

INSPIRATION TO GROW

“BETTER
ENVIRONMENT
BETTER
TOMORROW”

if undelivered please return to:

Sadaqat Limited

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SADAQAT LIMITED
INTEGRATED
REPORT **2019**

About The Cover

At Sadaqat Limited, Our inspiration to grow is depicted through our unswerving growth in everything that we do. The outspread wings express our eminent past performance along with future way forward of expansion which will be achieved through concentric diversification. Evocative colors in the cover represents financial as well as sustainability performance of the entity. The blue color signifies sky and rising up to the sky is our objective that embodies our organization as we are striving to accelerate our stride to the upper ceiling and maintain our position as an industry leader.

The green color demonstrates our drive on embedding sustainability in business maneuvers through investing in social initiatives and curtailing environmental impacts by reducing our carbon footprint to provide future generations with greener and sustainable environment.



MISSION



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

VISION



One That Becomes Standard for Others

CORE VALUE

Integrity

We believe in following ethical principles and are honest in all our activities & relationships with stakeholders.

Innovation

We continuously innovate our processes and invest in state-of the-art technology to stay ahead as market leader in our products.

Quality

We are striving for quality in all our products to exceed customer satisfaction.

Diversity and Trust

Our policies and principles encourage diversity including gender/culture/religion to create a culture of trust.

Sustainability

We remain committed to create sustainable long-term value for all our stakeholders by focusing and addressing the economic, social and environmental impacts arising from our value creation process.

PERFORMANCE at a Glance

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

Monetized Capital 2019 vs 2018



31% ↑
Revenue

23% ↑
Net Profit

16% ↑
Net Worth

23% ↑
Earnings Per Share

Non-Monetized Capital 2019



Relationship Capital

Number of Foreign Business Partners

65~75

Number of Foreign Business partners with more than 5 year

Approx. 20

Human Capital

Total Training Hours

125.9k

Employees with more than 5 years of Experience at Sadaqat

853

Sustainability Related 2019 vs 2018



Economic

37% ↑
Total Value Shared

Social

21% ↑
Community Investment

Environmental

1.93% ↓
Water Consumption / kg fabric

254% ↑
Water Reused

118% ↑
Energy Saving

CALENDAR OF MAJOR EVENTS

2019



★ Note: Subsequent event related to FY-2019.

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Organizational Overview & External Environment

Sadaqat Limited is emerging as a premium quality exporter and ranked as 4th largest home textile exporter of Pakistan. We aim to create quality items to accomplish significant levels of consumer loyalty. During FY-2019, the company has undertaken concentric diversification in its business by installing new garments and circular knitting & processing plant while achieving synergies of already established home textile set up and its customer base. Sadaqat Ltd. has always opted for state of art technologies for better efficiencies, highest quality with minimum environmental footprints.

The Company aims to minimize its risk through its effective management in challenging economic scenarios while maintaining its positive relationship with its customers across the globe. Sadaqat Limited has been able to exceed Pkr 20 Billion gross revenue for FY-2019 to cement its position as 17th largest overall exporter.

Company Profile



ACHIEVEMENTS

- 2nd position in Annual Report 2018 awarded by ICAP & ICMAP
- 3rd position in Sustainability Report 2018 awarded by ICAP & ICMAP
- Export Excellence Award 2019
- Top Exporters Award at the Business Forum 2019 by PBIT
- Achieved EMS ISO 14001:2015 Certificate

SECTOR SERVED

- Home Textile
- Garments (Woven & Knitted)

LOCATIONS



- Main Production Facility and Head Office: Khurrianwala, Faisalabad
- Customer Markets: Europe, UK, USA, Canada, ASIA, UAE, Australia and New Zealand

COMPANY OVERVIEW



With enchanting spectrum of home textiles and now diversification in garments and knitting, Sadaqat Limited has great history of success with enriched experience and recognition across the globe. Sadaqat Limited is export oriented business entity established in 1951. Entity is expanding with rapid pace both in financial and quantitative terms through purpose oriented efforts of founding family and high caliber management team. Sadaqat Limited is functioning as unlisted public limited entity while keeping in view the expansion of the business, the management of the company is considering the option to list its shares on stock exchange to achieve expansion, true corporate governance and a consistent marketplace to buy and sell company shares in upcoming financial years. Sadaqat Limited aims to represent the quintessential heritage of Pakistan and assimilate it with the latest trends prevalent in the world market. Entity has its headquarters at Khurrianwala, Faisalabad where its production facilities are also situated.

FIGURES



- Net Sales Revenue = 19.6 Billion
- Equity = 9 Billion
- Total Debt = 8.9 Billion
- Total Capitalization = 10 Billion

TYPES OF CUSTOMERS

Retailers & Wholesalers



Key Milestones



Initiated commercial operations as Sadaqat Textile Mills from weaving and sizing unit.

1951



Commenced manufacturing of finished products Home Textile (Processing, Cut, Stitch & Pack).

1991



Converted into public unlisted company and name was changed to Sadaqat Limited.

2008



Obtained British Retail Consortium and Social Accountability Accreditation Service (SA 8000) certifications.
Fabric mercerizing facility was installed.

2010/11



Installed state of the art automated cutting and sewing "TEXPA Machines" along with installation of Pakistan's most advance "Automated Color Kitchen"

2017



Achieved sales target of PKR 19 billion and was awarded Top Exporters Award at Business Forum 2019 by PBIT and Export Excellence Award 2019 by PTEA.

2019



Incorporated as Sadaqat Textile Mills (Pvt.) Limited and upgraded weaving from automatic looms to shuttleless looms.

1987



Installed Printing Unit.

2005



Installed Digital Printing facility and was also awarded Supplier of the Year Award 2015 by Bonton USA.

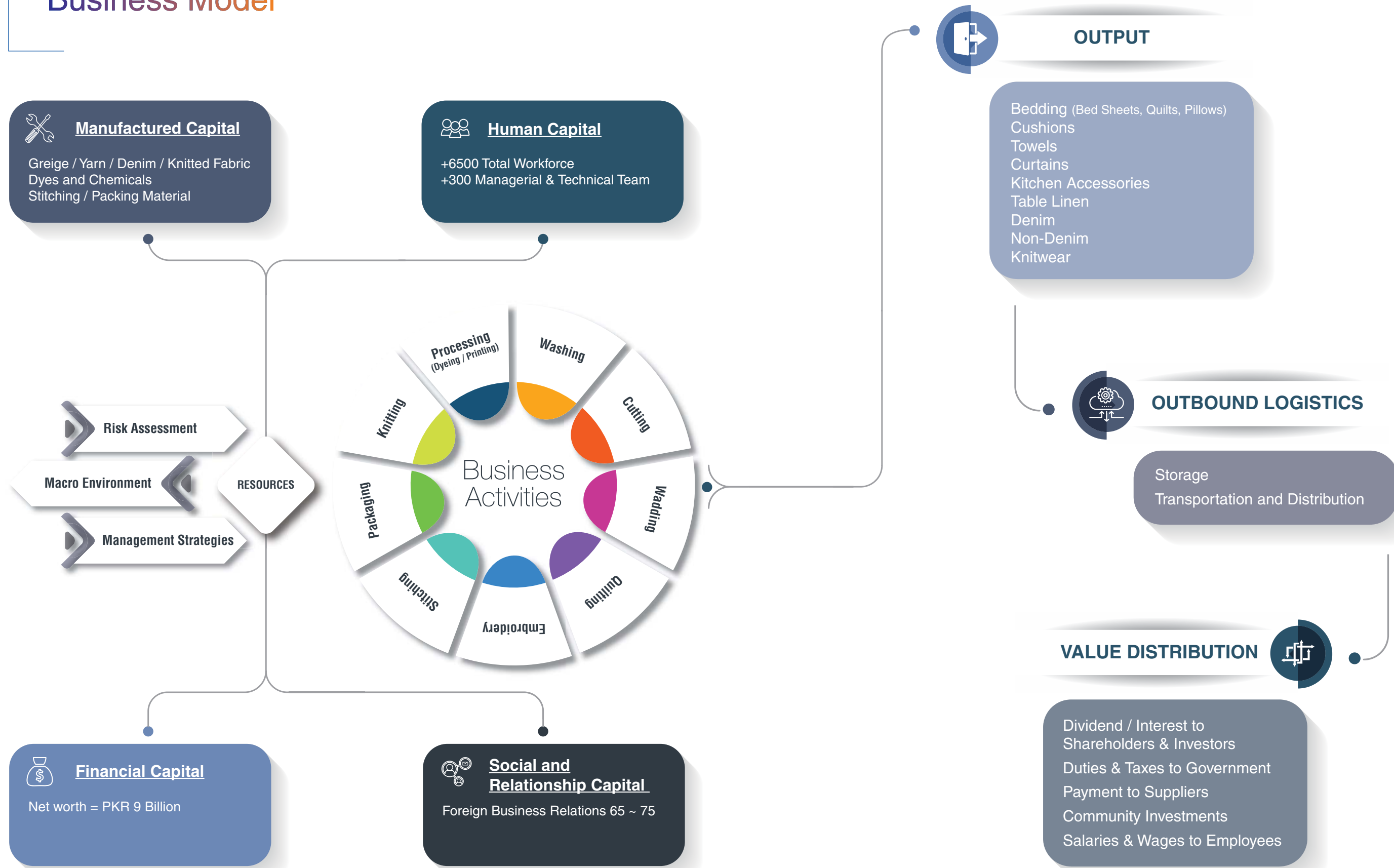
2015



Initiated Garment (Woven & Knitted) production line and Circular Knitting & Processing Plant.

2018

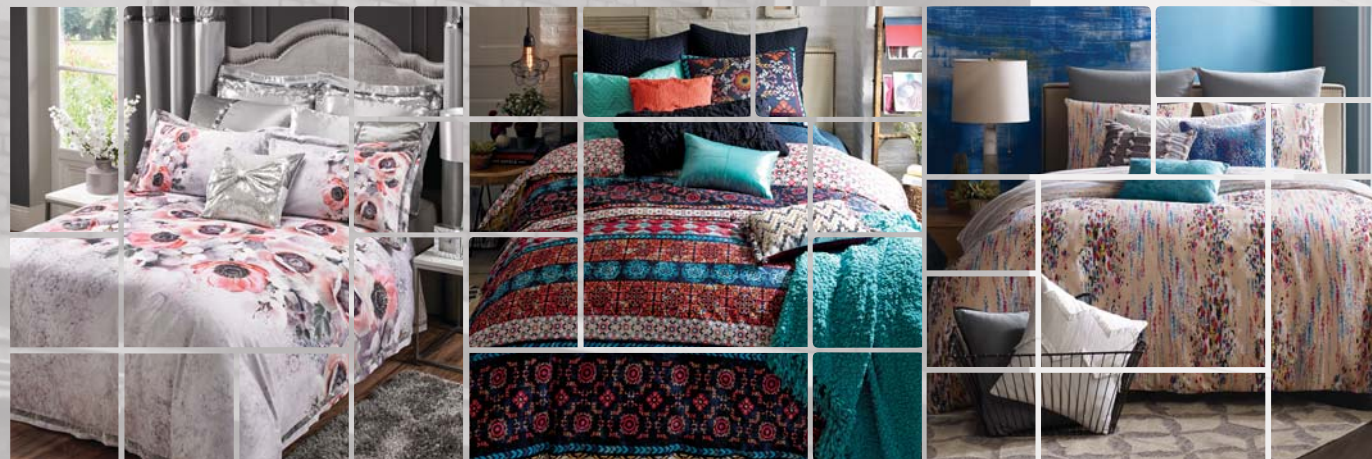
Business Model



Product Portfolio

01

Filled Bedding



02

Un-Filled Bedding



03

Towels



04

Table Linen & Curtains



05

Woven Garment
(Denim & Non-denim)

