Report
Annual
2016

STRIVING FOR THE BEST.....
EMBEDDING SUSTAINABILITY & CREATING VALUE

Sadaqat
ADDING QUALITY TO LIFE

WWW.SADAQATGROUP.NET

Contents

Corporate Information

Board of Directors
Mr. Mukhtar Ahmed (Chairman)
Mr. Khurram Mukhtar (CEO)
Mr. Hamid Mukhtar (Director)
Mr. Awais Mukhtar (Director)
Mr. Shoaib Mukhtar (Director)
Mr. Imran Noor Mohammad (Director)
Mr. Muhammad Ijaz (Director)

Director Strategic Planning
Mr. Muhammad Iqbal Ghori - FCMA

Chief Financial Officer
Mr. Hummayun Shahzad Mirza

Company Secretary
Mr. Muhammad Naseeb

Audit Committee
Mr. Awais Mukhtar (Chairman)
Mr. Imran Noor Mohammad (Member)
Mr. Iqbal Ghori (Member)

HR & R Committee
Mr. Shoaib Mukhtar (Chairman)
Mr. Hamid Mukhtar (Member)
Mr. Iqbal Ghori (Member)

Procurement Committee
Mr. Mukhtar Ahmad (Chairman)
Mr. Awais Mukhtar (Member)
Mr. Hamid Mukhtar (Member)

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

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

Auditors
Kreston, Hyder Bhimji & Co.
(Chartered Accountants)
Business Center, New Civil Lines, Faisalabad

Insurance Company
Jubilee Insurance
Premier Insurance
Askari Insurance
IGI Insurance
United Insurance
Century Insurance

Company's Registered Office /Head Office
2-KM, Sahianwala Road, Khurrianwala,
Faisalabad 37630 Pakistan.
UAN : +92 41 111 010 111
Fax : +92 41 8507511-12
Website: www.sadaqatgroup.net
E-mail: Sadaqat.limited@sadaqatgroup.net

Company’s Profile

Sadaqat Limited has a long history of successful business operations based on highly professional and ethical practices, focused to achieve total customer satisfaction. Recognized as one of the major industrial business concern in Pakistan, Sadaqat is astutely diversified and includes manufacturing operations in home textiles. The management of the company is committed to the maintenance of international standards, along with a continuous effort in actually raising acceptable norms of quality and services in order to be dynamic and at the same time successfully meet the new challenges of ever changing business environment by adopting pro-active behavior.

The company is fully equipped with the capabilities for supplying the desired quality to its valued customers. Sadaqat Limited is renowned for value added home textiles like embroidered, pintucked, flocked, beaded, ribboned, glittered & foiling techniques etc. Quality being its motto, the name **Sadaqat** is synonymous with quality and reliability.

History of Glory

Half a century ago, the Sadaqat family started its textile business, in Chiniot, near Pakistan's famous city “Faisalabad”. The newly established business was based on the core values of honesty and quality in business.

Sadaqat Limited has emerged as a major player in home textile segment owing to its product and market diversification, value addition and strategic partnership with world’s leading retailers.

The Company aims to represent the quintessential heritage of Pakistan and assimilate it with the latest trends prevalent in the home textile industry. With more than half a century of enriched experience and enchanting spectrum of home textile has earned Sadaqat numerous patrons all across the world.

Top Management's Profile

Mr. Mukhtar Ahmed
(Chairman)

Ex-Chairman-FGCC (Faisalabad Garment City Company)
Ex-Chairman- Faisalabad Dry Port Trust
45 years of experience in the textile business.

Responsible for the overall corporate affairs & governance maters & to structure the Board, lay solid foundations for management & oversight while promoting ethical & responsible decision making.

Mr. Khurram Mukhtar
(Chief Executive Officer)

Chairman BOD - FESCO
Member - Young President Organization (YPO)
Former Chairman PTEA
Former Director - Faisalabad Garment City Company
Responsible for providing leadership to the Company and developing a strategic plan to advance the Company's vision, mission and objectives & to promote revenue, profitability and growth for the organization. Oversee Company's operations to insure production efficiency, quality, service and cost-effective management of resources.

Mr. Imran Noor Muhammad
(Director)

Mr. Hamid Mukhtar
(Director)

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

Mr. Muhammad Ijaz
(Director)

Mr. Awais Mukhtar
(Director)

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

Mr. Muhammad Iqbal Ghori FCMA,PURC (US)
(Director Strategic Planning)

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

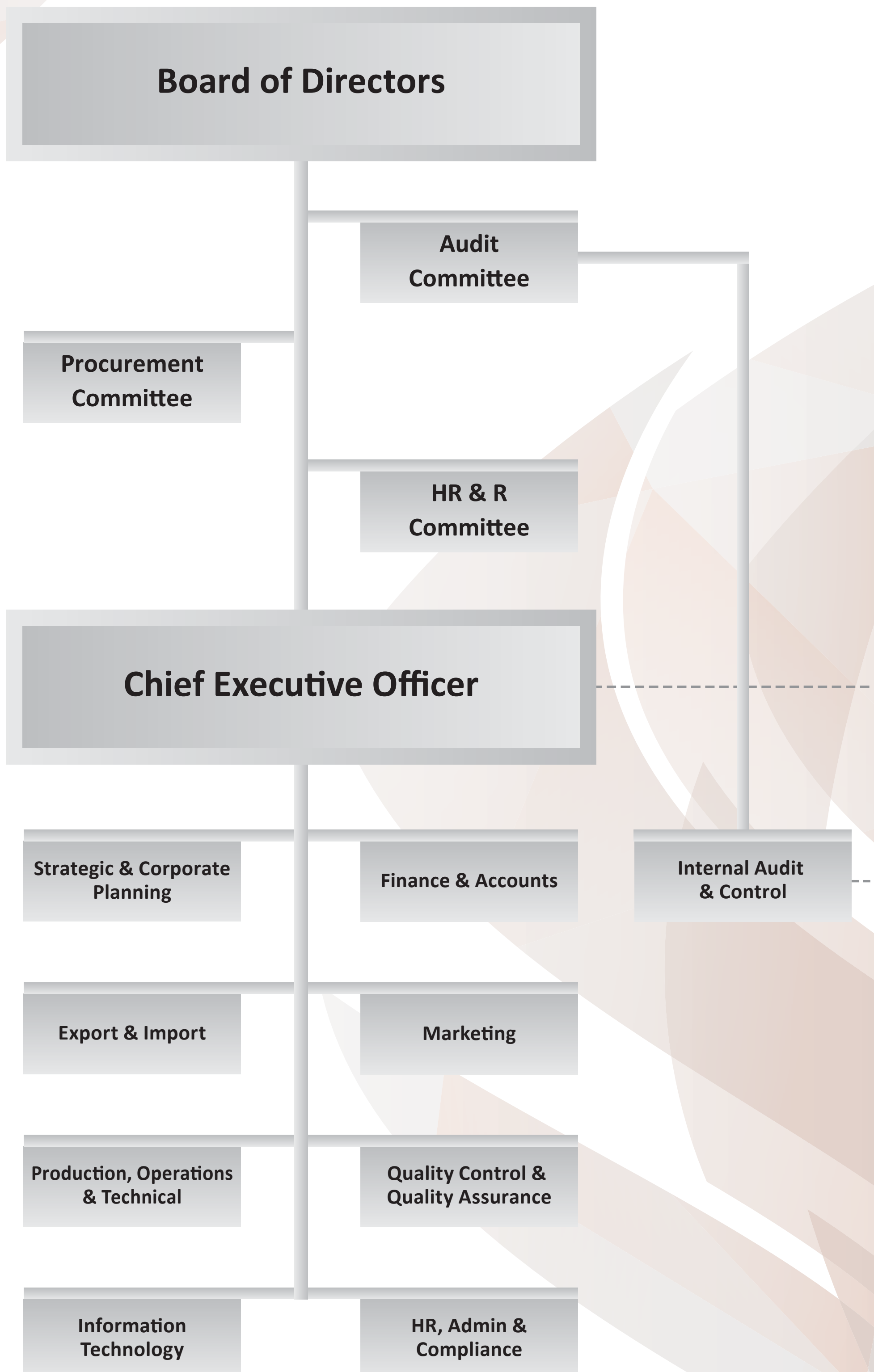
Mr. Shoaib Mukhtar
(Director)

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

Mr. Hummayun Shahzad
(Chief Financial Officer)

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

Organogram


Board of Directors
Audit Committee
Procurement Committee
HR & R Committee
Chief Executive Officer
Strategic & Corporate Planning
Finance & Accounts
Internal Audit & Control
Export & Import
Marketing
Production, Operations & Technical
Quality Control & Quality Assurance
Information Technology
HR, Admin & Compliance

Vision, Mission, Values & Business Ethics

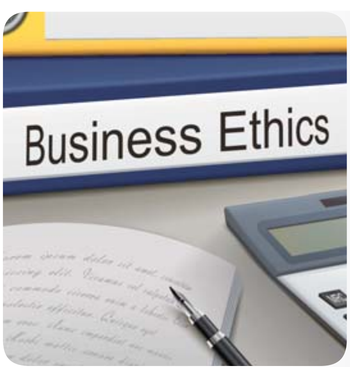
VISION

One That Becomes Standard
For Others

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.

VALUES



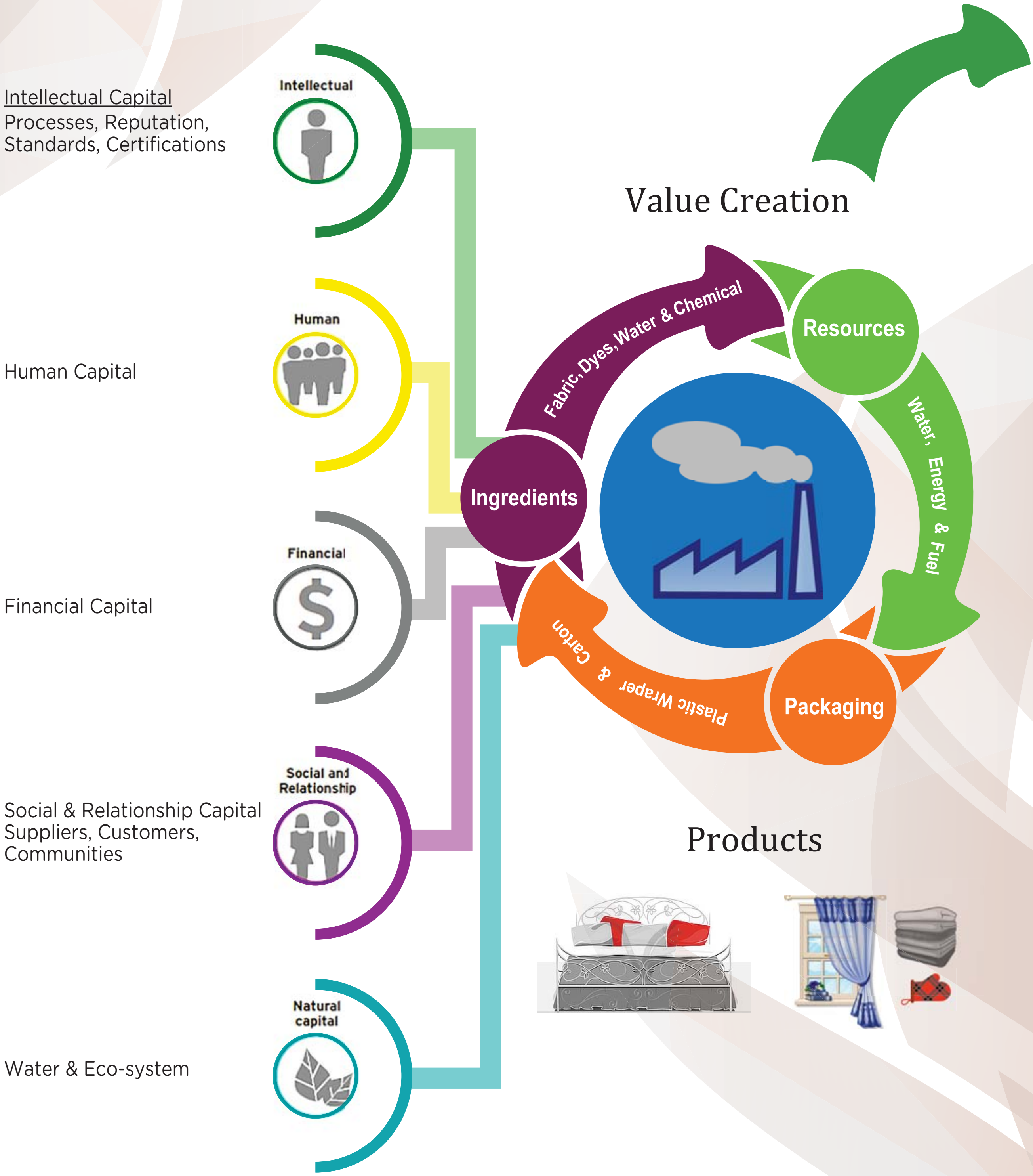
We believe in stimulating and challenging team oriented work environment that encourages, develops and rewards excellence.
We are committed to diligently serving our community and stakeholders while maintaining high standards of moral and ethical values.

Global Presence

Regions

EUROPE
UK
USA
CANADA
AUSTRALIA/NEW ZEALAND
AFRICA
ASIA

Nature & Model of Business



Our business model is central to our ability of creating and sharing value with our stakeholder through use of different capitals

Value Addition

Sales / Distribution

Customers

Value Distribution

Objectives and Strategies

OVERALL
Strategic Objectives

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

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

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

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

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

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

Management's strategies and significant changes

The Management has adopted concentric diversification policy by adding the products and markets with the aim to achieve strategic fit. The Company has implemented its well-articulated CAPEX plan and the investments it is making in strategic growth areas underpin Company's strategy. It is deploying best technology aimed towards innovation, minimization of waste and maximization of quality and customer satisfaction.

This year management has focused towards implementation of new design of internal controls system and implementation of a robust risk management system for identification and mitigation of business risks.

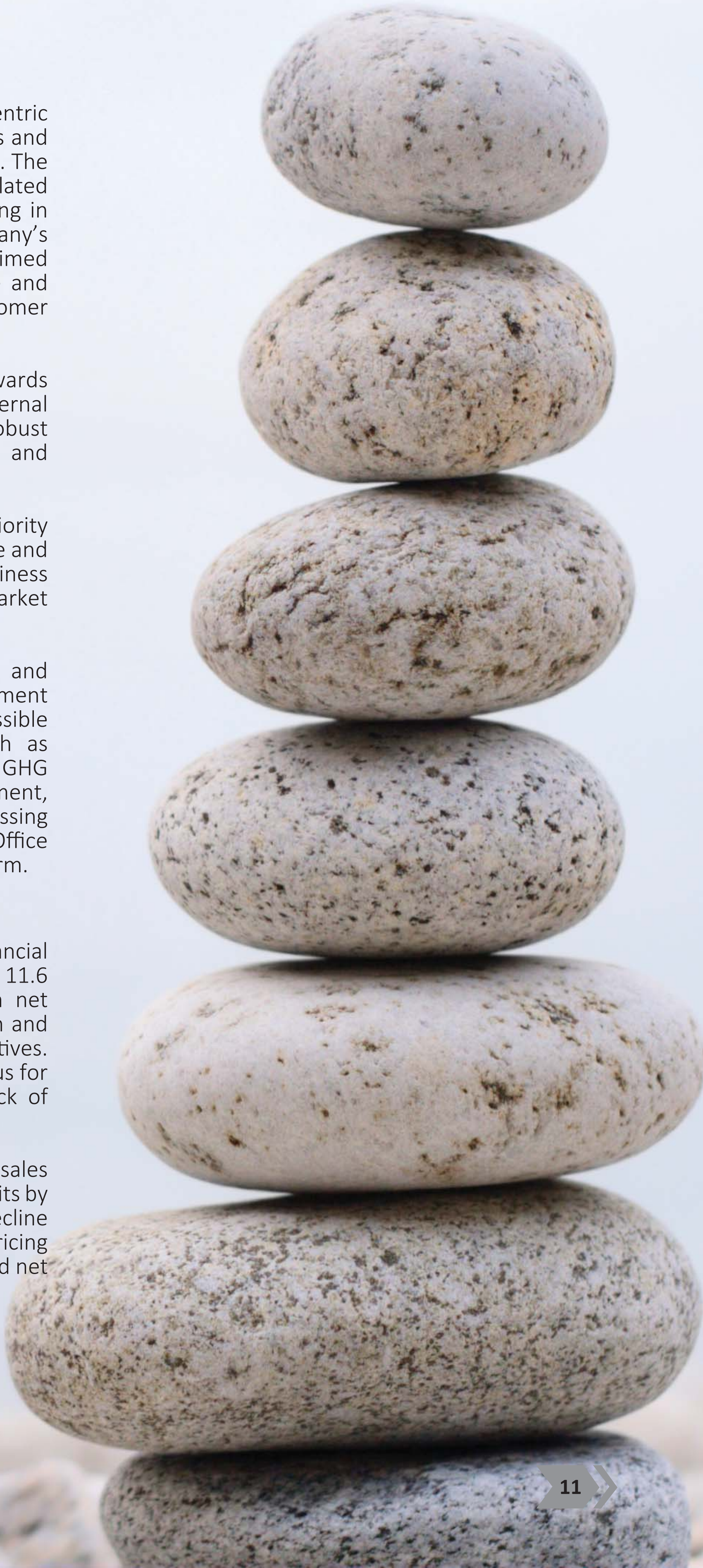
The management is accordingly set a high priority to ensure accurate data processing, effective and efficient communication, streamlined business processes and accumulation of market intelligence.

The Management is putting efforts and developing strategies for environment preservation while adopting all the possible means for environmental protection such as establishing and implementing SOPs for GHG emission reduction, waste water treatment, installation of pollutant traps and suppressing systems to control dust particles, Green Office initiative and Green energy through solar farm.

