company has filed writ petition by challenging the Punjab Revenue Authority (Amendment) Act, 2016 being ultra vires the Constitution of Islamic Republic of Pakistan, 1973. The management is of the opinion that the case will be decided in favor of the Company.

32.1.4 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

32.1.5 Post dated cheques issued in favour of custom authorities for release of goods imported for re-export

	924,443,961	1,005,285,715
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32.1.6 Foreign bills (Under Letter of Credits) discounted with banks

	416,850,000	219,574,699
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32.2 Commitments

32.2.1 Under letters of credit for

Raw material	186,953,995	412,791,835
Stores and spares	308,063,079	8,147,521
Capital expenditure	140,920,009	30,296,950
	<u>635,937,083</u>	<u>451,236,306</u>

32.2.2 Against Purchase of Land

Within one year	47,659,344	47,659,344
After one year but not more than five years	142,978,032	191,622,946
	<u>190,637,376</u>	<u>239,282,290</u>

32.2.3 Against Civil Contracts

Capital work in progress	200,000,000	484,816,569
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32.2.4 Forward exchange contracts

Sale	550,294,476	3,141,363,150
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32.2.4.1 Remeasurement gain on the above contracts has been recognized in statement of profit or loss and asset has been shown on the face of balance sheet.

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33.	SALES - net	Note	2018 Rupees	2017 Rupees
	Export sales		15,000,704,892	10,982,584,328
	Local sales:			
	Processing Receipts		73,934,768	54,691,036
	Waste sale		96,434,436	74,131,233
			<u>170,369,204</u>	<u>128,822,269</u>
	Gross sales		15,171,074,096	11,111,406,597
	Less:			
	Foreign commission and discount		(141,729,278)	(213,528,724)
	Sales tax		(6,708,782)	(5,055,227)
			<u>(148,438,060)</u>	<u>(218,583,951)</u>
			<u>15,022,636,036</u>	<u>10,892,822,646</u>
34.	COST OF SALES			
	Raw material consumed	(34.1)	8,041,195,195	6,680,941,406
	Stores and spares consumed	(34.2)	2,158,180,817	1,671,559,106
	Salaries, wages and benefits	(34.3)	1,159,877,562	935,212,859
	Fuel and power		560,356,523	457,096,546
	Conversion and processing charges		430,671,438	297,957,297
	Folding and packing		50,494	40,497,772
	Freight		68,256,802	69,780,933
	Loading & Handling charges		36,797,261	57,028,864
	Insurance		36,427,996	21,568,878
	Repairs and maintenance		47,751,198	67,289,459
	Depreciation	(7.1.1)	469,035,297	396,831,174
			<u>13,008,600,583</u>	<u>10,695,764,294</u>
	Work in process			
	Opening balance		1,503,030,259	867,028,653
	Closing balance	(12)	1,027,323,102	1,503,030,259
			<u>475,707,157</u>	<u>(636,001,606)</u>
	Cost of goods manufactured		13,484,307,740	10,059,762,688
	Finished goods			
	Opening balance		817,913,498	382,159,654
	Closing balance	(12)	1,021,205,870	817,913,498
			<u>(203,292,372)</u>	<u>(435,753,844)</u>
			<u>13,281,015,368</u>	<u>9,624,008,844</u>
	Less:			
	Duty drawback		992,907,240	400,610,009
	Drawback of local taxes and levies		-	13,796,393
			<u>992,907,240</u>	<u>414,406,402</u>
			<u>12,288,108,128</u>	<u>9,209,602,442</u>

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34.1	Raw material consumed	Note	2018 Rupees	2017 Rupees
	Raw material opening inventory		557,924,104	795,159,258
	Add: Purchases during the year		8,494,661,706	6,443,706,252
	Raw material available for consumption		9,052,585,810	7,238,865,510
	Raw material closing inventory	(12)	(1,011,390,615)	(557,924,104)
			<u>8,041,195,195</u>	<u>6,680,941,406</u>
34.2	Stores and spares consumed			
	Opening inventory		192,769,394	282,978,685
	Add: Purchases during the year		2,177,905,087	1,581,349,815
			<u>2,370,674,481</u>	<u>1,864,328,500</u>
	Closing inventory	(11)	(212,493,664)	(192,769,394)
			<u>2,158,180,817</u>	<u>1,671,559,106</u>
34.3	This include Rs. 29.09 million (2017: Rs. 24 million) in respect of provident fund contribution.			
35.	SELLING AND DISTRIBUTION EXPENSES			
	Staff salaries and benefits	(35.1)	55,431,524	42,236,412
	Sea and air freight		56,903,410	34,727,086
	Clearing and forwarding		218,439,062	141,483,557
	Freight and octroi		54,966,300	42,048,922
	Advertisement		123,017	261,554
	Sales promotion expenses		51,506,619	26,951,649
	Export development surcharge		35,879,656	28,767,348
	Claims & Damages		15,383,285	21,301,853
			<u>488,632,873</u>	<u>337,778,381</u>
35.1	This include Rs.2.47 million (2017: Rs. 1.8 million) in respect of provident fund contribution.			
36.	ADMINISTRATIVE EXPENSES			
	Directors' remuneration		91,873,960	49,830,960
	Staff salaries and benefits	(36.1)	247,327,027	145,722,962
	Postage and telecommunication		53,368,932	36,468,339
	Utilities		100,785,423	50,788,505
	Printing and stationery		6,283,792	3,914,724
	Vehicle running and maintenance		58,220,349	22,380,527
	Travelling and conveyance		68,964,338	61,203,062
	Fee and subscription		10,611,841	10,515,681
	Legal and professional		1,360,500	1,950,000
	Entertainment		16,680,965	9,794,575
	Repairs and maintenance		19,333,300	20,955,083
	Auditors' remuneration	(36.2)	1,615,818	1,600,000
	Insurance		4,907,379	10,043,837
	Depreciation	(7.1.1)	54,732,358	60,212,459
	Amortization	(8.1)	10,200,894	6,097,462
	Donation		4,715,000	7,342,946
	Others		5,873,739	3,360,649
			<u>756,855,615</u>	<u>502,181,771</u>
36.1	This include Rs. 8.09 million (2017: Rs. 6 million) in respect of provident fund contribution.			

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		2018 Rupees	2017 Rupees
36.2 Auditors' remuneration	Note		
Audit fee		1,500,000	1,500,000
Out of pocket expenses		115,818	100,000
		<u>1,615,818</u>	<u>1,600,000</u>
37. OTHER OPERATING EXPENSES			
Provision for Workers' Profit Participation Fund		65,198,275	27,286,589
Charity and donations	(37.1)	7,080,973	6,328,657
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
		<u>72,279,248</u>	<u>77,999,949</u>
37.1 Name of donees in which a director or his spouse has an interest:			
Name of Donee:			
Anjuman-E-Islamia (Regd.) Faisalabad		2,500,000	275,000
Mangla Golf Club Fund		1,000,000	-
Chiniot Blood Bank and Dialysis Centre		70,000	660,000
Mofad-E-Amma Chiniot Sheikh Association (Regd.) Faisalabad		25,000	300,000
Chiniot Educational Society		20,000	220,000
Islamia Hospital Chiniot		-	250,000
		<u>6,187,988</u>	<u>1,705,000</u>
38. OTHER INCOME			
Income from financial assets:			
Exchange gain-net		195,800,022	101,965,528
Unrealized gain on derivative financial instruments		40,992,260	-
Profit on saving accounts		3,106,277	571,808
Gain on disposal of operating fixed assets		426,898	
Workers' welfare fund		-	30,188,643
Claims to department (FESCO)		-	11,884,836
		<u>240,325,457</u>	<u>144,610,815</u>
Interest on loan to associated undertaking		9,837,454	2,000,000
Income from non-financial assets:			
Others		-	2,938,437
		<u>250,162,911</u>	<u>149,549,252</u>

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		2018 Rupees	2017 Rupees
39. FINANCE COSTS	Note		
Mark up on:			
- Long term financing		62,201,876	90,905,481
- Short term borrowings		266,164,680	196,684,209
		<u>328,366,556</u>	<u>287,589,690</u>
Interest on workers' profit participation fund		648,569	934,686
Interest on Sadaqat Limited - Employees' Provident Fund Trust		10,522,015	2,846,919
Lease finance charges		12,062,929	22,890,602
Bank charges and commission		89,460,853	82,071,812
		<u>112,694,366</u>	<u>108,744,019</u>
		<u>441,060,922</u>	<u>396,333,709</u>
40. TAXATION			
Current			
-for the year		130,690,603	34,477,582
-prior year		3,922,311	-
		<u>134,612,914</u>	<u>34,477,582</u>
Deferred		9,760,676	15,216,938
		<u>144,373,590</u>	<u>49,694,520</u>
40.1	The relationship between tax expense and accounting profit has not been presented in these financial statements as almost all 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.		
40.2 Management assessment on sufficiency of provision for income taxes			
	A comparison of provision on account of income taxes with most recent tax assessment for last three tax years are as follows:		
		2017	2016
			2015
		-----Rupees-----	
Tax provision as per financial statements	34,477,582	69,698,104	64,035,405
Amount of tax assessed	34,553,397	68,998,963	63,620,265
41. EARNINGS PER SHARE-BASIC AND DILUTED			
Profit for the year (Rupees)		<u>1,081,488,571</u>	<u>468,781,126</u>
Weighted average number of ordinary shares		<u>120,000,000</u>	<u>120,000,000</u>
Earnings per share		<u>9.01</u>	<u>3.91</u>
41.1 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.		

42. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2018			2017		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	-----Rupees-----					
Managerial remuneration	12,000,000	49,249,307	42,311,568	6,400,000	26,820,640	24,569,680
Provident fund	-	-	2,868,876	-	-	1,458,072
House rent allowance	4,800,000	19,699,723	16,924,627	2,560,000	10,728,256	9,827,872
Utilities	1,200,000	4,924,931	4,231,157	640,000	2,682,064	2,456,968
Total	18,000,000	73,873,961	66,336,228	9,600,000	40,230,960	38,312,592
Number of persons	1	5	37	1	5	24

42.1 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.

42.2 As per revised requirement of the Act, executive means an employee, other than chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in a financial year.

43. 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 are as follows:

Name	Nature of relationship	Nature of transaction	2018	2017
			-----Rupees-----	
Sadaqat Global Limited - UK	Common Directorship	Sales	4,070,069,644	3,223,125,142
Sadaqat Global Limited - UK	Common Directorship	Commission expense	2,477,986	134,813,952
KHAS Holding	Director's Spouse	Sales	40,840,687	26,935,285
KHAS Holding	Director's Spouse	Loan	50,551,846	150,000,000
KHAS Holding	Director's Spouse	Transfer of Land	6,538,415	8,500,702
Provident Fund	Employee's Fund Scheme	Amount Contributed	39,644,568	31,025,408
			4,210,123,146	3,574,400,489

43.1 Sadaqat Global Limited is incorporated in United Kingdom. The registered office is situated at Unit 6 Westpoint Enterprise Park, Clarence Avenue Trafford Park, Manchester Lancashire, M17 1QS, United Kingdom.

44. 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 218 of the Companies Act and the rules formulated for this purpose. The salient information of the fund is as follows:

	Un-Audited 2018	Audited 2017
	Rupees	
Size of the fund	208,367,948	160,597,158
Cost of investment made	139,602,388	110,966,698
Percentage of investments made	67%	69%
Fair value of investments	141,797,074	117,545,874

44.1 Breakup of investment:

UBL Asset Allocation Fund	337,351	-
Faysal savings growth fund	425,721	-
Al-Ameen Islamic Active Allocation Plan	-	18,095,723
NAFA Islamic Active Allocation Plan	169,498	1,504,246
NAFA Financial Sector -Income Fund	20,025,201	-
NAFA Income opportunity Fund	2,721,900	-
UBL -Al Ameen Islamic Active Allocation Plan VI	5,821,271	6,434,565
NBP Profit and Loss A/C	25,080,161	84,000,000
UBL Funds (Al Ameen Islamic Active Allocation Plan -X)	17,125,555	-
UBL Funds (Al Ameen Islamic Active Principal Preservation Plan -1)	4,857,414	-
Alfallaha Capital Preservation Fund II	4,995,055	-
Alfallaha GHP Money Market Fund	40,016,671	-
UBL Liquidity Plus Fund	20,007,082	-
First Woman Bank	-	7,511,340
UBL Growth Fund	214,194	-
	141,797,074	117,545,874

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45. FINANCIAL RISK MANAGEMENT

The Company's financial assets comprise long term deposits, trade debts, loans, trade deposits, interest accrued, other receivables, derivative financial asset, short term investment 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.

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, therefor, is hedged through forward rate agreements. The Company exposure to currency risk is as follows:

Particulars		Currency	2018		2017	
			F.Currency	Rupees	F.Currency	Rupees
Receivables						
Foreign debtors	US Dollar		15,890,401	1,929,847,014	9,183,565	962,377,045
	Euro		1,552,074	219,416,410	1,444,172	173,033,171
	Great British Pound		2,188,481	348,498,015	2,832,812	386,283,618
			19,630,956	2,497,761,439	13,460,549	1,521,693,834
Less:						
Foreign creditors						
	US Dollar		2,065,798	251,270,458	518,103	54,292,034
	Great British Pound		-	-	-	-
			2,065,798	251,270,458	518,103	54,292,034
On Balance sheet Exposure			17,565,158	2,246,490,981	12,942,446	1,467,401,800
Under letter of credit	US Dollar		4,443,558	520,926,834	4,167,139	436,674,496
Under letter of credit	Euro		825,650	112,346,249	121,551	14,561,810
Under letter of credit	Yen		2,400,000	2,664,000	-	-
			7,669,208	635,937,083	4,288,690	451,236,306

The following significant exchange rates were applied during the year :

Currency	2018		2017	
	Average Rate	Reporting Date Rate	Average Rate	Reporting Date Rate
	-----Rupees-----		-----Rupees-----	
US Dollar	113.12	121.45	104.65	104.79
Euro	130.59	141.37	117.94	119.80
Great British Pound	147.82	159.24	138.26	136.40

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	2018 Rupees	2017 Rupees
Foreign debtors/ (Foreign creditors) - USD	+1	13,824,603	8,665,462
	-1	(13,824,603)	(8,665,462)
Foreign debtors/ (Foreign creditors) - EURO	+1	1,552,074	1,444,172
	-1	(1,552,074)	(1,444,172)
Foreign debtors/ (Foreign creditors) - GBP	+1	2,188,481	2,832,812
	-1	(2,188,481)	(2,832,812)

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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:

	2018 Rupees	2017 Rupees
Floating rate instruments:		
Long term financing	1,121,957,566	1,409,397,668
Liabilities against assets subject to finance lease	100,856,374	151,663,443
Short term borrowings	5,677,674,711	4,630,449,622
	<u>6,900,488,651</u>	<u>6,191,510,733</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
Floating interest rates		Percent	Rupees
	2018	+1	69,004,887
		-1	(69,004,887)
	2017	+1	61,915,107
		-1	(61,915,107)

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:

	2018 Rupees	2017 Rupees
Long term deposits	23,049,167	19,964,167
Trade debts	354,566,822	1,542,489,734
Loans	99,448,154	150,000,000
Trade deposits	8,491,012	9,322,679
Interest accrued	2,540,955	2,000,000
Derivative financial asset	29,132,292	-
Other receivables	52,715,242	59,303,981
Short term investment	50,000,000	-
Bank balances	192,961,138	101,991,234
	<u>812,904,782</u>	<u>1,885,071,795</u>

The age of trade debts at balance sheet date was:

	2018		2017		2018	2017
Age analysis of trade debts:	Foreign	Local	Foreign	Local	Rupees	Rupees
Neither past due nor impaired	Rupees					
0 to 3 Months (0 - 90 days)	2,461,713,202	21,386,084	1,493,107,402	21,204,390	2,483,099,286	1,514,311,792
4 to 6 Months (91 - 180 days)	10,654,592	12,733,790	28,586,432	9,551,199	23,388,382	38,137,631
Past due nor impaired						
7-12 Months	23,400,625	14,335,271	-	18,527,012	37,735,896	18,527,012
Over 12 Months	1,993,020	11,102,566	-	28,926,445	13,095,586	28,926,445
	<u>2,497,761,439</u>	<u>59,557,711</u>	<u>1,521,693,834</u>	<u>78,209,046</u>	<u>2,557,319,150</u>	<u>1,599,902,880</u>

