

Annual Report 2014

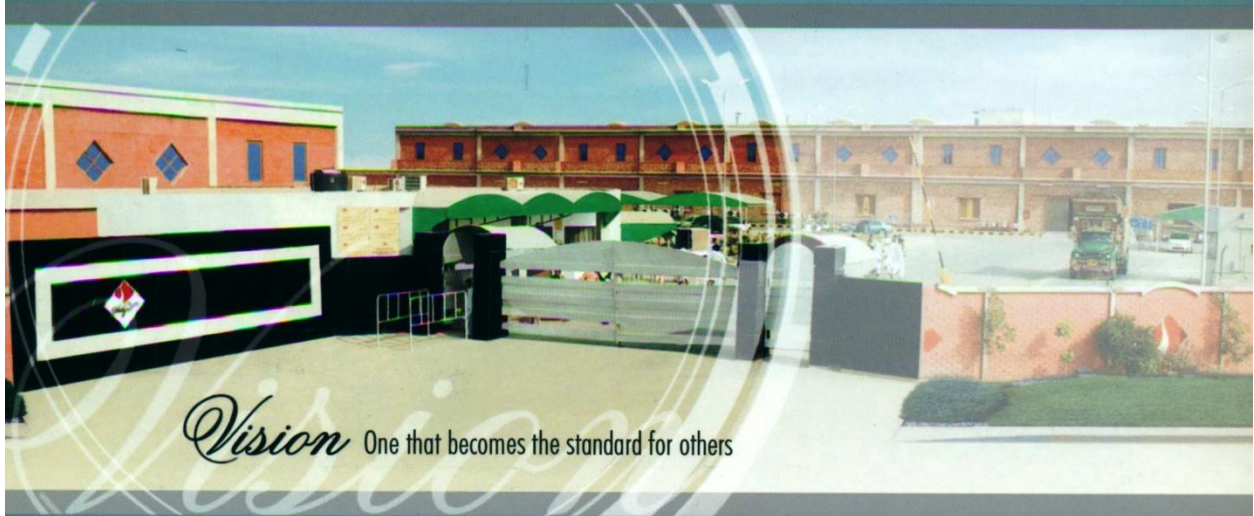
EMBROIDERED · DECORATIVE CUSHIONS
MANUFACTURE BRANDS DES
HIGHEST EXPERIENCED PRINTED LINEN · EMBROIDERED
RAW MATERIALS COLOURS BRANDS
GLOBALLY DISTRIBUTION
MARKETING RAW MATERIALS

SADAQAT



Sadaqat

ADDING QUALITY TO LIFE



Vision One that becomes the standard for others

Half a century ago, a textile trading family, known as the Sadaqat family started their textile business, in a small suburb; Chiniot, near Pakistan's famous textile city "Faisalabad". The newly established business was based on the core values of honesty and quality in business.

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 Limited is astutely diversified and includes manufacturing operations in home textiles. The management of the company is committed to the maintenance of international standard, along with a continue effort in actually raising acceptable norms of quality and services in order to be dynamic and at the same time successfully met the new challenges of ever changing business environment by adopting pro-active behavior.

Sadaqat Limited 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.



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COMPANY PROFILE

BOARD OF DIRECTORS

Mr. Mukhtar Ahmed	Chairman
Mr. Khurram Mukhtar	Chief Executive Officer
Mr. Hamid Mukhtar	Director
Mr. Awais Mukhtar	Director
Mr. Shoaib Mukhtar	Director
Mr. Imran Noor Mohmed	Director
Mr. Muhammad Ijaz	Director

CHIEF FINANCIAL OFFICER

Mr. Hummayun Shahzad

COMPANY SECRETARY

Mr. Muhammad Naseeb

AUDIT COMMITTEE

Mr. Hamid Mukhtar
Mr. Awais Mukhtar
Mr. Sajjad Hussain
Mr. Peer Muhammad

REGISTERED OFFICE / HEAD OFFICE

2KM Sahianwala Road, Khurrianwala, Faisalabad
Tel: 0092 41 111 010 111
Fax: 0092 41 8507511-12
URL: www.sadaqatgroup.net
Email: sadaqat.limited@sadaqatgroup.net

BANKERS

Habib Bank Limited.
United Bank Limited.
National Bank of Pakistan
Standard Chartered Bank (Pakistan) Limited
Askari Bank Limited.
NIB Bnak Limited.
The Bank Khyber

AUDITORS

Kreston Hyder Bhimji & Co.
Chartered Accountants
Business Center, Civil Lines, Faisalabad

LEGAL ADVISORS

AK Brohi & Co.
153-K, Block-2, PECHS, Karachi

Experience Matters
A solid
Management Structure

Years of experience, along family tradition and a solid management structure of people considered to be the very best in their field, has given sadaqat Ltd. the stability and wisdom to grow into the company it is today and provides us with the best foundation for continued growth.

“We strongly believe in people. Extensive experience throughout the management structure with a strong family bond gives us an edge over our competition.”

Believing in people

The strength of your company comes from the quality of the people who work within it. Our ideology of ‘a happy worker means a happy customer’ shows that we believe passionately in nurturing our workforce and providing the best possible working environment. Our faith and commitment to those who work for Sadaqat Ltd. is continually rewarded by their efforts and the results they bring.

VISION, MISSION & BUSINESS ETHICS STATEMENT

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.

STATEMENT OF ETHICS & BUSINESS PRACTICES

We believe in a 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.

Directors' Report

The Directors of Sadaqat Limited are pleased to present the 27th Annual Report for the year ended June 30, 2014 along with the Audited Financial Statements and Auditors' Report thereon.

Financial Performance at a Glance:

The financial performance of the company was remarkable during the current year. The growth both in revenue and profitability was good even in spite of volatility in exchange rates and energy short falls. Our financial strength depends on operational efficiencies of our manufacturing facilities and optimum financial management. The introduction of new and innovative technologies keeps us ahead of our competitors and enable us to meet changing demands of our customers.

The company is in a continuous process to upgrade and expand its production capabilities.

Operating Results.

Your company continued to perform well despite hardest business and economic conditions The operating results for year ended 30th June 2014 is summarized as under.

The company achieved revenue growth of 12.65% for the year ended 30th June 2014. Sales has increased from PKR 9.098 billion to PKR 10.249 billion during the year ended 30th June 2014 as compared to previous year ended 30th June 2013. Gross profit for the year under review is amounting to PKR 1,908.729 million as compared to PKR 1,831.103 million in prior year. Profit before taxation for the year ended 30th June 2014 PKR 416.374 Million (30th June 2013: PKR 373.293 Million). Whereas profit after taxation for the year under review is amounting to PKR 330.666 million as compared to PKR 310.565 million in prior year.

Financial statements

The financial statements of the company have been duly audited by the auditors of the company, Kreston Hyder Bhimji and Company, Chartered Accountants.

Auditors

The present auditors Kreston Hyder Bhimji and Company, Chartered Accountants shall retire on the conclusion of the 27th annual general meeting. Being eligible, they offer themselves for re-appointment as auditor of the company to hold office. The audit committee has recommended

the appointment of aforesaid Kreston Hyder Bhimji and Company Chartered Accountants, as external auditor for the year ended 30th June 2015.

Business Risks, Challenges and Future Outlook

Major threat for textile industry is power disruption due to shutdown of electricity and gas. It is one of the main causes of under utilization of textile capacity of country. During the shutdown of gas supply, machineries are operated through electricity generated from Diesel oil which is not cost effective and causes in increase in production cost.