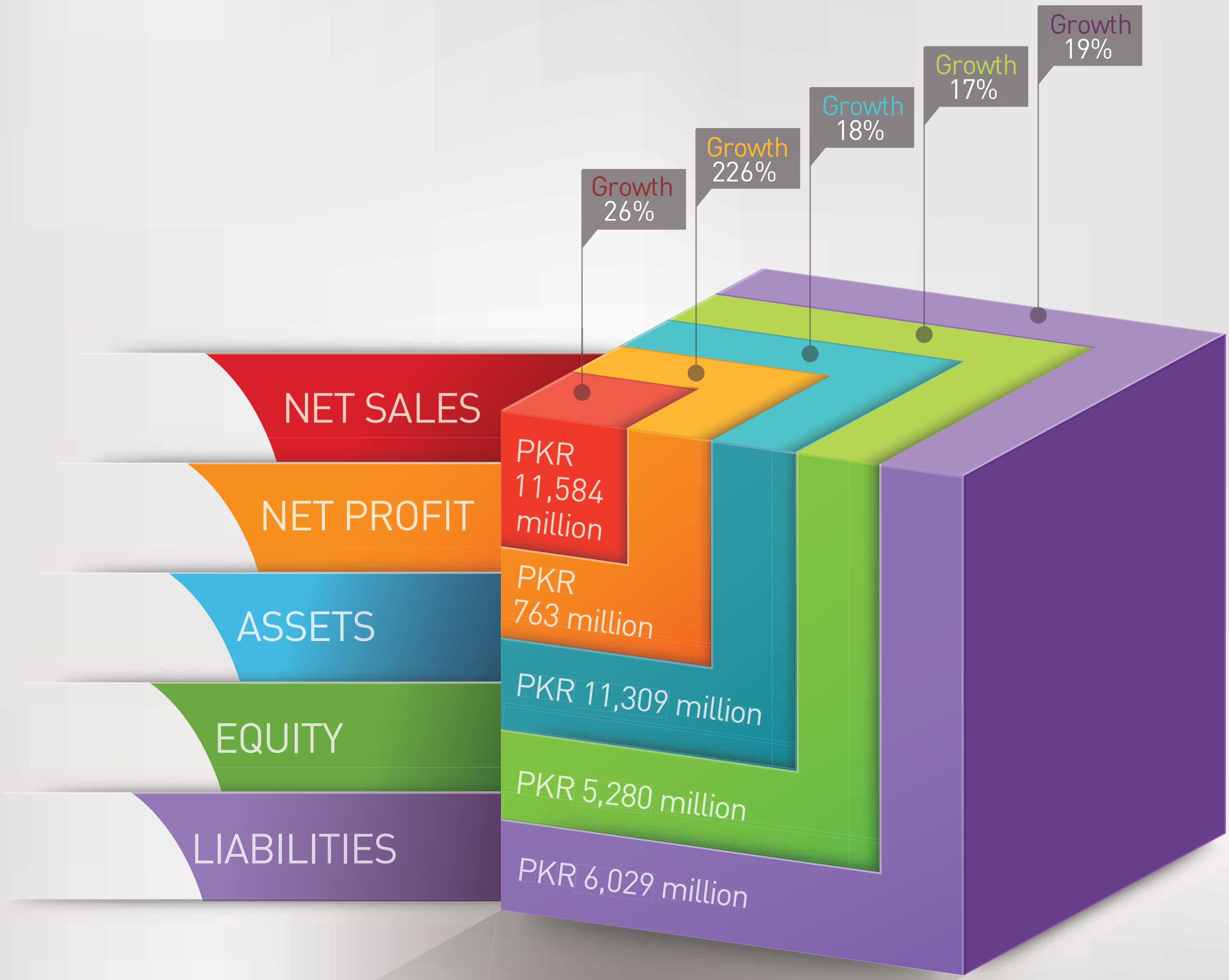
Results & Outcomes

The Company delivered a strong financial performance. The achieved milestone of PKR 11.6 billion sales revenue and PKR 763 million net profits is a yield of company's strategic plan and efforts towards achievement of objectives. Results of this year proved to be tempestuous for the Company and it remained on the track of progression and sustainable growth.

The analyses reflect a 26% growth in sales revenue and a remarkable growth in net profits by more than 226% over the preceding year. Decline in cost of sales and improvement in pricing strategy resulted in increased gross profit and net profit ratio.



2016
AT A GLANCE



JCR-VIS Upgrades Entity Ratings of Sadaqat Limited ! from A-/A-2 to A/A-2

http://fp.brecorder.com/2016/12/20161230118344/

Australian High Commissioner H.E Mrs. Margaret Adamson's Visit To Sadaqat Limited

on 3rd March 2016

SAP GO LIVE !

GOLD COMMUNITY MEMBER TO GLOBAL REPORTING INITIATIVE (GRI)

MEMBER OF UNITED NATIONS GLOBAL COMPACT (UNGC)

GREEN OFFICE INITIATIVE WWF

Message from Khurram Mukhtar
CEO

The new year embarked on carrying a success story and achievement of last year for Sadaqat Limited. All the business units cohesively contributed like an organ towards Company's progress resulting in profitability, growth and sustainability.

In this entire success our commitment to quality was the cornerstone for our success. Everything the company has achieved and is planning to achieve is derived from its commitment to the quality and to bring all processes integrated with each other to create a synergy for achieving excellence in all its ambit. The centrifugal force behind our qualitative measures was aligning business operations according to customers' satisfaction. The customer focused approach aspire us to comply with the standards and to adopt best business practices for safety, technological use, employees' motivation and retention, ethical marketing and corporate social responsibility. We managed to embed a culture within the organization by which everyone works with ownership and full responsibility. Keeping in view the good reputation enjoyed by the company among its customers, the board, top management and employees are striving hard to achieve excellence in innovation so as to satisfy customers changing needs. The innovation and process improvement being two important activities continue to play its effective role from conceptualizing design to delivery of products to the customer.

Looking to the future, we are encountering competition by taking edge in costing and pricing. We believe that stewardship in the sector and contribution to the economy can only be maintained if we continue to raise our standards in terms of safety standards, environment friendliness and technological adeptness. We are persistently focusing on process innovation and manufacturing excellence which would enable us to stay a market leader for our products. To meet dynamic needs of technology, we regularly up-grade, automate manufacturing ion and timely replace obsolescent technology to modernize and automate our production facilities and systems which reduce wastages and bring improvement in operational performance for the Company.

Our business model is robust, resilient and attuned to creating long-term value for stakeholders. We are well aware of environmental and social impact of our economic activities. This is the reason, we also pay attention to reduce negative impact. We are also certified for all leading textile industry specific certification which demonstrate our commitment to become environmentally and socially compliant corporate citizen. We are now member of United Nations Global Compact (UNGC) which is in line with our commitment to protect environment, provide safe working conditions, respect human rights and combat corruption.

We are also delighted to form part of GRI Gold Community as we have a continuous commitment towards sustainable development and sustainability reporting. We have continued to use Global Reporting Initiative (GRI) G4 guidelines for sustainability reporting, We have also adopted Integrated Reporting (IR) framework to demonstrate our commitment to become more transparent in the process of creating and delivering value to our stakeholders.

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

Owing to sustained performance in the home textile segment, strong governance, long-term association with internationally recognized brands, healthy profit margins with adequate interest and debt coverage, JCR – VIS Credit Rating Company upgraded our Entity Rating from A-/A-2 to A/A-2 which can we term as another achievement for the Company.

Finally, I would like to express my gratefulness to the shareholders, bankers and other stakeholders for their contributions. In the end, I would say that the continuous hard work and sincerity towards the Company and its affairs is a backbone to our success and I say our proud that Sadaqat is lucky to have such team work.

Khurram Mukhtar
Chief Executive Officer

CORPORATE GOVERNANCE

Board & Management Committee Meetings FY 2016

Committee	Compostion	Agenda/ Business Discussed	Frequency of Meetings: Required	Held	%
Board of Directors	Ref. Page 4	1. Confirmation of minutes of last meeting 2. Review of quarterly performance and group management information 3.CAPEX planning and decision 4. Review of targets and their achievement	4	4	100
Audit Committee	Ref. Page 2	1. Confirmation of minutes of last meeting 2. Review of audit plan and internal audit reports 3. Discussion and resolution of challenges being faced by the Company 4. Review of business risks & devising risk mitigation strategies	4	4	100
HR & R Committee	Ref. Page 2	1. Confirmation of minutes of last meeting 2. Approval of strength 3. Approval of inhouse and outside trainings for employees 4. Review of employee appraisals 5. Review of KPIs	4	4	100
Procurement Committee	Ref. Page 2	1. Confirmation of minutes of last meeting 2. Review of rate comparisons and compliance with SOPs for procurement 3. Review of performance of purchase departments and savings 4. Review of procurement composition (local vs imports)	4	4	100
CPC Committee (Management Committee)		1. Confirmation of minutes of last meeting 2. Discussion, Review and Approval of Monthly / Annual Budget 3. Review of Management Accounts and Analysis	4	4	100

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

Audit Committee

Awais Mukhtar
Chairman

Mohammad Iqbal Ghori FCMA
Member

Imran Noor Muhammad
Member

Internal Control Framework & Role of the internal Auditor

The board of directors and senior management while realizing the importance of internal control keep high tone of Internal Audit set at the top. It includes expected standards and code of conduct.

The external and internal sources pose diversified nature of risks to every entity. The overall mechanism is set in a manner that every entity passes through a process of risk assessment which includes dynamic and iterative review to identify and assess areas that may become hurdle to the achievement of objectives. The internal control mechanism then lead to devise strategies to address those risks.

To mitigate risks involved towards achieving the objectives, well-structured control activities are performed at all levels of the entity. The control system is installed at various stages within business processes. The segregation of duties is a basic component of control and incorporated well at selection and development level.

The Company maintains effective, secure and transparent system of financial reporting so as to ensure reliable performance measurement and compliance with applicable local and international laws and regulations. The system of internal control is well established and has been effectively delivering its outcomes.

In the year under review, Internal Audit function was established as per guidelines of code of corporate governance. Internal Audit comprised of a significant team headed by Mr. Naeem Haider, FCMA being Head of Internal Audit. He possesses vast professional experience primarily in the textile sector.

Head of internal Audit is directly reporting functionally to the Audit Committee and administratively to the CEO as per best practices of governance, the findings and recommendations are presented to the Committee.

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

<u>Reporting by Audit Committee</u>

Audit Committee reviews the conduct and operations of the company and presents and reports its findings, if any, to the Board of Directors on quarterly and annual basis.

Business Continuity Plan and it's Review

Operational continuity is of utmost importance for the long term success and viability of any Company. At Sadaqat, well thought-out business plan is a part of Company's risk management process and the Company is fully cognizant of its importance in long term sustainability of the business. The Company has adequate plans to meet unforeseen risks due to any catastrophic situation and in this regard, has developed comprehensive Business Continuity Plan to mitigate the adverse effects of such situations.

The Company has put in place necessary security arrangements for all the factory sites and has hired well-trained security personnel. It has been ensured that security team shall be continuously trained and developed 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. Effective firefighting systems is installed at all our manufacturing facilities as well as the Head Office. The fire drills are frequently conducted for the training of employees and the staff team to handle unavoidable exigency. In addition to this, the system has been periodically checked by expert service providers for keeping the equipment ready for any contingency. The Company has documented SOPs for maintaining entire systems and its operational efficiency. Further, the Company maintains appropriate disaster recovery plan and backup of IT servers to prevent data loss and such plans are also periodically tested for proper functioning.

The Board of Directors and senior management keep focus to identify, assess, prioritize, manage, and control risks of the business. They ensure allocation of necessary resources to create, maintain, and test the plan. The Board (i) sets and reviews the policy for BCP; (ii) prioritizes critical business functions; (iii) ensures allocation of sufficient resources; (iv) approve BCP on annual basis and (v) review test results. It also ensures whether BCP is kept up-to-date and employees are trained and aware of their role in its implementation.

Risks & Mitigation Strategies

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

Risks & Uncertainties		Management Approach & Mitigation Strategies
Strategic	➢ Cut throat competition ➢ Fluctuation in demand due to seasonal changes ➢ Innovation & Cutting Edge Technology ➢ Information systems / IT obsolescence	➢ Dispersed business in multiple regions with multiple customers around the globe ➢ Research & Development function to look for changes in trends and fashion ➢ Installation & import of cutting edge latest technology – Automation in processing and stitching ➢ Implementation of SAP ERP with 11 modules
Commercial	➢ Dependence on suppliers ➢ Customer concentration	➢ Up to date marketing department to look for sustainability into existing and penetration new markets ➢ Research & Development function to look for changes in trends and fashion and working on product development ➢ Imports as well as local procurement to reduce dependence
Operational	➢ Energy shortage risks ➢ Capacity utilization ➢ Labour shortage ➢ Environmental compliance	➢ Sufficient back up of energy along with initiatives taken for green energy i.e. solar power ➢ Formation of HR Committee for remune ration and grievance management ➢ Training, promotion/ elevation of employees implementation of effective policies for succession planning of key employees ➢ Establishment of internal audit & compliance function to monitor compliance with secretarial, production, environmental, social, labour and material laws and regulations
Financial	➢ Currency fluctuation ➢ Interest rate risk ➢ Liquidity risks	➢ Use of financial instruments ➢ Financing under SBP refinance schemes ➢ Use of discounting ➢ Old relationship & flexible payment terms with vendors

Opportunities

Considering the current textile export outlook, the Company may avail and exploit the following opportunities:

- Diversification due to strong presence and repute in the market;
- Backward vertical integration to reduce dependency on suppliers;
- Competitive options for raw-materials in import and local market;
- GSP Plus status from European Union;
- Rising trend towards online sales allowing easy global access to customers;
- Incentives from Government such as subsidized short term and long term mark-up rates for financing, duty draw back, technology funds, mark up rebate and zero rating in sales tax on exports; and
- Improved political stability and law & order situation in the country

Policies and Practices

Conflict of Interest

A conflict of interest is deemed to occur when a person's personal interests conflict with their responsibility to act in the best interest of the Company. Personal interests include direct interests as well as those of family, friends, or other organisations.

The Company has formal code of conduct and anti-corruption measures in place to avoid conflict of interest at Board and executive levels. The code of conduct is developed to avoid conflict of interest so any possible conflict be disclaimed in advance. However, where it not possible to avoid conflict of interest, the incident or information is required to be reported to Board of Directors for resolution.

Social and environmental responsibility

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

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

Whistle blowing mechanism

The Company is committed to listen to the concerns of employees and they can report and raise concerns if they evidence any wrong doing, unlawful activity, damage to environment, any offence or injustice. The Company encourages in creating an open, transparent and safe working environment where workers feel able to speak up. The organisation implements training, mentoring and other support systems to ensure workers can easily approach the concerned department in case of any concerns. After receiving such report from the employee, the organization takes corrective actions considering the seriousness of the matter.

Investors' grievance mechanism

The Company has an established, transparent, time bound, easier and simpler grievance redressal mechanism for investor/ shareholders' service and grievance handling. In case of any grievance, it is discussed internally in the presence of all directors including CEO, Chairman and CFO. After mutual discussion, processes are reviewed and grievance is handled with efficiency, courtesy and fairness and necessary steps are also taken to prevent recurrence.

IT Governance & Safety of Records Policy

IT Governance comprises overseeing enterprise information technology planning, prioritization, development, and implementation. Sadaqat Limited has IT Governance and Safety of Records Policy in place having directions and governance over access to information and its storage and deletion. The policy governs to prioritize projects and align resources with strategic priorities. 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 decision making process for IT investment and promotes accountability. The MIS Department acts as a supports function to achievement of entity's objectives and coordinate enterprise IT planning efforts and strategies for most effective use of resources.

HR Policy

Freedom of association & collective bargaining

Sadaqat limited respects the just, legal, ethical and social rights, facilities and needs of all the employees. All employees of the company possess freedom and right to associate and collectively bargain by just, ethical and legal means to protect their rights.

Compensation & benefits policy

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

Prohibition of Discrimination

The Company considers employees' skills, potential, education, qualification and sternly discourages and prohibits discriminatory practices on the basis of race, religion, nationality, sex, age and legally political association.

Health & Safety

The Company's priority is to provide employee with neat and clean, safe and healthy work environment such as provision of hygienic water, tidy and unpolluted air, adequate lighting, installation of fire fighting, First Aid and other emergency equipment and related drills/trainings.

Stakeholders’ Engagement

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

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

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

Stakeholder Group	Stakeholder Interest	Mode of Consultation	Frequency
Shareholders and providers of capital	Increased rate of return, business growth, good corporate governance	The corporate relations department carries out engagement activities with shareholders and providers of capital throughout the year on financial and operational performance of the Company. The stakeholders can give their input in general meetings as well as through corporate relations department or company secretary.	Ongoing/ Annual
Employees	Fair wages, training and education, and health and safety	The Company interacts with employees through meetings and employee representative groups to gain insight on company HR policies and employee health and safety related issues.	Ongoing
Customers	Product quality, cost and timely delivery	Customers are engaged through marketing department which collects customer feedback on continuous basis to timely identify customer’s concerns and take corrective actions.	Ongoing
Local community	Interventions for social uplift, environmental impact of operations	Local community isengaged though Environment Health, and Safety (EHS) department, which is primarily responsible for interventions in the field of environment,education, health and uplift of the community.	Ongoing/ Annual
Govt. and other regulatory bodies	Compliance of laws and regulations	Engagement is carried out on continuous basis on topics affecting company business and textile industry in general. The Company also engages with Government for community development programs on need basis.	Ongoing/ Need
Suppliers	Reasonable term and conditions, timely payments	Suppliers are engaged through procurement department to identify issues affecting suppliers. Suppliers are also encouraged to share their concerns/feedback in supplier meetings.	Ongoing
Media	Wider range of issues concerning different stakeholders	The Company engages media to disseminate information on development relating to Company business and textile industry.	Annually/ Quarterly

Board of Directors' Performance Review

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

Directors are requested by the Chairman to rate & assess their performance against an Annual Evaluation Checklist based on below-mentioned criteria:

a. Vision, Mission and Objectives;
b. Strategic Planning;
c. Overseeing, Monitoring and Evaluation of all divisions / departments of the Company;
d. Budgeting and Financial Oversight;
e. Relationship with Executive Head (CEO) & Staff;
f. Board Committees & Meetings; and
g. Public Relations (PR).

In the meeting of Board of Directors held on October 5, 2016, the Directors' Performance evaluation was conducted along with appreciation and suggestions from the Chairman.

CEO's Performance Review

In accordance to best practices in place and in the best interest of the Company, annual review of CEO's performance is carried out by the Board of Directors in their meeting held after closing of each year and in accordance to best practices, release of financial statements are authorized.

In the meeting of Board of Directors held on October 5, 2016, all the directors unanimously applauded and appreciated the exceptional performance of CEO while relating it with stupendous performance of the Company which remained on the track of progression and showed sustainable growth despite slowdown in the performance of overall textile industry. CEO was appreciated that he, while managing and tackling enormous challenges of which energy issues and financial risks are prominent, ensured remarkable growth in sales and net profits and overall operational performance of the Company. The major reasons for sustainable growth are team-driven initiatives towards innovation from CEO and periodical technology up-gradation.

Directors' Ongoing Trainings

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

The in-house discussions and presentation on various topics are held in presence of Company's senior executives of different professions having specified knowledge and expertise in their areas and invited professionals from outside the organization including senior officials from bank and government departments.

DIRECTOR'S REPORT

It is pleasure to present 29th Director's Report on the business and operations of the Company together-with the Audited Financial Statements for the financial year ended June 30, 2016.

Operating Performance and Financial Results at a glance

The Company has delivered a robust financial performance despite challenging global economic conditions. The milestone of PKR 11.6 billion Sales Revenue and Net Profits above PKR 763 million is a yield of company's strategic plan. Though slow down and falling commodity prices have ditched Pakistan's Annual Exports Statistics and the textile industry performance yet the year proved to be tempestuous for the Company as it remained on the track of progression and sustainable growth.