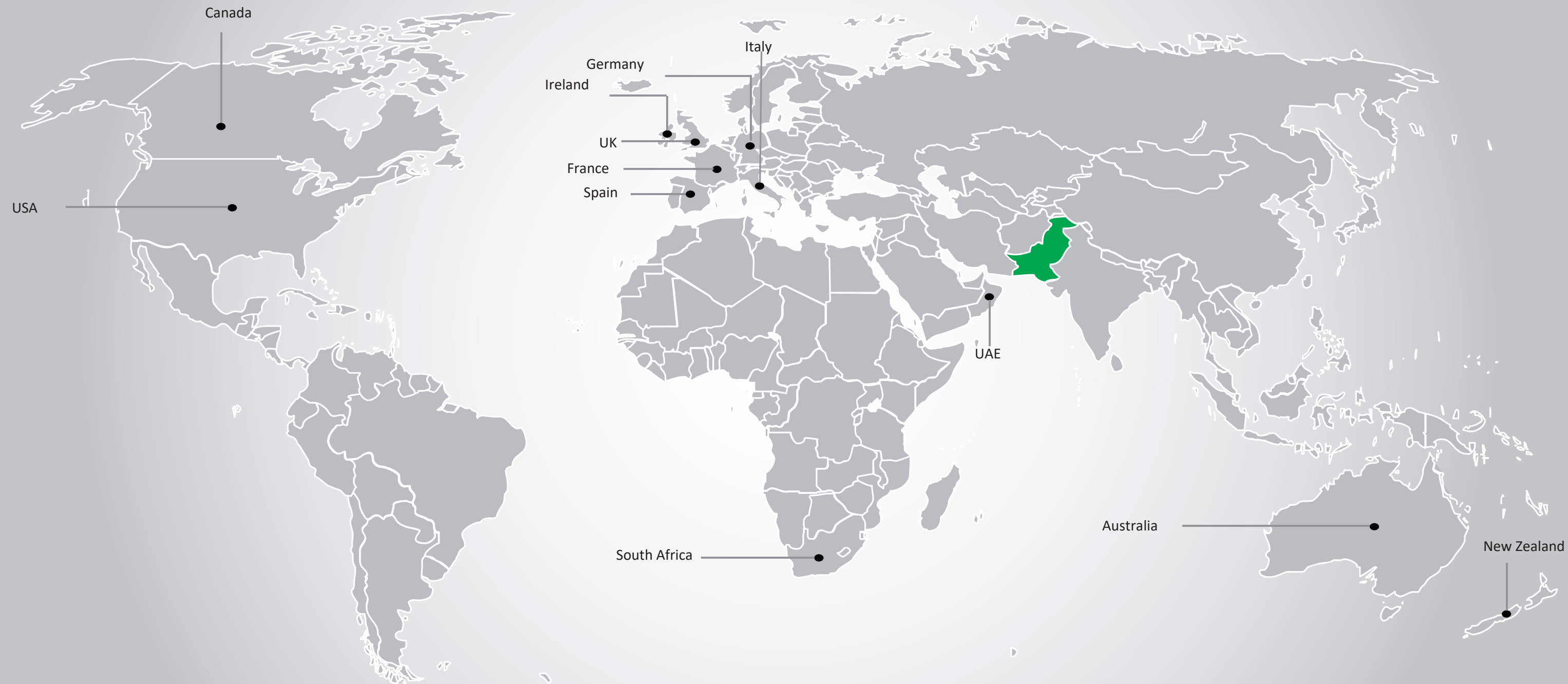


06

Knitwear

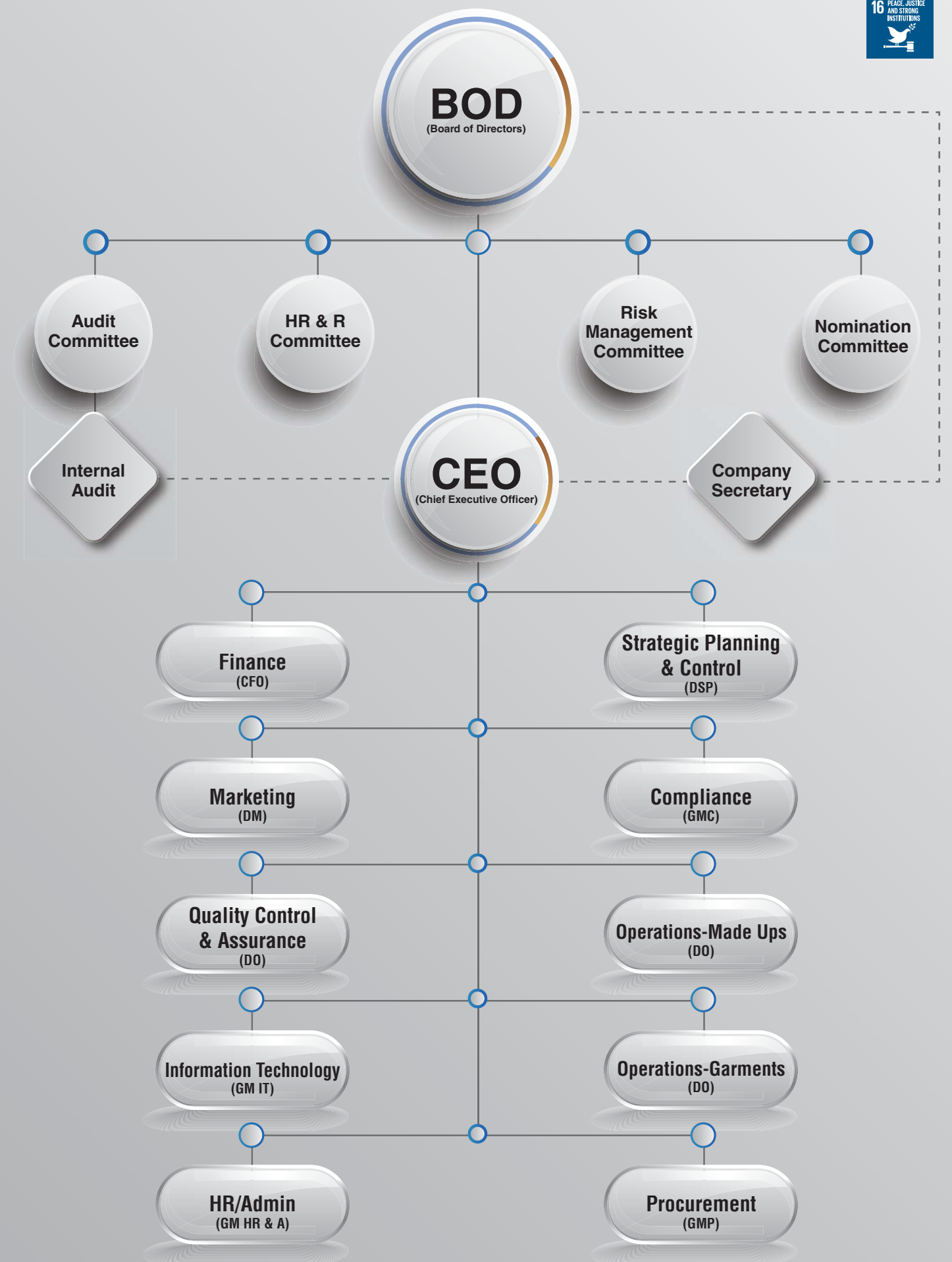


Global Presence



Regions:
Europe, UK, USA, Canada, ASIA, UAE, Australia and New Zealand

Organogram



MACRO Environment

PORTER'S Five Forces

Threat of substitute in textile sector specially made ups and garments segment is between low to medium as textile products fall under necessities to fulfill the customer needs. However, there are variations in types of material and products which can act as substitutes and can also be identified as trends in fashion and styles. Considering the nature of products, entity's business model, limited number of options available to customers and low-cost producing country, the company has the advantage to grow its business across the globe, set prices that it wants and earn higher returns to boost stakeholder's wealth. Moreover, there is always a need to pay special attention towards identifying the threat of substitutes and developing counter strategies in long term.

Threat Of Substitute Low to Medium

Threat of New Competitors Low to Medium

The threat of new competitors in the textile sector is low to medium as industry poses high level barriers for new entrants which potentially reduce the threat of new competition for existing businesses. Due to nature of business, following are some barriers to entry for new potential rivals:

- Economies of scale due to low cost producing country
- Heavy initial capital investment
- Government policies in support of potential textile exporters
- Extensive legal and customer specific compliances
- Development of customer base and distribution channel
- Recognized Brands and Patents

Bargaining power of retail and wholesale customers of textile products is medium to high which intensify the circumstances for manufacturers in the industry. Force is high because textile sector's customers have presence across the globe so they have multiple options to import from due to low product differentiation as most of the manufacturers are offering similar kind of products and the switching cost is also low which creates further edge for them. Moreover, the force is medium due to some factors which includes the brand image, quality and marketing efforts etc. So, the overall bargaining power of customers remains medium to high.

Bargaining Power of Customers Medium to High

Bargaining Power of Suppliers Low

Bargaining power of suppliers is low in textile industry because Pakistan is cotton rich country so manufacturers have quite a number of options to choose from. Since domestic market has a large number of suppliers with low product differentiation and switching cost is also low so these factors create opportunity for textile manufacturers to negotiate for best terms and prices for production with the supplier groups.

Competitive rivalry amongst existing manufacturers of textile products is high because of large number of firms within sector, slow industry growth rate, high fixed costs and high exit barriers. Export market of textile industry in Pakistan is facing high level of competition both from local and foreign producers. However, in order to maintain their competitiveness position within sector, textile manufacturers of the country have to reduce the prices and improve quality of their products. As every manufacturer is innovating technology and products to expand their customer base and market share so overall rivalry within the industry is thereby increasing.

Competitive Rivalry High

Seasonality of Business

Sadaqat Limited's major business is dependent on the exports of its products across the globe so its sales get uplift during certain international events including Christmas, Easter and Halloween etc. Average sales trend shows the peak in last and first quarter of each calendar year mainly due to global events, however, sales are slightly lower after above mentioned season as compared to peak period. Further, sales show improved situation normally in the mid of calendar year mainly because of changes in climate in Europe region.

Composition of Local and Imported Material

Sadaqat Limited is among the leading exporter of textile products and has a strong customer base spread across the globe. The company believes in supply of quality products to its customers for which it procures material of high-quality standards both from local markets and also import from foreign markets. Our major raw material comprises of greige/ yarn and dyes/chemicals and composition of material during the financial year 2019 includes around 12% imported raw material while remaining 88% is purchased from local suppliers.

Sensitivity to Exchange Rate Fluctuation

Sadaqat Limited's export sales are proportionately impacted due to fluctuations in foreign currency exchange rates and during the FY-2019, the company has earned exceeding Rs. 1,110 million exchange gain which improved the overall profitability. The Company's cost of sales is also affected to a certain extent owing to fluctuations in foreign currency exchange rates because 12% of total raw material cost is imported. Keeping all other variables constant, 10% variation in exchange rates has respective impact of around 9% on gross profit margin due to increase/decrease in raw material cost.

Significant Change from Prior Year

While focusing on its diversification strategy and to create value for its shareholders, the company has installed its own circular knitting and processing plant to its production facilities during the financial year. The company voluntarily complies with the best practices of code of corporate governance regulations and during the financial year, it has formed two new committees (Risk Management Committee and Nomination committee) and included two independent directors to its Board.

However, except for the above mentioned, there were no other significant changes which affected the information disclosed in this section. Further, the management has reconsidered and updated its business values in order to reflect current priorities and circumstances.

PESTLE ANALYSIS

Factor	P	E	S
	Political	Economic	Social
Description	Political situation of Pakistan has remained uncertain during last few years which has posed some challenges for the overall textile industry and impacted the profitability of the sector.	Economic position of country has been quite challenging during the year which ultimately affected every sector. Extensive variation in economic factors i.e. interest rates, inflation and foreign currency exchange rate impacted the profit margins and pricing strategy of businesses.	Limited resources, wide room for improvement in health & education facilities in the country, population growth and increasing CSR awareness are driving social responsibilities on businesses to align their business strategies to address these problems. Further, changes in fashion trends and cultures keeps the business environment as dynamic and manufacturers need to be aware of and cope with same.
Impact	<ul style="list-style-type: none">• Increase in prices of energy resources and other raw material, especially imported make it difficult for textile manufacturers to maintain competitive prices in international market.• Political uncertainties and change in government's policies negatively impact the business environment.• Withdrawal of SRO 1125 (zero rating on five export-oriented sectors) impacted the liquidity side of textile sector by way of textile policy and tax refunds locked with government and taxation authorities.	Interest rates To facilitate export oriented sector, SBP Export Refinancing Facility (ERF) and Long Term Finance Facility (LTFF) are in place providing support to exporters in terms of availability of cheaper working capital finance for growth. Inflation rates Increased inflation rates during recent years led to threat of increase in cost of production. Exchange rate PKR depreciated by 40% ~ 50% against foreign currency during last few years. This had positive impact on exporters in shape of realization at higher exchange rates whereas negative impact on importers of raw material in shape of expensive imports.	Non-fulfillment of corporate social responsibilities and non-alignment with changing trends can negatively impact goodwill and brand image which may eventually result in loss of potential customers and non-adherence to company's ethical principles.
Our Stance	Sadaqat Limited has achieved magnificent growth during FY-2019 despite political uncertainties by strictly monitoring the Government's policies and regulations for timely decision making and to avoid any unfavorable outcomes. Our management rigorously follows up exports packages and reliefs offered to businesses and comply with relevant laws and regulations for smooth operations and business growth.	Sadaqat Limited has obtained maximum borrowings under SBP schemes to reduce its interest cost significantly. It has a dedicated treasury team to monitor the changes in exchange rates in foreign currencies and to develop risk minimization strategy. Our finance department continuously monitors and hedges the currency exchange rates and interest rates and plans its approach for upcoming period.	<p>Sadaqat Limited actively takes part in social initiatives and work towards safe workplace environment. For this purpose, the Company donates in various social causes including education programs and health & safety of society. The company has also attained certifications to comply with health and safety regulations and maintain proper check for workplace safety.</p> <p>Sadaqat Limited is seeking to deliver a positive social impact alongside business growth. Moreover, entity has design teams in UK, USA, Australia & Pakistan to follow the local market trends and develop future designing plans.</p>

T	L	E
Technological	Legal	Environmental
Technology is one of the most important factor today to achieve competitive advantage over competitors as the latest advancements provide enhanced quality products and new techniques of production.	Companies are required to ensure compliance with various laws and regulations which includes statutory, corporate, legal, secretarial, taxation, export, employment, environmental, health and safety laws and regulations.	National and International standards and regulations emphasize on manufacturing concerns to be environment friendly and sustainable. There are strict requirements regarding treatment of waste water and carbon emissions.
Companies under textile industry faces risk of technology obsolescence which may result in lagging behind competitors as advanced technology is coming and processes are becoming automated.	Owing to stringent regulations, businesses have to comply with all these applicable laws and regulations. Non-compliance of applicable laws and regulations may result in severe actions and penalties by regulators.	Increased environmental costs to meet the requirements of environmental, health and safety laws and regulations results in squeezing profits but at the same time contributing in improving global climate.
The Company prioritize the adoption of latest technology to enhance its operations and to attain competitive edge. Entity has modern machinery at its production facility. In addition to that, organization also has SAP ERP in place to allow real time environment.	Sadaqat Limited has a dedicated compliance department working with oversight of BOD to ensure adherence to all applicable law and regulations and has no history of any material fines due to non-compliance. We developed our policies and procedures according to laws and keep open and transparent interactions with regulators to carry out participatory role in strategy making.	Sadaqat Limited adheres to all applicable standards and regulations and voluntarily takes environmentally conscious initiatives to create long-term value for society. The Company complies with various international standards on environmental protection and incurs significant environmental protection expenditures.



Strategy and Resource Allocation

Sadaqat Limited is committed towards growth of revenue and pursuing expansion of its business by undertaking concentric diversification thus achieving maximum synergies. It has maintained its competitive position in core business, strong leadership, unique organizational culture, professional excellence and financial strength to optimize value for its shareholders.

Strategic Objectives

Sadaqat limited has defined its short, medium and long term strategic objectives aligned with its mission and vision. To achieve those objectives, management strategies have been established by board to ensure optimal utilization of financial, human, manufactured, intellectual, social and relationship and natural capital. The company has a well established mechanism to measure its performance against stated strategies by setting Key performance indicators (KPI) which are regularly monitored by the management.

Objective	01	02	03	04	05	06
	Sustain Leadership in Textile Sector	Value creation for stakeholders and sustainable growth.	Achievement of highest level of customer satisfaction by continuously producing quality products.	Enhance skilled workforce and maintain a highly ethical and healthy working environment for our employees.	To be socially responsible citizen and contribute towards greener and sustainable environment.	Achieve overall business synergies by enhancing operational efficiency and utilizing cross divisional expertise
Timeline	Long Term	Short to Medium Term	Short / Medium / Long Term	Medium Term	Medium to Long Term	Short to Medium Term
Strategy	Continuous upgradation of production facilities by investing in state-of-the-art machinery and implementing latest ERP technologies to maximize operational efficiency.	Expansion of sales through innovating new products and diversifying into untapped markets to maximize global footprint.	Securing international quality related certifications and implementing strict quality assurance policies & guidelines to ensure that products meet / exceed the required quality standards.	Progressive training and development programs while taking initiatives that contribute towards creating an enjoyable work environment, where employees exhibit positive energy.	Enhance social initiatives regarding employment, health and education. Reduce carbon footprints and invest in projects to conserve energy and maximize reuse of water.	Align business processes and constantly look for ways to make the overall process lean and proficient and utilize efficiencies available in different divisions to maximize synergies.
Rating	High	High	High	High	High	High
Resource Allocation Plan	Financial Capital Manufactured Capital Intellectual Capital	Financial Capital Human Capital Manufactured Capital	Human Capital Intellectual Capital	Human Capital	Social and Relationship Capital Natural Capital	Manufactured Capital Human Capital Intellectual Capital
Key Performance Indicators (KPI)	Market Share Production Efficiency Ratio	Sales Volume Growth Profitability Margins	Percentage of Rejection Product Quality Survey	Internal & External Training of Employees Employee Turnover Rate	Allocation of funds for CSR Percentage of Waste Reduced Percentage of Water Reused	Operating Income Growth Reduction in Costs
Future Relevance of KPIs	KPIs will continue to be relevant in foreseeable future	KPIs will continue to be relevant in foreseeable future	KPIs will continue to be relevant in foreseeable future	KPIs will continue to be relevant in foreseeable future	KPIs will continue to be relevant in foreseeable future	KPIs will continue to be relevant in foreseeable future
Status	Ongoing Process – However, the Company paid Pkr 1,594 million in respect of Capex targeted toward automation, expansion and BMR.	Ongoing Process – However, approx. 90% of sales and profitability targets achieved.	Ongoing process – However, the management has implemented effective quality controls which enable producing quality products and also facilitate the customer audits in transparent manner.	Ongoing Process – However, the company undertook 125,877 hours training to its employees.	An on-going process – However, the company has increased water reused by 262%, energy saving by 118% and incurred approx. PKR 7.5 million on education, health and other social welfare activities.	Ongoing process – However, achieved optimal production utilization and also achieved new synergies by diversification within textile umbrella.