Audit Committee

The audit committee of the company is working as required by the code of corporate governance. The audit committee has established internal audit system to monitor and review the adequacy and implementation of internal control at each level. The meetings of audit committee were held in compliance of the requirements of Code of Corporate Governance. Interim and annual financial statements were reviewed by the audit committee before the approval of board of directors.

Health, Safety & Environment

Health, safety & environment is our core value. The health and safety of our employees, the safety of our assets and the security of our operations always remain among the top priorities of the Company. The industry we operate in demands excellence in safety management and procedures. This is why safety is not only at the core of our sustainability efforts but at the core of our business. Safety is an all-encompassing priority for the Company, from the Board down to the business units. Due to these controls and with the blessing of Al-Mighty Allah no major accidents or incidents took place at the business units.

Company always ensures environment preservation and adopts all the possible means for environment protection like waste water treatment plant. We have been taking various steps to ensure minimal dust and emission from our plant and our production lines are installed with pollutant trapping and suppression systems to control dust particles and other emissions.

Human Resources

Human resource focused on two key areas: improving productivity / efficiency in the company and enhancing the quality of our workforce. In this regards several major initiatives were launched. The Company has employed experienced and qualified human resources to meet the challenges ahead. Company also plans to strengthen its team, use employee performance evaluation methods to further strengthen organization structure and effectiveness.

Corporate Social Responsibility

Company is working positively to raise the educational, health and environmental standards of the country in general and local communities in particular. Company is extensively supporting educational and health projects. Company spent PKR 7.50 million under social commitments during the year.

Remunerations to the Chief Executive, and Directors.

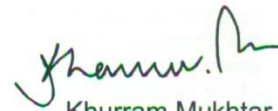
The company has increased remuneration of chief executive and directors keeping in view the inflation impact.

Acknowledgement

I extended my appreciation to the company's bankers, valued customers, suppliers, shareholders, SECP and government authorities for the cooperation extended by them during this period. Your directors also appreciate the efforts of the company's executives, managers, technicians and workers who have worked devotedly and achieve the targets set before them.

For and on behalf of the Board of Directors.

Date: October 04, 2014



Khurram Mukhtar
CHIEF EXECUTIVE

SADAQAT LIMITED

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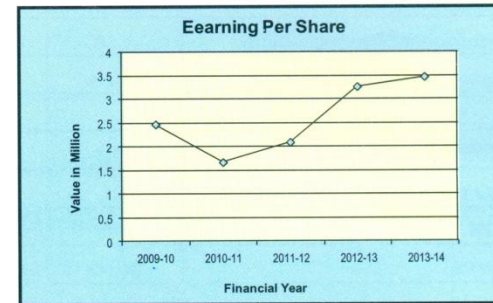
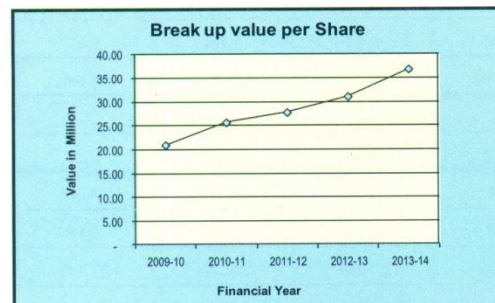
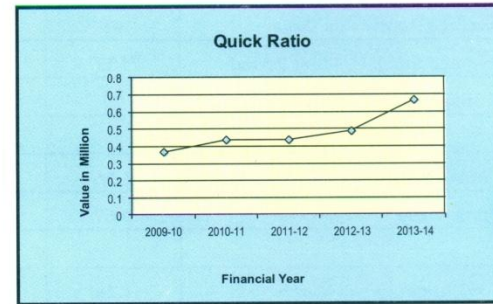
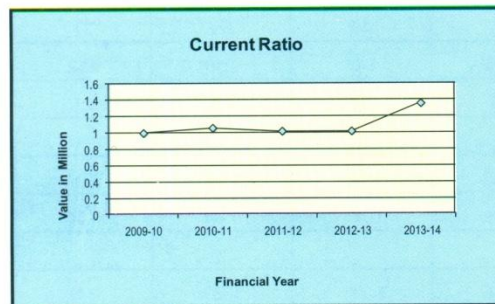
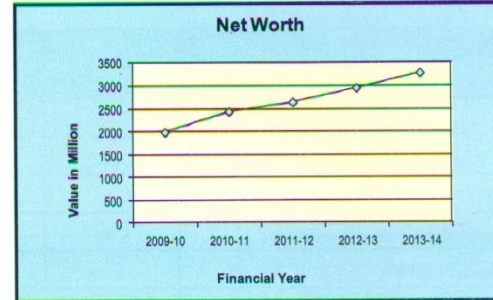
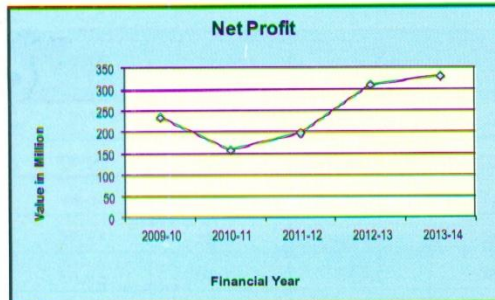
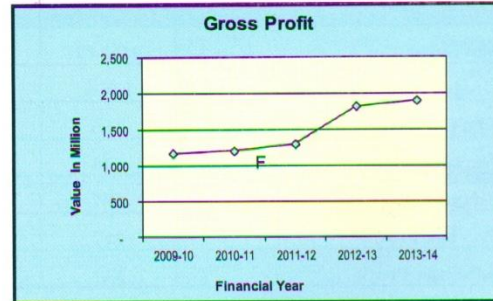
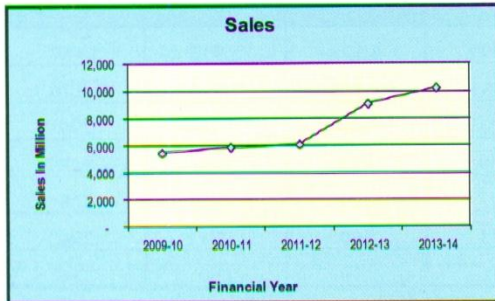
Financial Highlights:

Particulars	2014	2013	2012	2011	2010
Net Sales	10,249	9,099	6,123	5,912	5,487
Gross Profit	1,909	1,831	1,306	1,210	1,176
EBIT	416	373	259	221	294
Depreciation	528	628	493	132	418
Finance cost	427	407	359	361	328
Pre-Tax Profit	417	373	260	221	294
After tax Profit	331	311	199	160	236

Key Financial Indicators

Indicators	2014	2013	2012	2011	2010
Gross Profit/Net Sales	18.62	20.12	21.33	20.46	21.43
Net Profit/Net Sales	3.23	3.41	3.25	2.70	4.30
Operating Profit/ Net Sales	8.45	8.92	10.66	10.21	11.75
Taxes/EBIT	20.58	16.80	23.30	27.80	19.63
Average Receivable Days	41	45	49	39	31
Average Stock Holding Period	103	103	145	150	152
Average Payable Period	20	33	24	13	21
Current Ratio	1.36	1.02	1.02	1.06	1.00
Quick Ratio	0.67	0.49	0.44	0.44	0.37
Total Liability/Net Worth	1.28	1.36	1.28	1.29	1.48
Long Term Liability/Net Worth	0.34	0.10	0.07	0.07	0.09
Debt Service Coverage Ratio	1.80	1.84	1.51	1.04	1.47
Total Liabilities/Total Assets	56.1%	57.7%	56.2%	56.4%	59.7%
ROE%	12.2	13.2	9.9	9.0	13.7
ROA%	4.1	4.4	3.3	2.8	4.8
EPS	3.48	3.27	2.10	1.68	2.48
BVPS	36.90	31.10	27.80	25.70	21.00

GRAPHICAL PRESENTATION



AUDITORS' REPORT TO THE MEMBERS



We have audited the annexed balance sheet of **SADAQAT LIMITED** ("the Company") as at June 30, 2014 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 purpose of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied
 - (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, 2014 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.