Age analysis of trade debts from associated undertaking: Neither past due nor impaired

	2018		2017		2018	2017
	Foreign	Local	Foreign	Local	Rupees	Rupees
	Rupees					
0 - 90 days	1,639,099,277	12,434,455	753,666,343	10,964,278	1,651,533,732	764,630,621
91 - 180 days		6,862,380	15,288,965	6,588,116	6,862,380	21,877,081
Past due but not impaired:						
7-12 Months	-	-	-	17,790,271	-	17,790,271
Over 12 Months	-	-	-	22,157,882	-	22,157,882
	<u>1,639,099,277</u>	<u>19,296,835</u>	<u>768,955,308</u>	<u>57,500,547</u>	<u>1,658,396,112</u>	<u>826,455,855</u>

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:

	Rating			2018	2017
	Short term	Long term	Agency	Rupees	Rupees
Banks:					
Bank Alfalah Limited	A-1+	AA+	JCR-VIS	1,111,410	523,637
Bank of Khyber	A-1	A	JCR-VIS	7,565,764	1,756,057
Bank of Punjab	A1+	AA	PACRA	737,406	728,512
Dubai Islamic Bank	A-1	AA-	JCR-VIS	5,696	5,696
Faysal Bank	A-1+	AA	JCR-VIS	-	94,318
First Women Bank Limited	A2	A-	PACRA	294,655	242,992
Habib Bank Limited	A-1+	AAA	JCR-VIS	62,062,703	10,444,343
MCB Bank Limited	A1+	AAA	PACRA	9,769,407	24,527,492
Meezan Bank Limited	A-1+	AA+	JCR-VIS	4,829,521	357,358
National Bank Of Pakistan	A-1+	AAA	JCR-VIS	44,930,816	60,271,960
Silk Bank Limited	A-2	A-	JCR-VIS	50,000	50,000
Standard Chartered Bank	A1+	AAA	PACRA	5,548,970	-
United Bank Limited	A-1+	AAA	JCR-VIS	22,009,803	1,503,565
Waseela Microfinance Bank	A1	A	PACRA	147,736	1,485,304
Samba Bank Limited	A-1	AA	JCR-VIS	33,897,251	-
				<u>192,961,138</u>	<u>101,991,234</u>

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.

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 30. 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
30 June 2018	(Rupees)			
Long term financing	1,121,957,566	1,204,848,976	363,855,330	840,993,646
Liabilities against assets subject to finance lease	100,856,374	109,637,478	74,738,079	34,899,399
Trade deposits	45,527,768	45,527,768	24,366,174	21,161,594
Trade and other payables	2,065,371,044	2,065,371,044	2,065,371,044	-
Interest accrued on loans	63,210,300	63,210,300	63,210,300	-
Short term bank borrowings	5,677,674,711	5,677,674,711	5,677,674,711	-
Total financial liabilities	<u>9,074,597,763</u>	<u>9,166,270,277</u>	<u>8,269,215,638</u>	<u>897,054,639</u>

30 June 2017

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years
	(Rupees)			
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	95,815,035	73,634,678
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	6,907,405,811	1,246,223,462

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.

46. 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.

46.1 Financial instruments by categories

	2018		
	Financial asset at fair value through profit or loss	Cash and cash equivalents	Loans and receivables
	-----Rupees-----		
Long term deposits	-	-	23,049,167
Trade debts	-	-	2,557,319,150
Loans	-	-	99,448,154
Short term deposits	-	-	8,491,012
Interest accrued	-	-	2,540,955
Derivative financial asset	29,132,292	-	-
Other receivables	-	-	52,715,242
Short term investment	50,000,000	-	-
Cash and bank balances	-	198,102,278	-
	79,132,292	198,102,278	2,743,563,680

	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

Liabilities as at balance sheet date

	Financial liability at amortized cost	
	2018	2017
	-----Rupees-----	
Long term financing	1,121,957,566	1,409,397,668
Liabilities against assets subject to finance lease	100,856,374	151,663,443
Trade deposits	45,527,768	35,591,781
Trade and other payables	2,065,371,044	1,711,343,987
Interest accrued on loans	63,210,300	58,991,158
Short term bank borrowings	5,677,674,711	4,637,849,622
	9,074,597,763	8,004,837,659

46.2 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 2018, the Company held the following financial instruments measured at fair value:

Financial Assets measured at fair value	2018	Level 1	Level 2	Level 3
	-----Rupees-----			
Derivative financial asset	-	-	29,132,292	-

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

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

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

46.3 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 2018 from last year.

Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings less any cash and cash equivalents divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company. Total capital employed includes 'total equity' plus 'borrowings'. The Company's overall strategy remained unchanged from year 2017.

	Note	2018 Rupees	2017 Rupees
Long term financing	24	1,121,957,566	1,409,397,668
Short term borrowings	30	5,677,674,711	4,637,849,622
Total Debt		6,799,632,277	6,047,247,290
Cash and bank balances		(198,102,278)	(107,883,502)
Net debt		6,601,529,999	5,939,363,788
Total Equity		7,794,886,176	6,713,397,605
Total capital employed		14,594,518,453	12,760,644,895
Gearing ratio		45.2%	46.5%

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

47. PLANT CAPACITY AND ACTUAL PRODUCTION

Processing

Installed capacity (in meters)	78,000,000	72,000,000
Capacity utilized (in meters)	73,000,000	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.

48. NUMBER OF EMPLOYEES

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

	2018	2017
Total number of employees as at the reporting date	5,604	5,543
Average number of employees during the year	5,574	5,128
Total number of Factory employees as at the reporting date	5,205	5,204
Average number of Factory employees during the year	5,204	5,202

49. NON ADJUSTING EVENT AFTER REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2018 of Rs. 0.50 per share (2017: Nil) at their meeting held on 19 October 2018. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

50. DATE OF AUTHORIZATION FOR ISSUE

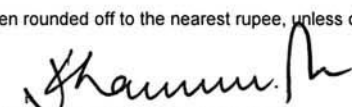
These financial statements were authorized for issue by the Board of Directors of the Company on 19 OCT 2018.


51. 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 for that reported in Note 6.

52. GENERAL

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

Notice of Annual General Meeting

Notice is hereby given that the 31st Annual General Meeting of shareholders of the Company will be held on Thursday, November 15, 2018 at 11:00 A.M. Head Office building 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, 2018 together with Directors' and Auditors' Reports thereon.
3. To appoint Auditors for the financial year 2018-19 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 2018-19.
4. To consider and approve the cash dividend @ Rs. 0.50 per share as recommended by the Board of Directors of the Company for the financial year ended June 30, 2018
5. To transact any other business with the permission of the Chair.

By Order of the Board


Muhammad Naseeb
Company Secretary

Faisalabad
November 15, 2018

form of proxy

I/We _____ of (full address) _____

_____ being
member of Sadaqat Limited and holder of _____ ordinary shares as
per Share Register Folio No. _____ and/or CDC Participant I.D. No. _____ and
Sub- Account No. _____ hereby appoint _____ of (full address) _____
or
failing him/her _____ of (full address) _____

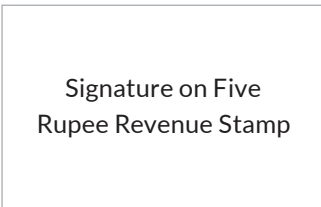
who is also a member of Sadaqat Limited, as my/our proxy in my/our absence to attend and to vote and act for
me/us and on my/our behalf at the 31st Annual General Meeting of the Company to be held on Thursday,
November 15, 2018 at 11:00 am and at any adjournment thereof.

Signature this _____ day of _____, 2018

Signature of members should match with the specimen signature registered with the company

Witness

1) Signature : _____
Name : _____
Address : _____
CNIC No. : _____



2) Signature : _____
Name : _____
Address : _____
CNIC No. : _____

Signature of members should
match with the specimen signature
registered with the company

Note:

- Proxies in order to be effective, must be received by the Company not later than 48 hours before the meeting.
Proxy must be a member of the Company.

تشکیل نیابت داری

میں / ہم _____ کے _____

بجائیت رکن صداقت لمیٹڈ اور حامل _____ عام حصص، بطابق شیئرز رجسٹرڈ فولیو / سی ڈی سی شراکتی آئی ڈی نمبر _____

اور ذیلی کھاتہ نمبر _____ مسمی / مسماة _____ ساکن _____

فولیو / سی ڈی سی شراکتی آئی ڈی نمبر _____ اور ذیلی کھاتہ نمبر _____ یا بصورت دیگر مسمی / مسماة _____

ساکن _____ فولیو / سی ڈی سی شراکتی آئی ڈی نمبر _____ اور ذیلی کھاتہ نمبر _____

کو اپنی جگہ بروز جمعرات 15 نومبر 2018، بوقت 11 بجے صبح منعقد یا ملتوی ہونے والے کمپنی کے 31st سالانہ اجلاس عام میں رائے دہندگی کے لئے اپنا نمائندہ (پراکسی) مقرر کرتا / کرتی ہوں۔

مورخہ _____ 2018

دستخط گواہ نمبر 1 _____

نام _____

پتہ _____

شناختی کارڈ نمبر _____

دستخط گواہ نمبر 2 _____

نام _____

پتہ _____

شناختی کارڈ نمبر _____

نوٹ:
نمائندے کو فعال بنانے کے لئے نامزدگی کا فارم میٹنگ سے کم از کم 48 گھنٹے قبل کمپنی کو موصول ہونا چاہیئے۔ نمائندے کو کمپنی کا رکن ہونا ضروری ہے۔



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Sustainability Performance

Sadaqat Limited's commitment towards manufacturing excellence enabled it to sustain and further improve in all areas of safety, quality, cost, availability and sustainability. Our report broadly demonstrates the value which we create through manufacturing and marketing quality products while playing a meaningful role in the lives of our stakeholders. We focus to reduce negative impacts and increase value creation potential through continuous improvements in our processes. To retain value creation ability for long term, we believe to utilize the available resources cautiously and manage our activities which adversely affect natural eco-systems and society.



About Sustainability Report

Insight about Sustainability Reporting

Over the years, BOD's vision and assignment of focus towards Sustainability reporting has enabled the organization to consider its impacts on wide range of sustainability matters, enabling them to be more transparent about the risks and opportunities they face and the social, environmental and economic impacts they create. The sustainability reports of the Company are being published after independent assurance over the report to transparently report about the economic, environmental and social impacts caused by its daily operations. The report also presents the organization's values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.

Scope

Reporting Period	1 st July 2017 to 30 th June 2018
Reporting Cycle	Annual
Date of Publication	15-02-2019
Boundary	The financial information and all the data reported is related to Sadaqat Limited only.
Most Recent Report	FY-2017

Note: There is no material restatement from previous reporting period either in the scope/material topic or the information provided in the previous report. However, where there is restatement, figures have been restated to rectify certain errors.

Report Methodology

Content

Based on the material topics resulted from our dialogues with stakeholders, GRI Standards and Integrated Reporting (IR) framework. The entity also referred four principles of inclusiveness, sustainability context, materiality and completeness for defining report content.

Topic Boundaries

Topic boundary has been determined based on the area where impact has occurred for a material topic and the organization's involvement with those impacts.

Report Base

The report has been prepared in accordance with GRI Standards: Core option

External Assurance

The Board of Directors upon recommendation of Sustainability Committee appoints the external assurance provider for assurance over Sustainability Report.

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



Membership of Associations



Sadaqat Limited is well directed towards taking measures to curtail its environmental footprints; building a safe and healthy workplace environment for its associates and supporting active and healthy living. With respect to creating sustainable community, organization has taken a number of external initiatives dedicated to social justice, product quality, health and safety and environmental sustainability. Apart from membership and certification fees, entity does not make the any other payment related to these organizations. However, Sadaqat Limited incurs expenditures on environmental and social fronts.

Product Stewardship



Social Stewardship



Ecological Stewardship



* Initiated in FY 2018 however certifications achieved after FY 2018.

Supply Chain as a Value Chain

Robust sourcing strategies and interdepartmental collaboration have strengthened our value chain while increasing the reliability of our supplies at an optimal cost.

The Supply Chain function continued to be a steady source of fuel for commercial growth by optimizing operations and also augmenting capital efficiency. We try to recruit our workforce from the community & country in which we are based since the management aims to aspire growth of local community in-line with the organization's success. We offer training programs and on-the-job development when few skills are in shortage, such as engineering or technical abilities.

Sadaqat Limited makes the part of supply chain across the globe. We target to work with our vendors, suppliers, and contractors to attain continual enhancement in our performance. However, we also acknowledge that total conformity across our supply chain is a long-term aspiration. The Company's purchases comprise of 82% from local and 18% from foreign suppliers. The Company imports machinery and equipment from international suppliers. Sadaqat Limited has paid PKR 11,979 million to its suppliers in the financial year 2018.

During the year there were no major changes in the structure of its supply chain. It processes material at its production facilities located at Khurrianwala, Faisalabad. Final products are then supplied to leading stores in Europe, UK, USA, Asia, Far East, Middle East, North America, South Africa, Australia and New Zealand.

Our value creation business model is hub of everything we do. It defines inputs we consume, activities we perform, the outputs and outcomes we aim to achieve and the relationships we subject to while generating sustainable value for our stakeholders in short, medium and long term. The Company operates closely with its in-bound and out-bound logistics, from raw material procurement to end user sale, to ensure that company values are embedded throughout the supply chain since it also seeks to work on economic, environmental and social priorities with its vendors and customers.

There are five main product segments including bedding, curtains, cushion, table linen and kitchen accessories. Further it has seven major business activities which comprise processing, cutting, stitching, wadding, quilting, embroidery and packing.

To ensure good performance, suppliers are strongly encouraged to maintain some form of management system to monitor performance in accordance with our code of conduct. Our human capital at manufacturing facility, suppliers, distributors, retailers, customers and the communities in which we operate assists us to develop our business and persistently improves our sustainability performance.

We have continued to improve our consumer health supply chain, in quality, safety, service standards. Our supply chain has successfully supported strong growth of our higher-margin brands through improvements across productivity, procurement and systems, ensuring robust and reliable supply. We continue to strive for higher targets for product supply, while upholding our quality and safety principles.

Our priority issues related to many stakeholders remained the same as the previous year which were identified by Environment, Health and Safety Committee. Priority issues are as:

- Health and Safety
- Emissions Control
- Energy & Water Conservation
- Human Rights
- Active and Healthy Living



Supply Chain	Up Stream	Operations	Down Stream
Process	Raw Material Sourcing (Vendors + Suppliers)	Manufacturing/ Production	Storage & Distribution of final product
Issues Applies	Human Rights Energy/Water Conservation Health and Safety	Active and Healthy Living Human Rights Health and Safety Energy/Water Conservation Emission Control	Human Rights Health and Safety Active and Healthy Living

Sustainability Committee



Vision

To act as a catalyst in embracing change towards developing sustainability related organizational approach while being fair and equal with all its stakeholders.

Objective

To design and implement policies, roadmaps and methods that alleviate us to assimilate our sustainability commitments with the vision and mission of the company.

Responsibilities of the committee

- To define critical success factors of sustainable growth, disseminate departmental targets and to set KPIs to monitor sustainability performance.
- To foster and propose partnerships to accelerate and promote adoption of sustainable practices by stakeholders including suppliers, customers and neighbourhood community.
- To suggest and propose innovative technologies that curtail wastage of resources and help in advancing towards sustainability goals of the Company.
- To ensure adherence to UNGC universal principles in the areas of Human Rights, Anti-corruption, Labour and Environment and mapping Company's activities and initiatives to UNGC Guidelines while identifying and minimizing gaps, if any.
- To set agenda and arrange meetings to engage stakeholders in order to determine priority areas for reporting in sustainability reports and addressing stakeholders' concerns guiding to sustainable activities.
- To evaluate the effectiveness of management approach on time to time basis while ensuring the implementation of suggested changes in management approach.