Significant Changes in Objectives & Strategies

There have been no significant changes in Company’s objectives and strategies, which are developed and planned carefully, compared to prior years.

Liquidity Position of The Company

The liquidity position of Sadaqat Limited is sound as both the current ratio (FY 2019 = 1.03:1; FY 2018 = 0.99:1) and the liquidity ratio (FY 2019 = 0.64:1; FY 2018 = 0.60:1) have improved as compared to last financial year reflecting the Company has enough current assets available to satisfy its total current liabilities even if they get due at once. Further, the entity’s revenues and profits have gone up by 31% and 23% respectively in financial year 2019 as compared to last financial year and the entity projects to close financial year 2020 with a significant upward push in revenues and profitability with support of new segments introduced / being introduced by the Company. Furthermore, there are no operational losses to the Company.

The management is confident that the Company would not face any liquidity issues in future as it has a practice of continuously monitoring cash flows on a daily basis and increasing the short-term financing facilities in line with working capital requirements for optimized Company’s operations. The Company maintains strong business relationship with all its banks and investment companies as it has never defaulted with respect to debt servicing. In addition to finance from banks, the entity is also evaluating other options to raise funds including initial public offer through listing on stock exchange or issuance of Islamic Sukuk in upcoming financial years.

Significant Plans and Decision

Sadaqat Limited has constantly expanded its operations and has invested on capacity upgradation of existing production facilities. During the year, the company has installed circular knitting & processing plant to take benefit of inhouse knitting in terms of reduced cost and improved quality. The company has also escalated the business by enriching its portfolio through investment in garments segment.

Except for above decisions implemented, there are no significant plans for any corporate restructuring or discontinuance of operations. Further, the management regularly reviews its plans and strategies so as to keep them aligned with the mission and vision of the Company.



Risks and Opportunities

As an exporter of textile products, we are exposed to a wide variety of risks, some with short reaction times, as part of our business operations. The Board of Sadaqat Limited principally assumes the responsibility to mitigate all possible risks to keep the Company within its risk appetite and Risk Management Committee carries out a review of effectiveness of risk management procedures and present a report to the Board. We employ a uniform risk management system throughout the entity to counter risk potential successfully and ensure our opportunities potential in the long term. In so doing, we understand risk management as a continual process that is firmly integrated as a regular step in our operating practices.



SWOT Analysis


Strengths



- Directors vision of consistent growth and market leadership
- State-of-the-art machinery and production facilities
- Current market dominance
- Widespread geographical presence
- Wide range of optimum quality products
- In-house power generation capacity
- Established brand / customer loyalty
- Strong Corporate & Sustainability Reporting
- Various Awards, Certifications and Affiliations
- Mature Enterprise Resource Planning (SAP / Oracle)
- More than 70 blue chip customers (retailers & wholesalers)
- Global Presence (more than 20 locations)

S


Weaknesses



- Shortage of skilled labor
- Limited backward integration
- Slow release of textile policy and taxation refunds to textile industry

W


Opportunities



- Opportunity to explore other potential markets to increase exports
- Expansion in existing and untapped product & market segments
- Availability of SBP refinance schemes
- Currency devaluation
- Textile policy and taxation incentives for exporters
- Incentives on import of fresh machinery
- Opportunity to directly explore rapidly growing E-Commerce market
- CPEC – Infrastructure development / New projects under its umbrella
- Cheap solar energy alternative
- GSP plus status (Duty free access to the European market)

O

Threats



- Political uncertainty in country
- New taxes/duties and withdrawal of few incentives to exporters under latest budget
- Withdrawal of zero rating on five sectors
- Volatility in interest, inflation and exchange rates
- Rising energy cost (WAPDA / RLNG / Diesel)
- Rising inflation leading to increase in cost of production

T

Risk Management

The Board of Directors has overall responsibility for effective risk management through developing and monitoring risk management policies to determine the Company’s level of risk tolerance. The management has adopted the approach to conduct business after analyzing short, medium, long term impact of risk and opportunities associated to it. In order to mitigate risks and capitalize opportunities, appropriate strategies are designed by the Board and its committees while necessary policies are drafted and aligned in accordance with corporate targets. Risk Management Committee reviews and supervise the process to identify potential risks along with their impact on the company’s business. The Committee also reviews risk exposure and risk appetite of the company and recommends risk mitigation strategies for Board’s approval.

Risk management policy of the company provides a mechanism for identification of risk and guidelines to minimize the negative impact of key risk areas including Market, Operational, Financial, Strategic, Political and Other risks. This risk management system allows capitalization of opportunities at the right time through utilization of human, financial, manufactured, relationship and intellectual capital in alignment with designed policies and targets. The Board of Directors have implemented an effective ongoing process to identify and assess business risk including those that would threaten the business model, future performance and solvency of the Company while establishing and maintaining well implemented policies and procedures.

The Company has a dedicated Internal Audit function which provides independent and objective evaluations while reporting directly to the Audit Committee on the effectiveness of governance, risk management and control processes. The Company has a designed Risk Control Matrix (RCM) and Business Continuity plan (BCP) where impact, likelihood and magnitude of each risk is narrated in detail along with the risk mitigation strategies. Such control matrix is discussed and updated on monthly basis and reviewed by board of directors on quarterly basis.

Business Continuity Planning

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

The company has developed effective firefighting system, insured all its physical assets including building, machinery, vehicles and inventory to cope with any unforeseen risks. To manage the database security risk, documented SOPs have been put in place as a part of BCP according to which monitoring of system is ensured and appropriate backup IT servers are established to prevent data loss. BCP is reviewed and approved by board on annual basis. On parallel grounds, Board also ensures whether BCP is kept up-to-date and employees are trained and well aware of their role in its implementation.

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

Capital Structure

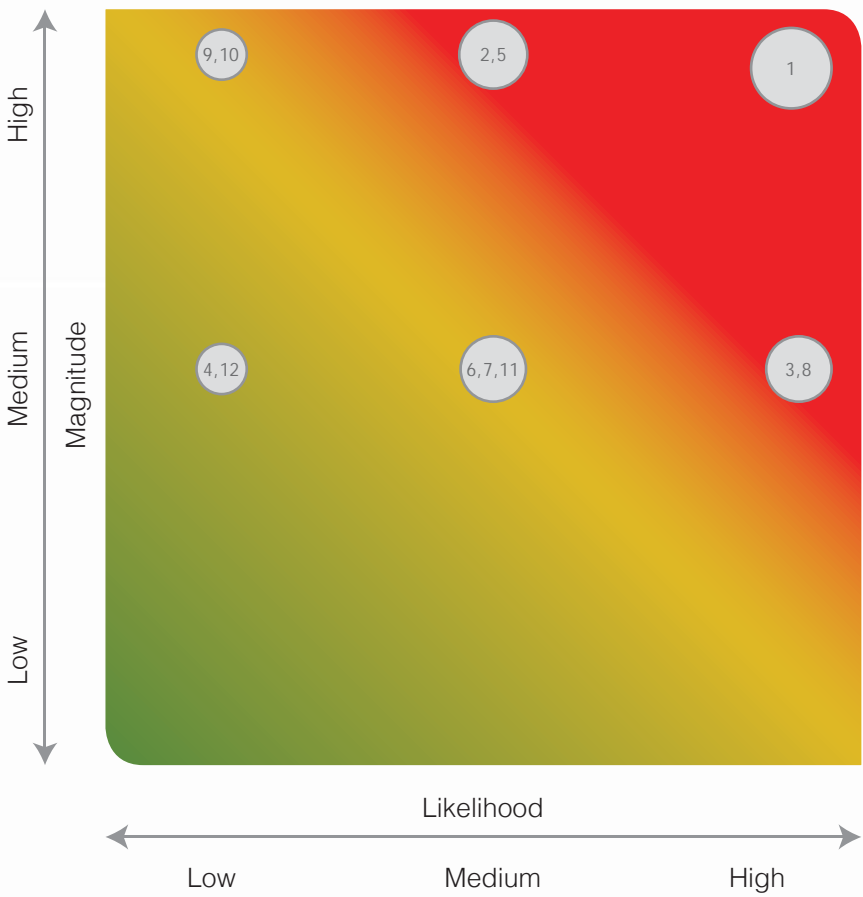
Sadaqat Limited has an adequate capital structure and any identified deficiencies in the capital structure are aggressively addressed to mitigate accordingly. The Company is managing its capital structure in line with changes in economic and market conditions and overall risk appetite so that it can benefit its stakeholders and maintain a strong capital base to support the sustained development.

The Company manages its capital structure by monitoring the gearing ratio, equity multiplier, total liabilities to total assets ratio, mark up costs and return on net assets. Aligned with its capital structure of previous period, this year again the Company has been able to maintain its balanced capital structure with 42% of the total assets funded though equity investment, 52.5% through current liabilities whereas long term liabilities comprise only 5.5% of the total assets base.

Payment of Debts

Sadaqat Limited recognizes its responsibility for the timely repayment of due debts and accordingly, there is no default in payment of any short term or long-term debts during the financial year 2019.

Risk Matrix



Risks:

1. Competitive environment
2. Rising cost of raw materials
3. Rising energy costs
4. High employee turnover
5. Information systems risk
6. Interest rate risk
7. Liquidity risk
8. Fluctuations in exchange rates
9. Default by customers
10. Natural disaster
11. Political uncertainty
12. Non-compliance with laws and regulations

Principal Risks

Type	Risk	Source	Risk Rating	Magnitude / Likelihood	Nature	Impact Area	Possible Impact	Mitigating Strategy
Market Risk	Competitive Environment	External	High	High / High	Short Term	Financial capital, Relationship capital	Low Profit Margins due to competitive pricing Sharing of Customer base	Satisfying customers by using product differentiation strategy by providing utmost quality products aligned with latest international trends. Investment into state of art technology to achieve cost competitiveness along with profit margin even at competitive price. Pursuing government to improve international ties with countries of export.
Operational Risk	Rising cost of raw materials due to inflation volatility and currency devaluation	External	High	High / Medium	Short / Medium Term	Financial Capital, Manufactured Capital	Direct impact on profitability of the Company as raw material such as greige fabric, dyes and chemical form substantial part of cost of goods sold. Hence, higher rate of inflation and Pak rupee devaluation makes it difficult to remain cost competitive through increase in production cost.	The Company regularly reviews raw material prices offered by various suppliers to compare and control its purchasing cost. Further, management also look for alternative local and international sources for uninterrupted supply of raw materials. Management has dedicated team for effective management of inventory levels allowing reduction in storage cost as well as saving in cost of financing the working capital.
Operational Risk	Rising Energy Costs	External	Medium	Medium / High	Short / Medium Term	Financial Capital, Manufactured Capital	As a textile manufacturer energy cost is a significant portion of the overall cost. Any increase in energy cost directly impacts the profitability of the Company which may not be possible to pass on to the customers in at least short run.	The Company possess efficient productivity which help to reduce overall energy costs. The Company is fulfilling its energy requirement from number of sources such as Coal, Wapda, RLNG, Diesel and Solar hence having a sufficient backup to adopt optimal mix in grid. Management has also nominated a dedicated team which look for optimal mix in order to manage energy costs.
Operational Risk	High Employee Turnover	Internal	Low to Medium	Medium / Low	Medium / Long Term	Human Capital	High employee turnover may end up with hurdles in finding skilled resources, increase in salaries and production costs. Turnover of qualified and competent employees at critical positions may render the operations deteriorated.	Alignment of benefits and remuneration packages with the market and the company has a detailed succession plan. In-house skill development and external training programs to keep employees motivated. Designed career paths for certain employee cadres showing stage wise growth based on time and performance (i.e. ACCA / ICAEW)
Operational Risk	Information Systems Risk / Cyber Security	External/ Internal	High	High / Medium	Long Term / Ongoing	Manufactured capital Financial capital Intellectual capital	Loss of Company data and theft of sensitive information.	The Company has sound IT controls and firewalls in place to safeguard confidential information. Further, regular system updates, IT audits, vulnerability awareness campaigns and trainings are conducted to monitor and minimize the risk.

Type	Risk	Source	Risk Rating	Magnitude / Likelihood	Nature	Impact Area	Possible Impact	Mitigating Strategy
Financial Risk	Interest Rate Risk	External	Medium	Medium / Medium	Medium Term	Financial Capital	Rising interest rate could impede the financial health of the company by way of increased finance cost and low profits.	Management keep focusing towards availing optimal mix of financing majorly under SBP ERF and SBP LTFF in order to mitigate risk arising through fluctuating base rate (KIBOR).
Financial Risk	Liquidity Risk	External / Internal	High	Medium, Medium	Medium Term	Financial Capital	Any loss of grip over working capital management may lead to liquidity hurdles.	The Company has dedicated team looking after shortage of working capital finance by availing the sufficient credit lines from the different financial institutions and equity resources to meet the short-term requirements of the Company.
Financial Risk	Fluctuations in Exchange Rates	External	High	Medium / High	Short Term	Financial Capital	Frequent fluctuation in currency exchange rates hence making it challenging for export/import oriented business to manage and absorb the bumps as well as pose challenges in decision making.	The Company possess a dedicated treasury desk and software solution to watch, predict and hedge the risk through booking at right window.
Financial Risk	Default By Customers	External	Low	High / Low	Long Term / Ongoing	Financial Capital	Impact on profitability of the Company due to huge bad debts.	Majority of sales are made to credit worthy blue chip customers of the company to whom credit limits have been assigned keeping in view the risk level. Further, a significant portion of risk is hedged through LC mode and through credit insurance via foreign offices. Company has a regular follow up mechanism to ensure the maximum recoveries within timelines allowed to customers.
Natural Risk	Natural Disaster	External	Medium	High / Low	Long Term / Ongoing	Human Capital Manufactured Capital Financial Capital	Any natural disaster may halt production and lead to sudden capital needs for the re-building process.	The Company has implemented security management system, has well-established disaster recovery / business continuity plan and data backup to cope with any unwarranted event along with the analysis of the preventive measures specific for site. It has also taken into consideration every possible aspect of safety measures during construction and erection of building and plant. Further, the Company has complete insurance cover in case of any catastrophic incident to enable company to restated at its position.
Political Risk	Political Uncertainty	External	Medium	Medium / Medium	Medium Term	Manufactured Capital Financial Capital	Stable law and order situation in the Country improves the overall business performance, investor confidence, and also encourages export.	The company believes in an open and transparent relationship with the Government, regulators and other political stakeholders. Being among the top exporters of the country, the Company through its representatives, provide valuable suggestions to the regulators and political leaders. Management regularly monitors economic and legal impacts of Government policies and political actions over the Company as well over the textile industry at large in order to cope with them accordingly.
Compliance Risk	Non-Compliance with Laws and Regulations	Internal	Medium	Medium / Low	Short Term	Financial Capital Relationship Capital	Non-compliance with laws and regulations may expose the company to fines, other penalties and reputational risks.	The Company closely monitor changes in the regulatory, corporate and environmental laws & regulations and adapt to all significant changes in a timely manner. The Company has a dedicated department to ensure compliance with all legal and regulatory requirements as well as place emphasis on conformity to our Code of Conduct.