DATE: October 04, 2014
FAISALABAD



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

SADAQAT LIMITED

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SADAQAT LIMITED

BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	5	3,438,094,738	3,133,258,854
Long term deposits	6	43,730,566	37,650,821
		<u>3,481,825,304</u>	<u>3,170,909,675</u>
CURRENT ASSETS			
Stores, spares and loose tools	7	280,859,202	274,422,661
Stock in trade	8	2,296,066,047	1,994,693,020
Trade debts	9	1,156,788,324	1,117,262,350
Advances, deposits, prepayment and other receivables	10	306,271,430	111,466,440
Tax refunds due from government	11	406,724,035	267,300,196
Cash and bank balances	12	66,836,539	46,693,979
		4,513,545,577	3,811,838,646
		<u>7,995,370,881</u>	<u>6,982,748,321</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized capital 100,000,000 (2013: 100,000,000) ordinary shares of Rs. 10/- each		1,000,000,000	1,000,000,000
Issued, subscribed and paid up capital	13	950,000,000	950,000,000
Unappropriated profit		1,768,318,075	1,408,294,609
		2,718,318,075	2,358,294,609
SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT	14	565,009,671	594,366,997
NON CURRENT LIABILITIES			
Long term financing	15	1,327,225,595	262,485,499
Liabilities against assets subject to finance lease	16	75,549,485	44,902,493
Long term deposits	17	400,000	-
		1,403,175,080	307,387,992
CURRENT LIABILITIES			
Trade and other payables	18	665,821,762	940,729,674
Mark up accrued	19	68,071,245	51,266,089
Short term borrowings	20	2,390,917,149	2,598,765,360
Current portion of non current liabilities	21	184,057,899	131,937,600
		3,308,868,055	3,722,698,723
CONTINGENCIES AND COMMITMENTS	22		
		<u>7,995,370,881</u>	<u>6,982,748,321</u>

The annexed notes from 1 to 41 form an integral part of these financial statements.


CHIEF EXECUTIVE




DIRECTOR

SADAQAT LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
Sales - Net	23	10,249,010,141	9,098,942,747
Cost of sales	24	8,340,280,382	7,267,839,484
Gross profit		1,908,729,759	1,831,103,263
Operating expenses			
Distribution cost	25	564,334,186	548,148,216
Administrative expenses	26	478,795,964	470,947,552
Other expenses	27	27,093,006	31,895,830
Finance cost	28	426,590,371	407,082,707
		1,496,813,527	1,458,074,305
		411,916,232	373,028,958
Other income	29	4,458,571	264,864
Profit before taxation		416,374,803	373,293,822
Taxation	30	85,708,663	62,728,081
Profit for the year		330,666,140	310,565,741
Earning per share - Basic	31	3.48	3.27

The annexed notes from 1 to 41 form an integral part of these financial statements.


CHIEF EXECUTIVE




DIRECTOR

SADAQAT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2014

	2014 Rupees	2013 Rupees
Profit for the year	330,666,140	310,565,741
Other comprehensive income for the year	-	-
Comprehensive income for the year	<u>330,666,140</u>	<u>310,565,741</u>

The annexed notes from 1 to 41 form an integral part of these financial statements.


CHIEF EXECUTIVE




DIRECTOR

SADAQAT LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	32	173,571,384	765,884,784
Finance cost paid		(409,785,215)	(412,514,083)
Income tax paid		(115,164,699)	(96,620,000)
Workers' profit participation fund paid		(20,048,003)	(13,930,205)
Net cash (used in)/generated from operating activities		(371,426,533)	242,820,496
b) CASH FLOWS FROM INVESTING ACTIVITIES			
Addition in property, plant and equipment		(446,700,108)	(594,975,570)
Proceeds from disposal of property, plant and equipment		3,163,964	550,000
Long term deposits		(2,032,979)	2,275,569
Security deposit received		400,000	-
Net cash used in investing activities		(445,169,123)	(592,150,001)
c) CASH FLOWS FROM FINANCING ACTIVITIES			
Long term financing - net		1,097,853,906	154,666,555
Repayment of liabilities against assets subject to finance lease		(53,267,479)	(41,274,787)
Short term borrowings - net		(207,848,211)	243,052,405
Net cash generated from financing activities		836,738,216	356,444,173
Net increase in cash and cash equivalents	(a+b+c)	20,142,560	7,114,668
Cash and cash equivalents at the beginning of the year		46,693,979	39,579,312
Cash and cash equivalents at the end of the year	12	66,836,539	46,693,979

The annexed notes from 1 to 41 form an integral part of these financial statements.


CHIEF EXECUTIVE




DIRECTOR

SADAQAT LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2014

	Share capital	Unappropriated profit	Total
	[R	U P E E	S]
Balance as at July 01, 2012	950,000,000	1,065,109,616	2,015,109,616
Incremental depreciation on revalued property, plant and equipment for the year	-	32,619,252	32,619,252
Total comprehensive income for the year	-	310,565,741	310,565,741
Balance as at June 30, 2013	950,000,000	1,408,294,609	2,358,294,609
Incremental depreciation on revalued property, plant and equipment for the year	-	29,357,326	29,357,326
Total comprehensive income for the year	-	330,666,140	330,666,140
Balance as at June 30, 2014	950,000,000	1,768,318,075	2,718,318,075

The annexed notes from 1 to 41 form an integral part of these financial statements.


 CHIEF EXECUTIVE




 DIRECTOR

SADAQAT LIMITED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

1 LEGAL STATUS AND OPERATIONS

Sadaqat Limited (the Company) was initially incorporated in Pakistan as a private limited company under the Companies Ordinance, 1984 on November 01, 1987 in the name and style "Sadaqat Textile Mills (Private) Limited". On June 03, 2008 the Company was converted into public limited 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 the approved accounting standards as applicable in Pakistan. 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. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

2.2 Standards and interpretations that became effective but not relevant to the Company or do not have material effect

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

2.3 Standards and interpretations issued but not yet effective for the current financial year

There were certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2013, but are considered not to be relevant or have any significant effect on the company's operations, other than presentation / disclosures and are, therefore, not disclosed in these financial statements.

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

		IASB Effective date
		Accounting periods beginning on or after
IAS-16	Property, Plant and Equipment	July 01, 2014
IAS-24	Related Party Disclosures	July 01, 2014
IAS-32	Financial Instrument: Presentation (Amendments)	January 01, 2014
IAS-36	Impairments of Assets	January 01, 2014
IAS-39	Financial Instrument: Recognition & Measurement (Amendments)	January 01, 2014
IFRIC-21	Levies	January 01, 2014

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for staff retirement benefits that are measured at present value. The Company's significant accounting policies are stated in note 4. In these financial statements, except for cash flow statement, all the transactions have been accounted for on accrual basis.

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and 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 the 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 on going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions effect only that period, or in the period of revision and future periods if revisions effect both current and future periods.