The analyses reflect a growth by 26% in sales revenue and a remarkable growth in net profits by more than 226% in FY 2016 as compared to the preceding year. The reduction in cost of sales and improved pricing strategy resulted in increased gross profit and net profit ratio from 15.8% to 18.7% and 2.5% to 6.6% respectively. The earnings per share has grown up to PKR 6.4/share as compared to PKR 2/share in last financial year whereas increase in return on assets/ equity also evidenced tremendous performance of assets. Break-up value per share has increased by PKR 6.4. Activity ratios also witnessed improvement in inventory management. The extraordinary sales numbers in last quarters have slightly increased receivables while on the other side the Company has re-adjusted its procurements terms to grab the opportunity of slow down commodity. The liquidity outlook and leverage of the company remained stable in the financial year.

The company has adopted concentric diversification policy by adding the products and markets. The goal of such diversification is to achieve strategic fit. It has allowed Sadaqat Limited to achieve synergy by complementary marketing, financial, operating, or management efforts. The Company has maintained its existing market share by launching market oriented product mix and at the same time penetrated into new regions and added new off shore customers, which also helped mitigating the customer concentration risk. The Company is committed to creating value for our stakeholders through its unparalleled performance and exponential growth.

The Company has implemented its well-articulated CAPEX plan. The investments we are making in our strategic growth areas underpin our strategy. It also drives the Company's financial and operational performance, which in turn contribute to a healthy bottom line. The Company's investment is targeted towards replacement of old equipment for improvement of efficiency to obtain a competitive edge by improving quality, adding capacity and opting for innovation.

The Company has implemented new design of internal controls system and has developed and implemented a robust risk management system for identification and mitigation of business risks. Board's vision and thrive for continuous improvement has reaped undeniable benefits for the Company.

Development of the Company's information technology resources has been accorded a high priority to ensure accurate data processing, effective and efficient communications, streamlined business processes and accumulation of market intelligence. The Company also continues its focus on best technologies and infrastructure to enable effective and timely decision making, achieve cost efficiencies, drive revenue growth and maintain competitive advantages.

The Company is investing to seek a technological infrastructure that promotes transparency, accountability and dialogue, in addition to safeguarding Company's information and maximizing the return on investment in technology. SAP ERP's implementation is underway and is highly expected to go live within this calendar year. It will strengthen the Company's information system and provide a solid foundation for decision making in pricing, costing, business process re-engineering and other important areas. The company has targeted total automation in dyeing, printing, cutting and sewing of which we expect to reap significant benefits in the long run.

Post Balance sheet events

No material changes and commitments effecting 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 have been endorsed by Chief Executive and a director of the Company after approval of Board. The auditors, Kreston Hyder Bhimji and Co., Chartered Accountants audited the financial statements and have issued a clean audit report to the members.

Auditors

The present auditors Kreston Hyder Bhimji and Co., Chartered Accountants shall retire on the conclusion of the 29th Annual General Meeting. Being eligible, they offered themselves for re-appointment as auditors of the Company for the year ending 30 June 2017.

Board and its Committees

The board remained engaged in strategic planning, finances, organizational operations, community relations and human resources. The board periodically reviews major risks faced by the business and suggests mechanism to address those risks through a performance evaluation system of all business and service units.

The Audit Committee has established an Internal Audit Function to monitor and review the adequacy and implementation of internal controls at each level along with review of financial and compliance risks. The established Internal Audit Department provides an independent assurance service to the Board of Directors and Audit Committee, focusing on reviewing the effectiveness of the governance, risks management and control processes that management has put into place to achieve the objectives and mission of the organization. The Audit Committee before the approval of the Board reviewed the Interim and annual financial statements.

HR&R Committee is involved in all key aspects of HR management and reviews policies on professional development, compensation and reward mechanism for employees.

The Procurement Committee is responsible for establishing and monitoring the policies and procedures related to acquisition of goods, works and services and ensure all documentation is accurately completed.

Health, Safety & Environment

Health, safety & environment have remained one of the top priorities of the Company. Textile industry demands excellence in safety management and procedures that has been an all-encompassing priority for the Company, from the Board down to the business units. Due to these internal controls and with the blessings of Al-Mighty Allah no major accidents or incidents took place at the business units.

Sadaqat has standard procedures in place for Green House Gas (GHG) inventory & Ozone Depletion Substance (ODS) inventory to quantify the GHG & ODS emissions at its facility. The Company has and is improving SOPs for GHG emission reduction strategy, action plans and future formal targets. We are planning to register GHG protocol in near future in which case, Sadaqat Limited will be first in textile industry of Pakistan to take this initiative.

The Company always ensures environment preservation and adopts all the possible means for environmental protection like Waste Water Treatment Plant which was established in 2012 and is currently functional. It has been taking various steps to ensure minimal dust and emission from its facilities and the production lines are also installed with pollutant trapping and suppression systems to control dust particles and other emissions in order to protect the natural surrounding environment.

Human Resources

Several major initiatives were launched to improve productivity & efficiency in our workforce. The Company has employed experienced and qualified human resources to meet the challenges ahead. Company uses employee performance evaluation techniques to strengthen organization structure and effectiveness. Considerable investment is being made to strengthen our Human Resource that includes workers' trainings, education supports, programs for improvement of skills etc. Company has maintained effective employee grievance reporting mechanism to address the concerns of its employees.

Corporate Social Responsibility

The Company acknowledges the importance of CSR and necessary actions were taken to fulfill its responsibilities including necessary measures in respect of energy conservation and environmental protection.

The Company is working positively to raise the educational, health & environmental standards of the country in general and local communities in particular and is extensively supporting educational and health projects. It believes sustainability as a vital component for our success and a competitive advantage in the marketplace. Our sustainable practices and reporting entail producing quality products, reducing the environmental burden of our processes, engaging our stakeholders for their valuable inputs and devising strategies for inclusive growth and equal opportunities by providing sustainable returns to our shareholders, financing partners, producing quality products with reduced environmental footprint, supporting our suppliers and contributing to socio-economic development in our communities and world, at large.

The Company maintains excellent relationship with its employees, peers, bankers, society, regulators and other relevant institutions & organizations.

Issues Raised in Last Annual General Meeting (AGM)

Last Annual General Meeting of the Company was held on October 31, 2015. Agenda items were considered and approved however no special business was discussed and neither any specific issue raised by the members:

a. Kreston Hyder Bhimji and Co., Chartered Accountants retired on the conclusion of the Annual General Meeting and were re-appointed as auditors of the Company for the year ended 30 June 2016 and remuneration was fixed at the meeting;

b. No dividend for FY 2015 declared or approved in the meeting; and

c. Audited financial statements for FY 2015 along with Directors' and Auditors' Report were reviewed and approved by the members

Remunerations to the Chief Executive and Directors

The Company has increased remuneration of Chief Executive and Directors keeping in view the inflation impact.

Pattern of Shareholding as at June 30, 2016 – *as tabularized below*

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

Shareholder's Category	Number of Shareholders	Number of Shares	Percentage %
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE	8	120,000,000	100%
TOTAL	8	120,000,000	100%

Acknowledgement

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

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

For and on behalf of the Board of Directors

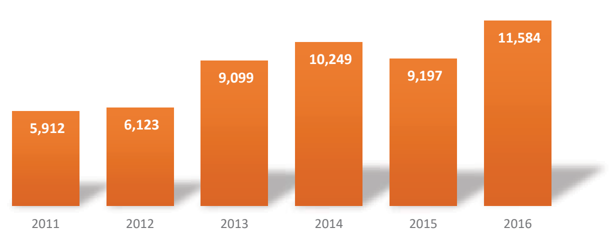
Khurram Mukhtar
Chief Executive Officer

FINANCIAL HIGHLIGHTS

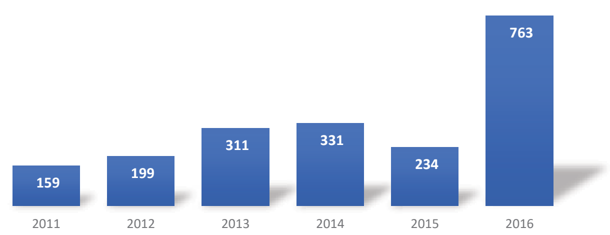
Financial Highlights

	2016	2015	2014	2013	2012	2011
	Rupees in millions					
Critical Performance Indicators						
Net Sales	**11,584**	9,197	10,249	9,099	6,123	5,912
Gross Profit	**2,162**	1,457	1,909	1,831	1,306	1,210
EBIT	**1,292**	743	843	780	618	582
Finance Cost	**458**	445	427	407	359	361
Pre-tax Profit	**833**	298	416	373	259	221
Post-tax Profit	**763**	234	331	311	199	159
Gross CAPEX	**1,088**	1,265	589	554	471	261
Net Worth	**5,280**	4,517	3,283	2,953	2,642	2,443

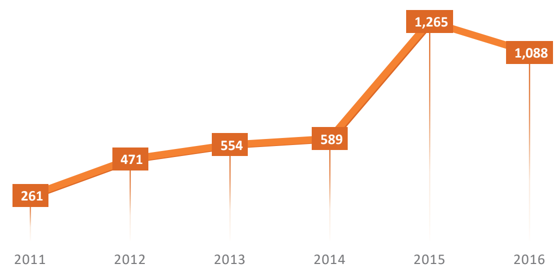
Net Sales



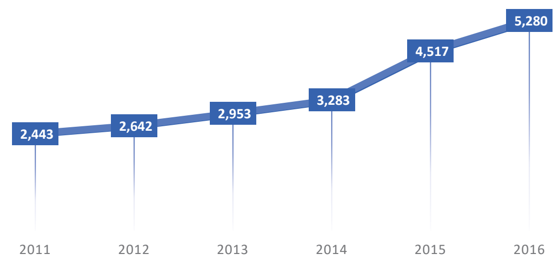
Post-tax Profit



Gross CAPEX



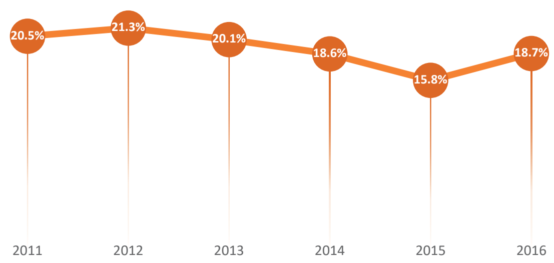
Net Worth



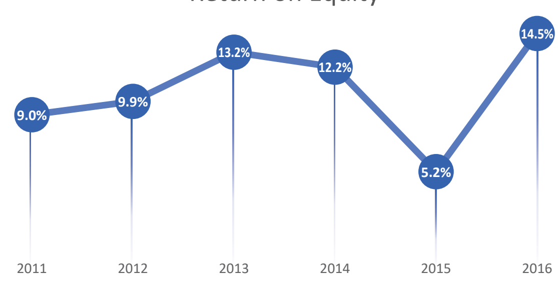
Key Financial Ratios

	2016	2015	2014	2013	2012	2011
	Ratios					
Profitability						
Gross Profit Margin	**18.7%**	15.8%	18.6%	20.1%	21.3%	20.5%
EBITDA Margin to Sales	**14.4%**	11.3%	10.4%	10.9%	12.8%	12.9%
Operating Profit Margin	**11.1%**	8.1%	8.5%	8.9%	10.7%	10.2%
Net Profit Margin	**6.6%**	2.5%	3.2%	3.4%	3.2%	2.7%
Operating leverage ratio	**2.84**	1.15	0.63	0.54	1.77	(0.83)
Return on Equity (ROE) %	**14.5%**	5.2%	12.2%	13.2%	9.9%	9.0%
Net Return on Assets (ROA/ ROCE) %	**6.7%**	2.4%	4.1%	4.4%	3.3%	2.8%

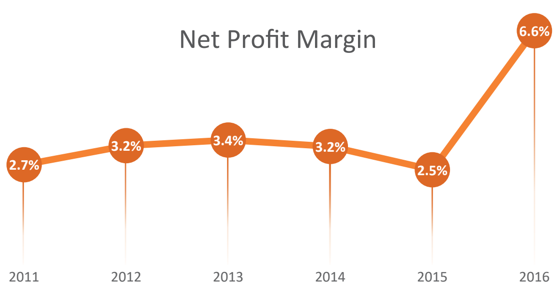
Gross Profit Margin



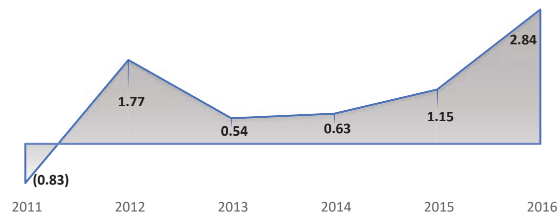
Return on Equity



Net Profit Margin



Operating Leverage Ratio



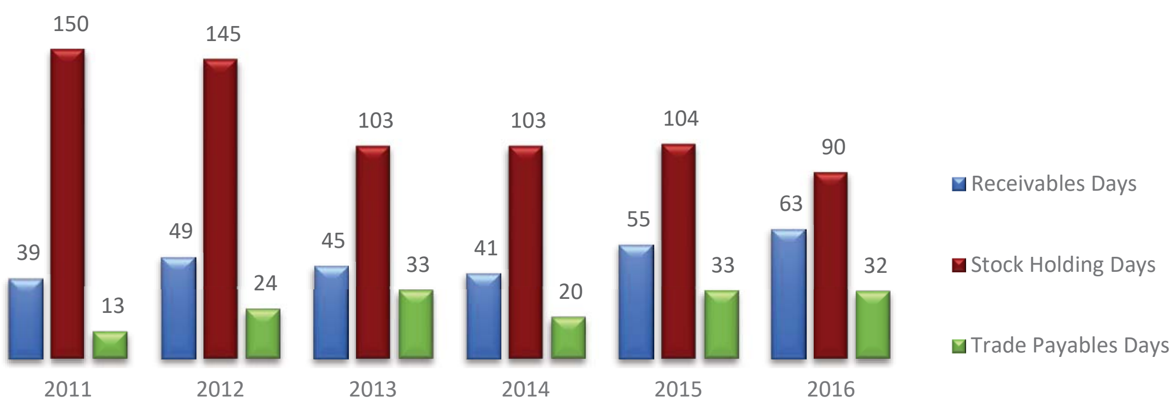
Comments

Overall trend for the last 6 years have been fluctuating within acceptable range, however there is a significant improvement in overall profitability ratios as compared to FY 2015. During current FY 2016, operating profit margin, net profit ratio and return on equity/ assets were the highest as compared to last 6 years. Improvement in profitability ratios indicate success in multiple areas including improvement in pricing and reduction in cost of sales. The reduction in cost was primarily due to improvement in the quality and significant reduction in wastages. This shows precision in production process, optimum utilization of resources and systematic methods adopted by the Company. Among others, reduction in financing costs was an another reason which contributed towards profitability and it was due to government's incentives to exporters on mark-up rates for financing.

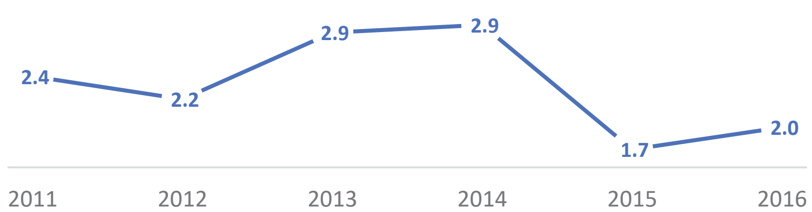
Key Financial Ratios

	2016	2015	2014	2013	2012	2011
	Ratios					
Activity / Turnover Ratios						
Stock Holding Period (Days)	**90**	104	103	103	145	150
Inventory Turnover (times)	**4.0**	3.5	3.5	3.5	2.5	2.4
Receivables Days	**63**	55	41	45	49	39
Debtors Turnover (times)	**5.8**	6.6	8.9	8.1	7.4	9.4
Trade Payables Days	**32**	33	20	33	24	13
Creditors Turnover (times)	**11.2**	11.1	18.3	11.1	15.2	28.1
Fixed Assets Turnover (times)	**2.0**	1.7	2.9	2.9	2.2	2.4
Total Assets Turnover (times)	**1.0**	1.0	1.3	1.3	1.0	1.1

Activity Ratios



Fixed Assets Turnover

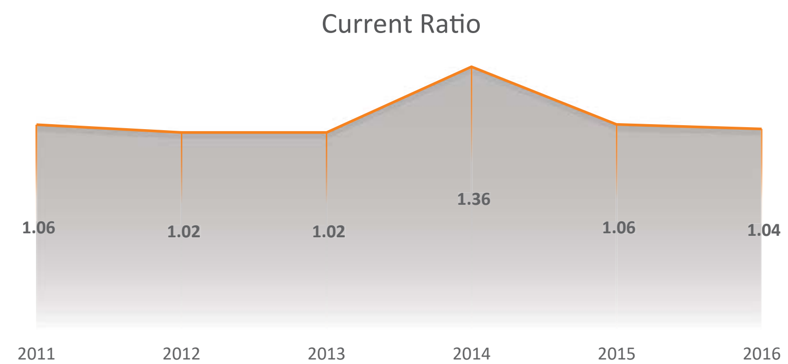


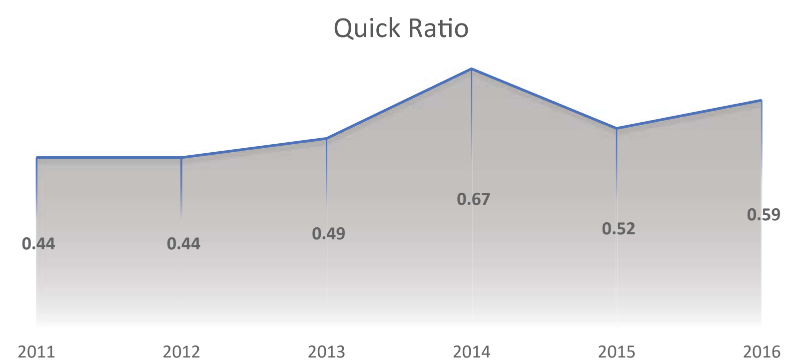
Comments

There was significant and continuous improvement in the inventory turnover as compared to previous 6 years which reflects better inventory management. However, debtors and creditors turnover ratios have shown slight fluctuation within a certain range. Assets turnover remained stable over the last 6 years which portrays sustained and effective utilization of Company's resources.

Key Financial Ratios

	2016	2015	2014	2013	2012	2011
	Ratios					
Liquidity						
Current Ratio	**1.04**	1.06	1.36	1.02	1.02	1.06
Quick Ratio	**0.59**	0.52	0.67	0.49	0.44	0.44
Cash to Current Liabilities	**0.02**	0.02	0.02	0.01	0.01	0.04
Cash flow from operations to Sales	**7.7%**	15.6%	1.7%	8.4%	13.6%	5.2%





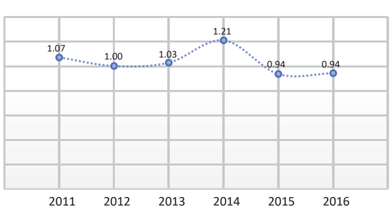
Comments

The liquidity ratios showed slow and steady movement as compared to last 6 years. However, current ratio being just above 1.0 reflects that Company's current assets are sufficient to meet current liabilities. Better credit rating and sound sales positions kept enough provision of funds through regular credit facilities from the Banks and Financial institutions, hence mitigating risks of any liquidity crisis.