Opportunities

Sadaqat Limited is continuously seeking opportunities to fuel future growth of business by investing in new projects and increasing the existing production capacity to provide attractive returns to its shareholders.

Type	Opportunity	Source	Impact on Capitals	Description	Capitalization Strategy
Market Opportunities	Increasing demand of home textile and garments in international market	External	Relationship Capital, Financial Capital.	Increasing population of world is resulting in increasing demand for home textile as well as garments products in international market hence creating an opportunity for the Company which may be capitalized to increase profitability and business share.	Management is creating regionally diversified customer base across the globe through its vigilant marketing teams which provide a sustainable growth to company's export in the long run.
Human Capital Opportunities	Cheap and ample supply of labor.	Internal/ External	Human Capital	Pakistan has one of the biggest manpower resources in the world. Moreover, the labor is comparatively cheap and readily available.	Strategies are formed to utilize labor force in an optimal way which controls production costs without affecting rights of employees while abiding by related laws and regulations.
Technological Opportunities	Rising E-Commerce opportunities / platform.	Internal/ External	Financial Capital	There has been increasing trend among people towards online purchases such as through E-commerce sites. This is creating an opportunity for businesses including Sadaqat Limited to expand their online segment.	The Company is directing its efforts towards expanding online sales on various online market places to sell throughout the world.
Economic Opportunities	Government incentives for exporters	External	Financial Capital	Government allows multiple incentives to exporters which includes; subsidized rates of financing, duty drawbacks and other tax reliefs to exporters which is an opportunity for the company.	Dedicated team available to pursue, utilize and chase the benefits and rightful refunds made available by the government.
Operational Opportunities	Access to State of Art imported technology	External	Manufactured Capital	Latest and state-of-the-art machinery for production of high quality home textile and garment products.	The Company has also formulated its growth plan for the upcoming financial years in which it intends towards augmentation of its production capacities along with investment to optimize automation of its home, garments and knitting facility to achieve synergies due to expansion within the textile sector.

Governance

Corporate governance involves relationship between company's management, its board, its shareholders and other stakeholders which provides the structure to set objectives of the company and the means to attain those objectives. Corporate Governance also involves directing and controlling the organization through a system of sound processes, controls, rules and practices. Good governance is the basic requisite for a successful business and is essential to balance the interests of its stakeholders that includes shareholders, senior management, customers, suppliers, banks, government and the community. Sadaqat Limited has always stayed committed to the highest ethical and moral business values and to the true spirit of the Code of Corporate Governance.



Corporate Information

Board of Directors

Mukhtar Ahmed (Director / Chairman)
 Khurram Mukhtar (Director / CEO)
 Hamid Mukhtar (Director)
 Awais Mukhtar (Director)
 Shoaib Mukhtar (Director)
 Syed Ahmad Ashraf (Independent Director)
 Maleeha Humayun Bangash (Independent Director)

Audit Committee

Syed Ahmad Ashraf (Chairman)
 Hamid Mukhtar (Member)
 Awais Mukhtar (Member)

Human Resource & Remuneration Committee

Maleeha Humayun Bangash (Chairman)
 Shoaib Mukhtar (Member)
 Hamid Mukhtar (Member)

Nomination Committee

Hamid Mukhtar (Chairman)
 Khurram Mukhtar (Member)
 Shoaib Mukhtar (Member)
 Awais Mukhtar (Member)

Risk Management Committee

Hamid Mukhtar (Chairman)
 Maleeha Humayun Bangash (Member)
 Syed Ahmad Ashraf (Member)
 Hummayun Shahzad (Advisor)
 Shahzad Afzal Cheema (Advisor)

Director Strategic Planning

Mohammad Iqbal Ghori (FCMA)

Company Secretary

Basharat Hashmi

Chief Financial Officer

Hummayun Shahzad

Bankers

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

Legal Advisor

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

Auditors

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

Insurance Company

Atlas Insurance
 IGI General Insurance
 The United Insurance
 Century Insurance
 UBL Insurance
 New Jubilee Insurance (NJI)

Company's Registered Office (Head Office)

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

Core Management Team



Mukhtar Ahmed
Chairman

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

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

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

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

The professional career of Mr. Khurram Mukhtar spans over more than 25 years in the home textile industry on executive management positions. He started his professional career with Sadaqat Limited as a director whereas at the moment he is leading in the capacity of Chief Executive Officer of Sadaqat Limited.

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

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



Khurram Mukhtar
CEO



Shoaib Mukhtar
Director

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



Hamid Mukhtar
Director

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



Awais Mukhtar
Director

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



Hummayun Shahzad
Chief Financial Officer

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



Syed Ahmad Ashraf
Independent Director

- Fellow member of Institute of Cost & Management Accountants of Pakistan (FCMA)
- Associate Member of Institute of Corporate Secretaries of Pakistan (ICSP)
- MBA in Financial Management from John F. Kennedy University California (USA)

- Served as:
 - o CFO in Century Paper and Board Mills Limited (Lakson Group Company)
 - o Company Secretary in Dawood Hercules and Chemicals Limited
 - o Head of Internal Audit in Lawrenspur Limited, (Dawood Group Companies)
 - o Controller Accounts of Tourism Development Corporation Limited, Islamabad
 - o Chief Executive of SA Ashraf & Associates (a corporate and tax advisory firm)
- Corporate and Tax advisor at Saad Rasool Law Associates



Maleeha Humayun Bangash
Independent Director

- MBA from LUMS & Booth School of Business (University of Chicago)

- She has worked in:
 - o Financial services sector
 - o Textile sector
 - o Telecommunication industry
- Founding member/commissioner in Competition Commission of Pakistan
- Former (more recent) role as managing director in Investment Climate Reform Unit



Mohammad Iqbal Ghori FCMA, PURC (US)
Director Strategic Planning

- Other positions held:**
- Member National Council, ICMA Pakistan
 - COO C100 Think Tank
 - President, Institute of Cost and Management Accountant of Pakistan;
 - Chairman, SAFA Committee on Government and Public Sector Enterprises Accounting (PPSEA)
 - Member Policy Board of Auditor General of Pakistan, Government of Pakistan;
 - Chairman Committee on Tax Affairs of DISCOs, Ministry of Water and Power, Government of Pakistan
 - Member Panel of Experts, of Pakistan Stock Exchange Guaranteed Limited, Government Pakistan
 - Member Board of Studies of National University of Modern Language (NUML), Islamabad, Pakistan
 - Member of Board of Studies of HEC accredited Isra University, Hyderabad, Pakistan
 - Chairman Corporate Governance Advisory Board (CGAB), ICMA Pakistan
 - Chairman Cost Accounting Standards Board (CASB), ICMA Pakistan
 - Chairman Research & Publication Committee, ICMA Pakistan
 - Chairman Editorial Board of ICMA Pakistan's Research Journal
 - Member Board of Governors, Pakistan Institute of Public Finance Accountants
 - Chairman Research and Publication Committee, PIPFA

Review Report of Chairman



It is my pleasure to present before our valued shareholders, the Company's financial and operational performance and effectiveness of the role played by board in attaining the Company's goals for FY 2019. Sadaqat Limited will pursue the kind of corporate governance expected of it in current growth phase and by utilizing innovative ideas, the company will continue to take on new challenges, connecting steady growth to the next leap forward. The management is encouraged by the future prospects and expects to continue to demonstrate satisfactory performance through its efforts and strategic directions provided by the Board.

Company Performance Overview

FY-2019 was a challenging year due to political uncertainty, inflationary pressure, currency devaluation and increased interest rate which had a direct impact on the costs of production and posed some hurdles in smooth business operations. However, during the year 31% growth in net sales numbers established the company as a premier home textile brand and evidences further solidification of our market throughout the globe despite that there were risks and uncertainties. The net profit has also increased as compared to last year and the company has announced final a dividend of Rs 0.25 per share during the year in addition to Rs 0.25 per share as interim dividend.

The Company has constantly focused on increasing shareholders' value through diversification within the textile umbrella through introduction of circular knitting and processing plant and garments segment (woven / knitted). Portfolio enhancement by investing in garments segment has allowed us to target new customers and have presence in potential markets.

Board Performance and Role Effectiveness

Pursuant to best practices of the Code of Corporate Governance, annual evaluation of the performance of the Board of Directors has been carried out by Chairman BOD. Board of directors has performed its duties diligently and has managed the affairs of the Company in an effective and efficient manner. This year, the board has been reconstituted to ensure voluntarily adherence to the Code of Corporate Governance by including non-executive, independent and female directors.

Good corporate governance has always been a priority of the Board and assigned committees are performing their relevant role in reviewing and revamping corporate policies and procedures. The board monitors the entity's performance through its committees including Audit Committee, HR&R Committee, Nomination Committee and Risk Management Committee. During the financial year 2019, Board met frequently to review company's growth and future expansion projects, routine capital expenditures, annual financial statements, findings and recommendations of internal audit department and audit committee.

Finally, I would like to thank Board of Directors for striving to set the right governance standards thus enabling the Company to achieve its objectives. Further, I would like to thank my associates, bankers and other stakeholders for their commitment and dedication in the company. We look forward that the Company maintains its velocity of sustainable business growth as well as create value for its stakeholders.


Mr. Mukhtar Ahmed
(Chairman)

CEO's Message

// I am delighted to be able to report that despite operating in a very challenging socio-economic environment, we made good progress with a number of our strategic objectives in 2019 //

Sadaqat Limited is on the route towards success and brighter horizons evident through its profitability, liquidity, investment and asset turnover ratios which have considerably improved during the financial year. Sadaqat Limited today is a well-diversified organization by means of geography, product segment, customer and currency. It is my deepest pleasure to report our shareholders and stakeholders that FY 2019 was another successful year as the Company performed outstandingly well while achieving new growth milestones in sales and net profit.

Despite the Country's political challenges, unpredictable market situation, stiff global competition, challenging economic conditions and dramatic foreign currency fluctuations, this has been another year of remarkable performance in which we achieved net revenue of Rs. 19.6 billion and net profitability of Rs. 1.3 billion. We strongly believe that we primarily achieved these milestones through the efforts of our executives and by formulating and implementing effective strategies and timely decision making. Throughout the year, we keep our focus on strengthening marketing strategies and implementing effective cost controls measures to achieve operational and financial efficiency. We are continuing to focus on embedding sustainability in our business operations and throughout our supply chain.

Beholding to the future, we are planning to amplify our current setup of home textiles and newly added garments segment which are expected to breed propitious returns in imminent future. We are also exploring the possibilities of entity's listing on the stock exchange or potential issuance of Islamic Sukuks to meet the long-term financing need for expansion. We are eyeing to unlock sales mark of Pkr 28 billion in our next FY-2020.

We are endorsing a culture of continuous process innovation, manufacturing excellence and addition of state-of-the-art technology to exceed consumer satisfaction and stay as a market front-runner. We are continuing to focus on embedding sustainability in our business maneuvers and being socially responsible company, we remain committed to giving back to the society and community in which we operate. I would like to offer my appreciation to all the Board Members for their role in accomplishment of satisfactory financial & operational performance and I express my gratitude to the shareholders, employees, bankers and other stakeholders for their contribution towards company's success.

We are always geared to be responsive to stakeholder expectations and we strive to deliver and maintain transparency with our stakeholders. I feel pleasure in stating that this year, our Annual Report for FY 2018 secured 2nd position in textile sector whereas our Sustainability Report 2018 secured 3rd position all over Pakistan at "The Best Corporate and Sustainability Report Awards 2018" which were jointly organized by ICAP and ICMAP. Our reports were privileged these awards because of their accuracy, transparency, quality of presentation and accountability.

The continuation of integrated reporting in the financial year under review confirms the holistic story of how we use and impact our interconnected and interrelated capital resources in the journey of creating sustained value for our stakeholders. It also redirected us towards advancement in corporate reporting and has allowed us to achieve excellence in financial and sustainability reporting. In order to improve transparency, we have also complied with the GRI standards when reporting matters relating to sustainability in our integrated report.

The Company holds all leading textile industry specific certifications which demonstrate our commitment to become environmentally and socially compliant corporate citizen. We are also committed to contribute for the betterment of society evident from our CSR activities in the areas of health, safety, environment, education and security. Our slogan, “Better Environment Better Tomorrow”, drives our commitment to be a responsible corporate citizen which help us for the management of economic, social and environmental impacts arising from our value creation process. Our focus remains on creation of sustainable long term value for all stakeholders.

Sadaqat Limited has always been committed to invest in its employees and frequently holds trainings and meetings targeted towards enhancement of employees’ speaking, presentation and leadership skills. By regularly giving speeches, gaining feedback, leading teams and guiding others to achieve their goals in a supportive atmosphere, leaders emerge from such trainings / meetings.

Staying as a participant of United Nations Global Compact (UNGC) reflects our promising commitment towards environmental protection and contribution towards society. Our strategy continues to focus on further integrating Corporate Responsibility across all areas of our business, and we are well aligned with the United Nations Sustainable Development Goals (SDG). Our contributions to these global goals are shared throughout this report.

Finally, I look forward to another thriving year and hope to continue our sincere and honest efforts for business prosperity and sustainable growth in the upcoming years.


Mr. Khurram Mukhtar
Chief Executive Officer

Directors’ Report

We are pleased to present the 32nd Directors’ Report based on the results of business and operations of the Company together with the Audited Financial Statements for the financial year ended June 30, 2019.

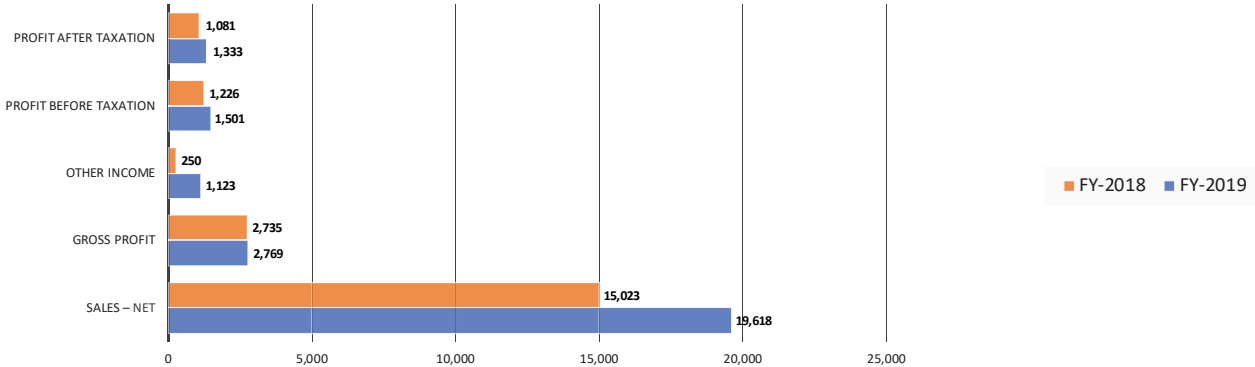
Review of Operating and Financial Performance

In the face of the Country’s political variability which resulted in histrionic devaluation of local currency, stimulating economic conditions, tough market situation and inflexible global competition, Sadaqat Limited has remained resolute and upheld its market leadership position and achieved a prominent financial performance during the year. Although the above mentioned risks and uncertainties faced by the company posed business challenges however the Board of Directors and its executive management has showed remarkable performance to effectively manage these risks which led to success for the company during the year.