Significant areas requiring the use of the management estimates in these financial statements relate to the useful life of the depreciable assets, provision for doubtful debts on account receivables and staff retirement benefits. However, assumptions and judgments made by management in the application of accounting policies that have significant effect on the financial statements are not expected to result in material adjustment to the carrying amounts of assets and liabilities in the next year.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Staff retirement benefits

Defined contribution plan

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.

4.2 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking in to account tax credits, rebates and exemptions available, if any. For income covered under final tax 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 all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

4.3 Property, plant and equipment

Owned

These are stated at cost less accumulated depreciation and impairment, if any, except free hold land and Capital work-in-progress. Cost in relation to fixed assets signifies historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Free hold land and Capital work-in-progress are stated at historical cost less impairment, if any.

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.

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 property, plant and equipment are included in current income.

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

Assets subject to finance lease

In view of certainty of ownership of the assets at the end of the lease period, assets subject to finance lease are stated at cost less accumulated depreciation. These assets are depreciated over their expected useful lives on the same basis as owned assets.



4.4 Lease payments

4.4.1 Finance lease

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset are classified as finance leases. Assets subject to finance lease are stated at amounts equal to the fair value or, if lower, the present value of the minimum lease payments. The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. Assets acquired under finance leases are depreciated in accordance with the Company's policy on property, plant and equipment. The finance cost is charged to profit and loss account and is included under financial charges.

4.4.2 Operating lease/Ijarah contract

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

Payments made under Ijarah contracts are recognized in the profit and loss account on a straight-line basis over the term of the lease.

4.5 Provisions

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

4.6 Stores and spares

Stores and spares are stated at lower of weighted average cost and net realizable value less impairment, if any.

4.7 Stock in trade

These are valued at lower of cost and net realizable value. Cost is determined 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		Raw material cost including a portion of production overheads.
Waste		At net realizable value.

4.8 Foreign currency translation

These financial statements are presented in Pak Rupee, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupee at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non monetary items are translated into Pak Rupee at exchange rates prevailing on the date of transaction or on the date when fair values are determined. The Company charges all the exchange differences to profit and loss account.

4.9 Drawback refund

Drawback income is accounted for on accrual basis in these financial statements.

4.10 Financial instruments

Financial instruments carried on the balance sheet include deposits, trade debts, loans and advances, other receivables, accrued interest, cash and bank balances, short term borrowings, long term financing, accrued mark-up and trade and other payables. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "Financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item and in the accounting policy of investments.

a) Trade and other receivables

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.



b) Borrowings

Borrowings are recognized initially at fair value and are subsequently stated at amortized cost; any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest rate method.

c) Trade and other payables

Liabilities for trade and other amounts payable are initially recognized at fair value which is normally the transaction cost.

4.11 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidences that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company considers evidence of impairment for receivables and other financial assets at specific asset levels. Losses are recognized 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.

4.12 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only 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 settle the liabilities simultaneously.

4.13 Cash and cash equivalents

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

4.14 Related party transactions and transfer pricing

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

4.15 Revenue recognition

Revenue is recognized to the extent it is probable that the economic benefits will flow to the company and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable. The revenue from diverse sources is recognised as explained below:

- Revenue from sale of goods is recognized on dispatch of goods to customers.
- Revenue from other source is recognised on accrual basis.



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	Note	2014 Rupees	2013 Rupees
5 PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	3,298,166,080	2,935,305,239
Capital work in progress	5.2	139,928,658	197,955,615
		3,438,094,738	3,133,260,854

5.1 OPERATING FIXED ASSETS

DESCRIPTION	2014				2013				RATE %	
	C O S T				D E P R E C I A T I O N					
	As on July 1, 13	Additions	Transfers	(Deletions)	As on June 30, 14	As on July 1, 13	For the year	Adjust- ments		As on June 30, 14
[R U P E E S]										
Owned										
Freehold land	383,546,000	-	-	-	383,546,000	-	-	-	383,546,000	-
Buildings on freehold land	1,271,669,325	-	271,245,884	-	1,542,915,209	217,757,746	53,825,770	-	2,711,583,516	1,271,331,693
Plant and machinery	1,851,133,222	98,443,840	8,372,900	-	1,957,949,962	756,245,942	113,474,631	2,472,517	872,193,090	1,085,756,872
Office equipments	67,759,153	26,262,320	-	-	94,021,473	25,901,403	5,569,990	-	31,471,393	62,550,080
Electric installations	151,063,843	37,267,403	-	-	188,331,246	30,145,526	14,257,539	-	44,403,065	143,928,181
Furniture and fixtures	33,740,768	9,643,921	-	-	43,384,689	12,921,696	2,497,714	-	15,419,410	26,965,276
LPG gas installations	2,066,066	-	-	-	2,066,066	844,908	122,116	-	967,024	1,099,042
Generators	91,155,352	-	-	-	91,155,352	30,457,570	6,069,778	-	36,527,348	54,628,004
Work shop equipments	15,629,627	-	-	-	15,629,627	6,317,829	931,180	-	7,249,009	8,380,618
Vehicles	113,740,713	38,672,966	6,914,119	(7,252,244)	151,075,554	64,697,799	12,876,520	(2,002,700)	75,571,619	76,503,935
Sub total	3,980,504,066	210,290,450	286,532,903	(7,252,244)	4,470,078,178	1,148,290,419	209,625,238	469,817	1,388,385,474	3,114,689,701
Leasehold										
Plant and machinery	65,373,374	84,476,386	(8,372,900)	-	141,476,860	3,605,999	7,537,630	(2,472,517)	8,671,112	132,805,748
Generators	15,000,000	17,825,663	-	-	32,825,663	6,673,045	1,129,790	-	7,802,835	25,022,828
Vehicles	44,797,726	5,104,182	(6,914,119)	-	42,987,789	14,800,464	5,674,769	(3,135,247)	17,339,986	25,647,803
Sub total	125,171,100	107,406,231	(15,287,019)	-	217,290,312	25,079,508	14,342,189	(5,607,764)	33,813,933	183,476,379
Grand total	4,105,675,166	317,696,681	271,245,884	(7,252,244)	4,687,368,487	1,170,369,927	223,967,427	(5,137,947)	1,389,199,407	3,298,166,080

5.1.1 Depreciation for the year has been allocated as under:

	2014 Rupees	2013 Rupees
Cost of sales	191,278,656	181,598,618
Administrative expenses	32,688,771	30,935,336
	223,967,427	212,533,954