Members

Osman Mukhtar (GM Compliance & Sustainability)

Waleed Afzal (DGM - Corporate Planning & Control)

Mohammad Asim (Head of Technical Department)

Abdul Mannan (Member CPC)



Waleed Afzal ACA (ICAP)
(DGM - Corporate Planning & Control)
(Member Sustainability Committee)

Evolving stakeholders' expectations are driving transformation in corporate reporting to embrace sustainability considerations in their reporting to stakeholders. As a result of this, voluntary sustainability reporting and disclosures have become one of mainstream focus of businesses. We as a business direct our efforts to carefully consider what non-financial information is material to our stakeholders and keep on developing robustness in our processes and controls to produce relevant and reliable information for reporting to stakeholders. We expect this shall also build and boost stakeholder confidence, trust and loyalty.

Being members of this purpose built Committee, we are directing our efforts to integrate economic, social and environmental aspects to their routine operations with the goal to achieve sustainable development in all dimensions.

Economic Performance



Management Approach

Sadaqat Limited has delivered remarkable performance during last few years following its well defined vision, core competences and optimal resource utilization. The Company is following its vision by fulfilling and satisfying customer's needs through provision of prime quality products and services. Sadaqat Limited has a moto of "Adding quality to life" which is embedded in its routine operations. At the same time, Sadaqat Limited is also committed towards the generation of feasible yet sustainable returns for its shareholders.

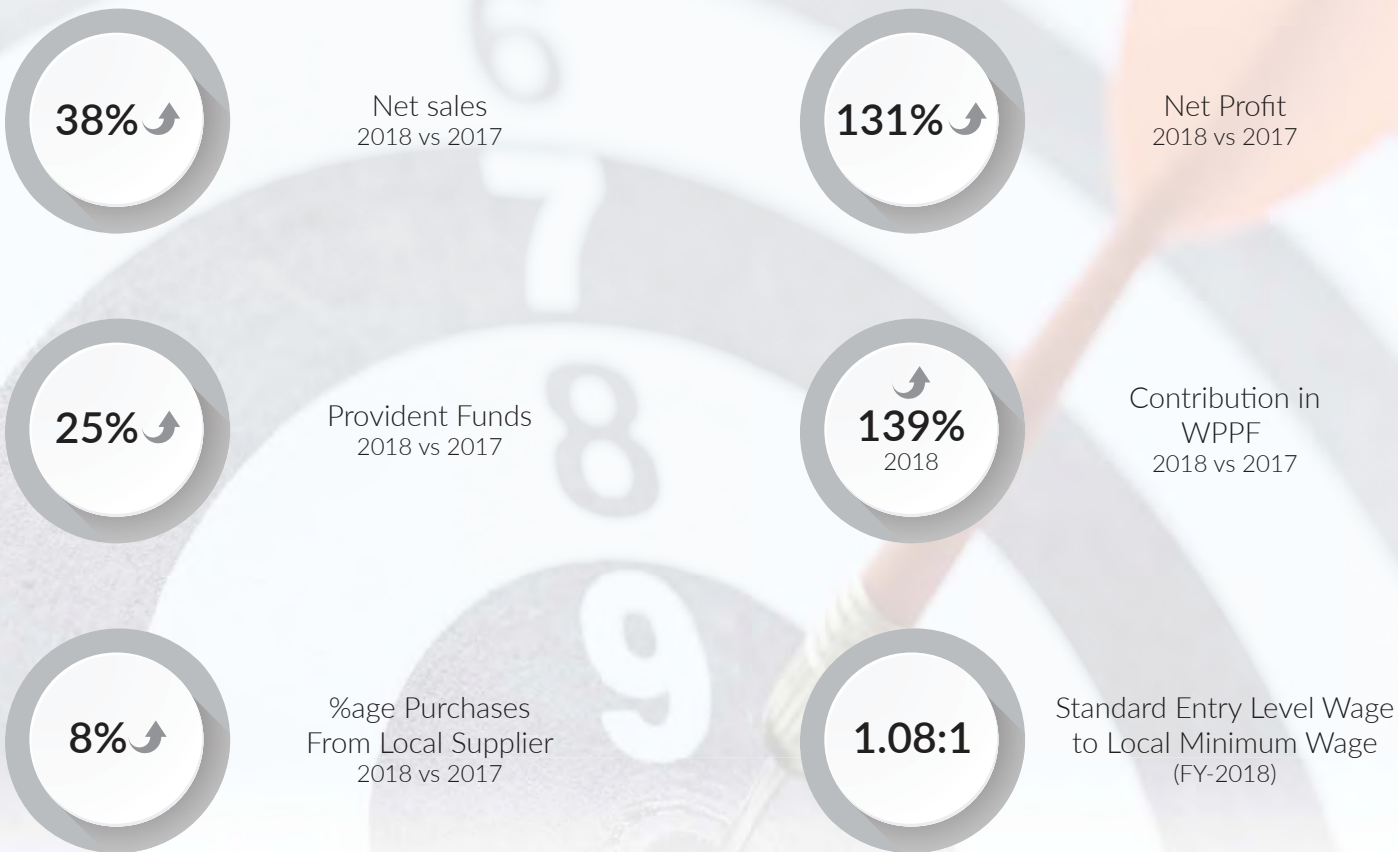
Continuous stakeholder engagement and in depth materiality analysis have contributed towards the identification of topics which are material for the organization in term of severity of impacts and the influence on stakeholder's decisions. Sustainability Committee has responsibility to evaluate the management approach regarding its effectiveness to generate improved results towards sustainable growth of entity. Hence, the Company is well aware of direct and indirect impact generated through its operations towards the economy.

The process of determination of material topics and their boundaries is defined in stakeholder engagement section of this report. The major direct impacts include payments of taxes and duties to government bodies, investor payments, settlements with suppliers and payments of salaries and benefits to employees.

The indirect economic impacts are economic development around factory site, investment in infrastructure projects, skill enhancement in textile industry and provision of support for health and education. The entity majorly indulges local suppliers and nourishes local workforce to enhance positive impacts and contribute towards economic growth.



Key Performance Indicators



Market Presence

Management considers market presence as an important and relevant aspect since significant portion of the workforce is compensated in a manner or scale that is closely linked to laws or regulations on minimum wage. Value creation and growth of the entity is directly linked with these aspects and management has devised policies to address all relevant aspects. Moreover, this aspect can also increase the economic benefit to the local community, and improve an organization's ability to understand local needs.

The Company strictly complies with applicable laws and regulations for minimum wage however the ratio of average minimum entry level wages compared to local minimum wages is fairly above of the minimum wage level. During the FY 2018, the ratio of standard entry level wage to local minimum wage was 1.09:1 for male and 1.06:1 for female employees across all significant locations of operations. Khurrianwala Faisalabad is the major location of operation hence management has taken it as significant location of operation while calculating the ratio. In the Company, all employment is strictly done on merit and no preference whatsoever is granted. However, while employing production staff preference is given to local community residents. Approximately 44% senior management is hired from Faisalabad which the Company considers as its local community. The Company categorize senior manager and above ranked employees as its senior management.

Procurement Practices

The Company has adopted a procurement mechanism in which preference is given to local suppliers which can create replicating impact over the economic wellbeing of the society. Management has considered this aspect material as it can attract additional investments indirectly to the local economy. Hence, management plays pivotal role and devise policies to locally purchase its raw material so that growth in local economy can be fueled and stimulated.

Geographically, management considers Pakistan as its local place of procurement hence approximately 82% of its purchases were made from local vendors while 18% purchases from international suppliers during FY-2018.

Economic Performance

The Chief Executive is the highest officer responsible for economic impacts of the entity's operations. The Board of Directors ultimately devise and approve the economic goals and policies. Implementation of strategy and daily affairs are accredited to Chief Executive Officer.

Management considers this aspect in an important manner because it clearly indicates that how the organization has created value for its stakeholders.

Employees are offered defined contribution plan, i.e. provident fund, by the Company, where both the Company and employees contribute same proportion of funds on monthly basis which is 8.5% of basic salary. Sadaqat Limited contributed Rs. 39.6 Million to provident fund plan during the year FY 2017-18. Moreover, the Company also contributes to Worker's Profit Participation Fund (WPPF) and Employees Old Age Benefits Institution (EOBI). During the year, the Company contributed 5% of minimum wage of employees in EOBI and allocated Rs. 65.8 million funds for WPPF purpose.

Sadaqat Limited being part of textile industry is entitled to certain benefits including drawback of local taxes and levies, duty drawback on exports, LTFF/ ERF loans at subsidized rates and tax credits on balancing and modernization of machinery. At the end of FY 2018 1,497 million is receivable from government and statutory authorities. There is no presence of Government in shareholding structure of the entity.

Description	2018	2017	2016	2015
Revenue	15,280	11,047	11,595	9,204
Value Shared				
Suppliers	11,979	8,921	9,181	7,636
Employees	1,555	1,173	1,064	797
Providers of Capital	441	396	459	445
Government	151	55	78	69
Community	72	34	50	22
TOTAL	14,198	10,579	10,832	8,969
Value Retained	1,081	469	763	234

Anti-Corruption

Management believes stringent controls over operations and strong anti-corruption policies can lead towards an ethical and sustainable environment in an organization.

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 encourage whistle-blowers that they can act anonymously without fear of unjust retribution, so they can act as an essential element in eliminating corruption. The entity has strong internal audit functions in place to review the operations in order to detect any potential occurrence of corruption.

All operations were assessed for the risks related to corruption. Moreover, Sadaqat Limited has not provided any formal training on anti-corruption during the FY 2017-18. No incident of corruption reported during the year. The Company also has proper policies and formal code of conduct in placed on anti-corruption which is communicated to each stakeholder of entity.

Social Performance

Management Approach

The Company is dedicated to ensure compliance with laws and voluntary practices related to responsible production, human rights, marketing practices and prevalent labor laws in order to align its strategic decisions and business activities with the sustainability of its stakeholders.

The Company has identified material aspects on social fronts after having regular consultation sessions with stakeholders. Along with this, severity and influence of social impacts on stakeholder's decision is also duly considered. Moreover, the Sustainability Committee has the responsibility to evaluate the management approach to measure its effectiveness to generate improved results towards sustainable growth of entity.

Our commitment to adopt socially sustainable policies and procedures has helped us to stay socially responsible over the years. The Company values its employees as human capital and views them as an intellectual asset.

The Company is committed to honor human rights within domain of its influence and has explicitly stated no tolerance towards child labor, forced and compulsory labor. Entity's operations are labor as well as capital intensive nature and currently it employs a mix of 5604 persons in total. The labor intensive operations require good human resources policies, ongoing training, education and safe working conditions for better productivity.

Consultation with local community is conducted before development and implementation of different social programs. Progress on social initiative is analyzed by sustainability committee and reported to higher governing body on continuous basis.

Sadaqat Limited has acquired the status of numerous certification including WRAP and SA8000 for the development and maintenance of socially acceptable practices at the work place.





An interview with GM Compliance



Osman Mukhtar

(GM Compliance & Sustainability)
(Chairman EHS Committee, CSR Lead)
(Persident Social Performance Team)

MHRM-UK, Chartered MCIPD-UK,
CHRM-USA, CCBM-USA, CIA-UAE, COM-UAE

What steps the entity takes to manage diversity and non-discrimination aspect within the organization?

ANS

Sadaqat Limited is a rapidly growing export oriented organization and realizes the importance towards the management of diversity and discrimination at workplace and has taken the following steps;

- Sadaqat Limited has the well-defined policy for “Prohibition of discrimination” at workplace.
- Sadaqat Limited has acquired the SA 8000 certification and fully complies with the prohibition of discrimination clause.
- Sadaqat Limited has acquired the WRAP certification and fully complies with the prohibition of discrimination principle.
- Sadaqat Limited is the member organization of UN Global Compact and fully complies with the prohibition of discrimination principle.

We manage diversity/discrimination in following areas at our workplace;

- Gender
- Age Group
- Ethnic Group
- Religion based
- Disability

What steps the company has taken to ensure compliance with child labor or forced labor laws?

ANS

Sadaqat limited realizes the importance to prohibit the child labor and forced labor at workplace and has taken the following steps;

- Sadaqat Limited has the well-defined policy for “Prohibition of Child Labor” at workplace.
- Sadaqat Limited has the well-defined policy for “Prohibition of Forced Labor” at workplace.
- Sadaqat Limited has acquired the SA 8000-2014 certification and fully complies with the Prohibition of Child Labor and Prohibition of Forced Labor clauses.
- Sadaqat Limited has acquired the WRAP certification and fully complies with the Prohibition of Child Labor and Prohibition of Forced Labor principles.
- Sadaqat Limited is the member organization of UN Global Compact and fully complies with the Prohibition of child labor and prohibition of forced labor principles.
- Employment of underage candidates is strictly prohibited at the organization.
- Sadaqat Limited ensure compliance with the applicable law of land regarding Prohibition of Child Labor and prohibition of forced labor through EHS Committee, HR Committee & Social Performance Team (SPT).
- Forced Labor is strictly prohibited at the organization and all candidates are hired with their free consent.
- Worker Management Council and Social Performance Team safeguard the rights of the workers and to ensure the prohibition of child labor and forced labor with in the organization.

Why is training and development of employees is important to business?

ANS

Training and development is an important component of running an effective business. In order for employees to know how to operate technology, adhere to processes, and expand their knowledge on products or services, training and development is the primary driver in building these functional competencies for employees to succeed in their job role and to enhance the productivity and efficiency of the organization.

Sadaqat Limited has the well-defined training and development policy and policy calendar ensures the training and development program of employees as follows;

- Employees’ Orientation
- Employees’ On Job Trainings
- Employees’ Class Room Trainings
- Employees’ Mock Drills
- Training under PSDF Program
- Graduates Development Program (MTOs/Tr. Engineers)

What sort of strategies you have designed in order to provide safe and healthy environment for employees?

ANS

We have Environment Health and Safety Committee (EHS) in place to take proper measures for provision of safe health and safety environment for our workforce. EHS look after all the safety requirements and ensures safety culture to maintain protective environment. We organize proper training drills to make our workers used to with safety equipment which majorly reduces risk of injuries in addition with proper care of medical health of our labor which includes first aid training to tackle inevitable emergency situation.

Sadaqat Limited takes following measures to ensure safe and healthy work environment:

- Fire fighting training sessions.
- Provision of personal protective equipment.
- Training workshop regarding handling of chemicals and waste.
- Training related to safe driving.
- Regular medical checkups.
- Frequent vaccinations of typhoid, hepatitis b & cholera
- Health and life insurance.

Key Performance Indicators



Human and Work Place Rights

Sadaqat Limited considers well-being of human at large as an important matter. The organization believes that human right ranges beyond the basic rights of employees at workplace and if they are treated with due care and respect, better efficiency standards can be achieved for business.

Management has included rigorous policies in its code of conduct while implanting guiding principles of local and international standards associated to Human and Work Place rights. The Company’s activities, policies and positive initiatives towards human rights adheres to SDG-3 “Good health and wellbeing”, SDG-5 “Gender equality” and SDG-10 “Reduced Inequalities” of United Nations.

Managerial teams within the organization ensure compliance with the Company’s code of conduct by actively observing activities in their respective span of control. Breach of ethical codes is brought to the attention of HR department by emailing the event and blowing the whistle at specified e-mail address.

Non-Discrimination

Non-Discrimination has always been promoted in our policies and procedures as we believe it ensures true improvisation to human capital of the business. Sadaqat Limited has defined clear non-discrimination policy particularly based on race, religion, sex, color and no member is at disadvantage due to ethnicity, religion, gender or age.



During the year, no such case regarding breach of policy was reported with-in the entity.

Freedom of Association and Collective Bargaining

100% of employees are covered by Workers Management Committee (WMC). Purely on non-discriminatory basis, all employees of the Company possess freedom and right to associate and collectively bargain by 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, for representing their rights. There were no such events reflecting material breach of the code of conduct during FY 2018.

Child, forced and compulsory labor

Sadaqat Limited recognizes its responsibility to participate in eliminating abuse of child labor from society and consider forced and compulsory labor against its core values and ethical statements. The entity strictly adheres to the local and international laws and regulations related to child labor and has formulated and implemented strict policies to address the violation of these rules.