Financial Performance

Company’s financial performance has improved tremendously for the financial year ended June 30, 2019 as compared to last year depicted by following:

Particulars	2019	2018	Favorable / (Unfavorable) %
	Rs. in Millions	Rs. in Millions	
Sales – net	19,618	15,023	31%
Gross Profit	2,769	2,735	1.3%
Other Income	1,123	250	349%
Profit before taxation	1,501	1,226	22%
Profit after taxation	1,333	1,081	23%
EPS (Rs.)	5.55	4.51	23%



The results for financial year 2019 reflect a remarkable growth of 31% in net sales revenue and an incredible increase in net profits by more than 23% as compared to the preceding financial year. Out of net 31% increase in revenue, around 10% was evidenced in US dollars terms whereas rest of major increase belongs to pkr currency devaluation. There was an increase in raw-material and energy costs due to devaluation of Pak Rupee leading to increased cost of imports, however the entity was able to sustain its profitability owing to effective cost control measures taken during the year. Significant increase in other income by more than 349% due to abnormal fluctuations in foreign exchange rate also contributed towards improved profitability of the company during the year. The earnings per share (EPS) has increased to PKR 5.55 /share as compared to PKR 4.51/share in last financial year after giving effect of bonus issue to comparative figure.

Activity ratios also witnessed improvement in inventory management as the inventory holding period decreased however the overall cash cycle has increased to an extent due to corresponding range bound fluctuation in debtors and creditors' days. The increased sales numbers and routine movement in customer wise business volume and significant unrealized gain on foreign receivables in current financial year resulted in receivable days pumped up to 92 days from 62 days in last financial year while on the other side gradual adjustments in procurement terms resulted in slight increase in creditors' days from 58 days to 63 days.

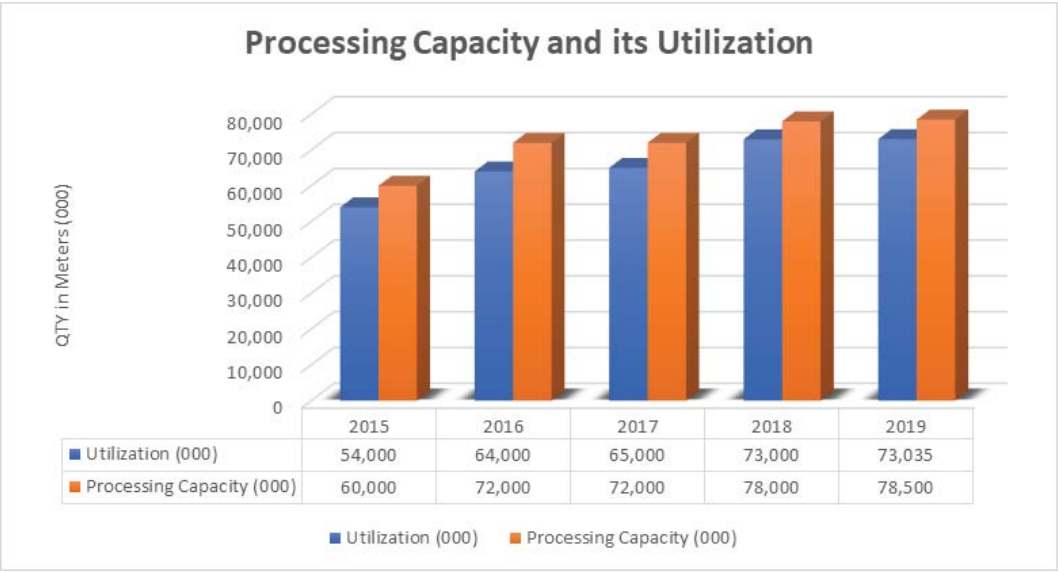
Profits for FY 2019 injected in current assets made liquidity outlook seem quite adequate as the current ratio and liquid ratio safely improved to above 1.03:1 and 0.64:1 respectively. The increase in working capital requirement is tagged with remarkable quantitative and numeric growth in business as evident through the sales and production numbers. The liquidity outlook looks quite harmonized whereas there was prominent improvement in financial leverage of the company.

Operating Performance

Sadaqat Limited has adopted for concentric diversification approach by adding new product range and markets to its existing business. In FY 2019, the Company has invested to launch its own circular knit and process plant to its production facilities as well as planned to expand its recently added garments (knitted / woven) segment. Hence the addition cum expansion of these two segments in addition to the existing business allowed product diversification as well as complementary managerial, operational and marketing synergies due to expansion within the textile umbrella. The goal of this diversification is to achieve strategic fit while diversifying the risk portfolio and the expansion and exploration of new business avenues. During financial year 2019, the company further made investment in building plant and machinery targeted towards enhancement of production capacity and for routine balancing, modernization and replacement. No other major changes have occurred during the financial year regarding the nature of entity's business.

While adhering to its comprehensively developed financial budget for FY 2019 and significant investment in automation and expansion made during last financial year, the Company delivered exceptional financial and operational performance in FY 2019 which in turn led to a healthy bottom line. The Company has also formulated its growth and business plan for the upcoming financial years in which it intends towards augmentation of its production capacities, alongwith investment to optimize automation of its home, garments and knitting facility. For the planned investments, the Board of Directors is reviewing the proposals to make an initial public offer (IPO) or potential issuance of Islamic Sukuks in future in order to meet the long term financing needs of the planned projects.

The comparison of processing capacity and its utilizations for the year ended June 30, 2019 with last years is presented below:



The Board has placed special emphasis on perking up the quality of company's financial statements and the other information being published by the Company in its Annual and Sustainability Report. While continuing its winning streak, the Company secured 2nd position for its Annual Report 2018 in textile sector while achieved 3rd position all over Pakistan in Sustainability Report 2018 at the "Best Corporate and Sustainability Report Awards 2018" jointly organized by ICAP and ICMA Pakistan. This accolade testifies the unerring commitment of top management towards timeliness, accuracy and transparency of reporting and at the same time towards the sustainability of stakeholders at large.

Bonus Shares

During the FY-2019, the company issued 100% bonus shares to all of its existing shareholders proportionately.

Description	No of Shares	Share Capital (Pkr)
Before Issuance of Bonus Shares	120,000,000	1,200,000,000
100% Bonus Issue	120,000,000	1,200,000,000
After Issuance of Bonus Shares	240,000,000	2,400,000,000

Dividend

In view of the Company's earnings, the Board of Directors has recommended the Final Cash Dividend for the financial year ended June 30, 2019, at the rate of 2.5% i.e. PKR 0.25 per share of PKR 10/- each, subject to the approval of the shareholders at the forthcoming Annual General Meeting. In addition to proposed final dividend, the company has also declared and paid interim dividend of PKR 60 million (@ 2.5% of post bonus share capital) during the financial year ended June 30, 2019.

Contribution to National Exchequer and Economy of Pakistan

During the FY-2019, Sadaqat Limited has contributed around Rs. 181 million (2018: 151 million) to the Government treasury on account of income tax and sales tax. The Company has also contributed towards Pakistan's economy by earning approximately USD 150 million of foreign exchange and by providing employment to more than 6,500 employees along with compensation and benefits of around Rs. 1,785 million (2018: 1,555 million) during the year.

Post Balance Sheet Events

The board of directors has proposed a cash dividend for the financial year ended 30th June 2019 of Rs. 0.25 per share (2018: Rs. 0.5 per share) at their meeting held on 21st October, 2019. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

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

Financial Statements

The financial statements of the company for FY 2019 have been endorsed by Chief Executive and a director of the Company after approval of the Board. The auditors, EY Ford Rhodes, Chartered Accountants, audited the financial statements and have expressed an unmodified opinion on the financial statements.

Auditors

The present auditors EY Ford Rhodes, Chartered Accountants shall stand retired on the conclusion of the 32nd Annual General Meeting. Being eligible, they offered themselves for re-appointment as auditors of the Company for the year ending 30th June 2020.

Positions of the Chairman and CEO

In compliance with the Code of Corporate Governance, positions of the Chairman of Board of Directors and Chief Executive Officer of the Company are held by separate incumbents and the Board has clearly defined the respective roles and responsibilities of Chairman and Chief Executive Officer.

Roles and Responsibilities of Chairman

The chairman of Sadaqat Limited is a non-executive director, entrusted for providing effective leadership to the Board of Directors and is responsible to ensure that the Board plays an effective role in fulfilling its responsibilities. Chairman provides a review report on the overall performance of the Board and effectiveness of the role played by the Board of Directors in achieving the Company's objectives. Further, Chairman has the authority to set agendas and sign the minutes of the board meetings, acting as a liaison between management and the Board, coordinating with the committees to ensure its effective operations and managing conflict of interests.

Roles and Responsibilities of CEO

Chief Executive Officer is an Executive Director who, subject to the oversight and directions of the Board, is entrusted with the powers of management of affairs of the company. The responsibilities include overseeing the business operations and implementation of policies and strategies approved by the Board, ensuring compliance with laws & regulations, ensuring effective functioning of the internal control system, responsible for business growth by identifying potential investment opportunities and to ensure that all the resources are properly safeguarded.

Election of Board of Directors

The company called extra-ordinary general meeting on December 31, 2018 in which election of directors of the Company was held and seven (7) directors were elected unanimously. The elected directors were to hold the office for a period of three years.

Casual Vacancy / Appointment of Independent Directors

During the financial year 2019, two directors named Imran Noormohmed and Muhammad Ijaz rendered their resignation as a result of which casual vacancy was arouse which was filled by the Board on March 01, 2019 by appointing two independent directors, named Mr. Syed Ahmad Ashraf and Miss. Maleeha Humayun Bangash.

Composition of Board of Directors

There are seven (7) directors on the Board of Sadaqat Limited which encourages the representation of Executive, Non-Executive and Independent Directors as well as gender diversity on its Board. Board comprise of two independent directors (including one female director) who are heading HR&R Committee and Audit Committee.

Composition of the Board of Directors as at June 30, 2019 is as follow:

1. Khurram Mukhtar (CEO)
2. Shoaib Mukhtar
3. Mukhtar Ahmed
4. Hamid Mukhtar
5. Awais Mukhtar
6. Syed Ahmad Ashraf (Independent Director)
7. Maleeha Humayun Bangash (Independent Director)

Board and its Committees

Board of Directors oversee the function of corporate governance of the company through well-structured and designated committees which take advantage of the expertise of all the directors and senior management. The Board and its Committees play key role in risk management, entity's strategic planning, periodic review of corporate policies and procedures, review of organization wide business risks and other crucial matters and also devises strategies to appropriately address those risks. The Company has formed the following committees to assist the Board and to voluntarily comply with the provisions of Code of Corporate Governance Regulations:

- Audit Committee
- Human Resources & Remuneration (HR & R) Committee
- Nomination Committee
- Risk Management Committee

Audit Committee

As a representative of the board of directors and main part of the corporate governance mechanism, the committee provides administration of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations. The committee also reviews significant accounting and reporting issues and recent professional and regulatory pronouncements to understand the potential impact on financial statements.

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

Meetings of the committee were held as per terms of reference approved by Board and proper minutes of all the meetings were kept in Company's records. Salient features of terms of reference of the Committee are included in Audit Committee Report.

Human Resource & Remuneration Committee

The Human Resource & Remuneration (HR & R) Committee performs its functions in accordance with the terms of reference as determined by the Board of Directors. Periodic meetings of the Committee were held as per TORs to discuss and review policy matters and terms of reference to ensure that they continue to meet best practice and the needs of the Board. Proper minutes of the meeting were also kept and retained in Company's records.

Salient Features and Terms of Reference

- Ensure that adequate policies and procedures related to HR Management are in place and implemented effectively.
- Review and recommend the training & development and the succession planning for key positions including the position of the Chief Executive Officer.
- Human resource management including review and recommendation, selection, evaluation and compensation of the Chief Executive Officer, the Chief Financial Officer, the Company Secretary and the Head of Internal Audit.
- Annually undertaking a formal process to evaluate the performance of the Board as a whole and its committees either directly or by engaging an external independent consultant.
- Review and recommend for Board approval, the Human Resources strategy including key HR objectives, plans and workforce requirements and also monitor the implementation of same.
- Review and recommend the Board for approval, new or revised salary structures and incentive plans.
- Review human resource development and organizational structure and recommend to the Board significant changes, if any which are required in organizational and board structure.

Nomination Committee

The Board of Directors of the company has constituted a nomination committee consisting of four (04) members including the chairman of the committee. The nomination committee is responsible for reviewing and making recommendations to the Board in respect of the Board committees and the chairmanship of the Board committees. The committee is also responsible to regularly review the structure, size and composition of the Board and recommend to the Board with regard to any necessary changes. The nomination committee performs its functions in accordance with the terms of reference duly approved by the Board of Directors.

Risk Management Committee

Risk Management Committee has been formed by the Board of Directors, which comprise of three (03) members who carry out a review of effectiveness of risk management procedures and present a report to the Board.

Salient Features and Terms of Reference

- Monitoring and review of all material controls including financial controls, operational controls and compliance controls.
- To ensure the integrity of financial information and implement robust risk mitigation measures.
- To ensure that company's risk framework and internal control system are appropriately disclosed in Directors report.
- Review risk exposure and recommend the risk appetite of the Company for Board's approval and supervise the process to identify potential risks and their impact and implement appropriate procedures to manage those risks.
- Review and recommend to the Board regarding the design and implementation of risk management strategies along with the procedures to monitor the adequacy and effectiveness of those strategies.

Environment, Health and Safety (EHS)

Sadaqat Limited is committed to providing high standards of health and safety culture for its employees, customers, suppliers and other stakeholders. Under the supervision of the Board of Directors, EHS Committee ensures the implementation of standard policies and procedures in place to monitor and control its Green House Gases (GHG) emissions across all the operations and provide improvement recommendations for Boards approval. The Company's dedicated team diligently reviews its products and related supply chain to address health and safety across the life cycle of a product. The company is also introducing products with low emissions and installing state of the art equipment for the protection of environment and to control industry effluents.

The Company holds Occupational Health and Safety (OSHAS) 18001:2007 certification which provides the company with certain comfort regarding standards of health and safety conditions at the facility. The Company has installed waste water treatment plant at its premises to mitigate harmful elements from waste water to meet the National Environmental Quality Standard (NEQS) limits. Sadaqat Limited has partnered with World Wide Fund (WWF) on green initiatives to protect the environment by reducing environmental footprints and to contribute towards slowing down climatic change. Further, effective firefighting system is also installed throughout our manufacturing facilities and fire drills are frequently conducted for the training of employees and the staff team to cope with any emergency situation.

In addition to this, the company has taken numerous measures and achieved multiple certifications under the umbrella of Environment, Health & Safety which are reported in detail in company’s published sustainability reports.

Corporate Social Responsibility (CSR)

Sadaqat Limited is rigorously focused on investing in CSR initiatives which includes education, health, social community and environmental protection in line with its corporate social responsibility policies. The company has formed a Sustainability Committee consisting of four (04) members to oversee the planning and implementation of CSR activities as it is committed to work in the best interest of its stakeholders. The company has contributed around Rs. 99 million towards community on various corporate social responsibility causes during the financial year 2019. The detailed analysis on CSR activities is presented in the published Sustainability Reports of the company.