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OPERATING FIXED ASSETS

DESCRIPTION	2013										
	COST				DEPRECIATION				W.D.V		RATE %
	As on July 1, 12	Additions	Transfers	(Deletions)	As on June 30, 13	As on July 1, 12	For the year	Adjustments	As on June 30, 13	As on June 30, 13	
[R U P E E S]											
Owned											
Freehold land	383,546,000	-	-	-	383,546,000	-	-	-	-	383,546,000	-
Buildings on freehold land	1,140,612,036	131,087,289	-	-	1,271,699,325	168,316,656	49,441,090	-	217,757,746	1,053,911,579	5
Plant and machinery	1,557,828,530	271,356,692	21,948,000	-	1,851,133,222	637,209,080	111,796,524	7,240,358	756,245,942	1,094,887,280	10
Office equipments	59,502,107	8,287,046	-	-	67,789,153	21,709,745	4,191,658	-	25,901,403	41,887,750	10
Electric installations	83,348,234	67,715,609	-	-	151,063,843	19,758,041	10,387,485	-	30,145,526	120,918,317	10
Furniture and fixtures	29,168,878	3,871,887	-	-	32,740,765	10,852,152	2,069,544	-	12,921,696	19,819,069	10
Sol gas installations	2,066,066	-	-	-	2,066,066	704,640	140,268	-	844,908	1,221,158	10
Generators	70,732,418	20,422,934	-	-	91,155,352	24,686,406	5,771,164	-	30,457,570	60,697,782	10
Work shop equipments	13,442,260	2,187,367	-	-	15,629,627	5,373,769	944,060	-	6,317,829	9,311,798	10
Vehicles	91,161,124	15,509,880	15,570,000	(8,500,000)	113,740,713	46,765,444	10,559,184	7,514,838	64,697,799	49,042,914	20
								(141,667)			
Sub total	3,431,407,653	520,078,413	29,018,000	-	3,980,504,066	938,378,913	198,300,977	14,613,529	1,144,290,419	2,835,213,647	
Leasehold											
Plant and machinery	69,927,374	19,394,000	(21,948,000)	-	65,373,374	2,882,383	7,963,974	(7,240,358)	3,605,999	61,767,375	10
Generators	15,000,000	-	-	-	15,000,000	5,747,828	925,217	-	6,673,045	8,326,955	10
Vehicles	44,336,670	16,603,604	(15,570,000)	(572,548)	44,797,726	13,912,869	8,343,786	(7,456,191)	14,800,464	29,997,262	20
Sub total	129,264,044	35,997,604	(37,518,000)	(572,548)	126,171,100	22,543,080	17,232,977	(14,696,549)	25,079,508	100,091,592	
Grand total	3,560,671,697	554,076,017	(8,500,000)	(572,548)	4,105,675,166	967,918,993	212,533,954	(83,020)	1,170,369,927	2,935,305,239	



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5.1.2 Had there been no revaluation, the related figures of freehold land, building on freehold land and plant and machinery as at June 30, 2014 and June 30, 2013 would have been as follows:

	2014		
	Cost	Accumulated depreciation	Written down value
Freehold land	82,752,267	-	82,752,267
Plant and machinery	1,332,675,461	511,134,527	821,540,934
	1,415,427,728	511,134,527	904,293,201

	2013		
	Cost	Accumulated depreciation	Written down value
Freehold land	82,752,267	-	82,752,267
Plant and machinery	1,225,858,721	424,544,705	801,314,016
	1,308,610,988	424,544,705	884,066,283

	Note	2014 Rupees	2013 Rupees
5.2 CAPITAL WORK IN PROGRESS			
Civil work		22,679,035	197,953,615
Plant and machinery		117,249,623	-
		139,928,658	197,953,615
6. LONG TERM DEPOSITS			
Lease key money		24,075,950	20,029,184
LG margin with banks		17,610,630	16,072,950
Security deposits - FESCO		715,472	715,472
Other deposits		1,328,514	833,215
		43,730,566	37,650,821
7. STORES, SPARES AND LOOSE TOOLS			
Stores		245,193,398	260,104,826
Spares		35,665,804	12,060,251
Loose tools		-	2,257,584
		280,859,202	274,422,661
8. STOCK IN TRADE			
Raw material		905,524,158	786,151,131
Work in process		836,850,959	718,850,959
Finished goods		553,690,930	489,690,930
		2,296,066,047	1,994,693,020
9. TRADE DEBTS			
Considered good			
Foreign			
- Secured		1,054,319,489	510,292,102
- Unsecured		87,279,514	600,037,062
		1,141,599,003	1,110,329,164
Local			
- Unsecured	9.1	15,189,321	6,933,186
		1,156,788,324	1,117,262,350

9.1 It includes Rs. 5,251,779 (2013: Rs. 3,834,165) due from KHAS Holdings - a related party.



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	Note	2014 Rupees	2013 Rupees
10. ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES			
Advances - considered good			
- Employees		6,072,473	7,322,979
- Suppliers		159,644,857	97,125,450
Deposits			
- Term deposit	10.1	100,000,000	-
- Deposit under collection account		6,255,000	-
- Deposit under debt repayment account		10,846,759	-
- Letters of credit		3,050,246	4,905,893
- Lease key money		14,656,694	-
Prepayment			
- Insurance		2,486,497	2,112,118
Other receivables			
- Profit on term deposit		3,258,904	-
		306,271,430	111,466,440
10.1 It carries interest rate at the rate of 9.75 % (2013: Nil) per annum.			
11. TAX REFUNDS DUE FROM GOVERNMENT			
Income tax		77,554,937	48,098,901
Duty drawback		63,743,500	30,375,977
Drawback of local taxes and levies		38,860,937	65,749,954
Special excise duty		12,442,697	12,442,697
Sales tax		214,121,964	110,632,667
		406,724,035	267,300,196
12. CASH AND BANK BALANCES			
Cash in hand		37,725,910	32,262,984
Cash at banks			
In current accounts		29,063,538	14,383,880
In foreign currency account		47,091	47,115
		66,836,539	46,693,979
13. ISSUED, SUBSCRIBED AND PAID UP CAPITAL			
		2014 Rupees	2013 Rupees
2014 Number of shares	2013		
44,147,801	44,147,801	441,478,010	441,478,010
4,573,890	4,573,890	45,738,900	45,738,900
46,278,309	46,278,309	462,783,090	462,783,090
95,000,000	95,000,000	950,000,000	950,000,000



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14. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT

	2014 Rupees	2013 Rupees
Opening balance	594,366,997	626,986,249
Less: Incremental depreciation transferred to unappropriated profit	(29,357,326)	(32,619,252)
	<u>565,009,671</u>	<u>594,366,997</u>

The 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 and third revaluation was carried out on 15th July 2010 by the independent valuers M/S Materials & Designs Services (Private) Limited. The resultant surplus on revaluation of freehold land and plant and machinery 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
Plant and machinery	Depreciated replacement value

15. LONG TERM FINANCING

Particulars	From banking companies under mark up arrangements				From related party	2014 Rupees	2013 Rupees
	LTF-EOP/ LTF	Demand finance	Syndicated term finance	Total			
Opening balance	59,074,105	182,568,870	-	241,642,975	121,300,000	362,942,975	208,276,420
Obtained during the year	-	92,000,000	999,952,150	1,091,952,150	207,206,880	1,299,159,030	250,274,500
	59,074,105	274,568,870	999,952,150	1,333,595,125	328,506,880	1,662,102,005	458,550,920
Paid / transferred during the year	37,554,112	60,244,132	-	97,798,244	103,506,880	201,305,124	95,607,945
	21,519,993	214,324,738	999,952,150	1,235,796,881	225,000,000	1,460,796,881	362,942,975
Current portion shown under current liabilities	18,334,593	65,236,693	50,000,000	133,571,286	-	133,571,286	100,457,476
	<u>3,185,400</u>	<u>149,088,045</u>	<u>949,952,150</u>	<u>1,102,225,595</u>	<u>225,000,000</u>	<u>1,327,225,595</u>	<u>262,485,499</u>
Security	Secured	Secured	Secured		Unsecured		
Nature of instalment	Quarterly/ Monthly	Quarterly/ Monthly	Quarterly		-		
	15.1	15.2	15.3		15.4		

- 15.1 These loans are secured against joint parri passu charge over fixed for Rs. 2,185 million, specific exclusive charge on imported machinery for Rs. 60 million and personal guarantee of all sponsoring directors of company. Markup is charged at the rate specified by State Bank of Pakistan.
- 15.2 These loans are secured against securities mentioned in note 15.1 and specific/exclusive charge of Rs. 122 million over machinery and lien on import documents. Mark up rate is 3 to 6 month KIBOR + 2% per annum.
- 15.3 The facility is secured by parri passu charge over all current assets of the company amounting to 333.33 million, mortgage 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 month KIBOR + 2.75% per annum.
- 15.4 It is an interest free loan received from directors for issuance of shares by increasing authorized capital.