With great success, no instance of child labor has been reported or identified during the financial year 2018. Management feels pride in stating that it has also successfully maintained material compliance towards applicable laws and entity’s internal policies related to forced and compulsory labor.

Supplier social assessment

Sadaqat Limited believes that its long term sustainable success is associated with collaborative working of all business partners especially suppliers and customers. Quality measures and implementation of social criteria by suppliers has direct impact on entity’s operations as well as its brand image.

The organization puts every new supplier to its screening process in order to assess vendor’s quality standards and existence of value for human rights, health and safety measures at work place, fair employment practices and industrial relations. This comprehensive check allows the organization to scope out suppliers with standards and protocols below its set standards. A supplier that passes initial screening is then evaluated upon sustainability grounds as per the guiding principles of UNGC and SDG’s of United Nation which comprise of human rights, Health and safety, environmental protection etc.

Celebrations with Employees

Sadaqat Limited encourages a pleasant working environment for its employees and promote the culture where employees are kept motivated and respected. The Company celebrates the birthday of its employees as an effort to make their day special. Celebration starts by presentation of pleasant bouquet along with a delicious cake to the birthday buddy and the moment is then captured to make it memorable for them.



Social Performance Team

Sadaqat Limited has established a Social Performance Team (SPT) in its facility to quickly and efficiently respond, in an appropriate manner, toward any violation relating to principles set by the Company in its code of conduct. They act vigilantly and keep an eye on all activities in their span of duty. If they evidence any misconduct or unethical behavior, they actively report the matter and below the whistle to the management. Employees from different departments are currently part of this team. They are provided with necessary knowledge and training required to effectively perform their tasks. Moving forward, an effective and measureable appraisal matrix of SPT is under development phase in order to ensure the team's efficient and effective performance.



SA 8000



Sadaqat Limited has been awarded certificate by Bureau Veritas for its compliance and support of Social Accountability (SA) 8000:2014 standard.

This initiative demonstrates the company's intent to provide a standard working place compliant with best international practices and national labor laws, child or forced labor, discrimination at work place and at the same time allow its associate the right to collective bargaining and freedom of association.

Value Towards Society

As guided by its approved CSR policy, the Company engages community on a ongoing basis to obtain insights and suggestions for better community service. We pay emphasis to work in local communities to achieve our sustainable development goals of No Poverty, Zero Hunger, Quality Education, Good Health and Well-being of society. The organisation has signed MOUs with various organizations at local, national and international level to achieve the training and education needs of community. Furthermore, Sadaqat Limited also takes part in capacity building programs aimed towards developing and establishing the skills and capabilities of interested individuals.

Local Communities

As the Company continues to grow, so does its impact on society. The Company has shown greater commitment towards social well-being by taking part in socio-economic development of local community. There is no significant actual and potential negative impact of our operations on local communities.



Following are few social initiatives taken / continued by the Company during FY-2018

Ali Zaib Foundation and Sundas Foundation

Under the umbrella of Board’s approved CSR policy, Sadaqat Limited has collaborated with ALI ZAIB foundation and Sundas foundation in setting up blood donation camp in the company’s facility on regular basis. The Company has also agreed to pay certain amount to both foundations on monthly basis in order to help them in their nobel cause. Sadaqat Limited also encourages it’s employees to support the campaign by participating in blood donation on voluntary basis.



LUMS

Sadaqat Limited has signed MOU with LUMS, one of the Prestigious universities of Pakistan, to sponsor two eligible deserving students through “Sadaqat Limited Scholarship Grant”. The selected candidates are being facilitated during their complete program and this initiative involves an annual cost of PKR 1,640,000 which is payable on half-yearly basis till both students completes their four years of undergraduate program at LUMS.



The initiative reflects the Company’s vision towards CSR as well as adherence to its approved CSR policy.

NTU

Sadaqat Limited has also signed MOU with NTU to provide fresh graduates of National Textile University (NTU) with internship program to enhance their understanding of textile sector in a practical environment. Internship is being offered for 8 weeks and it covers processing, fashion apparel and home textiles segments.

The Company has also donated lab to (NTU) to fulfill the research and development needs of students.



Employee’s Support Package

Sadaqat Limited has always valued its employees as an important asset and has always cared for their needs. In pursuit of its corporate social responsibility, this year the Company initiated to provide monthly ration package to its workers of certain deserving cadre in order to support their household expenses. During the period, the Company has distributed 2,176 ration packages to its workers. In essence of this, Sadaqat Limited has fulfilled its commitment to participate in UN SDG – 2 “Zero hunger” in FY 2018.

No such event came to organization’s attention causing any minor or major negative impacts on local communities.



Annual Iftar Dinner

Sadaqat Limited organized Iftar Dinner for its employees to boost their morale and to enhance relationship among its employees.

Sadaqat Care Model Primary School

Owing to its committment towards participation in uplifting literacy and education standards of the society, the Company contributed towards construction of Sadaqat Care Model Primary School.





Sadaqat Limited endorsed its commitment towards training and development needs of its employees by chartering with global network of toastmasters' club in which it sponsored 20 employees of the Company representing different departments in order to develop and enhance their communication, presentation and leadership skills. By regularly giving speeches, gaining feedback, leading teams and guiding others to achieve their goals in a supportive atmosphere, leaders are expected to emerge from this toastmasters program.



Toast Master Corner

"Being a toastmaster has pushed me to take on challenges that I wouldn't have taken on my own. I was looking for a platform where I could equip myself to make a difference and effectively deliver my message and also inspire people to push their lives to better levels. I believe I would not be able to get a better place to improve my presentation and communication than Sadaqat Toastmasters Corporate club."

"Sadaqat Toastmasters Corporate Club has not only given me the opportunity to speak in front of people belonging to diverse fields in fact also provided me a challenging environment which has helped me to improve my technical expertise as well as my communication and leadership skills. This is a wonderful platform for employees to groom themselves through interaction with employees of different departments."





Product Stewardship

Sadaqat Limited and its team is well aware of the impact of its products on social fronts. Product stewardship and customer health and safety had always been accorded high importance by the Company.

Moreover, the Company is aware that easily accessible sufficient appropriate information related to the impacts of its products is necessary for customers and consumers to stay informed and make better purchase decisions. It has attained a number of product related certifications following optimal quality and safety standards.

Customers' Health and Safety

At Sadaqat Limited, we consider health and safety of customers as our social responsibility for sustainability and well-being of our existing customers. We target ourselves towards manufacturing the right product in optimal manner.

Our company believes product stewardship as an integrated process that depends on the proficiency and commitment of various divisions, acting towards common goal of identification and minimization of health and safety risks at every stage of product's lifecycle. Due to efficient processes and with combined efforts of all the divisions, no event occurred which indicate any non-compliance with customer health and safety policies while adhering to several international regulations.



Socioeconomic Compliance


Sadaqat Limited regards this as a significant matter to follow the regulations related to provision and use of its products and their impact on both the society and the economy. Compliance with these rules is also important for Company's corporate image in market as well as for our impact on society. There were no significant fines and non monetary sanctions due to non compliance of law's and regulations in the socioeconomic area.

Marketing and Labeling


The organisation is concerned about product sourcing, safe use of product, origin, washing instruction and disposal of products. These topics are directly linked with its social responsibilities and entity has developed a marketing strategy to effectively communicate the society regarding its efficiency, quality and production standards.

Sadaqat Limited follows labelling requirements as per applicable regulations subjected to its products. The Company regularly interacts with customers for their feedbacks on quality and related matters. During the year, no incident of non-compliance with voluntary code of conduct and laws concerning product information and labelling were reported. Moreover, The Company follows regulations and voluntary rules regarding marketing communications and no event happened regarding its non-compliance during reporting period. However, no specific survey has been conducted during the year.






WORLD'S FINEST COTTONS



Better Cotton Initiative



Teflon fabric protector

The Company takes pride in mentioning that it holds license of SUPIMA (world's finest cotton) and being member of this association, has agreed to uphold the highest standard of quality and distribution of all SUPIMA cotton textile products.

Sadaqat Limited joined BCI to support their Better Cotton Initiative to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future.

Sadaqat Limited holds the license of Teflon fabric protector. This invisible finish forms a protective barrier around fibers to deliver durable, long-lasting repellency against oil or water-based stains, dust and dry oil without impacting the look, touch, feel, color or breathability of the fabric to deliver best quality to its customer.



BRC CERTIFICATION BODY

Sadaqat Limited has been certified and it has achieved Grade "B" for meeting the requirement of Global Standard for Consumer Products as assessed by SGS.

BRC Global Standards' guarantee the standardization of quality, safety and operational criteria and ensure that manufacturers fulfill their legal obligations and provide protection for the end consumer.



GLOBAL ORGANIC TEXTILE STANDARD
GOTS
CU815260

Sadaqat Limited has been awarded compliance certificate for abiding by "Global Organic Textile Standard (GOTS) version 4.0" which is inspected and certified by Control Union.

This standard ensures that only textile products which contain a minimum of 70% organic fibers can become GOTS certified and company products including processed fabrics, home textiles and made-ups met this prescribed standard.

This standard also benchmarks all chemical inputs such as dyes and auxiliaries used must meet certain environmental and toxicological criteria. Moreover a functional waste water treatment plant is mandatory for any wet-processing unit involved and compliance of social standard is also the prerequisite of this certification.



Sadaqat Limited has been awarded compliance certificate for abiding by International Standards Organization (ISO) 9001:2015 initiative certified by BUREAU VERITAS.

To ensure greater commitment towards customer in terms of delivering highest standard of quality products, The Company has complied with ISO 9001:2015. It is the international standard that specifies requirements for a quality management system (QMS) in order to demonstrate the ability to consistently provide products and services that meet customer and regulatory requirements.



Sadaqat Limited has been awarded certificate of compliance by successfully abiding with Organic Content Standard 100 and Organic Content Standard Blended certified by Control Union.

The Organic Content Standard (OCS) applies to fabrics and home textiles which contains 95-100 percent organic material. It verifies the presence and amount of organic material in the final product and tracks the flow of the raw material from its source till the final product. With this certification Sadaqat Limited has been able to display transparent, consistent and comprehensive independent evaluation and verification of organic material content claims of its products.



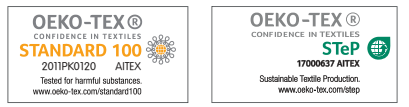
Sadaqat Limited has been awarded Certificate of Accreditation by successfully complying with ISO/IEC 17025:2005 standard certified by Pakistan National Accreditation Council (PNAC).

By achieving with this accreditation, Sadaqat Limited met the terms of the single most important standard for calibration and testing laboratories around the world. This results in more technically proficient, precise and accurate test and calibration data.



Sadaqat Limited has been certified for using Tencel Fabric and Egyptian Cotton in its products which reflect entity vision for premium quality by producing products made from finer, softer and durable fabric.

(License achieved after June 2018.)



Sadaqat Limited has been awarded compliance certificate for abiding by STANDARD 100 by OEKO-TEX®. The STANDARD 100 by OEKO-TEX® is a worldwide consistent, independent testing and certification system for raw, semi-finished, and finished textile products at all processing levels, as well as accessory materials used.



Flocert is the global certifier for Fairtrade. Sadaqat limited has acquired certification of Fairtrade in order to help its mission of sustainable businesses and global fair trade. This initiative will further help us to improve ethical practices and ensure that whole supply chain is built on fair practices.

Being Fairtrade certified shows that fairness runs right through Company's daily operations. Upon meeting the social, economic and environmental standards set out by Fairtrade International, the Company is authorized to display the prestigious Fairtrade Mark on our products.

(License achieved after June 2018.)

Moreover, immediately after the closure of FY 2018 the Company has also acquired STeP by OEKO-TEX® which covers the scope of manufacturing of printed, dyed and home textile products.

Being socially and environmentally responsible organization, it has attained the STeP OEKO-TEX certification with highest level 3 on global average scale. In pursuit of continuing endowment towards sustainable goals on a roadmap of five years, attaining STeP certification has further empowered us to converse our state in relation to sustainable development towards greener world.





The audit was conducted in December, 2017 however the official certificate was received subsequent to FY 2018. Next step is to accomplish Made in Green by OEKO-TEX by end of CY 2018.

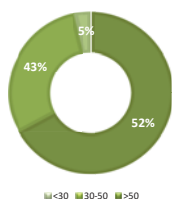
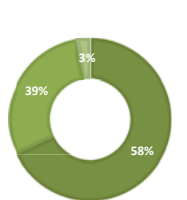
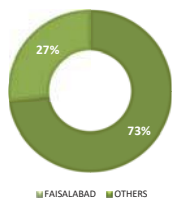
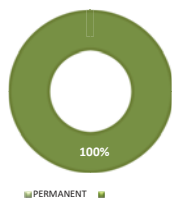
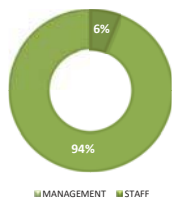
Decent Work & Labor Practice





Sadaqat Limited regards development, non-discrimination and growth opportunities of its employees as matter of utmost importance not just to become finest employer but also to emerge as socially responsible organization. The workforce is updated about occupational health and safety concerns through a continuous process of training and coaching at different levels. An atmosphere conducive to growth, a learning centric approach and prospects for self-actualization set Sadaqat limited apart from its peers.

Employment

Sadaqat Limited maintains a strong focus towards creating value for its employees. Our guidelines and employment practices promotes professional development, diversity and personal growth. We invest in leadership and career enhancement trainings and offer rewarding opportunities to attract, motivate and retain employees. The data has been compiled from system generated reports which are extracted from separate HR module of ERP. The module keeps the complete track of human capital of Sadaqat Limited and ensures the provision of complete statistics.

				
TYPE	Full Time	5,284	320	5,604
	Part Time	-	-	-
	Total	5,284	320	5,604
CATEGORY	Management	314	8	322
	Staff	4,970	312	5,282
	Total	5,284	320	5,604
CONTRACT	Permanent	5,284	320	5,604
	Temporary	-	-	-
	Total	5,284	320	5,604
REGION	Faisalabad	1,466	114	1,580
	Other	3,818	206	4,024
	Total	5,284	320	5,604
HIRING	Below 30	593	81	674
	30 to 50	306	141	447
	Above 50	23	10	33
	Total	922	232	1,154
ATTRITION	Below 30	493	74	567
	30 to 50	336	133	469
	Above 50	44	13	57
	Total	873	220	1,093



				
ORGANIZATION	Rate of Injury	-	-	-
	Occupation Disease rate	-	-	-
	Lost days rate	N/A	N/A	N/A
	Total	-	-	
CONTRACTOR	Full Time	-	-	-
	Part Time	-	-	-
	Total	-	-	

Major operations of the entity are carried out by its employees. Further the employees are not hired on basis of seasonality.

Labor/Management Relations

The company has always taken labor relationship as a vital responsibility to maintain smooth associations with workers and labor unions. The Company manages these relations through its Workers Management Committee and Social Performance Team.

100% of employees are covered by Workers’ Management Committee. The Company follows a practice to furnish four-week prior notice before making any operational changes significantly affecting its employees.

Occupational Health and Safety

Sadaqat Limited considers its moral responsibility to provide high standards of working conditions with strong health and safety measures for its workforce. The Company has covered this topic by vigilantly taking actions towards continuous improvement of its health and safety environment across whole workplace.

Handling of waste material during the manufacture of textile products carries great risk of towards health and safety of labor hence this has been categorised as material topic.

Sadaqat Limited holds Occupational Health and Safety (OSHAS) 18001:2007 certification for adhering to its protocols. This assurance provides the entity with certain level of assurance regarding standard of health and safety conditions at workplace. Occupatinal Health and Safety management system is implemented as voluntary as well as legal requirement of Factory Act-1934.

Health and safety matters are monitored by The Environment Health and Safety Committee (EHS) which is also responsible to recommend improvements. EHS committee scrutinizes all processes by conducting meeting on regular basis to resolve issues, if any, and to enhance the current measures.