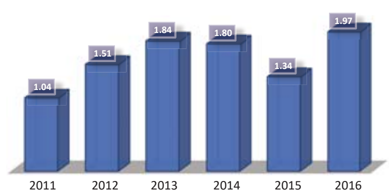
Key Financial Ratios

	2016	2015	2014	2013	2012	2011
	Ratios					
Capital Structure						
Total Liabilities to Equity	**1.14**	1.12	1.28	1.36	1.28	1.29
Long Term Liabilities to Equity	**0.16**	0.23	0.34	0.10	0.07	0.07
Equity Multiplier	**2.14**	2.12	2.44	2.36	2.28	2.29
Financial Leverage ratio	**0.94**	0.94	1.21	1.03	1.00	1.07
Interest Coverage Ratio	**2.81**	1.67	1.97	1.92	1.72	1.60
Debt Service Coverage	**1.97**	1.34	1.80	1.84	1.51	1.04
Total Liabilities to Total Assets	**53%**	53%	56%	58%	56%	56%
Weighted average cost of debt	**10.0%**	10.9%	12.2%	14.3%	13.6%	14.8%

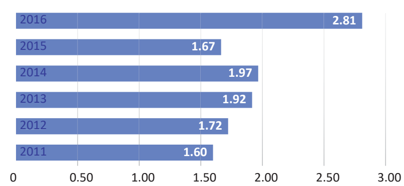
Financial Leverage ratio



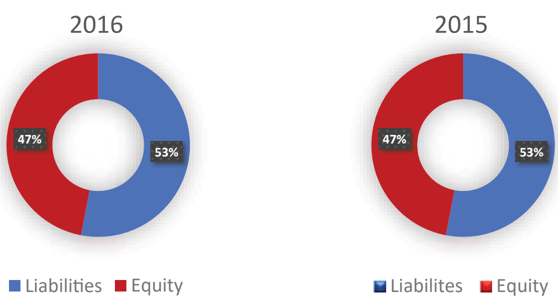
Debt Service Coverage



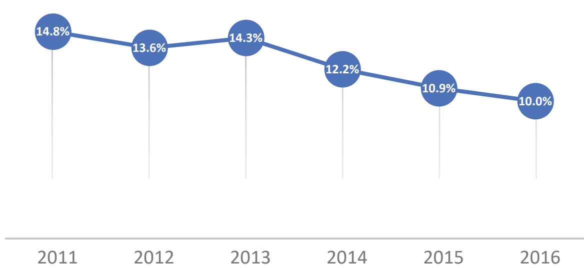
Interest Coverage Ratio



Composition of Total Assets



Weighted average cost of debt

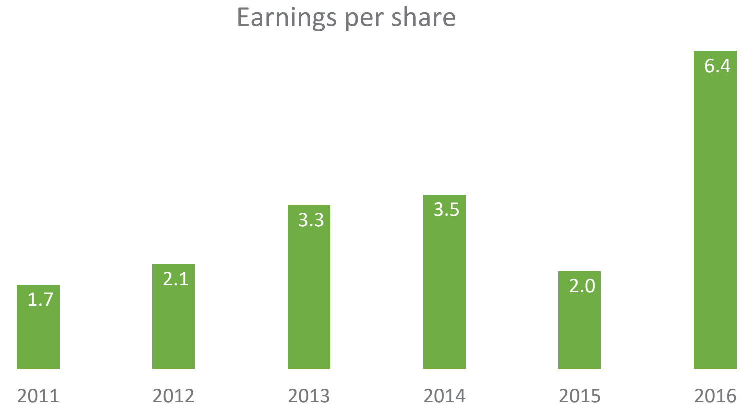


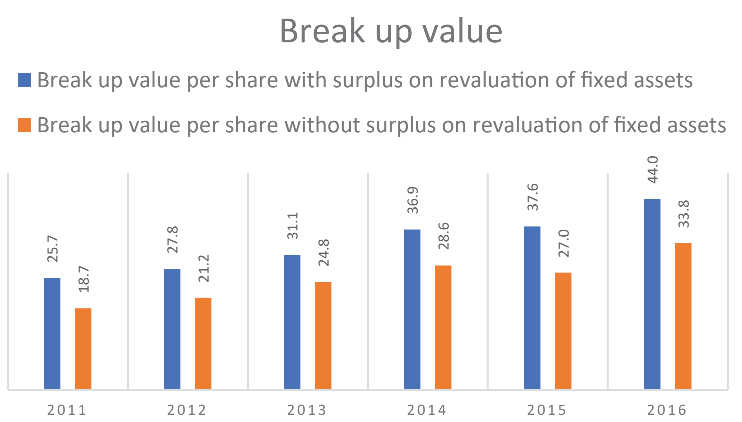
Comments

Interest and Debt service coverage ratios showed gradual improvement over the last 6 years and were reached a quite safe level in FY 2016. Total liabilities as a percentage of total assets have remained steady however, total debt to equity ratio was improved with a decline of debt to below 1.0 time of equity. Weighted average cost of borrowings was significantly reduced over the last 6 years while reaching lowest level in current year.

Key Financial Ratios

	2016	2015	2014	2013	2012	2011
	Ratios					
Investment						
Earnings per share	**6.4**	2.0	3.5	3.3	2.1	1.7
Break up value per share with surplus on revaluation of fixed assets	**44.0**	37.6	36.9	31.1	27.8	25.7
Break up value per share without surplus on revaluation of fixed assets	**33.8**	27.0	28.6	24.8	21.2	18.7





Comments

Earnings per share (EPS) and Break-up value per share (BVPS) showed a gradual improvement as compared to last few years except for the current FY 2016 when both EPS and BVPS were increased. The ratios indicate Company's effectiveness in raising external funds and reinvestment of reserves without making further issue of shares.

Du Pont Analysis 2016

Return on Equity
14.3%

Return on Assets
6.7%

×

Total Assets to Shareholders Equity
2.14 times

Net Profit Margin
6.6%

×

Assets Turnover
1.02 times

Total Assets
11,309
million

÷

Shareholders equity
5,280 million

Net Profit
763 million

÷

Sales
11,584
million

÷

Total Assets
11,309
million

Du Pont Analysis 2015

Return on Equity
5.1%

Return on Assets
2.4%

×

Total Assets to Shareholders Equity
2.12 times

Net Profit Margin
2.5%

×

Assets Turnover
0.96 times

Total Assets
9,587
million

÷

Shareholders equity
4,517 million

Net Profit
234 million

÷

Sales
9,197
million

÷

Total Assets
9,587
million

Comments

Duo Pont suggested increase in return on equity from 5.1% in FY 2015 to 14.3% in FY 2016 which was due to sharp increase in return on assets as a consequence of increase in net profit margin and assets turnover reflecting effective utilization of Company's assets.

Direct Method Cash Flow

	2016	2015
	Rupees in millions	
Cash flows from operating activities (A)		
Cash receipts from customers	10,983	8,961
Cash paid to suppliers, employees and for expenses	(10,091)	(7,529)
Cash generated from operations	892	1,432
Interest paid	(452)	(465)
Income taxes paid	(116)	(87)
WPPF	(16)	(22)
Long term deposits	(0)	(21)
Net cash from operating activities	308	836
Cash flows from investing activities (B)		
Addition in property, plant and equipment	(928)	(1,143)
Proceeds from disposal of property, plant and equipment	-	1
Interest on deposits	1	3
Net cash used in investing activities	(927)	(1,139)
Cash flows from financing activities (C)		
Proceeds from issue of share capital	-	250
Long term financing - net	(112)	(127)
Repayment of liabilities against assets subject to finance lease	(90)	(74)
Short term borrowings - net	858	260
	656	310
Net increase in cash and cash equivalents (A+B+C)	37	7
Cash and cash equivalents at the beginning of the year	74	67
Cash and cash equivalents at the end of the year	111	74

Summary of Cash Flows

	2016	2015	2014	2013	2012	2011
	Rupees in millions					
Cash Flow from Operating Activities	308	836	(371)	243	393	(127)
Cash Flow from Investing Activities	(927)	(1,139)	(446)	(592)	(441)	(116)
Cash Flow from Financing Activities	656	310	837	356	(21)	328
Changes in Cash & Cash Equivalents	37	7	20	7	(69)	84
Cash & Cash Equivalents - Year end	111	74	67	47	40	109

Operating Activities

Although profit before tax has followed a rising trend however, net cash generated/ used in operating activities were fluctuating during past 6 years owing to changes in the position for working capital/ working capital adjustments. Cash flow from operating activities remained positive during the last two years which reflects stability in liquidity position of the Company.

Investing Activities

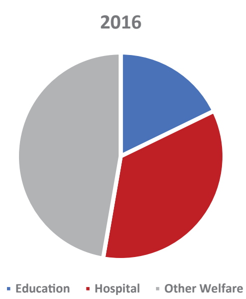
Overall last 6 years trend suggests continuous increase in the level of funds being used for investing activities which can be linked to Company's intention towards replacement of old equipment and steps towards targeted total automation in dyeing, printing, cutting and sewing which is reaping benefits in terms of improved asset turnover and profitability.

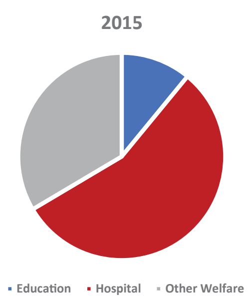
Financing Activities

The overall financing activities showed fluctuating but positive trend over the last 6 years. There was net increase in short and long term borrowings in the last fiscal year which was availed to finance import of long term assets as well as to meet the rising working capital requirements due to increase in volume of business.

Statement of Charity Account

Description	2016	2015
	Rupees in millions	
Education	1,087,000	635,000
Hospital	2,132,471	3,215,769
Other Welfare	2,887,150	1,940,673
	6,106,621	5,791,442



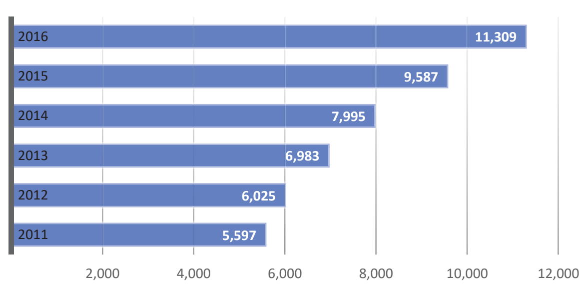


Horizontal Analysis

	%	2016	%	2015	%	2014	%	2013	%	2012	%	2011
	% / Rupees in millions											
Balance Sheet												
Property, plant and equipment	12	5,856	52	5,229	10	3,438	15	3,133	14	2,717	11	2,390
Long term deposits	26	82	49	65	16	44	4	38	22	36	13	30
Stores, spares and lose tools	(2)	283	3	290	2	281	6	274	5	259	6	248
Stock in trade	7	2,044	(17)	1,915	15	2,296	8	1,995	(1)	1,851	7	1,863
Trade debts	43	1,993	20	1,392	4	1,157	35	1,117	31	827	33	629
Advances, deposits, prepayment and other receivables	32	128	(68)	97	175	306	(62)	111	(10)	295	9	329
Tax refunds due from government	55	812	29	525	52	407	-	267	-	-	-	-
Cash and bank balances	50	111	11	74	43	67	18	47	(64)	40	339	109
Total Assets	18	11,309	20	9,587	15	7,995	16	6,983	8	6,025	13	5,597
Issued, subscribed and paid up capital	-	1,200	26	1,200	-	950	-	950	-	950	-	950
Retained Earnings	40	2,853	15	2,035	26	1,768	32	1,408	28	1,065	8	830
Capital reserves	(4)	1,227	127	1,281	(5)	565	(5)	594	(5)	627	141	663
Shareholders equity	17	5,280	38	4,517	11	3,283	12	2,953	8	2,642	22	2,443
Long Term Financing	(18)	693	(36)	844	406	1,327	112	262	(5)	124	3	131
Liabilties against assets subject to FL	(9)	165	139	180	68	76	(10)	45	26	50	(36)	39
Long Term deposits	-	-	-	-	-	0	-	-	-	-	-	-
Trade and other payables	25	994	19	793	(29)	666	39	941	43	679	(25)	476
Accured markup	13	54	(29)	48	33	68	(10)	51	(3)	57	27	59
Short Term Borrowings	30	3,734	20	2,876	(8)	2,391	10	2,599	1	2,356	26	2,323
Current Portion of Non Current Liabilities	18	390	79	329	40	184	11	132	(6)	118	(47)	126
Total Equity and Liabilities	18	11,309	20	9,587	15	7,995	16	6,983	8	6,025	13	5,597

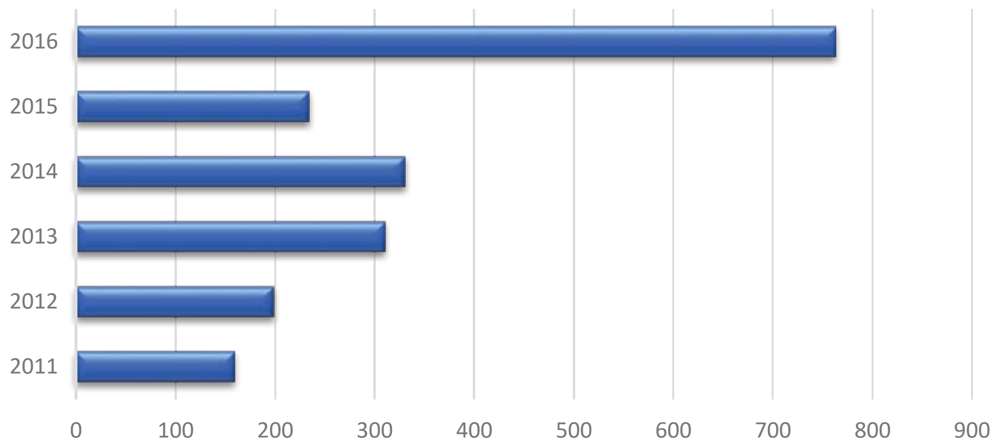
Comments

The footing of balance sheet grew by 202% whereas the non-current assets increased by 245% over last 6 years. There was a remarkable aggregate growth in equity by 216% reflecting retention of profits and reserves for reinvestment.



Horizontal Analysis

	%	2016	%	2015	%	2014	%	2013	%	2012	%	2011
	% / Rupees in millions											
Profit and Loss Account												
Sales - Net	26	11,584	(10)	9,197	13	10,249	49	9,099	4	6,123	8	5,912
Cost of sales	22	9,422	(7)	7,740	15	8,340	51	7,268	2	4,817	9	4,702
Gross profit	48	2,162	(24)	1,457	4	1,909	40	1,831	8	1,306	3	1,210
Administrative expenses	9	477	(9)	438	2	479	50	471	(1)	313	18	317
Distribution cost	36	346	(55)	255	3	564	61	548	18	340	10	289
Other expenses	132	50	(21)	21	(15)	27	(6)	32	31	34	10	26
Profit from operations	74	1,288	(12)	742	7	839	26	780	7	618	(7)	578
Finance cost	3	459	4	445	5	427	13	407	(1)	359	10	361
Other Income	45	3	(55)	2	1,583	4	38	0	(96)	0	441	4
Profit before taxation	179	833	(28)	298	12	416	44	373	18	259	(25)	221
Taxation	9	70	(25)	64	37	86	4	63	(2)	60	6	61
Profit after tax	226	763	(29)	234	6	331	56	311	25	199	(32)	159



Comments

There was an aggregate growth of 196% in sales and 480% in net profits in the current year as compared to FY 2011 highlighting success of Company in increasing the size of business as well as achieving growth in revenue and profits.

Vertical Analysis

	%	2016	%	2015	%	2014	%	2013	%	2012	%	2011
	% / Rupees in millions											
Balance Sheet												
Property, plant and equipment	52	**5,856**	55	5,229	43	3,438	45	3,133	45	2,717	43	2,390
Long term deposits	1	**82**	1	65	1	44	1	38	1	36	1	30
Stores, spares and lose tools	3	**283**	3	290	4	281	4	274	4	259	4	248
Stock in trade	18	**2,044**	20	1,915	29	2,296	29	1,995	31	1,851	33	1,863
Trade debts	18	**1,993**	15	1,392	14	1,157	16	1,117	14	827	11	629
Advances, deposits, prepayment and other receivables	1	**128**	1	97	4	306	2	111	5	295	6	329
Tax refunds due from government	7	**812**	5	525	5	407	4	267	-	-	-	-
Cash and bank balances	1	**111**	1	74	1	67	1	47	1	40	2	109
Total Assets	100	**11,309**	100	9,587	100	7,995	100	6,983	100	6,025	100	5,597
Issued, subscribed and paid up capital	11	**1,200**	13	1,200	12	950	14	950	16	950	17	950
Retained Earnings	25	**2,853**	21	2,035	22	1,768	20	1,408	18	1,065	15	830
Capital reserves	11	**1,227**	13	1,281	7	565	9	594	10	627	12	663
Shareholders equity	47	**5,280**	47	4,517	41	3,283	42	2,953	44	2,642	44	2,443
Long Term Financing	6	**693**	9	844	17	1,327	4	262	2	124	2	131
Liabilties against assets subject to FL	1	**165**	2	180	1	76	1	45	1	50	1	39
Long Term deposits	-	**-**	-	-	0	0	-	-	-	-	-	-
Trade and other payables	9	**994**	8	793	8	666	13	941	11	679	9	476
Accured Markup	0	**54**	1	48	1	68	1	51	1	57	1	59
Short Term Borrowings	33	**3,734**	30	2,876	30	2,391	37	2,599	39	2,356	42	2,323
Current Portion of Non current Liabilities	3	**390**	3	329	2	184	2	132	2	118	2	126
Total equity and liabilities	100	**11,309**	100	9,587	100	7,995	100	6,983	100	6,025	100	5,597

Comments

Composition of assets reflect that there was a moderate increase to proportion of non-current assets in the last fiscal year as compared to last 6 years which now comprise 53% as compared to 44% in FY 2011 whereas as shareholder’s equity rose from 44% in FY 2011 to 47% in FY 2016 as a percentage of total equity and liabilities.