Pattern of Shareholding as at June 30, 2019 – as tabularized below

Number of Shareholders	Shareholding		Total Shares held
	From	To	
2	1	500	4
2	501	1,000	1,996
1	1,744,601	1,744,700	1,744,624
1	1,883,901	1,884,000	1,883,904
4	59,092,001	59,092,400	236,369,472
10			240,000,000

Shareholder’s Category	Number of Shareholders	Number of Shares	Percentage %
Directors, Chief Executive Officer, Director’s relatives including their Children and Spouse	10	240,000,000	100%
TOTAL	10	240,000,000	100%

Acknowledgement

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

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

For and on behalf of the Board of Directors


Mr. Khurram Mukhtar
Chief Executive Officer


Mr. Shoaib Mukhtar
(Executive Director)

رسک مینجمنٹ کمیٹی

بورڈ آف ڈائریکٹرز نے رسک مینجمنٹ کمیٹی تشکیل دی ہے ، جو تین (03) ممبروں پر مشتمل ہے جو رسک مینجمنٹ کے طریقہ کار کا جائزہ لیتی ہے اور بورڈ کو رپورٹ پیش کرتی ہے۔

نمایاں خصوصیات

- مالیاتی کنٹرولز ، آپریشنل کنٹرولز اور compliance کنٹرولز سمیت تمام مادی کنٹرولز کی نگرانی اور جائزہ۔

- مالی معلومات کی سالمیت کو یقینی بنانا اور رسک کی تخفیف کے اقدامات کا نفاذ۔

- کمپنی کے رسک فریم ورک اور اندرونی کنٹرول سسٹم کو یقینی بنانا

- ڈائریکٹرز رپورٹ میں مناسب وضاحت پیش کرنا۔

- رسک کا جائزہ لینا اور کمپنی کی رسک کی ضرورت کے اقدامات, ممکنہ رسک کی نشاندہی, اور ان کو حل کرنے کے لئے مناسب طریقہ کار پر عمل درآمد کرانے کے لئے بورڈ کو سفارش کرنا۔

- رسک مینجمنٹ کی حکمت عملی ان کے نفاذ کے سلسلے میں بورڈ کو سفارش۔

ماحولیات ، صحت اور حفاظت

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

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

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

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

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

کارپوریٹ سماجی ذمہ داری

صداقت لمیٹڈ کی سی ایس آر اقدامات پر سختی سے عمل پیرا ہے جس میں تعلیم ، صحت ، سماجی برادری اور ماحولیاتی تحفظ کمپنی پالیسیوں کے مطابق ہے۔ کمپنی نے سی ایس آر سرگرمیوں کی منصوبہ بندی اور عمل درآمد کی نگرانی کے لئے چار (04) ممبروں پر مشتمل ایک استحکام کمیٹی تشکیل دی ہے کیونکہ جو اپنے اسٹیک ہولڈرز کے بہترین مفاد میں پر عزم ہے۔ کمپنی نے مالی سال 2019 کے دوران مختلف سی ایس آر سرگرمیوں پر 99 ملین روپے خرچ کیے۔ سی ایس آر کی سرگرمیوں کے بارے میں تفصیلی تجزیہ کمپنی کی استحکام رپورٹس میں پیش کیا گیا ہے۔

پیٹرن آف شیئر ہولڈنگ :

Number of Shareholders	Shareholding		Total Shares held
	From	To	
2	1	500	4
2	501	1,000	1,996
1	1,744,601	1,744,700	1,744,624
1	1,883,901	1,884,000	1,883,904
4	59,092,001	59,092,400	236,369,472
10			240,000,000

Shareholder's Category	Number of Shareholders	Number of Shares	Percentage %
Directors, Chief Executive Officer, Director's relatives including their Children and Spouse	10	240,000,000	100%
TOTAL	10	240,000,000	100%


اعتراف

میں تمام ڈائریکٹرز کی جانب سے قابل ذکر نتائج کے حصول کے لئے اپنے صارفین ، بینکوں ، مالیاتی اداروں ، ریگولیٹرز اور شیئر ہولڈرز کے تعاون کی تعریف کرتا ہوں اور امید کرتا ہوں کہ مستقبل میں بھی یہ تعاون مزید

بڑھے گا۔

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


شعیب مختار
 ایگزیکٹو ڈائریکٹر


خرم مختار
 چیف ایگزیکٹو آفیسر

مالی سال 2019 کے دوران ، عمران نورمحمد اور محمد اعجاز نامی دو ڈائریکٹرز کے مستعفی ہونے سے خالی ہونے والی نشستوں پر بورڈ نے 01 مارچ 2019 کو دو آزاد ڈائریکٹروں جناب سید احمد اشرف اور مس ملیحہ ہمایوں بنگش کی تقرری کردی تھی

بورڈ آف ڈائریکٹرز کی تشکیل

صداقت لمیٹڈ کے بورڈ پر سات (7) ڈائریکٹرز ہیں جو اس بورڈ میں ایگزیکٹو ، غیر ایگزیکٹو اور آزاد ڈائریکٹرز کی نمائندگی کے ساتھ ساتھ صنفی تنوع کی حوصلہ افزائی کرتے ہیں۔ بورڈ میں دو آزاد ڈائریکٹرز (ایک خاتون ڈائریکٹر بھی شامل ہیں) پر مشتمل ہے جو ایچ آر اینڈ آر کمیٹی اور آڈٹ کمیٹی کی سربراہی کر رہے ہیں۔

30 جون 2019 کو بورڈ آف ڈائریکٹرز کی تشکیل مندرجہ ذیل ہے۔

1. خرم مختار (سی ای او)
2. شعیب مختار
3. مختار احمد
4. حامد مختار
5. اویس مختار
6. سید احمد اشرف (آزاد ڈائریکٹر)
7. ملیحہ ہمایوں بنگش (آزاد ڈائریکٹر)

بورڈ اور اس کی کمیٹیاں

بورڈ آف ڈائریکٹرز، نامزد کمیٹیوں کے ذریعے کمپنی کی کارپوریٹ گورننس کے کام کی نگرانی کرتے ہیں جو تمام ڈائریکٹرز اور سینئر مینجمنٹ کی مہارت سے فائدہ اٹھا تے ہیں۔ بورڈ اور اس کی کمیٹیاں رسک مینجمنٹ ، کمپنی کی اسٹریٹجک پلاننگ ، کارپوریٹ پالیسیوں، تنظیم کے وسیع کاروباری خطرات اور دیگر اہم امور کا اور طریقہ کار کا وقتا فوقتا جائزہ لینے میں کلیدی کردار ادا کرتی ہیں اور ان خطرات سے موزوں طریقے سے نمٹنے کے لئے حکمت عملی تیار کرتے ہیں۔ کمپنی نے بورڈ کی مدد کے لئے اور کارپوریٹ گورننس ضابطوں کے ضابطہ اخلاق کی رضاکارانہ تعمیل کے لئے درج ذیل کمیٹیاں تشکیل دی ہیں۔

- آڈٹ کمیٹی

- ہیومن ریسورس اینڈریمونریشن کمیٹی

- نومینیشن کمیٹی

- رسک مینجمنٹ کمیٹی

آڈٹ کمیٹی

بورڈ آف ڈائریکٹرز کے نمائندے اور کارپوریٹ گورننس میکانزم کا اہم حصہ ہونے کے ناطے کمیٹی مالی رپورٹنگ کے عمل ، آڈٹ کے عمل ، کمپنی کے اندرونی کنٹرول کا نظام اور قوانین اور ضوابط کی تعمیل کرتی ہے۔ کمیٹی اہم اکاؤنٹنگ اور رپورٹنگ کے مسائل اور حالیہ پیشہ ورانہ مالی بیانات، اعلامیے پر ممکنہ اثرات کو سمجھنے کا جائزہ بھی لیتی ہے۔ آڈٹ کمیٹی اس بات کو یقینی بناتی ہے کہ مالی اور آپریشنل کنٹرول کا ٹھوس نظام موجود ہے۔ داخلی مالیاتی کنٹرول کو اہم سمجھا جاتا ہے لہذا محکمہ آڈٹ معیار کو بہتر بنا نے کے لئے پری اور پوسٹ آڈٹ کے انعقاد کے لئے اپنے آڈٹ پلان میں رسک پر مبنی نقطہ نظر کی پیروی کرتا ہے بروقت اور متعلقہ قانونی تقاضوں کی تعمیل ، قانونی معاملات کا جائزہ، منسلک پارٹی سے متعلق تمام لین دین کا جائزہ ، کارپوریٹ گورننس کے بہترین طریقہ کار کی تعمیل پر نظر رکھنا ، اور کسی بھی خلاف ورزی کی تحقیقات کرنا سمیت آڈٹ کے تمام امور کا موثر احاطہ یقینی بناتا ہے۔

ہیومن ریسورس اینڈ ریمونیشن (ایچ آر اینڈ آر) کمیٹی

یہ کمیٹی بورڈ آف ڈائریکٹرز کے طے شدہ شرائط کے مطابق اپنے فرائض سرانجام دیتی ہے۔ پالیسی امور پر تبادلہ خیال اور شرائط کا جائزہ لینے کے لئے ٹی او آررز کے مطابق کمیٹی کے وقتا فوقتا اجلاس منعقدہوتے اور میٹنگ منٹ بھی ریکارڈ کیے جا تے ہیں ۔

نمایاں خصوصیات

- اس بات کو یقینی بنانا کہ ایچ آر مینجمنٹ سے متعلق مناسب پالیسیاں اور طریقہ کار موجود اور نافذ الاعمل ہے۔
- چیف ایگزیکٹو آفیسر کے عہدے سمیت اہم عہدوں کے لئے تربیت و ترقی اور جانشینی کی منصوبہ بندی کا جائزہ

لینا اور ان کی سفارش کرنا

- ہیومن ریسورس مینجمنٹ جس میں چیف ایگزیکٹو آفیسر ، چیف فنانشل آفیسر ، کمپنی سکریٹری اور اندرونی آڈٹ کے سربراہ کا جائزہ اور سفارش ، انتخاب ، تشخیص اور معاوضہ شامل ہے۔
- مجموعی طور پر بورڈ اور اس کی کمیٹیوں کی کارکردگی کا براہ راست یا بیرونی آزاد مشیر سے سالانہ جائزہ لینا۔
- بورڈ کی منظوری کے لئے ہیومن ریسورس اسٹریٹیجی کا جائزہ لینا اور اس کی تجاویز دینا
- بورڈ کی منظوری کے لئے نئے یا نظر ثانی شدہ تنخواہ کے ڈھانچے اور ترغیبی منصوبوں کا جائزہ ور سفارش کرنا۔
- اگر کوئی تنظیمی تبدیلی درکار ہے اسکا جائزہ لینا اور بورڈ کو ان تبدیلیوں کی سفارش کرنا۔

نومینیشن کمیٹی

کمپنی کے بورڈ آف ڈائریکٹرز نے چیئرمین سمیت چار (04) ممبروں پر مشتمل نامزدگی کمیٹی تشکیل دی ہے۔ یہ نامزدگی کمیٹی بورڈ کمیٹیوں اور بورڈ کمیٹیوں کی سربراہی کے سلسلے میں بورڈ کی سفارشات کا جائزہ لیتی/سفارش کرتی ہے۔ یہ کمیٹی بورڈ کے ڈھانچے ، سائز اور تشکیل کا باقاعدگی سے جائزہ لینے اور کسی بھی ضروری تبدیلیوں کے سلسلے میں بورڈ کو سفارش کر نے کی ذمہ دار ہے۔ نامزدگی کمیٹی بورڈ آف ڈائریکٹرز کے منظور شدہ شرائط کے مطابق اپنے فرائض سرانجام دیتی ہے۔

آئی سی اے پی اور آئی سی ایم اے پاکستان کے زیر اہتمام میں پورے پاکستان میں تیسری پوزیشن حاصل کی۔ یہ ساکھ وقت سازی ، درستگی اور رپورٹنگ کی شفافیت اور بڑے پیمانے پر اسٹیک ہولڈرز کی پائیداری کی طرف ایک ہی وقت میں اعلیٰ انتظامیہ کی غیر متزلزل عزم کی گواہی دیتا ہے۔

بونس حصص

مالی سال 2019 کے دوران ، کمپنی نے اپنے تمام موجودہ حصص یافتگان کو 100٪ بونس حصص جاری کیے۔

Description	No of Shares	Share Capital (Pkr)
Before Issuance of Bonus Shares	120,000,000	1,200,000,000
100% Bonus Issue	120,000,000	1,200,000,000
After Issuance of Bonus Shares	240,000,000	2,400,000,000

منافع

کمپنی کی آمدنی کے پیش نظر ، بورڈ آف ڈائریکٹرز نے 30 جون ، 2019 کو ختم ہونے والے مالی سال کے لئے 2.5٪ کی شرح سے یعنی Rs.0.25 فی حصص حتمی نقد منافع کی سفارش کی ہے ، جو آئندہ سالانہ جنرل میٹنگ میں حصص یافتگان کی منظوری سے مشروط ہے۔ مجوزہ حتمی منافع کے علاوہ ، کمپنی نے 30 جون ، 2019 کو ختم ہونے والے مالی سال کے دوران پی کے آر 60 ملین (پوسٹ بونس شیئر کیپیٹل کا 2.5 فیصد) کا عبوری منافع بھی اعلان کیا اور ادا کیا ہے۔

پاکستان کی قومی معیشت اور معیشت میں شراکت

مالی سال 2018-2019 کے دوران صداقت لمیٹڈ نے تقریباً Rs.181 ملین روپے ٹیکس کی مد میں قومی خزانہ میں جمع کرائے ہیں۔ کمپنی نے تقریباً Rs 150 ملین امریکی زرمبادلہ کما کر پاکستان کی معیشت میں بھی حصہ ڈالا ہے اور 6,500 سے زائد ملازمین کو روزگار فراہم کرنے کے ساتھ ساتھ معاوضہ اور فوائد کی مد میں تقریباً 1785 ملین روپے (Rs.1,555: 2018) ادا کیے

بیلنس شیٹ کے بعد والے واقعات

بورڈ آف ڈائریکٹرز نے 21 اکتوبر 2019 کو منعقدہ ان کی میٹنگ میں 30 جون 2019 کو ختم ہونے والے مالی سال کے لئے 2.5٪ کی شرح نقد منافع کی تجویز پیش کی ہے۔ تاہم ، اس ایونٹ کو "آئی اے ایس 10" کے تحت ریکارڈ نہیں کیا گیا ہے۔

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

مالیاتی گوشوارے

بورڈ کی منظوری کے بعد مالی سال 2019 کے لئے کمپنی کے مالی تفصیلات کی چیف ایگزیکٹو اور کمپنی کے ایک ڈائریکٹر نے توثیق کی ہے اور آڈیٹرز ، ای وائی فورڈ روڈس EY Ford Rhodes ، چارٹرڈ اکاؤنٹنٹ ، نے مالی تفصیلات کا آڈٹ کیا اور مالی بیانات پر غیر ترمیم شدہ رائے کا اظہار کیا ہے۔

آڈیٹر

موجودہ آڈیٹرز ای وائی فورڈ روڈس ، چارٹرڈ اکاؤنٹنٹ 32 ویں سالانہ جنرل اجلاس کے اختتام پر ریٹائرڈ ہو جائیں گے۔ اہل

ہونے کے ناطے ، انہوں نے 30 جون 2020 کو ختم ہونے والے سال کے لئے کمپنی کے آڈیٹر کی حیثیت سے دوبارہ تقرری کے لئے اپنے