Firefighting system has been installed at all the manufacturing sites as well as the Company’s head office which is reviewed on a daily basis with marking of attendance by security officer evidencing inspection of the working conditions of system. Sadaqat Limited also conducts frequent fire drills for its employees and staff team to train for inevitable emergency situation.

Sadaqat Limited has implemented the Occupational Health and Safety Assessment Series (OHSAS) 18001. These paramount safety management initiatives provide continual improvements to an already strong safety culture which guarantees protection.

Sadaqat Limited has in place following facilities and has taken certain measures to safeguard health and safety needs of its employees:

Social Performance Team (SPT) is trained to ensure occupational health and safety practices in place and appropriately implemented. This team comprise of workers from various divisions so it supports in maintaining a keen look across the sites.

Entity conducted 12 fire-fighting training sessions to provide guidance about basic skills regarding operation and usage of fire equipment by its employees. It was intended to create awareness about evacuation plan in emergency fire situation.

Personal Protective Equipment (PPE) was provided to employees to protect them from direct, indirect, minor as well as major injuries during work. Different workshops were conducted to create awareness and hands-on training regarding the use of PPE.

100% of the workforce is represented in formal joint management-worker health and safety committee which is active at department level. Entity has agreements in place with labor representatives which covers health and safety related provision and protection. This develops a strong and positive culture of acceptance of responsibilities by both parties.

Sadaqat Limited also conducts workshops related to chemical handling, waste handling and safe driving instructions after every 4 months. Employees are presented with both oral and practical presentations and demonstrations to instill these protective measures. Moreover, the Company also provides group life insurance to all of its employees as per applicable laws and total amount of premium is borne by the Company. Sadaqat Limited also provides health insurance facility, retirement provision and maternity leaves to its employees.

Due to efficient and effective measures regarding health and safety across the premises, no work related injury and ill health incident took place in last reporting period.



Sadaqat Limited has been awarded compliance certificate for complying with 18001:2007 standard on Occupational Health and Safety Assessment Specification (OHSAS) certified by BUREAU VERITAS.

This initiative demonstrates commitment of the Company to maintain an effective health and safety management system and a safe working environment throughout the company's premises.

13th Best Practices Award on Occupational Safety and Health (OHS) 2017

Sadaqat Limited being socially responsible organization feels pride for receiving 13th EFP Best Practices Award on Occupational Safety and Health 2017 for marvelous activities and initiatives in Occupational Health & Safety.

The Award Ceremony was held on 7th May, 2018 at Hotel Marriott Karachi. The event was organized by Employer Federation of Pakistan (EFP) to facilitate, promote and help create awareness on best practices of Health & Safety.



Events

World Day for Safety and Health at Work

Sadaqat Limited has celebrated and organized a walk throughout the facility for celebrating “World Day for Safety and Health at Work” on 28th April, 2018.

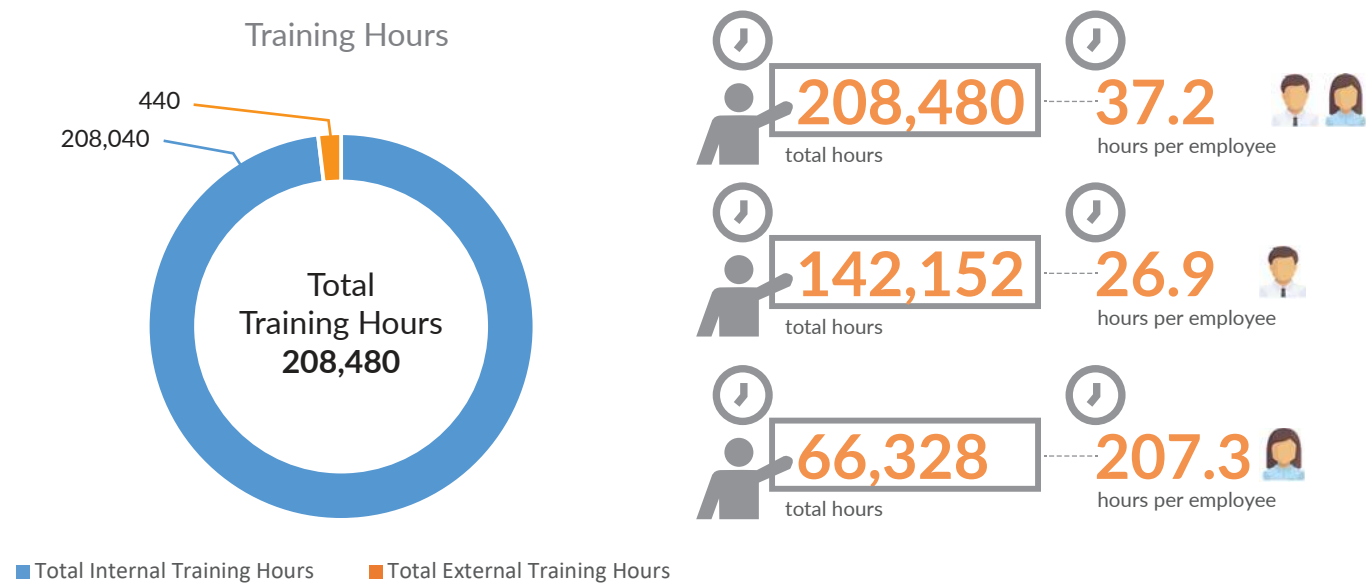


Since 2003, the ILO observes the World Day for Safety and Health at Work on 28th April capitalising on its traditional strengths of tripartism and social dialogue.

Sadaqat Limited uplifted the mandate of ILO by organizing a walk throughout the facility to celebrate World Day for Safety and Health at Work (SafeDay) on 28th April, 2018.

Training and Education

Management of Sadaqat Limited has always considered training and development as an integral part for the professional development of employees of the organization. The Company has covered this area by organizing formal trainings and providing growth opportunities to its employees. HR and Organization Development (OD) department frequently evaluates the training need of employees to develop and update the training calendar. Management acknowledges that employees who are regularly trained and appraised for their performance create the short, medium and long term value for the organization. Administration and production staff are given appropriate remuneration and incentives linked to their performance through periodic performance evaluation conducted by HR department.



Skills Enhancement Training Exercise

Sadaqat Limited is organizing and conducting Skills Enhancement Training exercise under PSDF on a regular basis and offer local community with practical and theoretical exposure regarding production, processes relevant to home textile products. Local women are encouraged mainly to learn necessary skills to earn respectable livelihood in this challenging economic environment. Levels of skills learned at the end of programs are evaluated by designing appropriate Evaluation Matrix. Successful individuals are often offered permanent positions in the facility by the company.



Association with ACCA and ICAEW

Last year, Sadaqat Limited has earned gold status of ACCA Approved Employer- Trainee Development and Approved Training Employer (ATE) status from Institute of Chartered Accountants of England and Wales (ICAEW). As per the commitment, this year the Company has finalized a designated road map for new joiners who wish to pursue ICAEW training for career development. This training will be intended to provide sound knowledge about different segments including Audit, Finance, Accounts, Taxation or Corporate Planning and Control. This will also provide them with practical insight towards the role of professional accountants and how they can groom themselves as well as prove valuable for the organisation.

This year, the Company also organized an industrial visit in coordination with ACCA in order to equip students of ACCA (final level) with practical insights of working environment and textile business processes.

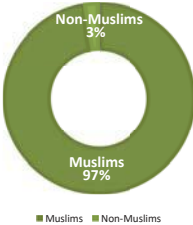


Diversity and Equal Opportunity

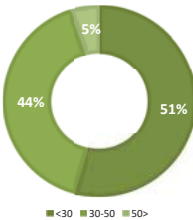
Sadaqat Limited is committed towards the elimination of discrimination and enhancement of diversity across its management system with the provision of equal learning and growing opportunities for its employees. Our business values and code of conduct embrace the principles of diversity and offers employment on the merit basis without any discriminating on gender, disability, race or religion. We believe that empowerment of women can have replicating effects over the society and it is a part of our approach to see women as pillars of community by empowering them at the workplace.

Workforce Diversity (Religion/Age)

CADRE	MUSLIM	NON-MUSLIM
Management	321	1
Staff	5,135	147
Total	5,456	148

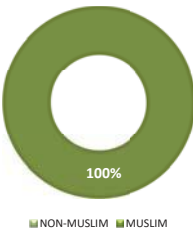


CADRE	< 30	30 – 50	> 50
Management	62	247	13
Staff	2,805	2,237	240
Total	2,867	2,484	253

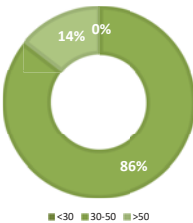


Board of Directors (Religion/Age)

GENDER	MUSLIM	NON -MUSLIM
Male	7	-
Female	-	-



GENDER	< 30	30 – 50	> 50
Male	-	6	1
Female	-	-	-



The Company reviews its facility under the framework of Sedex member ethical trade audit (SMETA).

SMETA methodology ensures the organizations practices from four different perspectives such as health and safety, labor standards, environment and business ethics. Due to the company's greater compliances and positive practices in all these aspects, it passed the audit and achived this accolade.



Keeping in view of increasing security related global issue, Sadaqat Limited became an active member of the Supplier Compliance Audit Network (SCAN). Upholding this status along with regular C-TPAT audits, the company's displays its commitment towards greater quality and security for global importers and customers.



Sadaqat Limited has been awarded Gold certificate of compliance for successfully abiding by the standards of Worldwide Responsible Accredited Production (WRAP). The Company achieved this universally accepted milestone to ensure greater commitment towards human resources management, health and safety, environmental practices, and legal compliance.

The WRAP Certification Program's objective is to independently monitor and certify compliance with these standards, to ensure that sewn products are being produced under lawful, humane and ethical conditions.

Living the UN Global Compact Business Sustainability Award 2017

With great success Sadaqat Limited has been awarded 2nd Prize for "Living the UN Global Compact Business Sustainability Award 2017", in national category. Achievement of this milestone signifies our promising commitment towards the 10 principles of United Nation Global Compact (UNGC).

The Company was awarded this accolade at the "Business Sustainability Moot and Annual General Meeting of Global Compact Network Pakistan" organized in collaboration with the Employers' Federation of Pakistan.



Environmental Performance

Management Approach

Sadaqat Limited has always considered environmental aspect as a material topic. As part of its commitment the Company aims to contribute towards the effective utilization and conservation of global natural resources.

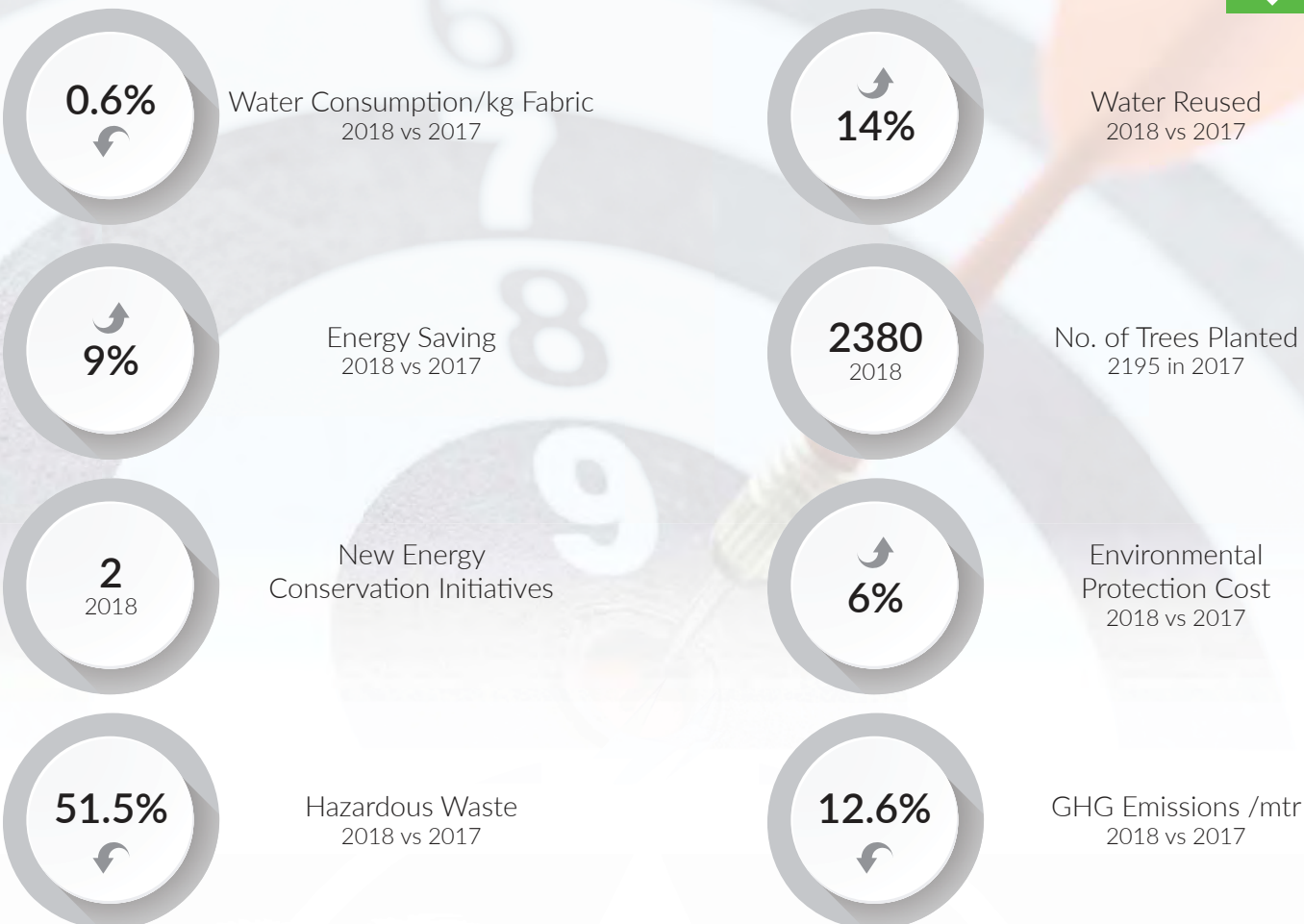
Entity understands and acknowledges the direct and indirect impact of its operations on environment hence it has dedicatedly worked towards the reduction of negative environmental footprints of its operations. The Company has been consistently investing in the development of sustainable processes and adoption of updated technologies with minimal environmental impacts. Sustainability Committee has the responsibility to evaluate the management approach to gauge its effectiveness to produce better results towards sustainable growth of the entity.

Environment, Health and Safety (EHS) Committee headed by GM Compliance & Sustainability implements and monitor the entity's environment, health and safety policies. Ultimately, these policies act as framework for investments and enhancements in Health and Safety section. The EHS Committee has been mandated to formulate guidelines, take certain level of decisions, review performance and fix responsibility for environment, health and safety related matters.

In this report, the Company has recognized and explained about those material topics which have significant effects over environment and stakeholder's decision making due to its operations. Identified material environmental impacts are presented in materiality matrix. The management approach is directed towards the minimization and avoidance of negative impacts of its operations which results in efficient usage of water and energy, cautious raw material usage and reduction in emissions and wastages.

GM Compliance & Sustainability has the responsibility regarding performance, regulatory affairs and monitoring the compliance with environment, health and safety policy of the Company. Entity organizes training for its key staff on regular basis regarding health, safety and environmental aspects in order to update them about latest knowledge on the subject. Compliance with internal policies, targets, applicable laws, certifications and customer's compliance requirements is monitored on time to time basis.

Key Performance Indicators



Water Withdrawal

Sadaqat Limited recognizes the usage and withdrawal of water as a significant matter primarily since water is a scarce resource as well as due to considerable consumption requirements of its operations. The Company utilizes water in an efficient manner and also try to attain proper efficiency in recycling the used water to make it eco-friendly. The water used is withdrawn from ground wells and does not have major effects on water level around the factory site. We put extra care by 100% water treatment before disposing unused water to our surroundings. Our Company attained 100% efficiency in treatment of waste water through Environmental Protection Authority (EPA) approved waste water treatment plant.