Vertical Analysis

	%	2016	%	2015	%	2014	%	2013	%	2012	%	2011
	% / Rupees in millions											
Profit and Loss Account												
Sales - Net	100	**11,584**	100	9,197	100	10,249	100	9,099	100	6,123	100	5,912
Cost of sales	81	**9,422**	84	7,740	81	8,340	80	7,268	79	4,817	80	4,702
Gross profit	19	**2,162**	16	1,457	19	1,909	20	1,831	21	1,306	20	1,210
Administrative expenses	4	**477**	5	438	5	479	5	471	5	313	5	317
Distribution cost	3	**346**	3	255	6	564	6	548	6	340	5	289
Other expenses	0	**50**	0	21	0	27	0	32	1	34	0	26
Profit from Operation	11	**1,288**	8	742	8	839	9	780	10	618	10	578
Finance cost	4	**459**	5	445	4	427	4	407	6	359	6	361
Other Income	0	**3**	0	2	0	4	0	0	0	0	0	4
Profit before taxation	7	**833**	3	298	4	416	4	373	4	259	4	221
Taxation	1	**70**	1	64	1	86	1	63	1	60	1	61
Profit after tax	7	**763**	3	234	3	331	3	311	3	199	3	159

Comments

Gross profit ratio fluctuated within range of 16% to 21% during the last 6 years while being at 19% in FY 2016, net profits remained within the range of 2.5% to 3.5% rose except for FY 2016 when it rose to exceptional level of 6.6%. Finance costs as a %age of sales also fell from 6% to 4 % over last 6 years. Administrative and distribution costs were also reduced reflecting improved control over expenses.

Quarterly Results

Description	Sales	Profit	%age
	PKR (M)		
1st quarter ended	2,649	81	3.1%
Half year ended	5,808	356	6.1%
3 quarters ended	8,711	573	6.6%
Annual - Audited	11,584	763	6.6%

Quarters	Sales	Profit
	PKR (M)	
Q1	2,649	81
Q2	3,159	275
Q3	2,903	217
Q4	2,872	190

Comments

Althought the Company has no 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. However as evident above, there has been no major variation and fluctutation in the results compiled on quarterly basis and the results as per Audited Financials reflecting consitency and stability in revenues and profits of the entity.

Segmental Analysis

The Company's activities and operations are split within five segments for the purpose of evaluation and internal reporting that includes 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.

Processing

Overall performance of the segment remained up during the year under review. A number of investment initiatives were taken during the FY2016 resulting in enhancement of segment's capacity and its utilization. Major initiatives include addition of 32 head digital printing machine. The overall capacity of processing segment improved to 72 million meters with approximately 90% utilization resulting in increased production to meet the rising demand while leading to remarkable financial results for the Company.

Stitching

The hemming units are equipped with high speed precision stitching machines operated by skilled labour experienced in shaping fabrics into different product sizes and styles as per the requirements of the customers. Determination of capacity of this division is complex due to multi product plants involving varying processes of manufacturing and run length of order lots. However, during the FY2016, the Company also installed automatic cutting and sewing – TEXPA machines to give necessary boost to existing cut and sew facilities.

Quilting, Wadding and Embroidery

Overall performance remained well and the capacity proved sufficient to meet the orders. These segments provide the Company with the necessary edge over competitors. The Company has single and multi-needle quilting lines, wadding plant, precision controlled and high speed quilt and pillow filling facilities along with hand guided setups for embroidery.

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

Resources Management

The Company has strong distribution and marketing networks across the globe to meet our customers' requirements. The network facilitates in bringing awareness about Company's wide range of products and to receive necessary feedback for quality. The well-structured supply chain throughout the distribution network support Company's commitment for timely delivery. The Company follows ethical standards in line with applicable laws and societal norms while promoting its products and services within the country and abroad.

Fixed assets turnover was improved during the year which shows the company is utilizing its long term resources in effective and efficient manner. In the recent years, management's focus remained on upgrading production facilities in order to achieve higher operational efficiencies. During FY16, notable additions to plant and machinery included automatic colour kitchen, stentors, digital printing, automatic sewing and TEXPA machine. A sizeable CAPEX is also planned for the ongoing years.

Activity ratios witnessed improvement in the inventory management. The extraordinary sales numbers in last quarters have slightly increased receivables while on the other side the Company has re-adjusted its procurements terms to grab the opportunity of slow down commodity. The liquidity outlook and leverage of the company remained stable in the financial year.

The Company maintains a balanced capital structure with 47% of the total assets funded though equity investment, 46% through current liabilities whereas long term loans comprise only 7% of the total assets base. The Company maintains adequate interest and debt coverage. Efficiency enhancements from the planned CAPEX are likely to drastically improve company's future cash flows through increased funds from operations enabling it to meet higher debt servicing requirements over the medium to long term.

Company has a balanced approach towards liquidity and has sufficient resources in place to effectively avoid and manage challenges, if any without compromising on its profits. The Company ploughs back sufficient amount of earnings to sustain growth pattern and keep abreast with desired technologies. The Company has entered into relationship with multiple banks and has availed short and long term financing to meet its financing requirements. The Company has a systematic treasury management system for management of foreign receipts from customers and reviewing treasury risks. It has a strong Corporate Planning and Control department in place working on projected financials, cash forecasting and budgeting.

Capitalization indicators improved at the end of FY16 on account of profit retention. Core equity of the company showed sizeable increase. Long term debt and short term borrowings were obtained to finance capital investments and to meet liquidity requirements of the Company. Funding for upcoming CAPEX is projected to be arranged mainly through external sources.

Information System of the Company is on continuous improvement side and the Company acknowledges its Information System as one of its core resources. SAP has 11 modules including financial integration, controlling, sales & distribution, material management, warehouse management, production planning, plant maintenance, quality management, financial management, human capital management and enterprise management module. The implementation of SL is almost completed in overall enterprise wide SAP. The deployment of SAP will provide real time production related data allowing better decision making.

Company's human resource management has greatly improved as a result of trainings and employee surveys conducted on time to time basis. Company has a grievance reporting mechanism in place to address the problems of employees. It values human capital and being an organization with nearly 5000 employees, it is voluntarily committed to ensure that its business activities and strategic decisions, follow, protect and respect labor standards, human rights declarations, anti-corruption regulations, responsible production, and best marketing practices. In order to further strengthen commitment and improve management processes, Sadaqat Limited got its systems certified against Social Accountability International Standard, SA 8000. The Company has well defined policies and procedure in place to ensure productive ad safe workplace for its workforce.

Forward Looking Statement

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

Prior Year Statement

To meet dynamic needs of technology up-gradation and automation and to counter any obsolescence in technology, the company is investing to modernize and automate the production facilities and systems which are expected to result in further reduction of waste, rightsizing and improvement in operational performance and ultimately leading towards quality improvement and better services to its customers.

Current Year Results

Board's vision and thrive for continuous improvement reaped undeniable benefits for the Company and the Company showed 26% growth in sales revenue and a remarkable growth in net profits by more than 226% in FY 2016 as compared to the preceding year. The growth in sales is a result of confidence imposed by the customers which were better served in the last fiscal year due to reduction in cost of production; automation of dyeing, printing, cutting and sewing facilities; reduction in wastages; and finally the improvement in quality.

Market share

Sadaqat is one of the largest composite manufacturing units of home textile in Pakistan. It has earned a reputable and competitive position in textile sector for last many years through its diverse spectrum, from fabrics to finished products with perfect blend of cutting-edge latest technology & highly skilled craftsmanship, catering all home textiles ranges. It boasts a wide range of bedding products, which are contemporary & pure.

The Company earns valuable foreign exchange by contributing around 5.5 percent of textile (bed ware) exports of Pakistan.

Responsible Corporate Citizenship & Corporate Sustainability

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

The Company is dedicated to reduce environmental footprint through continuous monitoring of operations, modernization of its machinery and adoption of new technologies to reduce energy consumption and greenhouse gases emissions. The Company has integrated environment, health and safety policy in place along with Environment, Health, and Safety Committee headed by the Chairman of Board of Directors. In addition to precautionary principle, the Company also supports multiple initiatives focused on product quality, social justice and uplifting of human rights. The Company's involvement in these initiatives is either through membership or certification of systems. They have been specified later in this report.

The policy serves as guidance for new investments and improvement in existing operations. The EHS Committee has been mandated to formulate guidelines, take decisions, review performance and fix responsibility for environment, health and safety related matters.

The Company has identified material aspects having major environmental impact of its operations and high influence on stakeholder decisions. The material environmental impact are listed in materiality matrix. The Company's management approach is focused to avoid and mitigate negative impact of its operations leading to cautious raw material usage, energy and water efficiency and reduced emissions and waste generation.

Energy conservation measures & plans to overcome escalating energy crisis

Energy consumption increased during the year. However, the Company took following initiatives for conservation of energy:

- Replaced tube lights with LED lights;
- Used renewable energy sources resulting in slight energy saving;
- State of the art heat recovery plant to capture
  - energy wastage and
  - reduce resultant emissions

The Company is striving to reduce the energy requirement of Company's products during its processes. However to cater rising energy needs, the Company is planning for replacement of non-renewable energy by 25% with renewable sources.

Procedures for Quality Assurance of Products

The Company is in in a continuous process of improving quality taking initiatives for innovation and quality of products:

- Investment in state of art technology and production facilities,
- Providing guidance and training to production staff to ensure quality production;
- Dedicated staff trained on labelling as per applicable laws and regulations;
- Review of management approach on the basis of customer feedback;
- Improvements carried out to meet customer demands;
- Lean manufacturing and making efforts for aggressive minimization of wastage leading to quality improvement;
- Regular interaction with customers for getting their input on product quality and related matters;
- Production facilities are certified for leading quality management, environmental protection and social compliance standards

Corporate Social Responsibility

Sadaqat Limited is strongly committed to act ethically and support sustainability in all its business activities.

a. In order to efficiently manage its CSR activities, the BOD has delegated the Corporate Social Responsibility related issues to its Environment, Health and Safety Committee. The EHS Committee is responsible to shape Company's CSR activities in line with its policy. The Committee is responsible to plan and set direction of CSR activities from donations and welfare activities to main-stream activities in line with international standards and supply chain requirements;

b. Sadaqat Limited has engaged Corporate Social Responsibility Centre Pakistan (CSRCP) to prepare Sadaqat Limited's sustainability report for third consecutive year in accordance with Global Reporting Initiative (GRI) Guidelines for preparation of sustainability reports. This year it also adopted Integrated Reporting (IR) framework

of International Integrated Reporting Council to better communicate use of capitals and our value creation process to our stakeholders; and

c. CSRCP was supported by sustainability reporting team of Sadaqat Limited that has coordinated with relevant departments to compile sustainability data. The report is reviewed by management and approved by EHS Committee, the highest decision making body on CSR issues. The report is published in Portable Document Format (pdf) and printed versions and can be download from Company website *www.sadaqatgroup.net*

Community investment & welfare schemes

Local community is engaged though Environment Health, and Safety (EHS) department, which is primarily responsible for interventions in the field of environment, education, health and uplift of the community.

The Company is aware of its responsibility to take part socio-economic development of local communities around factory site. The Company is taking steps to uplift education, health and infrastructure facilities in the vicinity of its operations. All of the operations have implemented local community engagements, impact assessment and planned development programs in different areas.

Consumer protection measures including customer health and safety & product and service labelling

- 80% of Company products were assessed for health and safety impact during the year, while 75% of the products were assessed for health and safety impact during the year 2015;
- No incident of non-compliance with regulations and voluntary codes concerning health and safety impact of products identified during the year;
- The Company production systems are certified for leading quality management, health and safety, environment and textile industry related standards; and
- Labelling requirements as per applicable regulations and voluntary codes followed by the Company

Industrial relations

Management takes multiple initiatives for its employees, the local community and their needs

- Examples include economic development around factory site, skill enhancement trainings for employees, investment in infrastructure projects, and provision of support for health and education;
- The Company is implementing Industrial Training Program 2016 under the umbrella of Punjab Skill Development Fund (PSDF) in coordination with Government of Punjab to increase the skill set of youth for playing an important part in development;
- The Company is also committed to reduce the risks of any occupational disease and strictly complies with its health and safety policy, which requires workers to comply with the safety measures during execution of work;
- All eligible workers were covered under the collective bargaining agreement.

Employment of special persons

Although no specific quota assigned but the Company has defined clear non-discrimination policy that has been communicated to all employees through different communication channels like electronic media, display at prominent places and through orientation training sessions. The policy clearly states zero tolerance on any discrimination case that is subject to disciplinary action. The Company encourages employment of special persons.

Occupational safety & health

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

Business ethics & anti-corruption measures

All operations are assessed for the risks related to corruption. The Company has a dedicated internal audit department which continuously reviews the operations to identify the incidents of corruption, if any. The formal code of conduct contains company policy on anti-corruption.

National cause donations

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

Contribution to national exchequer

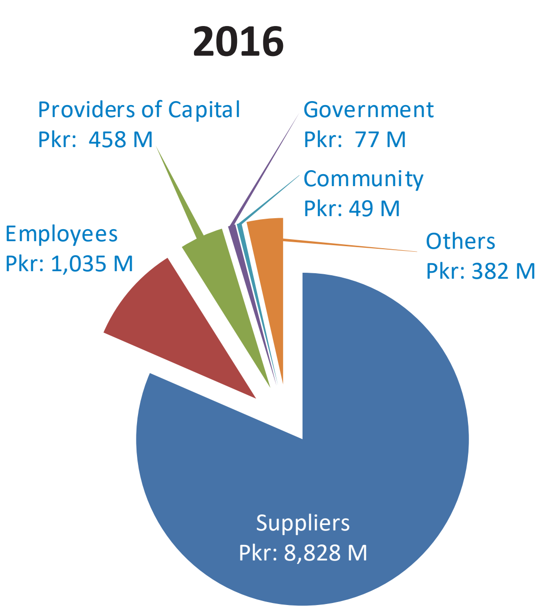
Though there was overall decline in exports at country level due to falling commodity prices yet the Company remained on the track of progression and contributed more than USD 110 million towards the total exports of the country.

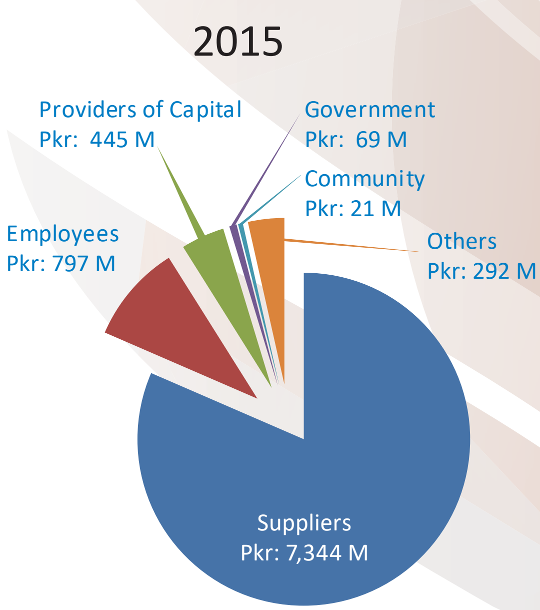
Rural development programmes

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

Statement of value added and distribution

Stakeholders	**Pkr**	**2016**	2015
Suppliers		**8,828,241,353**	7,344,134,750
Employees		**1,035,038,282**	797,119,156
Providers of Capital		**458,522,750**	445,381,610
Government		**77,724,733**	68,903,419
Community		**49,941,548**	21,495,425
Others		**382,086,600**	292,166,745





Major Events

a. Annual and quarterly meetings of Board of Directors
b. Annual and quarterly meetings of committees of Board
c. Annual and quarterly meetings of management committees
d. Sports Gala 2015/16
e. Australian High Commissioner Mrs. Margaret Adamson's visit

Presentations not Applicable

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

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

a. Sector wise analysis of deposits and advances;
b. Segment analysis of gross income and profit before tax;
c. Complete set of financial statements (Balance sheet, Income statement & Cash flow);
d. Adoption of IFAS 1 & IFAS 2 issued by the ICAP; and
e. Sharia advisor/ Sharia advisor report

Notice of the Annual General Meeting (AGM)

Notice is hereby given that the Annual General Meeting of the shareholders of Sadaqat Limited will be held at Main Conference Room, 1st Floor, Sadaqat Limited Head Office on October 31, 2016 at 11: 00 am to transact the following ordinary business:

i. To confirm minutes of the last General Meeting of the shareholders of the Company
ii. To consider, approve and adopt audited financial statements of the Company together with Directors' and Auditors' Reports thereon for the year ended June 30, 2017;
iii. To appoint Auditors for the year 2016 and to fix their remuneration; and
vi. To transact any other business with the permission of the Chair.