آپ کو پیش کیا

چیئرمین اور سی ای او کے عہدے

کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل میں ، بورڈ آف ڈائریکٹرز کے چیئرمین اور کمپنی کے چیف ایگزیکٹو آفیسر کے عہدوں پر علیحدہ علیحدہ عہدیدار کام کر رہے ہیں اور بورڈ نے چیئرمین اور چیف ایگزیکٹو آفیسر کے متعلقہ کردار اور ذمہ داریوں کی واضح طور پر وضاحت کی ہے۔

چیئرمین کے کردار اور ذمہ داریاں

صداقت لمیٹڈ کے چیئرمین ایک نان ایگزیکٹو ڈائریکٹر ہیں ، جس کو بورڈ آف ڈائریکٹرز کو موثر قیادت فراہم کرنے کا ذمہ سونپا گیا ہے اور یہ یقینی بنا نے کا ذمہ دار ہے کہ بورڈ اپنی ذمہ داریوں کو نبھانے میں موثر کردار ادا کرے۔ چیئرمین بورڈ کی مجموعی کارکردگی اور کمپنی کے مقاصد کے حصول میں بورڈ آف ڈائریکٹرز کے کردار پر ایک جائزہ رپورٹ پیش کرتے ہیں۔ مزید یہ کہ چیئرمین کو انتظامی اختیارات اور بورڈ کے مابین رابطے کی حیثیت سے ایجنڈے طے کرنے، اپنی موثر کاروائیوں کو یقینی بنانے اور مفادات کے تصادم کو منظم کرنے کے لئے کمیٹیوں کے ساتھ ہم آہنگی پیدا کرنے اور بورڈ کے اجلاسوں کے منٹ پر دستخط کرنے کا اختیار ہے۔

سی ای او کے کردار اور ذمہ داریاں

چیف ایگزیکٹو آفیسر ایک ایگزیکٹو ڈائریکٹر ہے جس کو کمپنی کے امور کے انتظام کے اختیارات سونپے جاتے ہیں جو بورڈ کی نگرانی اور ہدایات کے تابع کام کرتا ہے۔ ان ذمہ داریوں میں کاروباری کاموں کی نگرانی اور بورڈ کے ذریعہ منظور شدہ پالیسیوں اور حکمت عملیوں پر عمل درآمد۔ داخلی کنٹرول سسٹم کے موثر کام کاج کو یقینی بنانا ، قوانین اور ضوابط کی تعمیل کو یقینی بنانا ، ممکنہ سرمایہ کاری کے مواقع کی نشاندہی اور وسائل کی حفاظت یقینی بنانا ہے۔

بورڈ آف ڈائریکٹرز کا انتخاب

کمپنی نے 31 دسمبر 2019 کو غیر معمولی عمومی اجلاس میں کمپنی کے ڈائریکٹرز کا انتخاب ہوا اور سات (7) ڈائریکٹرز

متفقہ طور پر منتخب ہوئے۔ نو منتخب ڈائریکٹرز تین سال کی مدت کے لئے اس عہدے پر فائز رہیں گے۔

ڈائریکٹران کی رپورٹ

ہمیں 30 جون 2019 کو ختم ہونے والے مالی سال کے آڈٹ شدہ مالیاتی بیانات کے ساتھ ساتھ کمپنی کے کاروبار اور کاروائیوں کے نتائج پر مبنی ڈائریکٹران رپورٹ پیش کرنے پر خوشی ہے۔

معاملاتی اور مالی کارکردگی کا جائزہ

ملک کی سیاسی تغیر، مقامی کرنسی کی تاریخی قدر میں کمی، متحرک معاشی حالات ، اتار چڑھاؤ کی صورتحال اور غیر لچکدار عالمی مقابلہ کے باوجود صداقت لمیٹڈ مستحکم رہا ہے اور اس نے مارکیٹ کی ممتاز پوزیشن برقرار رکھی ہے اور ایک سال کے دوران نمایاں کارکردگی دکھائی ہے۔ گرچہ کمپنی نے مذکورہ بالا خطرات اور کمپنی کو درپیش غیر یقینی صورتحال جیسے کاروباری چیلنجوں کا سامنا کیا۔ تاہم بورڈ آف ڈائریکٹرز اور اس کی انتظامیہ نے ان خطرات کا ناصرف مؤثر طریقے سے سامنا کیا بلکہ نمایاں کارکردگی کا مظاہرہ کرتے ہوئے کامیابی حاصل کی۔

مالیاتی کارکردگی

پچھلے سال کے مقابلے میں 30 جون، 2019 کو ختم ہونے والے مالی سال میں کمپنی کی مالی کارکردگی میں زبردست بہتری آئی ہے جو مندرجہ ذیل شیڈول میں دیکھا جا سکتا ہے۔

Particulars	2019	2018	Favorable / (Unfavorable) %
	Rs. in Millions	Rs. in Millions	
Sales – net	19,618	15,023	31%
Gross Profit	2,769	2,735	1.3%
Other Income	1,123	250	349%
Profit before taxation	1,501	1,226	22%
Profit after taxation	1,333	1,081	23%
EPS (Rs.)	5.55	4.51	23%

مالی سال 2019 کے نتائج نمایاں نمو کی عکاسی کرتے ہیں۔ پچھلے مالی سال کے مقابلے میں اس سال کل فروخت آمدن میں 31 فیصد اور خالص منافع میں 23 فیصد سے زیادہ کا ناقابل یقین اضافہ ہوا ہے۔ آمدن میں 31 فیصد اضافے میں 10% کردار امریکی ڈالر کا جبکہ زیادہ حصہ پاک روپیہ/کرنسی کی قدر میں اتار چڑھاؤ کا ہے۔ پاک روپے کی قدر میں کمی کی وجہ سے خام مال اور توانائی کے اخراجات میں اور درآمد کی لاگت میں اضافہ ہوا ہے، تاہم ہمارا ادارہ دوران سال کیے جانے والے لاگت پر موثر کنٹرول کے اقدامات کی وجہ سے اپنے منافع کو برقرار رکھنے میں کامیاب رہا۔ غیر ملکی زرمبادلہ کی شرح میں غیر معمولی

اتار چڑھاؤ کی وجہ سے دوسری آمدنی میں 349 فیصد کا نمایاں اضافے کا کردار بھی کمپنی کے منافع میں بہت اہم ہے۔ فی حصص آمدنی (ای پی ایس) میں 5.55 روپے تک اضافہ ہوا ہے۔ جو پچھلے مالی سال میں 4.51 روپے / حصص تھی۔

کاروباری سرگرمیوں کے تناسب سے بھی انویٹری مینجمنٹ میں بہتری دیکھنے میں آئی ہے۔ اس سال انویٹری کے انعقاد کی مدت میں کمی صاف نظر آئی ہے۔ تاہم مقروض اور قرض دہندگان کے دنوں میں مطابقت پذیری کے اتار چڑھاؤ کی وجہ سے مجموعی طور پر کیش سائیکل ایک حد تک بڑھ گیا ہے۔ فروخت میں اضافہ ، کاروباری حجم میں غیر معمول کی نقل و حرکت ، اور غیرملکی وصولیوں پر غیر معمولی فائدہ موجودہ مالی سال میں 62 دن سے 92 دن ہو گیا ہے۔ جبکہ دوسری طرف خریداری کی شرائط میں بتدریج ایڈجسٹمنٹ کے نتیجے میں قرض دہندگان کے دنوں میں 58 دن سے 63 دن کامعمولی اضافہ ہوا ہے۔

مالی سال 2019 کے منافع موجودہ اثاثوں میں لگائے گئے ہیں جس وجہ سے لیکویڈیٹی آؤٹ لک میں کافی مناسبت آئی ہے۔ کرنٹ اور لیکویڈ تناسب بالترتیب 1:1.03 اور 1:0.64 محفوظ طریقے سے بہتر ہوا ہے۔ جیسا کہ فروخت اور پیداوار کی تعداد کے ذریعہ واضح ہے کہ ورکنگ کیپیٹل کی ضرورت میں اضافہ کاروبار میں قابل ذکر مقداری اور عددی نمو کی برولت ہوا ہے۔ لیکویڈیٹی آؤٹ لک میں کافی ہم آہنگی ہے، جبکہ کمپنی کے مالیات میں نمایاں بہتری دیکھنے میں آئی ہے۔

معاملاتی کارکردگی

صداقت لمیٹڈ نے جدید متنوع طریقہ سے اپنے موجودہ کاروبار میں نئی پراڈکٹ رینج اور مارکیٹوں کو شامل کیا ہے۔ مالی سال 2019 میں ، کمپنی نے اپنا سرکلر اور نٹ پروسیس پلانٹ لگایا ہے، اور اپنی پیداواری صلاحیتوں میں گارمنٹ (بنا ہوا/سلاہوا) شامل کرنے کا منصوبہ بنایا ہے۔ اس کے علاوہ موجودہ کاروبار میں ان دو شعبہ جات کی اضافی پیداواری صلاحیتوں میں توسیع کی وجہ سے کاروباری مصنوعات میں تنوع اور ساتھ ہی تکمیلی انتظامی ، عملیاتی اور مارکیٹنگ کی مطابقت پذیری بھی آئی ہے ۔ اس تنوع کا مقصد اسٹریٹجک اہداف حاصل کرنا ہے جبکہ رسک پورٹ فولیو کو کم سے کم کر کے نئی کاروباری راہوں کی توسیع اور تلاش ہے۔ مالی سال 2019 کے دوران ، کمپنی نے پلانٹ اور مشینری میں مزید سرمایہ کاری کرکے پیداواری صلاحیت میں اضافہ کیا ہے اور معمول کے توازن ، جدید کاری اور متبادل کا ٹارگٹ حاصل کیا ہے۔ مالی سال کے دوران کاروبار کی نوعیت کے حوالے سے کوئی اور بڑی تبدیلیاں نہیں آئیں۔

پچھلے مالی سال کے دوران ہونے والی آٹومیشن اور توسیع کی برولت سال 2019 میں کمپنی نے غیر معمولی مالی اور آپریشنل کارکردگی پیش کی ہے۔ کمپنی نے آئندہ مالی سالوں کے لئے اپنی نمو اور کاروباری منصوبہ بھی مرتب کیا ہے، اس میں اپنی پیداواری صلاحیتوں کو بڑھانے کے ساتھ ساتھ "لباس اور بنائی" کی سہولت کے آٹومیشن کو بہتر بنانے کے لئے سرمایہ کاری کرنا شامل ہے۔ بورڈ آف ڈائریکٹرز ابتدائی عوامی پیش کش (آئی پی او) کرنے کی تجاویز کا جائزہ بھی لے رہا ہے اس کے علاوہ طویل مدتی فنانشنگ کی ضروریات کو پورا کرنے کے لئے مستقبل میں اسلامی سکوکس کو جاری کرنے کی منصوبہ بندی بھی

کر رہا ہے

30 جون، 2019 کو ختم ہونے والے سال کے لئے پروسیسنگ کی صلاحیت اور اس کے استعمال کا موازنہ گزشتہ سال کے ساتھ ذیل میں پیش کیا گیا ہے:

بورڈ نے کمپنی کے اکاؤنٹس/مالی بیانات کے معیار اور اس کی سالانہ اور استحکام رپورٹ میں کمپنی کے ذریعہ شائع کی جانے والی دیگر معلومات پر خصوصی زور دیا ہے۔ اپنے ایوارڈ کا سلسلہ جاری رکھتے ہوئے ، کمپنی نے ٹیکسٹائل کے شعبے میں اپنی سالانہ رپورٹ 2018 کے لئے دوسری پوزیشن حاصل کی جبکہ "بہترین کارپوریٹ اور استحکام رپورٹ ایوارڈز 2018" مشترکہ طور پر

Code of Conduct - Policies



Code of conduct at Sadaqat Limited is based on the principles of honesty, integrity, truthfulness and professional behavior and we expect all our directors and employees to maintain high standards in accordance with code. The code of conduct policies are applicable to all head office and factory employees of the company.

Policy for Security Clearance of Foreign Directors

The Company has defined complete procedures for appointment and security clearance of any foreign national as a member of the Board. In case a foreign director is elected on Board, security clearance will be required from concerned authorities.

Conflict of Interest

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

Investors' Grievance Mechanism

Sadaqat Limited has a well-established, transparent, easier and simpler grievance redressal at mechanism for investor/shareholders' service and grievance handling. The Company has identified a separate investor relation contact person along with contact details which are publicly available at the Company's website. In case of any grievance, it is discussed in the presence of all directors including CEO, Chairman and CFO. After mutual discussion, matter is reviewed and grievance is handled with efficiency, courtesy and fairness and necessary steps taken to prevent recurrence.

Data Protection and its Confidentiality

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

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

Whistle Blowing Mechanism

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

Incidents reported during the year

During the FY-2019, no material incidents were reported to the Audit Committee regarding improprieties in financial, operating, legal or other matters of the company due to strong governance and sound ethical practices.

HR Policy

Compensation, Benefits & Succession Planning

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

Health & Safety

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

Social and Environmental Responsibility

The Company has integrated environment, health and safety policy in place along with Environment, Health, and Safety Committee. Local community is engaged through EHS department, which is primarily responsible for interventions in the field of environment, education, health and upliftment of the community. The Head of HR & Compliance is responsible for regulatory affairs and monitors the compliance for environment, health, and safety. The Company regularly sends its key staff for trainings on health, safety and environment to equip them with the latest knowledge on the subject.

Corporate Social Responsibility (CSR) Policy

Sadaqat Limited recognizes the importance of integrating its values and business operations to meet the interests and exception of all stakeholders including investors, employees, customers

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

Prohibition of Child / Forced / Bonded Labour Policy

Sadaqat limited does not employ any person below the age of eighteen years at its workplace. The Company strictly prohibits the use of child labour and forced or compulsory labour at its facility. No employee is forced to work against his/her will or work as bonded/- forced labour, or subject to corporal punishment or coercion of any type related to work. The Company believes that promoting fair and appropriate employment at its facility and within its supply chains is a critical part of the commitments we make to our people and local communities.

Diversity Policy

Sadaqat Limited, without any ambiguity, believes that diversity within an organization provides valuable insights to the human capital of its organization. The company has implemented policies to endure diversification of its employees on the basis of region, ethnicity, age and gender etc. The company ensures that employment decisions are strictly based on business needs, knowledge, skills, experience and relative work performance and also places strong emphasis on promoting equal opportunities for candidates, based on merit and ensures fair and equal treatment of employees, free of biasness and discrimination. The company specifically promotes women empowerment at workplace and believes that it has larger replicating effects over the performance. Any employee found to have exhibited any inappropriate conduct or behavior against others may be subject to disciplinary action.