TYPE	UOM	2018	2017	2016	2015
Water withdrawal/year	M ³	977,776	881,530	878,120	968,464
Water consumption/kg Fabric	Kgs	50.999	51.304	53.085	65.444
% of water reused	%	10.24%	10%	6.9%	6.3%
Water reused (Volume)	M ³	100,095	87,840	60,840	60,840

Emissions

For textile industry, emissions are a material topic and of significant importance as emission of biohazard gases has its direct impact on ozone layer and climate changes. Sadaqat Limited has engaged third party to record its emissions. The Company has taken numerous measures to limit the release of hazardous material by improving its processes and controlling the emissions of greenhouse gases.

Total GHG emissions were used to calculate emissions intensity while Scope III emission contains waste water treatment related emissions which are not incorporated in Scope I. Entity has cyclone system in places across its facility which control particulate matters (PM) which contributed in reduction of SOx and NOx. Furthermore, emissions of greenhouse gases are measured by taking the reports of energy consumption from Energy Management module of ERP and then GHG emission are measured by applying conversion factor. However, some of the Greenhouse gases are obtained from 3rd party measurement report, including SOx and NOx emissions. Global environmental lab, certified laboratory from EPA Punjab is engaged by our company to measure the emissions. Moreover, the conversion factors are sourced from “UK Government GHG conversion factors for company reporting.”



TYPE	UOM	2018	2017	2016	2015
Direct Emission (Scope I)	MT	89,245	87,861	71,737	52,256
Indirect emissions (Scope II)	MT	2,489	782	2,170	2,738
Other indirect emissions (Scope III)	MT	734	734	734	734
Emission/unit of production	MT/Meter	0.00139	0.00159	0.00138	0.00109
Emission of OzoneDepleting Substance	Ton	Nil	Nil	Nil	Nil
Emission of NOx, SOx	Mg/Nm3	194	205	270	186

Environmental Protection Program



To uplift the mandate of UN Environment Programme (UNEP), the Company celebrated World Environment Day on 5th June, 2018 by organising an awareness walk and conducting plantation activity.

Entity has planted 2380 trees in total during FY 2018 in its green environment initiative to play its part for the betterment of its surroundings. This results in sequester of around 53,000kgs of Carbon Dioxide annually and results in mitigating impact of GHG emissions.



Waste and Effluents

Disposal of waste and effluents has a direct impact on surroundings, local community, and biodiversity as well as on operations of our entity. Wastages produced by our processes can have negative influence on biodiversity as well as communities surrounding the factory site. Sadaqat Limited minimizes the waste materials by recycling it and using efficient processes.

The waste water is discharged in drain and measured by flow meters. Environmental Protection Authority (EPA) approved water treatment plant is installed at Sadaqat Limited which guarantees proper treatment of waste water and mitigates harmful elements to comply with the National Environmental Quality Standard (NEQS) rules. Discharged water is not reused by any other organization.

During the year, no observation/incident was reported which indicates that waste water was not disposed-off according to standards and no negative impact came to our attention regarding the biodiversity and habitats around plant sites.

TYPE	UOM	2018	2017	2016	2015
Water discharge	M³	879,999	837,454	834,214	920,041
Reuse	Ton	79.5	6.9	37.16	35.38
Incineration	Ton	1.061	1.950	1.826	1.114
Landfill	Ton	Nil	Nil	Nil	Nil
Onsite storage	Ton	31.6	32	32	30
Hazardous waste (weight)	Ton	3.2	6.6	4	4

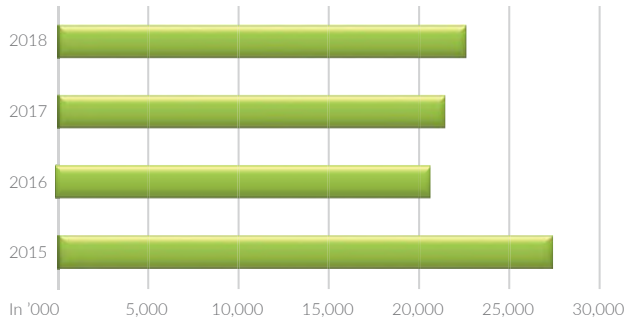
Environmental Compliance

Sadaqat Limited considers compliance with environmental laws and regulations as a major aspect because of the environmental impacts of its production processes on surroundings. The Company has invested heavily towards environment protection and complied with regulations to optimally minimize any negative environmental footprints of its operations.

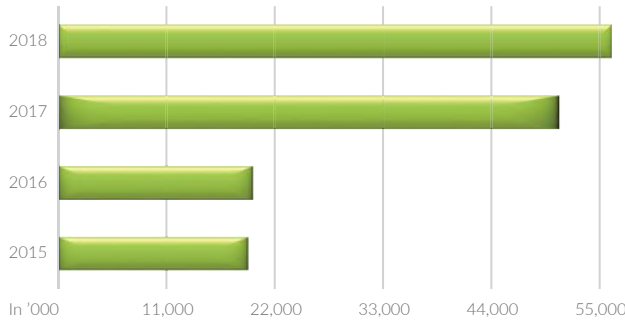
The Company has invested more than PKR 278.8 Million during the past five years. In direction towards minimizing environmental burden of our operations, we are partnered with World Wide Fund for Nature (WWF) on green office initiatives which act as agent promoting reduction in environmental impacts of our business operations.



Waste Disposal and Remediation Costs



Environmental Management Costs



TYPE	UOM	2018	2017	2016	2015
Waste disposal and remediation costs	Million	22.2	21.7	20.8	27
Environmental management costs	Million	56.6	52.8	20.6	19.6

Owing to strong implementation of policies and regular customer audits, Sadaqat Limited has clean record of compliance with laws, regulations and voluntary codes concerning nature and environment during the financial year under review. Moreover, the Company has neither paid any material fines nor has been subject to non-monetary sanctions for non-compliance with environmental laws and regulations during the financial year.

Energy

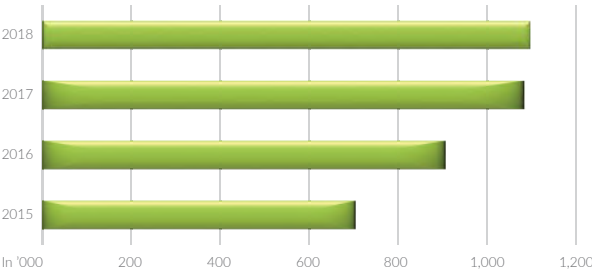


Management considers this topic as material because the operations of the Company are energy intensive and the energy requirements are majorly fulfilled by non-renewable sources. Consuming non-renewable fuels directly contributes to direct (Scope -1) and indirect (scope-2) GHG emission.

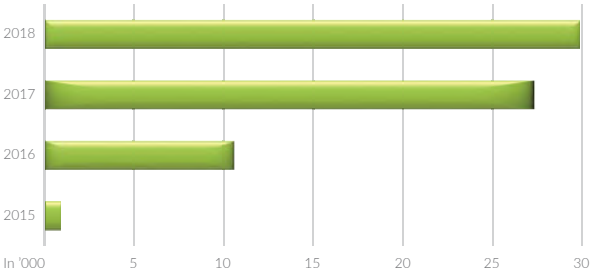
The entity is working towards efficient utilization of energy to reduce its carbon footprints and preserve natural reserves. Energy Management module of ERP system records the information regarding energy consumption in units, as KWH for Electricity and MJ/KG for LPG. Relevant reports are accumulated and their UOM is consolidated into gigajoules (GJ) to compute total energy usage separately. The Company has maintained a separate module for energy reporting which provides comprehensive statistics concerning energy usage in manufacturing processes and in overall entity.

Sources of fuel used in computing energy intensity were: Electricity, Diesel, Coal, Natural Gas and Petrol.

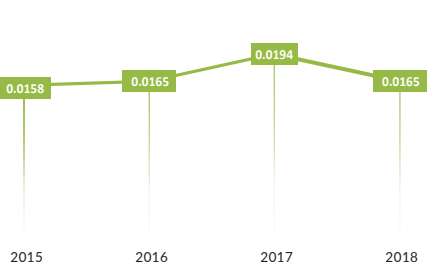
Energy Consumed (W-I-O) GJ



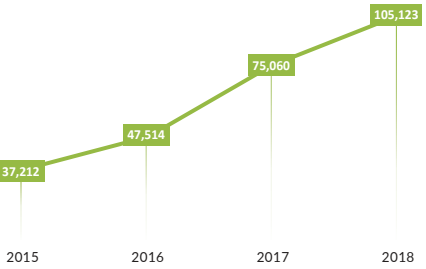
Energy Saving Per Year (GJ)



Per Meter Fabric (GJ/Meter)



Energy Saving (Cumulative) - GJ



TYPE	UOM	2018	2017	2016	2015
Energy Consumed (W-I-O)	GJ	1,099,343	1,090,386	924,194	718,411
Consumed/ Mtr fabric	GJ/Meter	0.0165	0.0194	0.0165	0.0158
Energy Saving Per Year	GJ	30,063	27,546	10,302	1315
Energy Saving (cumulative)	GJ	105,123	75,060	47,514	37,212

Energy Conservation Initiatives



Heat Exchanger

The company has installed 20 heat exchangers in mercerizing and pad steam. This has saved the entity 82 GJs of energy in FY 2018.

Efficient Electric Motor Fans

Entity replaced the exhaust fans across its facility with energy efficient motor fans which resulted in 121 GJs of energy saving during the last FY 2018.

Wet Scrubbers

Entity has installed three wet scrubbers in FY 2018 to limit the air pollution from its operations. Wet scrubbers control the air pollution by removing particles from gaseous emissions. From this effort, the Company has saved 5.44 GJs of energy from these in this year.

Installation of Rotary Filters

Entity installed rotary filters in FY 2016 to re-use hot water in its processing facilities including dyeing, bleaching plant and pad steam which contributed in saving of 466 GJs energy in FY 2018.

Caustic Recovery Plant

Entity installed Caustic Recovery Plant in its premises during the FY 2018. This plant processes the diluted caustic soda produced in mercerization to create concentrated caustic soda. This process generates hot water which can be used in other processes which make CRP energy efficient. Sadaqat Limited saved 413 GJs of energy in FY 2018 from CRP initiative.

Economizer

Economizers are tubular heat transfer surfaces used to preheat boiler feed water before it enters the steam drum which were installed in FY 2017 by the company. It provides high thermal efficiency by recovering the energy from fuel gas before its exhaustion to atmosphere. The company has saved 2903 GJs of energy in FY 2018 with the help of economizer.

Chiller Plant

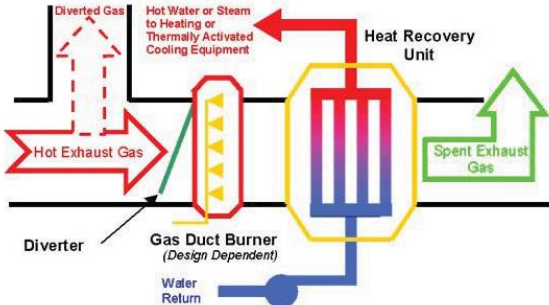
In FY 2017, the Company installed chiller plant across the its head office and processing unit replacing its air conditioners. It has resulted in energy saving of 3272.5 GJs in financial year 2018.

Installation of LED Lights

The Company has 7094 LED lights (in replacement to Company tube lights) installed throughout its facility which saved 3427 GJs of energy in FY-2018.

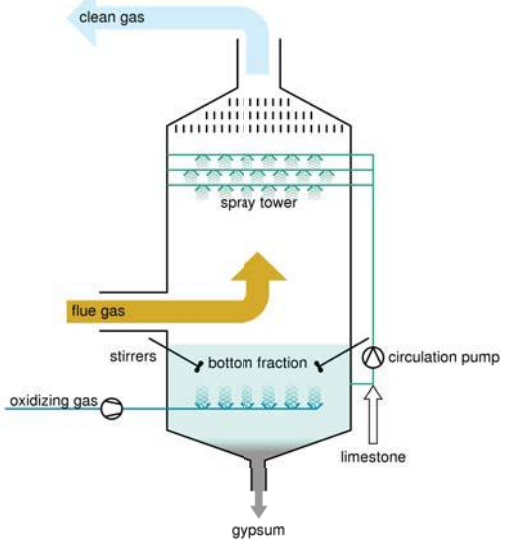
Waste Heat Recovery Plant

The Company has Waste Heat Recovery Plants installed in its facility which contributed in energy savings of 9377 GJs in FY 2018.



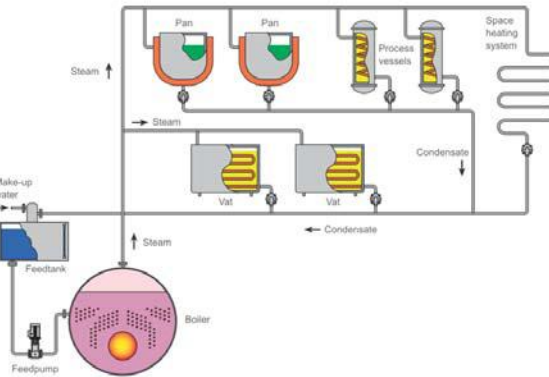
Valve Insulation

Sadaqat Limited has valve insulation system installed across its facility site which saved 3386 GJs of energy in FY- 2018.



Condensation Recovery System

The condensation system installed in FY 2017 at its boilers allows it to avoid extraction of new water and energy consumption in its processes. This initiative has helped the Company to save total of 5936 GJs of energy in the FY 2018.



Solar Panel

Sadaqat Limited has installed solar panels of 25KWH in its facility. This maintained the energy saving level of 674 GJs in FY 2018.



Certifications



Our production facilities are certified for ISO 14001:2015 environmental management system, Global Recycled Standard (GRS) and World Wide Fund (WWF).



Sadaqat Limited has been awarded compliance certificate for abiding by International Standards Organization (ISO) 14001:2015 certified by BUREAU VERITAS.

ISO 14001:2015 is the principal management system standard which specifies the requirements for the formulation and maintenance of an Environmental Management System (EMS). By adapting this standard, the Company has been able to ensure control over its negative environmental aspects and related impacts at community where company operates.



Sadaqat Limited has been awarded compliance certificate for adopting Global Recycled Standard (GRS) version 3.0 inspected and certified by Control Union. The Global Recycled Standard (GRS) is a product standard for tracking and verifying the content of recycled materials in the final product, while ensuring strict production requirements.

The Standard establishes that specific input materials are accounted for and quantified for the purposes of making a percentage-based claim. The Standard applies to products that contain 20% or more recycled content. At the same time the Standard gives guidelines for social and environmental requirements during the production stages of GRS certified products, hence ensuring sustainability throughout the business operation.



Sadaqat Limited has been awarded Diploma certificate for complying with green office protocols of World Wide Fund for Nature (WWF). As per WWF, Sadaqat Limited has been responsible towards business impact on earth's climate and joined hands with them in making a positive environmental difference.

WWF Green Office initiative of Sadaqat Limited has led the company on the path towards making its office green. They have provided the company with Environmental Management System (EMS) and supported the company through its implementation. Sadaqat Limited has fulfilled the criteria of Environment Management System (EMS) defined by WWF-Pakistan and on the basis of which the company has been awarded a diploma certificate as well as rights to use and display the Green office logo.



Sadaqat Limited is preparing its sustainability report on GRI standards being a Gold Community member of GRI. It is also supporting the Ten principles of (UNGC).

By becoming a part of above network, the company increased its focus on sustainable practices and reporting while producing quality products, reducing the environmental burden of its processes, engaging its stakeholders for their valuable inputs and devising strategies for inclusive growth and equal opportunities by providing sustainable returns to its shareholders, financing partners, supporting its suppliers and contributing to socio-economic development. Moreover, being a member of GRI Gold Community and by supporting UNGC, it has been provided platform to be a part of a global community of knowledge sharing among peers and industry leaders with the latest imminent and inclination in sustainability and sustainable business practices.

Corporate Social Responsibility Award

Sadaqat Limited being socially responsible organisation takes pride in receiving award for marvelous activities and initiatives in pursuit of Corporate Social Responsibility.



The Award was conferred upon by Minister of State for Information, Broadcasting and Heritage on 18th January, 2018 in Serena Hotel Islamabad. The event was organized by National Forum of Environment & Health commonly known as NFEH to facilitate, promote and help create environmental, healthcare and educational awareness.