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	Note	2014 Rupees	2013 Rupees
16. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Future minimum lease payments		151,739,157	85,820,257
Less: Unamortized finance charges		(25,703,059)	(9,437,640)
Present value of future minimum lease payments		126,036,098	76,382,617
Less: Current portion shown under current liabilities		(50,486,613)	(31,480,124)
		75,549,485	44,902,493
<p>The Company has been entered into various lease agreements for lease of vehicles and plant and machinery with Habib Bank Limited, Orix Leasing Pakistan Limited, and Pak Brunei Investment Company Limited. Purchase option is available to the Company at the end of lease term by surrender of lease key money. Interest rate implicit in lease finance ranges from 12% to 19% per annum (2013: 11% to 19% per annum). These are secured by way of title of leased assets, specific exclusive charge of Rs. 7 million over fixed assets of the company in favour of Orix Leasing Company and personal guarantee of all sponsoring directors.</p> <p>Total future minimum lease payments and their present value at reporting date are as under:</p>			
Gross minimum lease payments:			
- Due within one year		61,029,770	38,502,721
- Due after one year but not later than five years		81,488,036	47,317,536
- Due after five years		9,221,351	-
		151,739,157	85,820,257
Present value of minimum lease payments:			
- Due within one year		50,486,613	31,480,124
- Due after one year but not later than five years		66,373,161	44,902,493
- Due after five years		9,176,324	-
		126,036,098	76,382,617
17. LONG TERM DEPOSITS			
Security deposits from tenant		400,000	-
18. TRADE AND OTHER PAYABLES			
Trade creditors		441,927,337	641,167,735
Bills payable		94,269,478	187,666,415
Accrued liabilities		62,524,969	58,772,433
Advances			
- From customers		27,535,550	15,460,123
- Others		35,000	-
Workers' profit participation fund	18.1	21,914,463	20,048,003
Workers' welfare fund		17,614,965	17,614,965
		665,821,762	940,729,674
18.1 WORKERS' PROFIT PARTICIPATION FUND			
Opening balance		20,048,003	13,930,205
Interest on funds utilized in Company's business		597,932	744,337
		20,645,935	14,674,542
Less: paid during the year		(20,645,935)	(14,674,542)
		-	-
Add: allocation for the year		21,914,463	20,048,003
		21,914,463	20,048,003
19. MARK UP ACCRUED			
Long term financing		26,182,234	7,821,440
Short term borrowings		41,889,011	43,444,649
		68,071,245	51,266,089



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	Note	2014 Rupees	2013 Rupees
20. SHORT TERM BORROWINGS			
Under mark up arrangement			
Secured - From banking companies			
Export refinance facilities	20.2	712,000,000	922,000,000
Short term running finance	20.3	79,122,103	88,190,602
Other short term finance	20.4	1,528,115,046	1,347,432,978
Export finance under FE-25	20.5	71,680,000	221,141,780
		<u>2,390,917,149</u>	<u>2,578,765,360</u>
Un-secured - Others			
Sadaqat Limited - Employees' Provident Fund Trust		-	20,000,000
		<u>2,390,917,149</u>	<u>2,598,765,360</u>

20.1 These loans are secured against securities mentioned in note 15.1 and joint parri passu charge on current assets of the company for 2,345 million and ranking charge on fixed assets for Rs. 200 million, ranking charge on current assets for 373 million, lien on import and export documents and personal guarantee of all the directors of the company. Available limits and pricing are as under;

	Limit	Pricing
	2014	
	Rupees in million	
20.2	830	As per SBP tariff for banks plus 1% p.a.
20.3	90	At the rate of KIBOR plus 2.25% to 2.75 % p.a.
20.4	1,637	At the rate of 1 to 3 month's KIBOR plus 2% to 2.5% p.a.
20.5	355	At the rate of LIBOR + 2.75 % to 4% p.a.

21. CURRENT PORTION OF NON CURRENT LIABILITIES

Long term financing	15	133,571,286	100,457,476
Liabilities against assets subject to finance lease	16	50,486,613	31,480,124
		<u>184,057,899</u>	<u>131,937,600</u>

22. CONTINGENCIES AND COMMITMENTS

Contingencies

22.1 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	4,160,700
- Collector of customs Karachi for infrastructure cess	993,500	993,500

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

420,318,032

309,239,033

22.3 Foreign bills (Under Letter of Credits) discounted with banks

100,908,483

66,937,810

22.4 Sui Northern Gas Pipelines Limited (SNGPL) has indicated to collect Gas Infrastructure Development Cess (GIDC) amounting to Rs 20,749,925/- on its bill, in pursuance of the provisions of Gas Infrastructure Development Cess Ordinance, 2014. The company filed a petition in Honourable Lahore High Court against such levy of GIDC vide writ petition No. 27764 of 2014 which is pending adjudication.

22.5 As per judgment of Lahore High Court vide case no. W.P.No. 8763/2011 against imposition of Workers' Welfare Fund (WWF) on incomes of taxpayers falling under final tax regime declared unconstitutional in consequent of amendments introduced vide Finance Act 2006 and 2008. The department preferred intra court appeal in the Lahore High Court which is pending adjudication. Therefore no provision for WWF amounting to Rs. 8,428,485/- for current year has been made in these accounts.

Commitment

Under letters of credit.

83,568,000

8,980,000



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	Note	2014 Rupees	2013 Rupees
23. SALES - NET			
Export sales	23.1	10,488,062,327	9,114,458,778
Local sales	23.2	70,058,830	124,890,132
Gross sales		10,558,121,157	9,239,348,910
Less:			
- Foreign commission and discount		(306,626,047)	(138,259,725)
- Sales tax		(2,484,969)	(2,146,438)
		(309,111,016)	(140,406,163)
		10,249,010,141	9,098,942,747
23.1 It includes exchange (loss)/gain amounting to (Rs. 54.19) million (2013: Rs. 35.63 million).			
23.2 It includes sales of Rs. 8,445,809/- (2013: Rs. 3,834,165) to KHAS Holdings - a related party.			
24. COST OF SALES			
Raw material consumed	24.1	5,726,554,170	4,585,099,743
Stores and spares consumed	24.2	1,321,528,011	1,351,184,721
Salaries, wages and benefits	24.3	426,108,756	386,324,208
Fuel and power		500,326,910	388,491,057
Conversion and processing charges		260,604,024	269,409,331
Folding and packing		78,843,812	58,931,182
Insurance		16,589,086	13,539,720
Repairs and maintenance		32,002,233	7,580,415
Depreciation	5.1.1	191,278,656	181,598,618
Other factory overheads		50,406,484	32,510,123
		8,604,242,142	7,274,669,118
Work in process			
Opening balance		718,850,959	556,980,302
Closing balance		(836,850,959)	(718,850,959)
		(118,000,000)	(161,870,657)
Cost of goods manufactured		8,486,242,142	7,112,798,461
Finished goods			
Opening balance		489,690,930	705,108,775
Closing balance		(553,690,930)	(489,690,930)
		(64,000,000)	215,417,845
Duty drawback		(81,961,760)	(60,376,822)
		8,340,280,382	7,267,839,484
24.1 RAW MATERIAL CONSUMED			
Opening balance		786,151,131	589,125,401
Purchases		5,845,927,197	4,782,125,473
		6,632,078,328	5,371,250,874
Closing balance		(905,524,158)	(786,151,131)
		5,726,554,170	4,585,099,743
24.2 STORES AND SPARES CONSUMED			
Opening balance		274,422,661	259,007,943
Purchases		1,327,964,552	1,366,599,439
		1,602,387,213	1,625,607,382
Closing balance		(280,859,202)	(274,422,661)
		1,321,528,011	1,351,184,721
24.3 Salaries, wages and benefits include Rs. 8.33 million (2013: Rs. 4.19 million) in respect of provident fund contribution.			