By Order of the Board

Muhammad Naseeb
Company Secretary

Faisalabad
October 7, 2016

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 2016

KRESTON
HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **SADAQAT LIMITED** ("the Company") as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion:

  (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the changes disclosed in note 4.1 with which we concur;

  (ii) the expenditure incurred during the year was for the purpose of the Company's business; and

  (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2016 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Kreston Hyder Bhimji & Co. Chartered Accountants

Kreston Hyder Bhimji

DATE: October 05, 2016
FAISALABAD

KRESTON HYDER BHIMJI & CO.
Chartered Accountants
Engagement Partner: Khan Muhammad

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E-mail: hyderbhimjifsd@gmail.com Website: www.krestonhb.com
Other offices: Karachi, Lahore, Islamabad
A member of Kreston International-A Global Network of Independent Accounting Firms

Sadaqat Limited

Balance Sheet

as at June 30, 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	6	**5,856,252,802**	5,228,827,289
Long term deposits	7	**82,105,348**	65,228,683
		5,938,358,150	5,294,055,972
CURRENT ASSETS			
Stores, spares and loose tools	8	**282,978,685**	289,672,157
Stock in trade	9	**2,044,347,565**	1,915,255,335
Trade debts	10	**1,993,169,127**	1,392,239,971
Advances, deposits, prepayment and other receivable	11	**127,823,830**	96,776,238
Tax refunds due from government	12	**811,945,701**	525,181,153
Cash and bank balances	13	**110,663,408**	73,869,422
		5,370,928,316	4,292,994,276
		11,309,286,466	9,587,050,248
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital			
150,000,000 (2015: 150,000,000) ordinary shares of Rs. 10/- each		**1,500,000,000**	1,500,000,000
Issued, subscribed and paid up capital	14	**1,200,000,000**	1,200,000,000
Unappropriated profit		**2,852,954,953**	2,035,229,745
		4,052,954,953	3,235,229,745
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	15	**1,226,925,493**	1,281,485,185
NON CURRENT LIABILITIES			
Long term financing	16	**692,893,733**	843,718,913
Liabilities against assets subject to finance lease	17	**164,500,373**	180,189,083
		857,394,106	1,023,907,996
CURRENT LIABILITIES			
Trade and other payables	18	**993,701,726**	792,842,857
Mark up accrued	19	**54,494,592**	48,183,599
Short term borrowings	20	**3,734,232,438**	2,876,362,164
Current portion of non current liabilities	21	**389,583,158**	329,038,702
		5,172,011,914	4,046,427,322
CONTINGENCIES AND COMMITMENTS	22	**-**	-
		11,309,286,466	9,587,050,248

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

Sadaqat Limited

Profit and Loss Account

For The Year Ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
Sales - Net	23	**11,583,772,164**	9,196,660,484
Cost of sales	24	**(9,422,105,802)**	(7,740,084,965)
Gross profit		**2,161,666,362**	1,456,575,519
Operating expenses			
Distribution cost	25	**(346,038,715)**	(276,668,675)
Administrative expenses	26	**(477,221,718)**	(416,667,011)
Other expenses	27	**(49,941,548)**	(21,495,425)
		(873,201,981)	(714,831,111)
Profit from operations		**1,288,464,381**	741,744,408
Finance cost	28	**(458,522,750)**	(445,381,610)
Other income	29	**2,921,990**	2,012,870
Profit before taxation		**832,863,620**	298,375,668
Taxation	30	**(69,698,104)**	(64,035,405)
Profit for the year		**763,165,516**	234,340,263
Earnings per share - basic and diluted	31	**6.36**	2.19

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

Sadaqat Limited

Statement of Comprehensive Income

For The Year Ended June 30, 2016

	2016 Rupees	2015 Rupees
Profit for the year	**763,165,516**	234,340,263
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**763,165,516**	234,340,263

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

Sadaqat Limited

Cash Flow Statement

For The Year Ended June 30, 2016

	Note	2016 Rupees	2015 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**32**	**892,033,022**	1,431,816,185
Finance cost paid		**(451,854,491)**	(465,269,256)
Income tax paid		**(115,863,847)**	(87,066,729)
Workers' profit participation fund paid		**(16,061,249)**	(21,914,463)
Long term deposits		**(156,950)**	(21,498,117)
Net cash generated from operating activities		**308,096,485**	836,067,620
b) CASH FLOWS FROM INVESTING ACTIVITIES			
Addition in property, plant and equipment		**(928,397,513)**	(1,143,505,656)
Proceeds from disposal of property, plant and equipment		**-**	1,200,000
Interest on dposits		**1,357,990**	3,258,904
Net cash used in investing activities		**(927,039,523)**	(1,139,046,752)
c) CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		**-**	250,000,000
Long term financing - net		**(112,343,913)**	(126,681,772)
Repayment of liabilities against assets subject to finance lease		**(89,789,337)**	(73,751,228)
Short term borrowings - net		**857,870,274**	260,445,015
Net cash generated from financing activities		**655,737,024**	310,012,015
Net increase in cash and cash equivalents	**(a+b+c)**	**36,793,986**	7,032,883
Cash and cash equivalents at the beginning of the year		**73,869,422**	66,836,539
Cash and cash equivalents at the end of the year	**13**	**110,663,408**	73,869,422

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

Sadaqat Limited

Statement of Changes in Equity

For The Year Ended June 30, 2016

	Share capital	Unappropriated profit	Total
	[R U	P E E	S]
Balance as at July 01, 2014	950,000,000	1,768,318,075	2,718,318,075
Incremental depreciation on revalued property, plant and equipment for the year	-	32,571,407	32,571,407
Shares issued during the year	250,000,000	-	250,000,000
Total comprehensive income for the year	-	234,340,263	234,340,263
Balance as at June 30, 2015	**1,200,000,000**	**2,035,229,745**	**3,235,229,745**
Incremental depreciation on revalued property, plant and equipment for the year	**-**	**54,559,692**	**54,559,692**
Total comprehensive income for the year	**-**	**763,165,516**	**763,165,516**
Balance as at June 30, 2016	**1,200,000,000**	**2,852,954,953**	**4,052,954,953**

The annexed notes from 1 to 40 form an integral part of these financial statements.

Chief Executive

Director

Sadaqat Limited

Notes to and forming part of the Financial Statements

For The Year Ended June 30, 2016

1. LEGAL STATUS AND OPERATIONS

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except as other wise stated in the respective policies and notes.

2.3 Functional and presentation currency

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

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:

- Estimate of useful life of property, plant and equipment - note 5.1
- Stores, spares and loose tools - note 5.2
- Stock in trade - note 5.3
- Trade debts and other receivables - note 5.4
- Taxation - note 5.12
- Provisions - note 5.10
- Contingencies - note 5.11
- Impairment losses - note 5.18

4. STANDARDS, AMENDMENTS AND INTERPRETATIONS

4.1 Standards and interpretations which became effective during the year

During the year, certain new standards and amendments to existing standards became effective. However, they did not have material effect on these financial statements, except for adoption of IFRS - 13 'Fair Value Measurement'.

IFRS 13 'Fair Value Measurement' (effective for the periods beginning on or after January 1, 2015).

IFRS 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair values as the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments Disclosures. As a result, the Company has included the additional disclosure in this regard in note 15 and 38.1.4 to the financial statements. In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. The application of IFRS 13 does not have any significant impact on the financial statements of the Company except for certain additional disclosures.

4.2 New accounting standards, amendments to existing approved accounting standards and interpretations that are issued but not yet effective and have not been early adopted by the Company

Amendments to IAS 38, 'Intangible Assets' and IAS 16, 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016).

These amendments introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on the Company's financial statements.

Amendments to IFRS 10, 'Consolidated Financial Statements' and IAS 28, 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 1 January 2016).

Investment Entities: Applying the Consolidation Exception clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The impact of these amendments on the Company's financial statements is being assessed.

Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016).

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on the Company's financial statements.

Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016).

Amendment to IAS 27 allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The impact of the said amendment is not likely to be significant on Company's financial statements.

Amendment to IAS 16, 'Property, Plant and Equipment' and IAS 41, 'Agriculture' (effective for annual periods beginning on or after 1 January 2016).

Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on the Company's financial statements.

IAS 12, 'Income Taxes' (effective for periods beginning on or after January 01, 2017).

The ammendments clarify that unrealised losses from certain circumstances give rise to a deductible tax difference in relation to debt instruments regardless of whether the holder expects to recover the carrying amount by holding the debt instrument until maturity or by selling the debt instrument. The said ammendment doesn't have any significant impact on the company.

IFRS 9, 'Financial instruments' (effective for periods beginning on or after January 01, 2018).

IFRS 9 is a replacement for IAS 39 'Financial Instruments' and covers three distinct areas. Phase 1 contains new requirements for the classification and measurement of financial assets and liabilities. Phase 2 relates to the impairment of financial assets and requires the calculation of impairment on an expected loss basis rather than the current incurred loss basis. Phase 3 relates to less stringent requirements for general hedge accounting. Full impact of all the phases of IFRS 9 on the Company is still being assessed.

IFRS 15, 'Revenue from Contracts with Customers' (effective for periods beginning on or after January 01, 2018).

This standard introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. IFRS 15 may have an impact on recognition and related disclosures. The full impact of future adoption is still being assessed.

IFRS 2, 'Share-based Payment' (effective for periods beginning on or after January 01, 2018).

The amendments are intended to eliminate diversity in practice in three main areas:
-The effects of vesting conditions on the measurement of a cash-settled share-based payment transaction;
-The classification of a share-based payment transaction with net settlement features for withholding tax obligations;
-The accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled.

The amendment is not likely to have an impact on the Company's financial statements.

IFRS 16, 'Leases' (effective for periods beginning on or after January 01, 2019).

Annual improvements 2012-2014 cycles applicable for annual periods beginning on or after January 1, 2016. The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting. The amendment is not likely to have an impact on the Company's financial statements.

- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognised in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods. The amendment is not likely to have an impact on the Company's financial statements.

- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level). The amendment is not likely to have an impact on the Company's financial statements.

- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred. The amendment is not likely to have an impact on the Company's financial statements.

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

IFRS - 1 'First time adoption of International Financial Reporting Standards'
IFRS - 9 'Financial Instruments'
IFRS - 15 'Revenue from contracts with customers'
IFRS - 16 'Leases'

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property, plant and equipment

5.1.1 Operating fixed assets

__Owned__

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

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

Depreciation is charged to income applying the reducing balance method so as to write off the historical cost of the assets over their expected useful life at the rates mentioned in property, plant and equipment note - 6.1.

Depreciation on additions during the year is charged from the month the asset is available for use while no depreciation is charged in the month in which the asset is disposed off. The residual values and useful lives are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant.

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

Leasehold

Assets held under finance lease arrangements are initially recorded at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets in view of certainty of ownership of assets at the end of the lease term. Depreciation on leasehold assets is charged to profit and loss account applying the same basis as for owned assets.

5.1.2 Capital Work in Progress

Capital work in progress is shown 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 Stores, spares and loose tools

These are valued at moving average cost except items-in-transit which are valued at cost accumulated to the balance sheet date. Provision is made for slow moving and obsolete store items when so identified.

5.3 Stock in trade

These are stated at the lower of cost and net realizable value (NRV). The methods used for the calculation of cost are as follows:

Raw material - At factory	Weighted average cost
- In transit	Invoice value plus direct charges in respect thereof.
Work in process and finished goods	Prime cost including a proportion of production overheads.

Wastes are valued at net realizable value.

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 to affect such sale.

5.4 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.

5.5 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.

5.6 Surplus on revaluation of property, plant and equipment

The Company follows the requirement of section 235 of the Companies Ordinance, 1984 and accordingly the surplus arising on revaluation of property, plant and equipment is credited to the "surplus on revaluation of property, plant and equipment" account shown below equity in the balance sheet and deferred tax, if any, attributed to the surplus is credited to deferred tax liability.

Following amounts are transferred from " Surplus on Revaluation of property, plant and equipment" to retained earnings through statement of changes in equity to record realization of surplus:

- an amount equal to incremental depreciation on revaluation surplus on property, plant and equipment for the year net of deferred taxation, if any; or
- an amount equal to carrying amount of revaluation surplus on property, plant and equipment net of deferred taxation, if any, on its disposal.

5.7 Leases

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

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

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

5.8 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.

5.9 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.

5.10 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.

5.11 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).

5.12 Taxation

Current

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

Deferred

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

Deferred tax liability is recognized for all taxable temporary differences and deferred tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses and unused tax credits, if any, to the extent that it is probable that future taxable profit will be available against which these can be utilized. The Company recognizes deferred tax liability on surplus on revaluation of fixed assets which is adjusted against the related surplus.

Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

5.13 Foreign currency translation

Transactions in foreign currencies are translated into Pak Rupees (functional and presentation currency) at the rates of exchange approximating those appearing on the dates of transactions. Assets and liabilities in foreign currencies are translated into Pak Rupees at rates of exchange prevalent on the balance sheet date. All exchange differences arising from foreign currency transactions / translations are charged to profit and loss account.

5.14 Financial instruments

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

Financial liabilities are classified according to substance of contractual arrangements entered into. Significant financial liabilities include long term financing, liabilities against assets subject to finance lease, trade and other payables, short term borrowings and markup accrued.

Interest bearing borrowings are recognised initially at fair value less attributable transaction cost, if any. Subsequent to initial recognition, these are stated at amortized cost with any difference between cost and redemption value being recognised in the profit and loss over the period of the borrowings on an effective interest basis.

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

5.15 Offsetting of financial assets and liabilities

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.

5.16 Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods sold or services rendered, net of discounts and sales tax. Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue, and the associated cost incurred, or to be incurred, can be measured reliably.

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on dispatch of goods to customers.
- Revenue from rendering of services to exporters is recognized by reference to the stage of completion of the transaction at the balance sheet date (the percentage-of-completion method).
- Profit on deposit accounts is recognized on time proportionate basis taking into account the amounts outstanding and rates applicable thereon.

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

Non financial assets

The carrying amounts of the Company's non-financial assets, other than stock in trade and stores and spares, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

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

Impairment losses are recognised in profit and loss. 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. Impairment losses on goodwill shall not be reversed.

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 amortisation, 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 in financial statements.

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.

	Note	2016 Rupees	2015 Rupees
6. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	6.1	**5,728,668,717**	5,022,495,374
Capital work in progress	6.2	**127,584,085**	142,317,715
Advance for land purchase		-	64,014,200
		5,856,252,802	5,228,827,289

6.1 OPERATING FIXED ASSETS

DESCRIPTION	2016										
	C O S T/ REVALUED AMOUNT					DEPRECIATION				W.D.V	RATE %
	As on July 1, 2015	Revaluation Surplus	Additions / (Deletions)	Transfers	As on June 30, 2016	As on July 1, 2015	For the year	Adjust- -ments	As on June 30, 2016	As on June 30, 2016	
		[	R	U	P	E	E	S	]		
Owned											
Freehold land	631,845,000	-	145,640,491	-	777,485,491	-		-	-	777,485,491	-
Buildings on freehold land	2,695,410,632	-	228,617,299	-	2,924,027,931	354,030,087	118,026,053	-	472,056,140	2,451,971,791	5
Plant and machinery	2,300,660,203	-	523,600,590	28,883,311	2,853,144,104	998,060,128	163,140,320	7,887,252	1,169,087,700	1,684,056,403	10
Office equipments	105,236,362	-	39,260,394	-	144,496,756	38,254,631	9,372,833		47,627,464	96,869,292	10
Electric installations	213,610,753	-	21,914,090	-	235,524,843	60,151,702	16,530,094		76,681,796	158,843,047	10
Furniture and fixtures	56,610,781	-	18,876,632	-	75,487,413	18,786,804	4,621,774		23,408,578	52,078,835	10
Sui gas installations	2,066,066	-	-	-	2,066,066	1,076,928	98,914		1,175,842	890,224	10
Generators	98,037,409	-	-	-	98,037,409	42,125,904	5,591,151		47,717,055	50,320,354	10
Work shop equipments	15,629,627	-	-	-	15,629,627	8,087,071	754,256		8,841,327	6,788,300	10
Vehicles	154,425,397	-	28,129,223	8,393,715	190,948,335	95,809,648	14,740,203	3,206,037	113,755,888	77,192,447	20
Sub total	**6,273,532,230**	**-**	**1,006,038,719**	**37,277,026**	**7,316,847,975**	**1,616,382,903**	**332,875,598**	**11,093,289**	**1,960,351,790**	**5,356,496,184**	
Leasehold											
Plant and machinery	293,468,927	-	57,896,871	(28,883,311)	322,482,487	28,283,777	28,764,692	(7,887,252)	49,161,217	273,321,271	10
Generators	32,825,663	-	-	-	32,825,663	10,305,118	2,252,055	-	12,557,173	20,268,490	10
Vehicles	102,034,707	-	24,324,353	(8,393,715)	117,965,345	24,394,355	18,194,255	(3,206,037)	39,382,573	78,582,772	20
Sub total	**428,329,297**	**-**	**82,221,224**	**(37,277,026)**	**473,273,495**	**62,983,250**	**49,211,002**	**(11,093,289)**	**101,100,963**	**372,172,533**	
Grand total	**6,701,861,527**	**-**	**1,088,259,943**	**-**	**7,790,121,470**	**1,679,366,153**	**382,086,600**	**-**	**2,061,452,753**	**5,728,668,717**	

	2015										
DESCRIPTION	C O S T/ REVALUED AMOUNT					DEPRECIATION				W.D.V	RATE %
	As on July 1, 2014	Revaluation Surplus	Additions / (Deletions)	Transfers	As on June 30, 2015	As on July 1, 2014	For the year	Adjust- -ments	As on June 30, 2015	As on June 30, 2015	
		[	R	U	P	E	E	S	]		
Owned											
Freehold land	383,546,000	215,138,250	33,160,750	-	631,845,000	-		-	-	631,845,000	-
Buildings on freehold land	1,542,915,209	444,294,657	708,200,766	-	2,695,410,632	271,583,516	82,446,571	-	354,030,087	2,341,380,545	5
Plant and machinery	1,957,949,962	82,731,958	205,371,808	54,606,475	2,300,660,203	872,193,090	122,520,209	3,346,829	998,060,128	1,302,600,075	10
Office equipments	94,021,473	-	11,214,889	-	105,236,362	31,471,393	6,783,238	-	38,254,631	66,981,731	10
Electric installations	188,331,246	-	25,279,507	-	213,610,753	44,403,065	15,748,637	-	60,151,702	153,459,051	10
Furniture and fixtures	42,384,686	-	14,226,095	-	56,610,781	15,419,410	3,367,394	-	18,786,804	37,823,977	10
Sui gas installations	2,066,066	-	-	-	2,066,066	967,024	109,904	-	1,076,928	989,138	10
Generators	91,155,352	6,882,057	-	-	98,037,409	36,527,348	5,598,556	-	42,125,904	55,911,505	10
Work shop equipments	15,629,627	-	-	-	15,629,627	7,249,009	838,062	-	8,087,071	7,542,556	10
Vehicles	152,075,554	-	27,680,115 (50,772,072)	25,441,800	154,425,397	75,571,619	12,469,587	7,768,442	95,809,648	58,615,749	20
Sub total	**4,470,075,175**	**749,046,921**	**974,361,858**	**80,048,275**	**6,273,532,230**	**1,355,385,474**	**249,882,157**	**11,115,271**	**1,616,382,903**	**4,657,149,327**	
Leasehold											
Plant and machinery	141,476,860	-	206,598,542	(54,606,475)	293,468,927	8,671,112	22,959,494	(3,346,829)	28,283,777	265,185,150	10
Generators	32,825,663	-	-	-	32,825,663	7,802,835	2,502,283	-	10,305,118	22,520,545	10
Vehicles	42,987,789	-	84,488,718	(25,441,800)	102,034,707	17,339,986	16,822,811	(9,768,442)	24,394,355	77,640,352	20
Sub total	**217,290,312**	**-**	**291,087,260**	**(80,048,275)**	**428,329,297**	**33,813,933**	**42,284,588**	**(13,115,271)**	**62,983,250**	**365,346,047**	
Grand total	**4,687,365,487**	**749,046,921**	**1,265,449,118**	**-**	**6,701,861,527**	**1,389,199,407**	**292,166,745**	**(2,000,000)**	**1,679,366,153**	**5,022,495,374**	

6.1.1 Depreciation for the year has been allocated as under;

	2016 Rupees	2015 Rupees
Cost of sales	**335,157,535**	252,723,715
Administrative expenses	**46,929,065**	39,443,030
	382,086,600	292,166,745

6.1.2 Had there been no revaluation, the related figures of freehold land, building on freehold land, plant and machinery and generators as at June 30, 2016 and June 30, 2015 would have been as follows:

	2016 Cost	2016 Accumulated depreciation	2016 Written down value
	[R U	P E E	S]
Freehold land	261,553,508	-	261,553,508
Buildings on freehold land	2,479,733,274	445,678,427	2,034,054,847
Plant and machinery	2,145,137,645	748,086,138	1,397,051,507
Generators	91,155,352	46,906,668	44,248,684
	4,977,579,779	**1,240,671,233**	**3,736,908,546**

	2015 Cost	2015 Accumulated depreciation	2015 Written down value
	[R U	P E E	S]
Freehold land	115,913,017	-	115,913,017
Buildings on freehold land	2,251,115,975	349,648,003	1,901,467,972
Plant and machinery	1,592,653,744	608,947,998	983,705,746
Generators	91,155,352	41,990,148	49,165,204
	4,050,838,088	**1,000,586,149**	**3,050,251,939**