WWF-Pakistan

Certificate of Appreciation

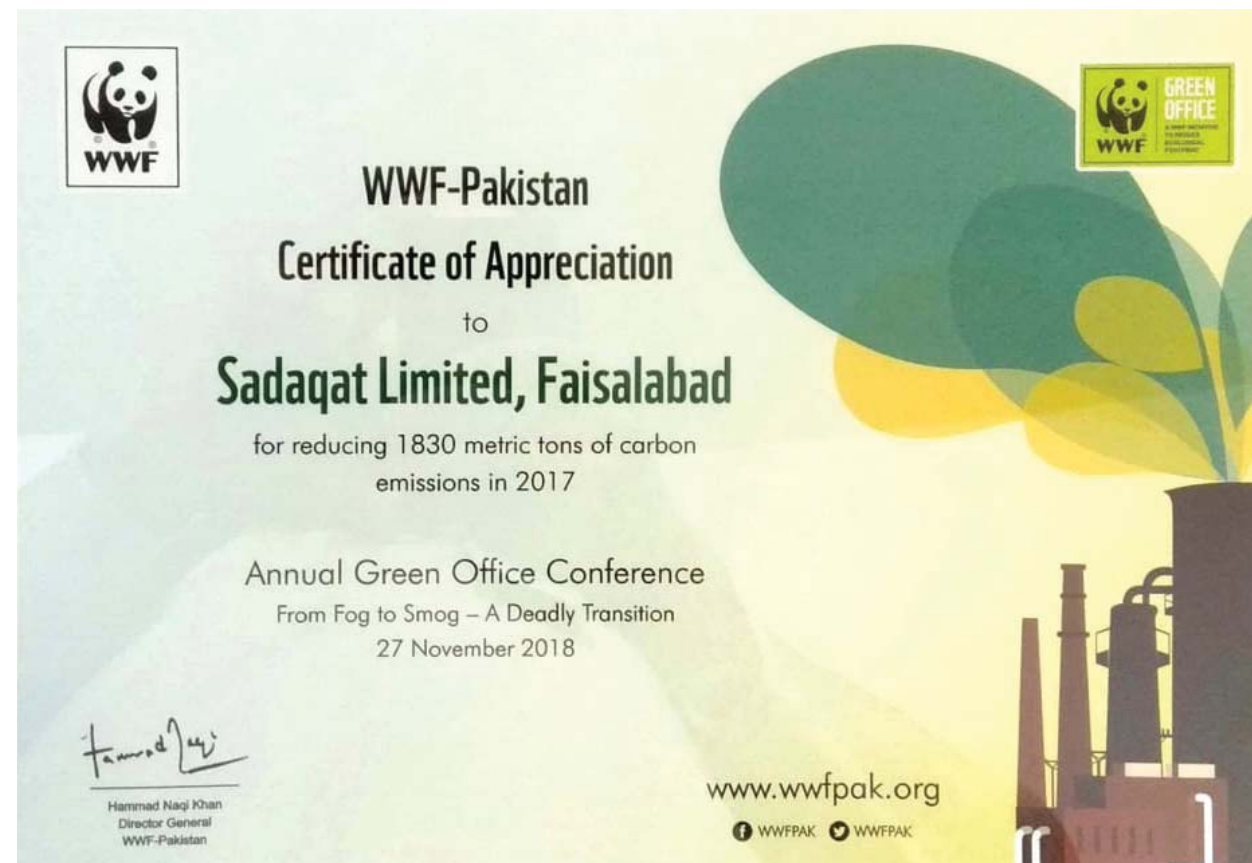


WWF-Pakistan held its seventh Annual Green Office Conference on 27th November, 2018. The theme of this year's conference was air pollution with particular focus on the growing issue of smog. Mr. Malik Amin Aslam, Advisor to Prime Minister of Pakistan on Climate Change awarded Certificate of Appreciation to Sadaqat Limited for substantial reduction in carbon emissions during FY 2017-18 under the WWF Green Office Initiative.

Director General - WWF Pakistan, Director General - Environmental Protection Department and Energy & Air Pollution Analyst - Green Peace also graced the event with his presence. The aim of the event was to turn the tide and establish a consensus between relevant public and private sectors on the roles, responsibilities and actions needed to improve air quality.



Certificate of Appreciation to Sadaqat Limited for substantial reduction in carbon emission during FY 2017-18 under the WWF Green Office Initiative.



Sustainability Commitments



Moving forward towards sustainable development requires ambitions which not only serve as milestones but also augment continuous efforts to become responsible corporate citizen and allows value creation for synergy.

Material Issue	Results FY-2018	Target FY-2019
Business & Social Performance	<ul style="list-style-type: none"> Foreign exchange earned 15 Billion Income Tax Paid 93 M Charity and Donations of 7.1 M 	<ul style="list-style-type: none"> Foreign Exchange of 20 Billion Income tax payment of 150 M Charity and Donation of 7-8 M
Energy & Climate Change	<ul style="list-style-type: none"> GHG Emissions /mtr decreased by 12.6% NOX, SOX emissions decreased by 5.4% 	<ul style="list-style-type: none"> Further 10% reduction in GHG emissions
Water	<ul style="list-style-type: none"> 10.24% water re-used 	<ul style="list-style-type: none"> Plan to increase re-use of water by 10~15% as compared to FY-2018.
Environmental Protection	<ul style="list-style-type: none"> Environmental Protection cost increased by 6% p.a Increased energy saving by 9% 	<ul style="list-style-type: none"> Targeted to increase environmental protection cost by 5~10% Targeted to energy savings p.a by further 10% as compared to FY-2018
Training	<ul style="list-style-type: none"> Training Hours increased by 34% 	<ul style="list-style-type: none"> Targeted to increase training hours by 15~20% as compared to FY-2018.

Way Forward

Sadaqat Limited is actively working to revamp its policies and processes in order to align them with the 10 principles of UNGC as well as the UN Sustainable Development Goals.

In the path of aligning and embedding its activities and policies to sustainability, the Company is focusing towards controlling its environmental burden by reducing GHG emissions, water consumption and energy conservation along with contribution towards society and economy by working towards workers well-being, their health, safety and security.

Moving forward, Sadaqat Limited has active plans related to training and development of its employees and also long term career based plans for its new hiring.

These capacity building initiatives will enable the company to measure its progress towards associate's well-being and make them an integral future resource of the Company.

Going forward we are working to address maximum UN Sustainable Development Goals and to further increase focus on UNGC 10 principles so as tokeep them aligned and embed them into daily operations.

In addition, we are seeking to obtain feedback on our report from stakeholders so as to improvise and further polish our corporate and sustainability reporting.



We believe that the journey to optimize social wellbeing is an on-going process. We are actively taking steps to build a culture that supports the wellbeing of people associated with our Company over the long term.



Assurance Statement



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Chartered Accountants
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INDEPENDENT ASSURANCE REPORT ON THE SUSTAINABILITY REPORT 2018 TO THE BOARD OF DIRECTORS SADAQAT LIMITED (THE COMPANY)

Introduction

We have undertaken a limited assurance engagement on the Sustainability Report of Sadaqat Limited (the Company) (Pg. 10-15, 28-35 and 144-210) for the year ended 30 June 2018 prepared by the management of the Company.

Criteria

The Company has prepared the Sustainability Report in accordance with the Global Reporting Initiative (GRI) Standards: Core option.

Management's responsibility

The Company's management is responsible for the preparation of the Sustainability Report in accordance with the criteria. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Sustainability Report that is free from material misstatement, whether due to fraud or error.

Limitations

Our assurance scope excludes:

- Data and information outside the defined reporting period (01 July 2017 to 30 June 2018).
- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention and national or global socio-economic and environmental aspects.
- Data and information on economic and financial performance of the company, which, we are informed, are from the company's audited financial records.

Our independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of historical financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility and summary of work performed

Our responsibility is to express a limited assurance conclusion on the Sustainability Report based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000, 'Assurance Engagements other than audits or reviews of historical financial statements' issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the Sustainability Report is free from material misstatement.



A limited assurance engagement involves assessing the suitability in the circumstances of Company's use of the Criteria as the basis for the preparation of the Sustainability Report, assessing the risks of material misstatement of the Report whether due to fraud or error, responding to the assessed risks as necessary in the circumstances, and evaluating the overall presentation of the Report. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, the procedures selected were based on our professional judgement. Within the scope of our work, we performed, amongst others, the following procedures:

- Interviewed selected key personnel of the Company to understand the current processes in place for capturing sustainability performance data, the Company's sustainability goals and the progress made during the reporting period;
- Review the Company's approach to stakeholder engagement and processes for determining material issues through interviews and review of associated documents;
- Review relevant documents and systems for gathering, analyzing and aggregating sustainability performance data in the reporting period;
- Execution of audit trail of selected data streams and information to determine the level of accuracy in collection, transcription and aggregation processes followed; and
- Performance of site visits as part of inspection of processes for collection, analyzing, validation and aggregation of sustainability data and their documentation on a sample basis.

Limited assurance conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Based on our limited assurance engagement, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the Criteria.

EY Ford Rhodes
Chartered Accountants
Engagement Partner: Abdullah Fahad Masood
Lahore: 11 February 2019



About Integrated Report

Report Profile

This year the entity has opted for Integrated Reporting Framework by International Integrated Reporting Council (IIRC) and adopted the principles and concepts that are focused on bringing greater cohesion and efficiency to the reporting process while reducing duplication which is bound to improve the quality of information available to providers of financial capital as well as other stakeholders. The adoption of this framework establishes Board's vision towards enhancing accountability, stewardship and trust as well as to harnessing the information flow and transparency of business brought in by the technology.

This Integrated Report presents key information about entity's value creation process, its business aspects and outcomes along with 'Sustainability Performance' section covering the economic, environmental and social footprints of the entity.

The sustainability segment of this Integrated Report has been prepared in accordance with GRI Standards: Core Option over which entity has obtained assurance from its external auditors, EY Ford Rhodes, as per ISAE 3000, who have given an unmodified opinion after reviewing the compliance of the report as per the framework.

Further the entity has also mapped the sustainability report with the 10 principles of United Nations Global Compact (UNGC) and the Sustainable Development Goals (SDGs) to assess its performance on sustainability fronts as well as for setting targets for the future.

This report shall provide investors with the information they need to make more effective capital allocation decisions and shall facilitate better investment returns in the long run. The report shall also provide stakeholders with more precise, relevant and transparent information about the entity, the impact of its operations on economy, social and environmental fronts.

Stakeholders Engagement

Our Approach

We believe in constructive and ongoing dialogues with stakeholders to add value to our business.



Stakeholders Value

We have identified stakeholder groups that are of material importance to the sustainable success of our business.



Continuous Interactions

We believe, interactions on regular basis with stakeholders is foremost important for sustainable success of the entity and its stakeholders.



Management encourages the presence of minority shareholders of the entity in stakeholder's engagement activity by pursuing them through formal emails.

Central to our stakeholder engagement process, we focus on material issues base on influence on stakeholders' significance of economic, environmental and social impacts. We strive to seek and maintain constructive dialogue and consider their opinions in our day to day decision-making especially focusing on the topics our stakeholders deem most important. We frequently interact with groups and individuals who can potentially be affected by our activities, services and products.

The details of engagement activities with different stakeholders are mentioned below:

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 through Marketing Dept.	Ongoing/Annual
Local community	Interventions for social uplift, environmental impact of operations	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/Annual
Suppliers	Reasonable terms and conditions timely payments	Through procurement department, Suppliers meetings	Ongoing/Need
Media	Wider range of issues concerning different stakeholders	Depending on nature of requirement	Ongoing/Annual

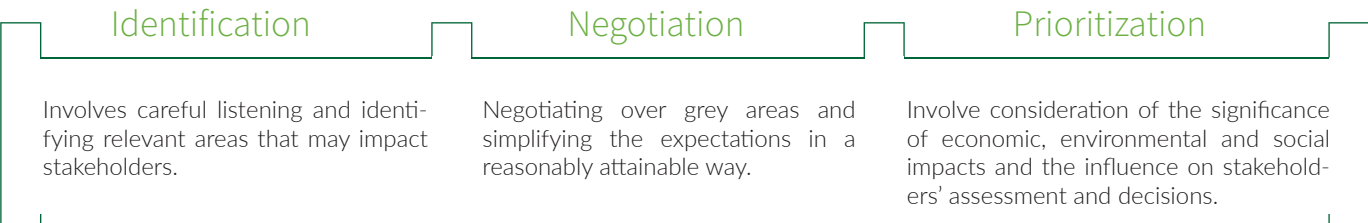
Working groups, regular meetings, conferences, workshops, surveys and meetings are just a few examples of how we interact with stakeholders. These engagements are transparent and help ensure that we are closely connected to the socio-economic and environmental issues which are crucial to optimizing our contribution to society.

Employee representatives mentioned the occupational health and safety measures to encourage the management to bring further improvements for its employees. Moreover, they also emphasized the matter regarding training drills related to health and safety procedures. Management was encouraged regarding its policies towards the forced or child labor. In response, the stakeholder’s engagement team highlighted the initiatives which the Company took to provide safe working environment including provision of Personal Protective Equipment (PPE) and fire-fighting training sessions.

Local community representatives described their concerns regarding energy consumption of our entity and its impacts on surrounding environment. The stakeholder’s engagement team mentioned the initiatives of the Company to increase energy savings with efficient processes including installation of CRP and waste heat recovery plant. However, treatment of waste water and plantation drive during the year was highly encouraged by our stakeholders.

Materiality Matrix

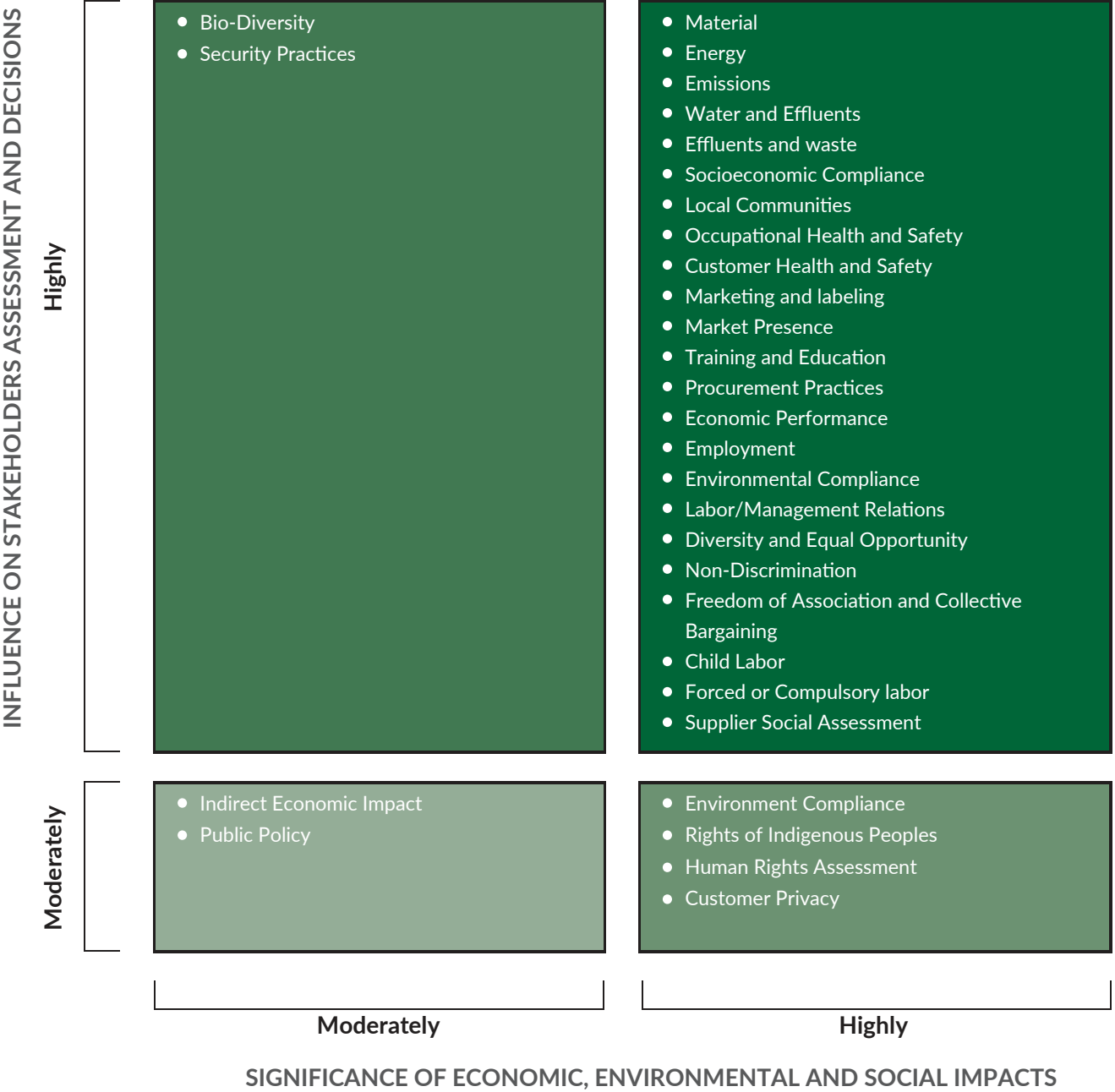
We performed materiality analysis on the basis of stakeholders’ feedbacks through dialogue and reply of e-mails to determine the materiality of issues based on influence on stakeholders’ decisions and significance of economic, environmental and social impacts



The materiality matrix represents the result of materiality determination exercise. The matrix is divided into areas to show topics which have moderate or high influence on stakeholders’ decisions and moderate or high significant economic, environmental and social impacts. Our materiality assessments have helped us to adopt a more focused and current approach towards corporate citizenship. During the year no major changes in material aspects or scope occurred.