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	Note	2014 Rupees	2013 Rupees
25. DISTRIBUTION COST			
Sea and air freight		236,851,996	233,378,352
Clearing and forwarding		136,487,163	130,682,304
Freight and octroi		144,121,611	140,775,816
Advertisement		132,145	216,047
Sales promotion expenses		18,664,270	19,557,838
Export development surcharge		25,795,732	21,970,991
Others		2,281,269	1,566,868
		564,334,186	548,148,216
26. ADMINISTRATIVE EXPENSES			
Directors' remuneration		30,992,520	18,000,000
Staff salaries and benefits	26.1	191,531,819	186,429,704
Postage and telecommunication		34,150,211	32,310,802
Electricity, gas and water		26,436,567	39,079,617
Printing and stationery		14,074,787	20,561,407
Vehicle running and maintenance		35,521,268	36,749,527
Travelling and conveyance		59,850,134	60,223,444
Fee and subscription		8,237,187	5,066,427
Legal and professional		1,807,669	1,216,700
Entertainment		20,541,703	20,185,217
Repairs and maintenance		8,550,093	8,125,812
Auditors' remuneration	26.2	1,550,000	1,550,000
Insurance		3,000,442	2,437,420
Depreciation	5.1.1	32,688,771	30,935,336
Others		9,862,793	8,076,139
		478,795,964	470,947,552
26.1 Staff salaries and benefits include Rs.4.68 million (2013: Rs.2.36 million) in respect of provident fund contribution.			
26.2 AUDITORS' REMUNERATION			
Audit fee		1,500,000	1,500,000
Out of pocket expenses		50,000	50,000
		1,550,000	1,550,000
27. OTHER EXPENSES			
Workers' profit participation fund		21,914,463	20,048,003
Workers' welfare fund		-	7,618,241
Charity and donations		3,695,681	4,139,774
Exchange loss	27.1	1,482,862	89,812
		27,093,006	31,895,830
27.1 Names of donees in which a director or his spouse has an interest:			
Name of Donor	Interest in Donee	Name of Donee	
Mr. Mukhtar Ahmad	Trustee	Chiniot Blood Bank, Islamia Hospital Chiniot	900,000 450,000
28. FINANCE COST			
Profit on murabaha		-	10,438,219
Mark up on:			
- Long term financing		72,602,585	34,225,837
- Short term borrowings		247,275,562	269,469,281
Interest on workers' profit participation fund		597,932	744,337
Interest on Sadaqat Limited - Employees' Provident Fund Trust		1,410,013	2,449,932
Lease finance charges		8,396,110	10,743,168
Bank charges and commission		96,308,169	79,011,933
		426,590,371	407,082,707



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	Note	2014 Rupees	2013 Rupees
29. OTHER INCOME			
Income from financial assets			
Exchange gain on foreign currency account		-	204,393
Interest on term deposits	10.1	3,258,904	-
Income from non-financial assets			
Gain on disposal of property, plant and equipment		1,049,667	60,471
Rental income		150,000	-
		<u>4,458,571</u>	<u>264,864</u>
30. TAXATION			
Current		<u>85,708,663</u>	<u>62,728,081</u>

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.

31. EARNINGS PER SHARE-BASIC

Profit for the year (Rupees)	<u>330,666,140</u>	<u>310,565,741</u>
Weighted average number of ordinary shares outstanding during the year	<u>95,000,000</u>	<u>95,000,000</u>
Earnings per share-Basic (Rupees)	<u>3.48</u>	<u>3.27</u>

There is no dilutive effect on the basic earnings per share of the Company.

32. CASH GENERATED FROM OPERATIONS

Profit before taxation	416,374,803	373,293,822
Adjustments for:		
Depreciation on property, plant and equipment	223,967,427	212,533,954
Gain on disposal of property, plant and equipment	(1,049,667)	(60,471)
Workers' welfare fund	-	7,618,241
Finance cost	426,590,371	407,082,707
Workers' profit participation fund	21,914,463	20,048,003
Interest income	(3,258,904)	-
Operating cash flows before working capital changes	<u>1,084,538,493</u>	<u>1,020,516,256</u>
Changes in working capital		
(Increase) / decrease in current assets		
Stores, spares and loose tools	(6,436,541)	(15,414,718)
Stock in trade	(301,373,027)	(143,478,542)
Trade debts	(39,525,974)	(290,317,938)
Advances, deposits, prepayments and other receivables	(176,889,392)	(22,015,203)
Tax refunds due from government	(109,967,803)	(31,526,579)
(Decrease) / increase in current liabilities		
Trade and other payables	(276,774,372)	248,121,508
	<u>(910,967,109)</u>	<u>(254,631,472)</u>
	<u>173,571,384</u>	<u>765,884,784</u>



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33. SUBSEQUENT EVENTS

The company has increased its authorized capital from Rs. 1.0 billion to Rs. 1.5 billion subsequently on September 18, 2014.

34. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2014			2013			
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives	
	[R	U	P	E	S]
Managerial remuneration	4,000,000	16,595,512	10,421,364	2,400,000	10,160,000	7,464,000	
House rent allowance	1,600,000	6,737,457	4,168,548	960,000	3,224,000	2,985,600	
Utilities	400,000	1,659,551	1,042,140	240,000	1,016,000	746,400	
Total	6,000,000	24,992,520	15,632,052	3,600,000	14,400,000	11,196,000	
Number of persons	1	5	15	1	5	13	

34.1 The directors have waived off their meeting fee.

35. 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 34. Other significant transactions with related parties are as under:

Name of related party	2014 Rupees	2013 Rupees
Sadaqat Global Limited - UK		
Sales	1,680,745,000	1,222,421,487
Commission expense	40,559,360	21,049,064

36. 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

Financial assets :

Long term deposits	19,654,616	17,621,637
Trade debts	1,156,788,324	1,117,262,350
Advances, deposits, prepayment and other receivables	129,483,382	12,228,872
Cash and bank balances	66,836,539	46,693,979
	1,372,762,861	1,193,806,838

Financial Liabilities :

Long term financing	1,460,796,881	362,942,975
Liabilities against assets subject to finance lease	126,036,098	76,382,617
Trade and other payables	598,721,784	887,606,583
Accrued mark up	68,071,245	51,266,089
Short term borrowings	2,390,917,149	2,598,765,360
	4,644,543,157	3,976,963,624



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36.1 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: yield/mark-up rate risk, currency risk, and other price risk, such as equity risk. 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, 2013 and 2014.

36.1.1 Yield/Mark-up rate risk:

Yield/mark-up rate risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in the market yield/mark-up rates. Sensitivity to yield/mark-up rate risk arises from mismatch of financial assets and liabilities that mature or reprice in a given period. Significant interest rate risk exposure are primarily managed by a mix of borrowings at fixed and variable interest rates.

The effective yield/mark-up rate on the financial assets and liabilities to which the company is exposed to are disclosed in their respective notes to the financial statements.

36.1.2 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 debtors and advances from customers denominated in foreign currency.