	Note	2016 Rupees	2015 Rupees
6.2 CAPITAL WORK IN PROGRESS			
Civil work	6.2.1	**127,584,085**	142,317,715
6.2.1 Civil work - movement during the year			
Opening balance		**142,317,715**	22,679,035
Additions during the year		**213,786,499**	754,785,994
		356,104,214	777,465,029
Transferred to operating fixed assets		**(228,520,129)**	(635,147,314)
Closing balance		**127,584,085**	142,317,715
7. LONG TERM DEPOSITS			
Lease key money		**62,341,181**	45,621,466
LG margin with banks		**17,610,630**	17,610,630
Security deposits - FESCO		**715,472**	715,472
Other security deposits		**1,438,065**	1,281,115
		82,105,348	65,228,683
8. STORES, SPARES AND LOOSE TOOLS			
Stores		**241,846,764**	247,669,694
Spares		**37,690,494**	38,377,259
Loose tools		**3,441,427**	3,625,204
		282,978,685	289,672,157
9. STOCK IN TRADE			
Raw material		**795,159,258**	775,999,784
Work in process		**867,028,653**	733,207,133
Finished goods		**382,159,654**	406,048,418
		2,044,347,565	1,915,255,335
10. TRADE DEBTS			
Considered good			
Foreign			
- Secured		**1,206,982,074**	957,806,433
- Unsecured	10.1	**709,615,155**	396,876,168
		1,916,597,229	1,354,682,601
Local			
- Unsecured	10.2	**76,571,898**	37,557,370
		1,993,169,127	1,392,239,971

10.1 It includes Rs. 690.93 million (2015: Rs. 355.63 million) due from Sadaqat Global Limited, UK - a related party.

10.2 It includes Rs. 53.40 million (2015: Rs. 24.97 million) due from KHAS Holdings - a related party.

11. ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLE

	Note	2016 Rupees	2015 Rupees
Advances - considered good			
- Employees		**5,039,319**	5,991,854
- Suppliers		**32,541,198**	34,791,897
Deposits			
- Deposit under collection account		**197,630**	2,998,992
- Deposit under debt repayment account		**4,535,660**	24,664,366
- Deposit under sinking fund account		**57,200,000**	-
- Letters of credit		**3,635,953**	3,231,093
- Lease key money		**1,529,900**	3,200,400
Prepayment			
- Insurance		**4,246,895**	3,000,361
Other receivable			
-Mark up receivable	11.1	**18,897,275**	18,897,275
		127,823,830	96,776,238

11.1 This is mark up support under Technology Upgradation Fund scheme of State Bank of Pakistan.

12. TAX REFUNDS DUE FROM GOVERNMENT

Income tax	**146,752,005**	100,586,262
Duty drawback	**110,639,492**	125,151,648
Drawback on local taxes and levies	**20,608,694**	8,506,313
Special excise duty	**12,442,697**	12,442,697
Sales tax	**516,065,957**	278,494,233
Gas infrastructure development cess	**5,436,856**	-
	811,945,701	525,181,153

13. CASH AND BANK BALANCES

Cash in hand	**26,773,007**	34,479,502
Cash at banks		
In current accounts	**83,843,310**	39,342,829
In foreign currency account	**47,091**	47,091
	110,663,408	73,869,422

14. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2016 Number of shares	2015 Number of shares			
69,147,801	**69,147,801**	Ordinary shares of Rs. 10/- each fully paid in cash	**691,478,010**	691,478,010
4,573,890	**4,573,890**	Ordinary shares of Rs. 10/- each issued for consideration other than cash	**45,738,900**	45,738,900
46,278,309	**46,278,309**	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	**462,783,090**	462,783,090
120,000,000	**120,000,000**		**1,200,000,000**	1,200,000,000

15. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

Opening balance	**1,281,485,185**	565,009,671
Surplus for the Year	**-**	749,046,921
Less: Incremental depreciation transferred to unappropriated profit	**(54,559,692)**	(32,571,407)
	1,226,925,493	1,281,485,185

The first revaluation was carried out by the independent valuers Mr. Bahauddin Siddique, Architect Engineer in December, 1993 and certified by independent firm of Chartered Accountants, second revaluation was carried out on 8th March 2006 by the independent valuers M/S Indus Surveyors (Private) Limited, third revaluation was carried out on 15th July 2010 by the independent valuers M/S Materials & Designs Services (Private) Limited and fourth revaluation was carried out on 20th April 2015 by the 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 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

The fair valuation of the revalued assets are considered to represent a level 3 valuation based on significant non-observable inputs being the location and condition of the assets. The fair values are subject to change owing to change in input. However, the management does not expect there to be a material sensitivity to the fair values arising from the non-observable inputs. The fair value of items of these fixed assets was determined as follows:

Freehold land

Property brokers, dealers and estate agents were contacted to ascertain the asking and selling prices for properties of the same nature in the immediate neighbourhood and adjoining areas. Neighbouring properties which have been recently sold or purchased, were investigated to ascertain a reasonable selling / buying price. Properties that were up for sale were examined for asking price. An average of the above values was then assigned to the property.

Buildings on freehold land

Construction specifications were noted for each factory building and structure and current construction rates were used to obtain replacement values of buildings, to which a depreciation formula was applied, based upon the Company's estimates of balance life to arrive at the current assessed value.

Plant and machinery

Plant and machinery have been evaluated / assessed by keeping in view their present physical condition, the remaining useful life / economic life and technological obsolescence. Further, new replacement values were arrived by using current local and foreign market values for the similar type of plant and machinery. These current local and foreign market values were taken into account on the basis of technical obsolescence, efficiency, maintenance, replacement and other related factors involved.

Generators

These were evaluated / assessed by keeping in view their present physical condition, the remaining useful life / economic life and technological obsolescence. Further, new replacement values were arrived by using current market values for the similar type of assets. These current market values were taken into account on the basis of technical obsolescence, efficiency, maintenance, replacement and other related factors involved.

16. LONG TERM FINANCING

	Note	2016 Rupees	2015 Rupees
From banking companies - secured			
LTF-EOP/LTFF	**16.1**	**63,268,050**	71,360,400
Demand finance	**16.2**	**183,503,146**	87,754,709
Syndicated term finance	**16.3**	**750,000,000**	950,000,000
		996,771,196	1,109,115,109
Less: Current portion of non current liabilities		**(303,877,463)**	(265,396,196)
		692,893,733	843,718,913

16.1 These loans are availed from United Bank Limited and Pak Brunei Investment Company which are secured against specific exclusive charge of Rs. 122 million on plant and machinery and ranking charge of Rs. 147 million to be upgraded into JPP charge over fixed assets, and personal guarantee of all sponsoring directors of company. Markup is charged at the rate of 5% (2015: 9%) per annum. Payment is to be made in quarterly and half yearly equal installments.

16.2 These loans are availed from NBP and BOK which are secured against joint parri passu charge over fixed assets and specific exclusive charge of Rs. 143 million over plant and machinery respectively and personal guarantees of all the directors of the Company. Mark up rate is 3 to 6 months KIBOR plus 2% (2015: 6 months KIBOR plus 2%) per annum. Instalments are payable on quarterly basis.

16.3 The facility is secured by parri passu charge over all current assets of the company amounting to Rs. 333.33 million, pari passu over land, building and machinery amounting to Rs. 1,000 million and personal guarantees of all sponsoring directors of the company. Markup rate is 3 months KIBOR plus 2.75% (2015: 3 months KIBOR plus 2.75%) per annum. Installments are payable on quarterly basis.

17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	Note	2016 Rupees	2015 Rupees
Future minimum lease payments		**280,777,663**	290,231,254
Less: Unamortized finance charges		**(30,571,595)**	(46,399,665)
Present value of future minimum lease payments		**250,206,068**	243,831,589
Less: Current portion shown under current liabilities		**(85,705,695)**	(63,642,506)
		164,500,373	180,189,083

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 Company and personal guarantee of all sponsoring directors. The rentals are payable in monthly installments. Interest rate implicit in lease ranges from 3 to 6 months KIBOR plus 2% to 5% per annum (2015: 3 to 6 months 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.

Total future minimum lease payments and their present value at reporting date are as under:	Note	2016 Rupees	2015 Rupees
Gross minimum lease payments:			
- Due within one year		**104,245,518**	86,389,337
- Due after one year but not later than five years		**176,532,105**	203,841,917
		280,777,623	290,231,254
Present value of minimum lease payments:			
- Due within one year		**85,705,661**	63,642,506
- Due after one year but not later than five years		**164,500,373**	180,189,083
		250,206,034	243,831,589

		Note	2016 Rupees	2015 Rupees
18.	**TRADE AND OTHER PAYABLES**			
	Trade creditors		**837,911,393**	696,370,823
	Accrued liabilities		**59,888,569**	47,350,076
	Advances			
	- From customers		**14,379,456**	4,510,410
	- Others		**20,072,416**	11,292,600
	Workers' profit participation fund	**18.1**	**43,834,927**	15,703,983
	Workers' welfare fund		**17,614,965**	17,614,965
			993,701,726	792,842,857
18.1	**WORKERS' PROFIT PARTICIPATION FUND**			
	Opening balance		**15,703,983**	21,914,463
	Interest on funds utilized in the Company's business		**357,266**	694,688
			16,061,249	22,609,151
	Less: paid during the year		**(16,061,249)**	(22,609,151)
			-	-
	Add: allocation for the year		**43,834,927**	15,703,983
			43,834,927	15,703,983
19.	**MARK UP ACCRUED**			
	Long term financing		**16,377,528**	14,726,118
	Short term borrowings		**38,117,064**	33,457,481
			54,494,592	48,183,599
20.	**SHORT TERM BORROWINGS**			
	Under mark up arrangement			
	From banking companies - secured			
	Export refinance facilities	**20.2**	**1,775,000,000**	1,074,000,000
	Short term running finance	**20.3**	**54,190,863**	60,220,728
	Other short term finance	**20.4**	**1,535,402,683**	1,625,340,347
	Export finance under FE-25	**20.5**	**359,238,892**	88,901,089
			3,723,832,438	2,848,462,164
	From related parties un-secured			
	Chief executive and Director	**20.6**	**10,400,000**	27,900,000
			3,734,232,438	2,876,362,164

20.1 These loans are secured against joint parri passu charge of Rs. 3,247 million on current assets and Rs. 3,192 million on fixed assets of the company, ranking charge of Rs. 868 million on current assets, lien on import and export documents and personal guarantee of all the directors of the company. Available limits and pricing are as under;

	Limit 2016 Rupees in million	Pricing
20.2	1,795	At the rate of SBP tariff plus 1% p.a.
20.3	90	At the rate of 3 months KIBOR plus 1.5% to 2% p.a.
20.4	2,765	At the rate of SBP tariff and 1 to 3 months KIBOR plus 1.5% to 2% p.a.
20.5	605	At the rate of 1 to 6 months LIBOR plus 1.3% to 1.4% p.a.

20.6 It represents interest free loan from Chief executive and Director of the Comapny and is payable on demand.

		Note	2016 Rupees	2015 Rupees
21.	**CURRENT PORTION OF NON CURRENT LIABILITIES**			
	Long term financing	**16**	**303,877,463**	265,396,196
	Liabilities against assets subject to finance lease	**17**	**85,705,695**	63,642,506
			389,583,158	329,038,702

22. **CONTINGENCIES AND COMMITMENTS**

22.1 **Contingencies**

		2016	2015
22.1.1	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
22.1.2	Post dated cheques issued in favour of custom authorities for release of goods imported for re-export	**354,901,396**	449,569,130
22.1.3	Foreign bills (Under Letter of Credits) discounted with banks	**303,015,854**	387,780,844

22.2 **Commitments**

		2016	2015
	Under letters of credit for:		
	Raw material	**123,332,062**	-
	Stores and spares	**16,149,507**	17,849,723
	Capital expenditure	**470,629,320**	290,381,251

		Note	2016 Rupees	2015 Rupees
23.	**SALES - NET**			
	Export sales	23.1	11,605,824,761	9,266,694,178
	Local sales			
	Processing Receipts		75,012,694	98,539,671
	Waste sale		94,407,794	60,135,357
			169,420,488	158,675,028
	Gross sales		11,775,245,249	9,425,369,206
	Less:			
	- Foreign commission and discount		(183,446,456)	(223,840,708)
	- Sales tax		(8,026,629)	(4,868,014)
			(191,473,085)	(228,708,722)
			11,583,772,164	9,196,660,484

23.1 It includes exchange gain amounting to Rs. 163.64 million (2015: Rs. 65.16 million).

		Note	2016 Rupees	2015 Rupees
24.	**COST OF SALES**			
	Raw material consumed	24.1	6,193,401,547	4,962,342,263
	Stores and spares consumed	24.2	1,535,941,084	1,170,638,717
	Salaries, wages and benefits	24.3	763,166,393	609,536,598
	Fuel and power		421,860,913	366,060,509
	Conversion and processing charges		231,622,321	118,110,312
	Folding and packing		33,365,262	29,216,015
	Insurance		19,643,746	21,512,567
	Repairs and maintenance		48,871,600	21,456,254
	Depreciation	6.1.1	335,157,535	252,723,715
	Other factory overheads		55,056,112	52,626,309
			9,638,086,513	7,604,223,259
	Work in process			
	Opening balance		733,207,133	836,850,959
	Closing balance		(867,028,653)	(733,207,133)
			(133,821,520)	103,643,826
	Cost of goods manufactured		9,504,264,993	7,707,867,085
	Finished goods			
	Opening balance		406,048,418	553,690,930
	Closing balance		(382,159,654)	(406,048,418)
			23,888,764	147,642,512
	Duty drawback		(68,997,321)	(115,424,632)
	Drawback of local taxes and levies		(37,050,634)	-
			9,422,105,802	7,740,084,965
24.1	**RAW MATERIAL CONSUMED**			
	Opening balance		775,999,784	905,524,158
	Purchases		6,212,561,021	4,832,817,889
			6,988,560,805	5,738,342,047
	Closing balance		(795,159,258)	(775,999,784)
			6,193,401,547	4,962,342,263
24.2	**STORES AND SPARES CONSUMED**			
	Opening balance		289,672,157	280,859,202
	Purchases		1,529,247,612	1,179,451,672
			1,818,919,769	1,460,310,874
	Closing balance		(282,978,685)	(289,672,157)
			1,535,941,084	1,170,638,717

24.3 Salaries, wages and benefits include Rs. 15.93 million (2015: Rs. 12.80 million) in respect of provident fund contribution.

		Note	2016 Rupees	2015 Rupees
25.	**DISTRIBUTION COST**			
	Staff salaries and benefits	25.1	31,636,332	21,332,136
	Sea and air freight		27,914,208	51,884,934
	Clearing and forwarding		185,854,485	111,192,710
	Freight and octroi		35,690,159	37,040,225
	Advertisement		214,680	244,137
	Sales promotion expenses		19,188,753	22,265,707
	Export development surcharge		27,497,491	22,720,641
	Others		18,042,607	9,988,185
			346,038,715	276,668,675

25.1 Staff salaries and benefits include Rs. 1.56 million (2015: Rs. 1.04 million) in respect of provident fund contribution.

		Note	2016 Rupees	2015 Rupees
26.	**ADMINISTRATIVE EXPENSES**			
	Directors' remuneration		**49,956,280**	35,121,040
	Staff salaries and benefits	**26.1**	**190,279,277**	131,129,382
	Postage and telecommunication		**32,562,481**	31,248,166
	Electricity, gas and water		**27,205,390**	24,125,181
	Printing and stationery		**3,083,649**	7,534,324
	Vehicle running and maintenance		**20,426,302**	33,936,459
	Travelling and conveyance		**59,727,211**	55,271,931
	Fee and subscription		**7,443,726**	9,216,554
	Legal and professional		**568,000**	1,010,500
	Entertainment		**16,879,379**	17,593,228
	Repairs and maintenance		**9,300,700**	8,807,812
	Auditors' remuneration	**26.2**	**1,600,000**	1,550,000
	Insurance		**3,741,667**	3,243,143
	Depreciation	**6.1.1**	**46,929,065**	39,443,030
	Others		**7,518,590**	17,436,261
			477,221,718	416,667,011

26.1 Staff salaries and benefits include Rs. 7.40 million (2015: Rs. 6.16 million) in respect of provident fund contribution.

26.2	**AUDITORS' REMUNERATION**			
	Audit fee		**1,500,000**	1,500,000
	Out of pocket expenses		**100,000**	50,000
			1,600,000	1,550,000
27.	**OTHER EXPENSES**			
	Workers' profit participation fund		**43,834,927**	15,703,983
	Charity and donations	**27.1**	**6,106,621**	5,791,442
			49,941,548	21,495,425

27.1 Name of donees in which a director or his spouse has an interest:

Name of Donor	Interest in Donee	Name of Donee	2016	2015
Mr. Mukhtar Ahmad	Trustee	Chiniot Blood Bank and Dialysis Centre	**905,000**	900,000
		Mofad-E-Amma Chiniot Sheikh Association (Regd.) Faisalabad	**275,000**	-
		Anjuman-E-Islamia (Regd.) Faisalabad	**275,000**	-
		Chiniot Educational Society	**220,000**	-
		Islamia Hospital Chiniot	**335,000**	-
			2,010,000	900,000

28.	**FINANCE COST**			
	Mark up on:			
	- Long term financing		**101,941,239**	117,628,895
	- Short term borrowings		**221,454,678**	240,793,581
	Interest on workers' profit participation fund		**357,266**	694,688
	Interest on Sadaqat Limited - Employees' Provident Fund Trust		**2,043,867**	-
	Lease finance charges		**23,866,918**	24,293,017
	Bank charges and commission		**108,858,782**	80,868,704
	Mark up subsidy under Technology Upgradation Fund (TUF)	**28.1**	**-**	(18,897,275)
			458,522,750	445,381,610

28.1 This represents mark up rate support against long term loans disbursement for import of plant and machinery under Technology Upgradation Fund (TUF) Scheme of State Bank of Pakistan.

		2016 Rupees	2015 Rupees
29.	**OTHER INCOME**		
	Income from financial assets		
	Exchange gain on foreign currency account	**-**	440,370
	Interest on deposits	**1,357,990**	-
	Income from non-financial assets		
	Others	**1,564,000**	1,572,500
		2,921,990	2,012,870
30.	**TAXATION**		
	Current	**69,698,104**	64,035,405

30.1 The relationship between tax expense and accounting profit has not been presented in these financial statements as the total income of the Company falls under the ambit of final tax regime under section 169 and 154 of the Income Tax Ordinance, 2001. Provision for taxation is made accordingly.

30.2 Provision for deferred tax is not required as the Company is chargeable to tax under section 169 and 154 of the Income Tax Ordinance, 2001 and no temporary differences are expected to arise in the foreseeable future.