Matrix



Boundary of Material Topics

Sustainability Area	Material Topic	Boundary (Within / Outside)
Economic	Economic Performance	Sadaqat Limited
	Market Presence	Sadaqat Limited and its supplier
	Procurement Practices	Sadaqat Limited
Environment	Anti-Corruption	Sadaqat Limited
	Energy	Sadaqat Limited and its supplier
	Water and Effluents	Sadaqat Limited , its suppliers and customers
	Emissions	Sadaqat Limited and its supplier
	Effluents and waste	Sadaqat Limited and its supplier
	Environmental Compliance	Sadaqat Limited
Social	Employment	Sadaqat Limited
	Labor/Management Relations	Sadaqat Limited
	Occupational health and safety	Sadaqat Limited
	Training and Education	Sadaqat Limited
	Diversity and Equal opportunity	Sadaqat Limited
	Non Discrimination	Sadaqat Limited and its supplier
	Freedom of Association & Collective Bargaining	Sadaqat Limited
	Child Labor	Sadaqat Limited and its supplier
	Forced or Compulsory labor	Sadaqat Limited
	Local Communities	Sadaqat Limited and Local Customer
	Supplier Social Assessment	Sadaqat Limited
	Customer Health and Safety	Sadaqat Limited
	Marketing and Labeling	Sadaqat Limited , its suppliers and customers
	Socioeconomic Compliance	Sadaqat Limited

GRI Standards Content Index

The following table has been provided to help the reader in locating content within the document that relates to specific GRI-G4 indicators. Each indicator is followed by reference to the appropriate pages in the Sustainability Report 2017 or other publicly available sources.

Key

SR	Sustainability Report
<div></div>	Fully Disclosed
<div></div>	Partially Disclosed
<div></div>	Not Disclosed

GRI Standard Core Disclosures		
Disclosure	Description	Page #
General Disclosures		
GRI 102: General Disclosures 2016		
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102-2	Activities, brands, products, and services	12, 13
102-3	Location of headquarters	11
102-4	Location of operations	11
102-5	Ownership and legal form	11
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305-4	GHG emissions intensity	180	<div><div></div></div>
305-5	Reduction of GHG emissions	180, 181	<div><div></div></div>
305-6	Emissions of ozone-depleting substances (ODS)	180	<div><div></div></div>
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FORCED OR COMPULSORY LABOR

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409 - Forced or Compulsory Labor

409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	157	<div></div>
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LOCAL COMMUNITIES

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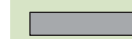
413 - Local Communities

413-1	Operations with local community engagement, impact assessments, and development programs	160 - 163	<div></div>
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413-2

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SUPPLIER SOCIAL ASSESSMENT

103 – Management Approach

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414-2	Negative social impacts in the supply chain and actions taken	157	<div></div>

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103 – Management Approach

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416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	165	<div></div>

MARKETING AND LABELING

103 – Management Approach

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417-3	Incidents of non-compliance concerning marketing communications	165	<div></div>

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103 – Management Approach

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419 - Socioeconomic Compliance

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UNGC – “The Ten Principles”



UNGC “The Ten Principles”

Principle	Statement	Page #
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	153 - 163
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	153 - 163
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	157
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor.	155, 157
Principle 5	Businesses should uphold the effective abolition of child labor.	155, 157
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	150, 153-157 169, 170
Principle 7	Businesses should support a precautionary approach to environmental challenges.	178 - 191
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	178 - 191
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	178 - 191
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	52, 53, 152

UN SDG's



Sustainable Development Goals	How our initiatives and activities support these goals	Page Ref #
1 NO POVERTY 	Initiatives and activities conducted to eradicate poverty Building capacity especially in youth to enhance their livelihood	153 - 163, 174, 175
2 ZERO HUNGER 	Initiated Employee Support/ Ration Package	161
3 GOOD HEALTH AND WELL-BEING 	Heading towards safety focused, zero-lost hour and zero-incident culture Achieving good well being through product stewardship Initiatives and activities conducted for good health and wellbeing	156 - 167, 171 - 175
4 QUALITY EDUCATION 	Providing scholarships to community and employees Instilling practical knowledge in associates through skills development programs	159 - 163, 174, 175
5 GENDER EQUALITY 	Ensuring diversity through clear non discrimination policies Empowering women through skills development exercises	174, 175
6 CLEAN WATER AND SANITATION 	Responsible withdrawal and consumption of water for manufacturing Ensuring effective treatment and proper discharge of wastewater Driving clean water initiative for all by donating water treatment plants	179, 181
7 AFFORDABLE AND CLEAN ENERGY 	Adopting and enhancing more energy-efficient technologies at production site Enhancing energy derived from renewable sources	183 - 185
8 DECENT WORK AND ECONOMIC GROWTH 	Protecting labor and human rights and ensuring safe working environments Decent work for employees, with fair Road map designed for career progression Hiring and training employees primarily drawn from nearby communities	149 - 152, 156, 157, 171 - 175

Sustainable Development Goals	How our initiatives and activities support these goals	Page Ref #
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	Investing in resource-efficient and state-of-the-art technology for production	42, 43, 79, 184 - 185
10 REDUCED INEQUALITIES 	Majorly providing jobs and training opportunities to near by residence Zero tolerance for discrimination enforced through the Code of Conduct	150, 151, 156, 157
11 SUSTAINABLE CITIES AND COMMUNITIES 	Initiation of plantation movement	181
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	Driving initiative towards optimal utilization of resources consumption in operations in forthcoming years	84, 85, 183 - 185
13 CLIMATE ACTION 	Driving initiative towards adopting newer technologies in manufacturing to mitigate GHG emissions in forthcoming years	181, 182
14 LIFE BELOW WATER 	Ensuring effective and approved treatment and proper discharge of wastewater	181, 182
15 LIFE ON LAND 	Promoting healthy environment through planting trees to cope with GHG emissions	181, 182
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	Robust and comprehensive governance structure is established and maintained Conducting business while keeping in view highest ethical and legal standards Stron Internal Audit department addressing corruption-related risks Effectively implementing and maintaing the Code of Conduct	15, 52, 53, 148, 152
17 PARTNERSHIPS FOR THE GOALS 	Achieved status of different product, ecological and social stewardsip initiatives Youth capacity building through partnerships with professional institutions	145, 159, 163, 165 - 167, 175, 177, 186 - 189

Integrated Reporting Checklist

S. No.	Particulars	Page Reference
Elements of Integrated Report		
A. Organizational overview and external environment		
1	An integrated report should identify the organization's mission and vision, and provides essential context by identifying matters such as:	
a.	The organization's:	
i	culture, ethics and values	11
ii	ownership and operating structure including size of the organization, location of its operations)	11
iii	principal activities and markets	11, 12
iv	competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry)	16
v	position within the value chain	12, 13, 146, 147
b.	Key quantitative information The number of employees, revenue and number of countries in which the organization operates highlighting, in particular, significant changes from prior periods	10, 11, 169
c	Significant factors affecting the external environment and the organization's response	18, 19
B Governance		
1	An integrated report needs to provide an insight about how such matters as the following are	
a	The organization's leadership structure, including the skills and diversity (e.g., range of backgrounds, gender, competence and experience) of those charged with governance and whether regulatory requirements influence the design of the governance structure	39, 40
b	Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues	22 - 29
c	Particular actions those charged with governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management	46, 52 - 55
d	How the organization's culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders	60 - 63, 149, 153, 197, 198

S. No.	Particulars	Page Reference
Elements of Integrated Report		
e	Whether the organization is implementing governance practices that exceed legal requirements / Key Policies	90
f	The responsibility those charged with governance take for promoting and enabling innovation	54 - 57, 90
g	How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organization's use of and effects on the capitals.	55, 63, 174, 175
C. Business model		
1	An integrated report need to describe the business model, including key:	
a	Inputs	12
b	Business activities	12
c	Outputs	13
d	Outcomes	13
2	Features that can enhance the effectiveness and readability of the description of the business model include:	
a	Explicit identification of the key elements of the business model	12, 13
b	A simple diagram highlighting key elements, supported by a clear explanation of the relevance of those elements to the organization	12, 13
c	Narrative flow that is logical given the particular circumstances of the organization	12, 13
d	Identification of critical stakeholder and other (e.g., raw material) dependencies and important factors affecting the external environment	197, 199, 200
e	Connection to information covered by other Content Elements, such as strategy, risks and opportunities, and performance (including KPIs and financial considerations, like cost containment and revenues).	12, 13
D. Risks, opportunities		
1	An integrated report identifies the key risks and opportunities that are specific to the organization, including those that relate to the organization's effects on, and the continued availability, quality and affordability of, relevant capitals in the short, medium and long term.	29 - 35
a	The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two.	29 - 35
b	The organization's assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does.	29 - 35
c	The specific steps being taken to mitigate or manage key risks (e.g; Risk Management Framework, Risk Management review process and reporting structure) or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs.	29 - 35

S. No.	Particulars	Page Reference
Elements of Integrated Report		
E. Performance		
1	An integrated report should contain qualitative and quantitative information about performance that may include matters such as:	
a	Quantitative indicators with respect to targets and risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them	30 - 35, 60, 64
b	The organization's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain	62, 63, 146, 147
c	The state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests	197, 198
d	The linkages between past and current performance, and between current performance and the organization's outlook.	61, 64 - 80, 85
2	KPIs that combine financial measures with other components (e.g., the ratio of greenhouse gas emissions to sales) or narrative that explains the financial implications of significant effects on other capitals and other causal relationships (e.g., expected revenue growth resulting from efforts to enhance human capital) may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals (e.g., carbon emissions and water use).	2, 3
3	Include instances where regulations have a significant effect on performance (e.g. a constraint on revenues as a result of regulatory rate setting) or the organization's non-compliance with laws or regulations may significantly affect its operations.	196
F. Strategy & Resource Allocation		
1	An integrated report needs to identify:	
a	The organization's short, medium and long term strategic objectives	22
b	The strategies it has in place, or intends to implement, to achieve those strategic objectives	23
c	The resource allocation plans it has to implement its strategy	24 - 25
d	How it will measure achievements and target outcomes for the short, medium and long term. This can include describing:	2, 3
i	The linkage between the organization's Strategy & Resource Allocation plans, and the information covered by other Content Elements, including how its Strategy & Resource Allocation plans:	
*	relate to the organization's business model, and what changes to that business model might be necessary to implement chosen strategies to provide an understanding of the organization's ability to adapt to change	23
*	are influenced by/respond to the external environment and the identified risks and opportunities affect the capitals, and the risk management arrangements related to those capitals	24 - 25

S. No.	Particulars	Page Reference
Elements of Integrated Report		
ii	What differentiates the organization to give it competitive advantage and enable it to create value, such as:	25
*	the role of innovation	25
*	how the organization develops and exploits intellectual capital	24
*	the extent to which environmental and social considerations have been embedded into the organization's strategy to give it a competitive advantage	25
iii	Key features and findings of stakeholder engagement that were used in formulating its Strategy & Resource Allocation plans.	25
G. Outlook		
1	An integrated report should highlight anticipated changes over time and provides information on:	
a	The organization's expectations about the external environment the organization is likely to face in the short, medium and long term	84
b	How that will affect the organization	84
c	How the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise.	84
2	The discussion of the potential implications, including implications for future financial performance may include:	
a	The external environment, and risks and opportunities, with an analysis of how these could affect the achievement of strategic objectives	16 - 19, 29 - 35
b	The availability, quality and affordability of capitals the organization uses or affects (e.g., the continued availability of skilled labour or natural resources), including how key relationships are managed and why they are important to the organization's ability to create value over time.	84, 85
3	An integrated report may also provide lead indicators, KPIs or objectives, relevant information from recognized external sources, and sensitivity analyses. If forecasts or projections are included in reporting the organization's outlook, a summary of related assumptions is useful. Comparisons of actual performance to previously identified targets further enables evaluation of the current outlook.	84 - 86
4	Disclosures about an organization's outlook in an integrated report should consider the legal or regulatory requirements to which the organization is subject.	84
H. Basis of preparation and presentation		
1	An integrated report describes its basis of preparation and presentation, including:	
a	A summary of the organization's materiality determination process	198, 199
b	A description of the reporting boundary and how it has been determined	144
c	A summary of the significant frameworks and methods used to quantify or evaluate material matters	144, 196

Feedback Form

Integrated Report 2018

Details of information provided on issues covered in the report

☐ Comprehensive

☐ Adequate

☐ Not adequate

Clarity of the information provided in the report

☐ High

☐ Medium

☐ Low

The quality of design and layout of the report

☐ Excellent

☐ Good

☐ Average

Your comments for adding value to the report

Name

Designation

Organization

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Glossary and Acronyms

AFS	Available For Sale
AGM	Annual General Meeting
BCI	Better Cotton Initiative
BCP	Business Continuity Plan
Board	Board of Directors
BOD	Board of Directors
CAPEX	Capital Expenditure
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
CSR	Corporate Social Responsibility
CSRCP	Corporate Social Responsibility Centre Pakistan
C-TPAT	Customer Trade Partnership Against Terrorism
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
ERF	Export Refinance
ERP	Enterprise Resource Planning
EVA	Economic Value Added
FCF	Free Cash Flow
FESCO	Faisalabad Electric Supply Company

FFO	Funds from Operations (FFO)
FGCC	Faisalabad Garment City Company
FTR	Final Taxation Regime
GHG	Green House Gas
GHG	Green House Gases
GJ	Giga Joules
GOTS	Global Organic Textile Standard
GP	Gross Profit
GRI	Global Reporting Initiative
GRS	Global Recycle Standard
GSP	Generalised Scheme of Preferences
HR	Human Resource
HR & R	Human Resource and Remuneration
HSE	Health Safety and Environment
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
LTFF	Long Term Finance Facility
MSCF	Million Standard Cubic Feet

MW	Mega Watt
NEQS	National Environmental Quality Standards
NP	Net Profit
NRV	Net Realizable Value
OCS	Organic Content Standard
ODS	Ozone Depletion Substance
OHSAS	Occupational Health and Safety Assessment Series
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
SA8000	Social Accountability 8000
SECP	Securities and Exchange Commission of Pakistan
SOP	Standard Operating Procedure
TUF	Technology Up gradation Fund
UNGC	United Nations Global Compact
WMC	Workers Management Committee
WRAP	Worldwide Responsible Accredited Production
WWF	World Wild Fund
YEOP	Young Entrepreneurs Organization Pakistan
YPO	Young President Organization