36.1.3 Other price risk / Equity 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 such as equity price risk. Equity price risk is the risk arising from uncertainties about future values of investments securities. As at balance sheet date, the Company is not exposed to equity price risk as the Company do not have any investments in equity market.

36.2 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 :

FINANCIAL ASSETS	2014	2013
	Rupees	Rupees
Long term deposits	19,654,616	17,621,637
Trade debts	1,156,788,324	1,117,262,350
Advances, deposits, prepayment and other receivables	129,483,382	12,228,872
Bank balances	29,110,629	14,430,995
	1,335,036,951	1,161,543,854

Credit quality of financial assets

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.

For trade debts, 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.

The credit risk on liquid funds is limited because the counter parties are banks with reasonably high credit ratings.

36.3 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, 2014 and 2013 based on contractual undiscounted payments date and present market interest rates.



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2014					
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	43,282,556	90,288,730	952,273,445	374,952,150	1,460,796,881
Liabilities against assets subject to finance lease	23,092,752	27,393,861	66,373,161	9,176,324	126,036,098
Trade and other payables	598,721,784	-	-	-	598,721,784
Accrued mark up	68,071,245	-	-	-	68,071,245
Short term borrowings	2,390,917,149	-	-	-	2,390,917,149
	3,124,085,486	117,682,591	1,018,646,606	384,128,474	4,644,543,157
2013					
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	69,852,078	30,605,398	141,185,499	121,300,000	362,942,975
Liabilities against assets subject to finance lease	16,122,897	15,357,227	44,902,493	-	76,382,617
Trade and other payables	887,606,583	-	-	-	887,606,583
Accrued mark up	51,266,089	-	-	-	51,266,089
Short term borrowings	2,598,765,360	-	-	-	2,598,765,360
	3,623,613,007	45,962,625	186,087,992	121,300,000	3,976,963,624

36.4 Fair value of financial instruments:

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

36.5 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 Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the company may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares through bonus or right issue or sell assets to reduce debts or raise debts, if required. No changes were made in the capital structure during the year ended June 30, 2014.

The company monitors capital by using a gearing ratio, which is calculated as borrowings divided by total capital employed. Borrowings represent long term financing, lease finance and short term borrowings obtained by the Company. Total capital employed includes 'total equity' plus 'borrowings'. The Company's strategy, which was unchanged from the last year, was to maintain a gearing ratio of 60% debt and 40% equity.

FINANCIAL LIABILITIES

Long term financing	1,460,796,881
Liabilities against assets subject to finance lease	126,036,098
Short term borrowings	2,390,917,149
Debts	3,977,750,128
Equity	2,718,318,075
Total capital (equity + debt)	6,696,068,203
Gearing ratio	59.40

2014	2013
Rupees	Rupees
1,460,796,881	362,942,975
126,036,098	76,382,617
2,390,917,149	2,598,765,360
3,977,750,128	3,038,090,952
2,718,318,075	2,358,294,609
6,696,068,203	5,396,385,561
59.40	56.30



37. EMPLOYEES PROVIDENT FUND TRUST

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

	2014 Rupees	2013 Rupees
Size of the fund	53,325,765	34,133,608
Cost of investment made	35,000,000	26,000,000
Percentage of investments made	65.63%	76.17%
Fair value of investments	35,973,466	27,323,029

	2014		2013	
	Rupees	% of full	Rupees	% of full
Term deposits in banks	20,000,000	57.14%	6,000,000	23.08%
NAFA government securities	10,000,000	28.57%	-	0.00%
Sadaqat Limited-Employee Provident Fund Trust	5,000,000	14.29%	20,000,000	76.92%
	<u>35,000,000</u>	<u>100.00%</u>	<u>26,000,000</u>	<u>100.00%</u>

38. PLANT CAPACITY AND PRODUCTION

Processing

		2014 Rupees	2013 Rupees
Installed capacity	Meters	60,000,000	60,000,000
Capacity utilized	Meters	54,000,000	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 short fall in actual production during the year when compared with capacity is mainly on account of:

- Temporary closure of business for maintenance and unfavorable market conditions and economic slow down in the country;
- The actual production is planned to meet the market demand and orders in hand; and
- Shortage of electricity.

39. NUMBER OF EMPLOYEES

The average number of employees for the year ended June 30, 2014 were 4,005 (2013: 3,880) and number of employees as at June 30, 2014 were 4,082 (2013: 3,929)

40. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on **04-October 2014** by the Board of Directors of the Company.



41. GENERAL

41.1 Reclassification / Regrouping

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. Following changes have been made during the year.

		Reclassification / Regrouping		
		From	To	2013 Rupees
Income tax	Advances, deposits, prepayments and other receivables	Tax refunds due from government		48,098,901
Duty drawback receivable	Advances, deposits, prepayments and other receivables	Tax refunds due from government		30,375,977
Drawback of local taxes and levies	Advances, deposits, prepayments and other receivables	Tax refunds due from government		65,749,954
Special excise duty	Advances, deposits, prepayments and other receivables - Other receivables	Tax refunds due from government		12,442,697
Sales tax	Advances, deposits, prepayments and other receivables	Tax refunds due from government		110,632,667
Sales promotion activities	Advertisement	Sales promotion expenses		19,557,838
LG margin with banks	Advances, deposits, prepayments and other receivables	Long Term Deposits		3,717,900
Guarantee in favour of FESCO	Sui Northern Gas Pipelines Limited for supply of Gas	Faisalabad Electricity Supply Company for supply of electricity		4,160,700
Marine Insurance	Matrine insurance	Others		45,425

41.2 Following nomenclatures have been changed during the year:

Previous year nomenclature

Directors loan

Current year nomenclature

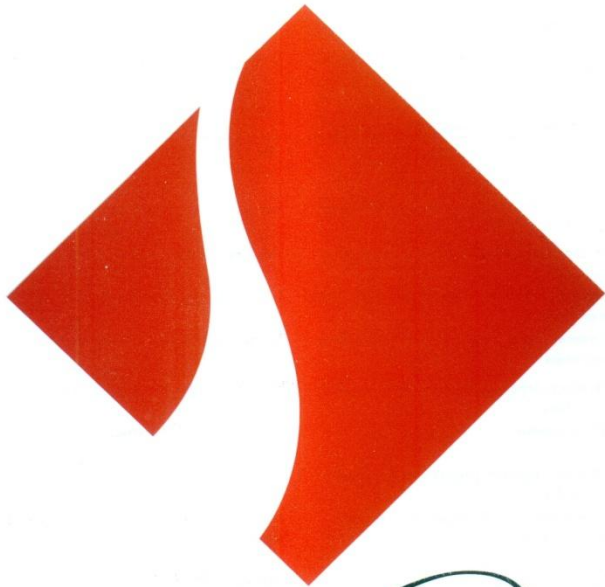
From related party

41.3 Figures have been rounded off to the nearest Rupee.


CHIEF EXECUTIVE




DIRECTOR



Sadagat

GLOBAL ACCESS:

- * USA
- * EUROPE
- * CANADA
- * AUSTRALIA
- * NEWZEALAND
- * MIDDLE EAST
- * RUSSIA
- * SOUTH AFRICA

ETHICAL & RESPONSIBLE:

- * ISO 9001 : 2008
- * ISO 14000
- * WRAP
- * ETI
- * OEKO-TEX 100 Standards
- * GSV
- * GOTS
- * FAIR TRADE
- * SA 8000
- * BRC
- * SEDEX
- * BSCI
- * BCI

Sadaqat Limited

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