		2016	2015
31.	**EARNINGS PER SHARE-BASIC AND DILUTED**		
	Profit for the year (Rupees)	**763,165,516**	234,340,263
	Weighted average number of ordinary shares outstanding during the year	**120,000,000**	106,917,808
	Earnings per share-Basic and diluted (Rupees)	**6.36**	2.19

31.1 There is no dilutive effect on the basic earnings per share as the company does not have any convertible instruments in issue as at June 30, 2016 and June 30, 2015 which would have any efffect on the earnings per share if the option to convert is exercised.

	Note	2016 Rupees	2015 Rupees
32. CASH GENERATED FROM OPERATIONS			
Profit before taxation		**832,863,620**	298,375,668
Adjustments for:			
Depreciation on property, plant and equipment		**382,086,600**	292,166,745
Finance cost		**458,522,750**	445,381,610
Workers' profit participation fund		**43,834,927**	15,703,983
Interest on deposits		**(1,357,990)**	-
Operating cash flows before working capital changes		**1,715,949,908**	1,051,628,006
Changes in working capital			
(Increase) / decrease in current assets			
Stores, spares and loose tools		**6,693,472**	(8,812,955)
Stock in trade		**(129,092,230)**	380,810,712
Trade debts		**(600,929,156)**	(235,451,647)
Advances, deposits, prepayments and other receivables		**(32,718,092)**	206,236,288
Tax refunds due from government		**(240,598,805)**	(95,425,793)
Increase / (Decrease) in current liabilities			
Trade and other payables		**172,727,925**	132,831,574
		(823,916,886)	380,188,179
		892,033,022	1,431,816,185

33. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2016			2015		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
		[R	U P	E E	S]	
Managerial remuneration	**6,306,667**	**26,997,520**	**26,052,011**	4,533,333	18,880,693	23,862,640
House rent allowance	**2,522,666**	**10,799,008**	**10,420,804**	1,813,334	7,552,278	9,545,056
Utilities	**630,667**	**2,699,752**	**2,605,201**	453,333	1,888,069	2,386,264
Total	**9,460,000**	**40,496,280**	**39,078,016**	6,800,000	28,321,040	35,793,960
Number of persons	**1**	**5**	**48**	1	5	46

33.1 The directors have waived off their meeting fee.

34. TRANSACTIONS WITH RELATED PARTIES

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 the relevant notes to the financial statements. Remuneration to Chief Executive, Directors and Executives is disclosed in note 33. Other significant transactions with related parties are as under:

Name	Nature of relationship	Nature of transaction	2016 Rupees	2015 Rupees
Sadaqat Global Limited - UK	Related party	Sales	**2,696,415,303**	2,184,329,732
Sadaqat Global Limited - UK	Related party	Commission expense	**110,197,299**	79,096,886
Khas Holding	Related party	Sales	**43,755,421**	24,463,849
Mr. Khurram Mukhtar	Chief Executive	Issuance of shares	**-**	11,771,790
Mr. Hamid Mukhtar	Director	Issuance of shares	**-**	58,711,590
Mr. Shoaib Mukhtar	Director	Issuance of shares	**-**	89,768,500
Mr. Awais Mukhtar	Director	Issuance of shares	**-**	89,748,120

35. EMPLOYEES PROVIDENT FUND TRUST

The following information is based on latest un-audited financial statements of the Fund:

	2016	2015
Size of the fund (Rupees)	**101,437,110**	69,756,261
Cost of investment made (Rupees)	**82,430,373**	52,909,508
Percentage of investments made	**81.26%**	75.85%
Fair value of investments (Rupees)	**85,712,752**	58,545,228

35.1 The breakup of fair value of investments is:

	2016		2015	
	Rupees	% of full	Rupees	% of full
Term Deposits in Banks	**-**	**-**	52,584,963	89.82%
UBL Asset Allocation Fund	**308,741**	**0.36%**	-	-
Faysal savings growth fund	**1,033,275**	**1.21%**	-	-
Al-Ameen Islamic Active Allocation Plan	**14,868,352**	**17.35%**	-	-
Al-Ameen Islamic Principal Preservation Fund	**5,815,097**	**6.78%**	-	-
NAFA Islamic Active Allocation Plan	**21,687,287**	**25.30%**	-	-
NAFA government securities	**-**	**-**	5,960,265	10.18%
NIB Saving Account	**42,000,000**	**49.00%**	-	-
	85,712,752	**100.00%**	58,545,228	100.00%

36. PLANT CAPACITY AND PRODUCTION

		2016	2015
Processing			
Installed capacity	**Meters**	**72,000,000**	60,000,000
Capacity utilized	**Meters**	**65,000,000**	54,000,000
Number of shifts worked per day	**No.**	**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.

37. NUMBER OF EMPLOYEES

	2016	2015
Average number of employees during the year	**4,620**	4,194
Number of employees at end of the year	**4,712**	4,235

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company finances its operations through a mix of equity, borrowings and working capital management with a view to maintaining an appropriate mix between various sources of finance to minimize risk. Taken as a whole, the company is exposed to market risk comprising interest rate risk, currency risk and other price / equity risk, credit risk and liquidity risk. The company's finance departments oversees the management of these risks and provide assurance to the company's senior management that the company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with company policies and risk appetite.

FINANCIAL INSTRUMENTS BY CATEGORY	2016 Rupees	2015 Rupees
Financial assets :		
Maturity upto one year		
Trade debts	**1,993,169,127**	1,392,239,971
Advances, deposits and other receivable	**28,669,884**	52,552,487
Cash and bank balances	**110,663,408**	73,869,422
Maturity after one year		
Long term deposis	**19,764,167**	19,607,217
	2,152,266,586	1,538,269,097
Financial Liabilities :		
Maturity upto one year		
Trade and other payables	**917,872,378**	755,013,500
Accrued mark up	**54,494,592**	48,183,599
Short term borrowings	**3,734,232,438**	2,876,362,164
Current portion of non current liabilities	**388,053,258**	325,838,302
Maturity after one year		
Long term financing	**692,893,733**	843,718,913
Liabilities against assets subject to finance lease	**102,159,192**	134,567,617
	5,889,705,591	4,983,684,095

38.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk, other price risk, such as equity risk and risks relating to fair value measurement of financial instruments. Financial instruments susceptible to / affected by market risk include loans, borrowings and deposits. The sensitivity analysis in the following sections relate to the position as at June 30, 2016 and 2015.

38.1.1 Interest rate risk:

Interest rate risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises from long term financing, liabilities against assets subject to finance lease and short term borrowings. Significant interest rate risk exposures are primarily managed by a mix of borrowings at fixed and variable interest rates.

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

	2016 Rupees	2015 Rupees
Variable rate instruments		
Long term financing - secured	**996,771,196**	1,109,115,109
Effective interest rate in percentage	**6.53%**	9.68%
Liabilities against assets subject to finance lease - secured	**186,334,987**	195,009,723
Effective interest rate in percentage	**10.03%**	11.10%
Short term borrowings - secured	**3,734,232,438**	2,876,362,164
Effective interest rate in percentage	**5.88%**	7.48%

Cash flow sensitivity analysis for variable rate instruments

If interest rates on long term loans and short term borrowings from banks, at the year end date, fluctuate by 100 bps higher / lower with all other variables, in particularly foreign exchange rates held constant, profit before taxation for the year 2016 and 2015 would have been affected as follows:

	2016 Rupees	2015 Rupees
Effect on Profit and loss of an increase in interest rate for long term financing	**14,788,551**	11,501,928
Effect on Profit and loss of an increase in interest rate for liabilities against assets subject to finance lease	**2,277,480**	2,083,175
Effect on Profit and loss of an increase in interest rate for short term borrowings	**35,920,619**	28,125,146
	52,986,650	41,710,249

Decrease in interest rates at June 30 would have had the equal but opposite effect of these amounts. Sensitivity analysis has been prepared on symmetric basis.

38.1.2 Currency risk / Foreign Exchange 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. Foreign currency risk arises mainly where receivables and payables exist due to foreign currency transactions. The company is exposed to currency risk on receivables and payables denominated in foreign currency.

Exposure to Currency Risk

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 as follows:

Particulars	Currency	2016		2015	
		F.Currency	Rupees	F.Currency	Rupees
Receivables					
Trade debts	**US Dollar**	**12,346,971.12**	**1,290,258,482**	8,086,948.14	822,846,973
	Euro	**2,195,076.20**	**254,804,445**	1,948,514.93	220,649,831
	Great British Pound	**1,710,609.41**	**239,690,591**	1,950,396.72	311,185,797
			1,784,753,518		1,354,682,601
Less:					
Payables					
	US Dollar	**58,626.04**	**6,126,421**	44,328.35	4,510,410
	Great British Pound	**30,603.54**	**4,288,168**	-	-
			10,414,589		4,510,410
On Balance sheet Exposure			**1,774,338,929**		1,350,172,191
Under letter of credit	**US Dollar**	**5,838,381.71**	**610,110,889**	3,029,297.04	308,230,974
Off Balance Sheet Exposure			**610,110,889**		308,230,974

The following significant exchange rates were applied during the year :

Foreign Currency	2016		2015	
	Average Rate	Reporting Date Rate	Average Rate	Reporting Date Rate
	[R U P E E S]		[R U P E E S]	
US Dollar	104.31	104.50	101.41	101.75
Euro	115.82	116.08	121.99	113.24
Great British Pound	143.35	140.12	157.08	159.55

Currency rate sensitivity

If the functional currency, at reporting date, had weakened by 10% against the foreign currencies with all other variables held constant, the profit before taxation would have increased for the year 2016 and 2015 by the follwing amounts:

Foreign Currency	2016	2015
US Dollar	**121,992,546**	77,741,974
Euro	**24,206,422**	20,961,734
Great British Pound	**22,363,230**	29,562,651
	168,562,198	128,266,359

A 10% strengthening of the functional currency against foreign currencies at June 30 would have had the equal but opposite effect of these amounts.

Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. The analysis assumes that all other variables remained constant.

38.1.3 Other price risk:

Other price risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) such as equity price risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

38.1.4 Fair value measurement of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13 'Fair Value Measurement' requires the company to classify fair value measurements and fair value hierarchy that reflects the significance of the inputs used in making the measurements of fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unadjusted) inputs.

Transfer between levels of the fair value hierarchy are recognised at the end of the reporting period during which the changes have occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	2016							
	Carrying Amount				Fair Value			
	Financial assets other than cash and cash equivalents	Cash and cash equivalents	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
		[R	U	P E	E S]			
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Trade debts	1,993,169,127	-	-	1,993,169,127				
Long term deposis	19,764,167	-	-	19,764,167	-	-	-	-
Advances, deposits and other receivable	28,669,884	-	-	28,669,884	-	-	-	-
Cash and bank balances	-	110,663,408	-	110,663,408	-	-	-	-
	2,041,603,178	110,663,408	-	2,152,266,586	-	-	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Long term financing	-	-	996,771,196	996,771,196	-	996,771,196	-	996,771,196
Liabilities against assets subject to finance lease	-	-	186,334,987	186,334,987	-	186,334,987	-	186,334,987
Trade and other payables	-	-	917,872,378	917,872,378	-	917,872,378	-	917,872,378
Accrued mark up	-	-	54,494,592	54,494,592	-	54,494,592	-	54,494,592
Short term borrowings	-	-	3,734,232,438	3,734,232,438	-	3,734,232,438	-	3,734,232,438
	-	-	5,889,705,591	5,889,705,591	-	5,889,705,591	-	5,889,705,591

	2015							
	Carrying Amount				Fair Value			
	Financial assets other than cash and cash equivalents	Cash and cash equivalents	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
		[R	U	P E	E S]			
Financial assets measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Trade debts	1,392,239,971	-	-	1,392,239,971				
Long term deposis	19,607,217	-	-	19,607,217	-	-	-	-
Advances, deposits and other receivable	52,552,487	-	-	52,552,487	-	-	-	-
Cash and bank balances	-	73,869,422	-	73,869,422	-	-	-	-
	1,464,399,675	73,869,422	-	1,538,269,097	-	-	-	-
Financial liabilities measured at fair value	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Long term financing	-	-	1,109,115,109	-	-	1,109,115,109	-	1,109,115,109
Liabilities against assets subject to finance lease	-	-	195,009,723	-	-	195,009,723	-	195,009,723
Trade and other payables	-	-	755,013,500	-	-	755,013,500	-	755,013,500
Accrued mark up	-	-	48,183,599	-	-	48,183,599	-	48,183,599
Short term borrowings	-	-	2,876,362,164	-	-	2,876,362,164	-	2,876,362,164
	-	-	4,983,684,095	-	-	4,983,684,095	-	4,983,684,095

38.2 Credit risk and concentration of credit risk:

Credit risk is the risk representing accounting loss that would be recognized at the reporting date if one party to a financial instrument will fail to discharge an obligation or its failure to perform duties under the contract as contracted. Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular industry. The maximum exposure to credit risk at the reporting date is as follows :

	2016 Rupees	2015 Rupees
FINANCIAL ASSETS		
Trade debts	**1,993,169,127**	1,392,239,971
Long term deposis	**19,764,167**	19,607,217
Advances, deposits and other receivable	**28,669,884**	52,552,487
Bank balances	**83,890,401**	39,389,920
	2,125,493,579	1,503,789,595

Trade debts amounting to Rs. 1,206,982,074/- out of total debts are secured against letters of guarantee. Furthermore, credit quality of customers is assessed taking into consideration their financial position and previous dealings and on that basis, individual credit limits are set. Moreover, the management regularly monitors and reviews customers' credit exposure. Accordingly, the company is not exposed to any significant credit risk.

Long term deposits have been mainly placed with supplier of electricity (FESCO), deposits against letters of guarantees issued by banks and security deposit against rent of hostels for employees. Considering the financial position and credit quality of these parties, Company's exposure to credit risk is not significant.

Advances, deposits and other receivable consist of advances to employees, deposits with banks for repayment of outstanding loans and debts and accrued mark up receivable. Advances to employees are secured against employees' retirement benefits and deposits and accrued profit are receivable from banks having good credit rating. Therefore, Company is not exposed to any significant credit risk regarding these loans.

The bank balances represent low credit risk as they are placed with banks having good credit ratings assigned by credit rating agencies.

The credit quality of bank balances that are neither past due nor impaired can be assessed by reference to external credit ratings or to historical information about counterparty default rate:

Name of Bank	Rating			2016	2015
	Short term	Long term	Agency	Rupees	Rupees
Habib Bank Limited	A-1+	AAA	JCR-VIS	**14,739,633**	19,960,083
United Bank Limited	A-1+	AAA	JCR-VIS	**6,445,311**	9,185,967
MCB Bank Limited	A1+	AAA	PACRA	**1,336,316**	4,841,947
Bank Alfalah Limited	A1+	AA	PACRA	**198,608**	994,280
The Bank of Punjab	A1+	AA-	PACRA	**121,697**	121,697
Faysal Bank Limited	A-1+	AA	JCR-VIS	**94,018**	94,123
National Bank of Pakistan	A1+	AAA	PACRA	**36,240,326**	1,736,908
Standard Chartered Bank Limited	A1+	AAA	PACRA	**1,075,858**	707,036
Dubai Islamic Bank	A-1	A+	JCR-VIS	**5,696**	5,696
NIB Bank Ltd	A1+	AA-	PACRA	**57,200,000**	-
Meezan Bank Limited	A-1+	AA	JCR-VIS	**27,028**	828,442
First Women Bank Limited	A2	A-	PACRA	**223,157**	273,841
The Bank of Khyber	A-1	A	JCR-VIS	**23,007,259**	639,900
Waseela Microfinance Bank Limited	A1+	A	PACRA	**375,494**	-
				141,090,401	39,389,920

Due to Company's long standing relationships with these counterparties 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. Accordingly, the risk is minimal.

38.3 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 manage liquidity risk is to maintain sufficient level of liquidity by holding highly liquid assets and the availability of funding through an adequate amount of committed credit facilities. This includes maintenance of balance sheet liquidity ratios through working capital management. The management believes that the company is not exposed to any liquidity risk.

The table below summaries the maturity profiles of company's financial liabilities as on June 30, 2016 and 2015 based on contractual undiscounted payments date and present market interest rates.

	2016				
	Within 6 months	More than 6 months and up to 1 year	More than 1 year and up to 5 years	More than 5 years	Total
	[R u p e e s]				
Financial Liabilities :					
Long term financing	**151,938,731**	**151,938,731**	**667,500,683**	**25,393,050**	**996,771,196**
Liabilities against assets subject to finance lease	**41,057,898**	**43,117,898**	**102,159,192**	-	**186,334,987**
Trade and other payables	**917,872,378**	-	-	-	**917,872,378**
Accrued mark up	**54,494,592**	-	-	-	**54,494,592**
Short term borrowings	**3,734,232,438**	-	-	-	**3,734,232,438**
	4,899,596,037	**195,056,629**	**769,659,875**	**25,393,050**	**5,889,705,591**

	2015				
	Within 6 months	More than 6 months and up to 1 year	More than 1 year and up to 5 years	More than 5 years	Total
	[R u p e e s]				
Financial Liabilities :					
Long term financing	34,430,798	230,965,398	843,718,913	-	1,109,115,109
Liabilities against assets subject to finance lease	31,986,674	28,455,432	134,567,617	-	195,009,723
Trade and other payables	755,013,500	-	-	-	755,013,500
Accrued mark up	48,183,599	-	-	-	48,183,599
Short term borrowings	2,876,362,164	-	-	-	2,876,362,164
	3,745,976,735	259,420,830	978,286,530	-	4,983,684,095

38.4 Capital risk Management:

The primary objective of the Company's capital management is to safeguard the company's ability to continue as a going concern, maintain healthy capital ratios, strong credit rating and optimal capital structures in order to ensure ample availability of finance for its existing and potential investment projects, so that it can continue to provide returns for shareholders thereby maximizing their wealth, benefits for other stakeholders and reduce the cost of capital.

The Board of Directors monitors the return on capital employed, which the Company defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company's objectives when managing capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- To provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of debt to equity ratio, calculated on the basis of total debt to equity.

	2016 Rupees	2015 Rupees
FINANCIAL LIABILITIES		
Long term financing	**996,771,196**	1,109,115,109
Liabilities against assets subject to finance lease	**186,334,987**	195,009,723
Short term borrowings	**3,734,232,438**	2,876,362,164
Debts	**4,917,338,621**	4,180,486,996
Equity	**4,052,954,953**	3,235,229,745
Total capital (equity + debt)	**8,970,293,574**	7,415,716,741
Gearing ratio	**54.82**	56.37

39. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on **October 05, 2016** by the Board of Directors of the Company.

40. GENERAL

40.1 Reclassification / Regrouping

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. During the year following reclassification is made in the corresponding figures.

		Reclassification	
	Rupees 2015	From	To
Staff salaries and benefits	**21,332,136**	Administrative expenses	Distribution cost
Labour charges	**110,947,452**	Conversion and processing charges	Salaries, wages and benefits
Bills payable	**68,596,724**	Bills payable	Trade creditors

40.2 Rounding

Figures have been rounded off to the nearest Rupee.

Chief Executive

Director

Glossary of Terms

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

if undelivered please return to:

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