Security Policies and Measures

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

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

In FY 2019, **LETTER OF COMPLIANCE** was awarded by SGS to Sadaqat Limited against audit of **C-TPAT MINIMUM SECURITY CRITERIA FOR MANUFACTURERS**

Committee Meetings

	Members	Agenda / Business Discussed	Meetings
Board of Directors	7	1. Confirmation of minutes of last meeting. 2. Review of audit plan and internal audit reports. 3. Review of Internal Control Environment and its effectiveness. 4. Review of business risks & devising risk mitigation strategies.	5
Audit Committee	3	1. Confirmation of minutes of last meeting. 2. Review of audit plan and internal audit reports. 3. Review of Internal Control Environment and its effectiveness. 4. Review of business risks & devising risk mitigation strategies. 5. Review of interim and annual financial statements of the company.	4
HR & R Committee	3	1. Confirmation of minutes of last meeting. 2. Approval of departmental strength. 3. Approval of inhouse and outside trainings for employees. 4. Review of employee appraisals and pay grades. 5. Key employees succession planning system.	2
* Nomination Committee	4	1. Confirmation of minutes of last meeting. 2. Provide recommendation to the Board in respect of the Board committees and the chairmanship of the Board committees. 3. Review of structure, size and composition of the Board.	0
* Risk Management Committee	3	1. Confirmation of minutes of last meeting. 2. Review of effectiveness of risk management procedures and present a report to the Board. 3. Review of all material controls and ensured integrity of financial information.	0
Sustainability Committee	4	1. Confirmation of minutes of last meetings. 2. Review of compliance with UNGC principles, UN SDG's and GRI Framework. 3. Discuss and update on Stakeholders meeting and their engagement.	4
EHS Committee	6	1. Confirmation of minutes of last meeting 2. Discussion, review and approval of Environmental, Health & Safety Policy 3. Review the performance of organization as per its EHS plan	4

* Risk Management Committee and Nomination Committee has been formed near the end of financial year and no meeting of the committees were held during the year. However, the committee's meetings will be held in next financial year.

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

Performance Evaluation

Performance Evaluation of the Board

As per the requirements of Code of Corporate Governance, a mechanism is in place for evaluation of Board's performance which is carried out at level of Board Members, Board as a whole and its Committees.

Board of Directors has developed a criterion to evaluate its own performance and its committees by adopting a self-evaluation methodology and considers the following similar matters:

- Adequate composition of the Board of Directors and its Committees including their size and structure;
- Each Director has adequate understanding of business and industry;
- Review of the strategic plans and Company's performance against the planned objectives;
- Board policy decisions, activities & services reflect the vision and mission;
- Monitors and evaluates programs to ensure they support the mission and objectives;
- Clearly defined roles and responsibilities of CEO / Directors; and
- Clearly defined job descriptions and terms of reference for Board members and its committees

This also includes the assessment of the Chairman of the Board including his ability to lead the Board meetings. Director's performance evaluation is conducted with reviews and suggestions from Chairman during the meetings of Board of Directors. The overall performance of the Board measured on the defined criterion for the year was satisfactory.

External Evaluation

During the financial year, the performance review of Board was not carried out by any external consultant.

CEO's Performance Review

The Company has an effective system in place to appraise the performance of CEO which include financial performance, business processes improvement, business growth, compliance, sustainability and people management to set the tone in direction towards achievement of strategic goals.

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

Formal Orientation Courses

Upon joining the Board, each new director is given orientation about the operations of the Company including his or her duties and responsibilities to enable him or her to effectively govern the affairs of the Company. During the FY-2019, Mr. Syed Ahmad Ashraf and Miss. Maleeha Humayun Bangash joined the Board as Independent Director. Further, the newly appointed independent directors have also provided declarations that they are aware of their duties, powers and responsibilities under the Companies Act, 2017.

The Company arranged a workshop on Federal Budget 2019-2020 for its directors and senior management on 15 June, 2019. The purpose of this session was to address significant changes from prior year which has impact on the textile sector in general and the company in specific.

Director's Ongoing Trainings

Sadaqat Limited carries out in house training sessions for directors which include discussion related to various technical and leadership-oriented topics. These sessions are held by high class executives of the Company possessing relevant knowledge and skills. Board of Directors of Sadaqat Limited are well experienced and are fully conversant with their duties and responsibilities.

None of the directors attended Directors' training program from institutes approved by SECP, however, directors have planned to conduct in house SECP's Directors' training program in FY-2020 for all the directors of the Company.

Audit Committee Report



Syed Ahmad Ashraf
Chairman / Member



Hamid Mukhtar
Member



Awais Mukhtar
Member



M. Naeem Haider
Secretary / Head of Internal Audit

The Board is satisfied that members of the Audit Committee includes directors having excellent mix of skills and experience in the field of finance, accounting, internal controls, financial reporting and compliance areas. The members of the Audit Committee are pleased to present their report to the shareholders for the year ended June 30, 2019.

Terms of Reference

The terms of reference of the Audit Committee are clearly defined in the Charter which is duly approved and regularly reviewed by the Board of Directors. The salient features are stated below:

- Developing a mechanism to safeguard the company's fixed assets;
- Reviewing quarterly, half-yearly and annual financial statements before its approval by the Board;
- Making recommendation to the Board regarding appointment, removal and audit fees of external auditors;
- Reviewing the effectiveness of internal controls and recommending appropriate actions where major findings has been reported by internal audit function;
- Reviewing risk management system along with reporting of various risks to the Board;
- Monitoring compliance of statutory requirements and laws applicable to the company;
- Examining all related party transactions to ensure that these were carried out at arm's length;
- Monitoring management's compliance with all policies and procedures of the company.

Meetings of the Committee

Meetings of the Audit Committee are held at least once every quarter. Four (4) meetings of the Audit Committee were held during the financial year 2018-19. The head of internal audit functionally reports to Audit Committee and administratively to CEO. The CEO and CFO were regularly invited to attend the Audit Committee meetings as provided in Code of Corporate Governance. The Audit Committee arranged a meeting with external auditors without presence of chief financial officer and head of internal audit to discuss the issues relating to financial statements. Further, the Audit Committee also arranged a meeting with head of internal audit and other members of the internal audit function without presence of chief financial officer and external auditors. The secretary has circulated minutes of meetings of the Audit Committee to all members, directors, chief financial officer. Further, Chairman of the Audit Committee was also present in last Annual General Meeting (AGM) of the Company to discuss the activities and matters within the scope of the audit committee's responsibilities.

Review of Operating and Financial Performance

Based on the review of operating and financial performance of the Sadaqat Limited for the year ended June 30, 2019, the Audit Committee concludes and reports that:

The Company has adhered, without any material departure, with provisions of the Code of Corporate Governance and Company's Act 2017. The Audit Committee has also ensured the compliance with company's own code of conduct and policies by the Board, management and employees throughout the year;

Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by International Accounting Standard Board (IASB) and the requirements of the Fourth Schedule of the Companies Act 2017;

The Audit Committee has reviewed quarterly, half yearly and annual financial statements of the Company to ensure that appropriate accounting policies have been consistently applied and accounting estimates are based on reasonable and prudent judgement. The Committee has identified no significant issues and recommended them for approval of the Board of Directors. Further Committee has also ensured that proper and adequate accounting records have been maintained by the Company in accordance with Companies Act, 2017;

Audit Committee has ensured coordination between external and internal auditors of the company to enhance effectiveness of internal controls, ensure operational efficiency and contribution to the Company's objectives; and

The Committee has reviewed the arrangement for staff and management to report to audit committee about actual or potential improprieties in financial and other matters. No material incidents regarding operations of the entity or otherwise were reported to the Audit committee during the year.

Committee's Review of Annual Report

The Committee reviewed and read the Company's audited financial statements for the year ended June 30, 2019 and the other information included in the Annual Report to check whether it is materially consistent with the financial statements. The Committee has reviewed the annual report and concluded that it is fair, balanced and understandable for the users and contained sufficient and appropriate information necessary to assess company's position, performance, business model and strategies.

Placement of Annual Report

The Annual Report for the FY-2019 would be placed on the Company's website and can be viewed on www.sadaqatgroup.com

Review of Related Party Transactions

The Company entered into certain related party transactions during the FY-2019 as disclosed in note 41 of the financial statements. The Committee under the authority delegated by the Board, reviewed these transactions as to whether all transactions with related parties are carried out at arm's length prices and the prices are determined in accordance with comparable uncontrolled price method. The Audit Committee determined that all transactions with related parties were carried out at arm's length prices and recommended them for the approval of BOD.

Risk Management and Internal Audit

The Committee ensured that effective controls and risk management system has been implemented at all levels within the company to achieve corporate objectives and to safeguard assets of the Company during the year. The Committee has devised a sound system of internal controls and implemented an effective internal control framework which also includes independent internal audit department.

The Committee also reviewed the effectiveness of the entity's policies and procedures regarding internal control systems including the financial, operational, IT, risk management, legal and compliance and developed a mechanism for identification, assessment and reporting of business risks along with strategies to mitigate those risks;

The Head of Internal Audit has direct access to the chairman of Audit Committee and has regularly attended the meetings of Committee. The Head of Internal Audit has carried out the audit of different departments based on the annual audit plan and pointed out risks, their impact & likelihood and provided suggestions for mitigating risks including improvement areas.

The Committee has already developed and maintained a Risk Control Matrix (RCM) identifying the strategic, financial, operational, compliance and related reputational risks of the company and that base document is periodically updated and used to address and devise audit strategy in order to mitigate those risks while considering the efficiency and effectiveness of internal controls linked to them.

Audit Committee has also set up a formal mechanism to ensure compliance with the recommendations given to the management of the Company and reviewed the compliance status of recommendations and in case of any deviation, explanation has been required from the management.

External Audit

The M/s. EY Ford Rhodes, Chartered Accountants were engaged as external auditor of Saadat Limited for the year ended June 30, 2019. The Committee has reviewed and discussed audit observations with the external auditors and also ensured necessary coordination between external and internal auditors during the year.

Each year, the Committee evaluates the qualifications, performance and independence of the Company's External Auditors and determines whether to re-engage the current Auditor. It considers the quality and efficiency of the services provided by the auditors, the auditors' technical expertise and knowledge of the Company's operations and industry. Based on this evaluation, the Audit Committee has recommended the appointment of M/s EY Ford Rhodes, Chartered Accountants as External Auditors of the Company for the year ending June 30, 2020.

Self-Evaluation of Audit Committee

The Audit Committee regularly assess its own performance, the adequacy of its terms of reference and work plans to identify any gaps in which there is a potential to be more effective. The Committee believes that it has discharged its responsibilities as per terms of reference approved by the Board. However, the Committee is working towards a comprehensive self-evaluation checklist to determine its performance and effectiveness. Further performance evaluation of Committee's members was also carried out separately by the Board of Directors and results of the evaluation were found to be satisfactory.



Syed Ahmed Ashraf
Chairman – Audit Committee

Performance and Position

Performance and position section highlight the extent to which organization has been able to achieve its strategic objectives on way towards its mission & vision. This section provides transparent and detailed analysis of the company's financial as well as non-financial performance to its stakeholders.



Management Approach

The management of the company is striving to improve the reporting framework with each passing year in order to achieve optimal level of transparency, accuracy and quality of corporate and sustainable reporting to satisfy stakeholders need for information. To achieve these objectives, the company has adopted Integrated Reporting framework of International Integrated Reporting Council (IIRC) to prepare this report.

The management measures and reports entity's performance from both monetary and non-monetary prospects. The company has a dedicated team to develop and update the financial as well as non-financial key performance indicators through input of certain relevant stakeholders, and then the performance is measured against defined targets for each KPI.

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

Management has also presented the analysis of cash flows for the last six years showing the impact of operating, financing and investing activities over cash flows generated from these activities. Segmental analysis of each major segment of the company has been performed to determine whether significant changes has been occurred from prior period and also highlighted the new segments which were added during the year along with detail of major capital expenditures incurred.



Review by Chief Financial Officer (CFO)

This year the company has maintained its growth momentum and posted satisfactory revenue and bottom line performance. My colleagues and I will be committed to do everything we can to ensure the entity's future stability and smooth running of operations.

Key Performance Indicators

Methods and Assumptions

We have compiled both financial and non-financial key performance indicators of the company after considering's industry norms and available guidelines and taking input from relevant stakeholders. We have set the targets against each key performance indicator to evaluate the performance of the company towards growth.

Financial KPIs take into account the revenue, profits, net worth, liquidity and working capital whereas non-financial KPIs are categorized between human, relationship, intellectual and natural capitals and performance has been measured against targets set for each KPI. During the financial year, the company kept improving and refining KPIs to ensure their relevance with company's goals and objectives.

Relevance of KPIs in Future

In our opinion, key performance indicators will remain relevant in the future as majority of the indicators are fundamentals and intact with entity's mission and visions.

Analysis of Financial and Non-Financial Performance

Key performance indicators were calculated with transparency to ensure accuracy of information for stakeholders. During the FY-2019, the company has performed well and evidenced significant growth in revenue & profits and achieved improvements in net worth as well as liquidity ratios as compared to last financial year.

We also continued our efforts towards creating long term value for our stakeholders and rewarded our shareholders through payment of interim and final dividends. Further, the entity is progressing quite well and in light of this, we will continue our efforts to further improve our financial standing.

Performance regarding each non-financial KPIs is analyzed against below mentioned capitals and their relevance is explained below:

Human Capital

Human capital is compulsory element for growth of an organization. Considering this, the Company has been investing in training and development of employees for the last many years and being socially responsible entity and also keeping in view that this investment shall support the entity in its expansion phase and long term. Human capital plays an important role in entity's success, thus incorporated as key performance indicator of the company.

Relationship Capital

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

Intellectual Capital

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

Natural Capital

As the current era demands about the perseverance of natural capital like water, gas, coal, environment and energy sources etc. so the company has also added KPI's related to this section. Moreover, this is also aligned with our adherence to Sustainable Development Goals and UNGC 10 principles.

Explanation of Negative Change in Performance Against Prior Year

The company has performed well in each aspect which is reflected in the relevant portion of this report. As the company is pursuing growth strategy so it has faced some challenges mentioned in detail in financial statement analysis section of this report whereas on non-financial side, the entity has appreciably contributed more towards economic, environmental and social fronts.

Further, there has been no major fluctuation in interim and final accounts of the Company.

Payments of Long / Short Term Debts

We recognize our responsibility for the timely repayment of due debts and accordingly, there is no default in payment of any short term or long-term debts during the financial year 2019.

Finally, we will continue with our initiatives for maintaining a strong foundation. In doing so, we aim to achieve initial targets in the upcoming financial year, and to record results in accordance with a year for growth.



Hummayun Shahzad
Chief Financial officer

Key Performance Indicators

Key Non-Financial Performance Indicators with Actual Results



Relevance of Key Performance Indicators

Human Capital

Skilled and motivated human capital is considered as one of the most important non-financial pillars and key factor behind the success of our organization and to create value for organization's shareholders. The Company firmly believes in the positive relationship between employee's level of motivation and their contribution to value creation. Management has planned to measure this aspect from multiple dimensions however two major KPI's are "quality & extent of employee training" and "employees retention ratio"

Above set KPI's shall assist the organization to train its employees and keep them updated with market trends in order to make them future leaders. Moreover, this will also enhance employee's level of commitment towards their respective roles resulting in better efficiency and productivity.

Relationship Capital

The Company maintains strong relationship with its stakeholders that includes customers, vendors, banks, employees, government and local community. It firmly believes that success of an organization is strongly linked with sustainable relationships with stakeholders.

As part of organization's commitment towards community development, it takes part in various CSR activities directed towards health, education and socio-economic development of society at large.

Natural Capital

The Company is committed to nature preservation and environment friendly approach so it has identified two basic KPI's to measure its natural capital which are "Initiatives taken for nature preservation" and "Initiatives taken for environment friendliness". The company has also continued tree plantation as well as associated with WWF to support their green office initiatives.

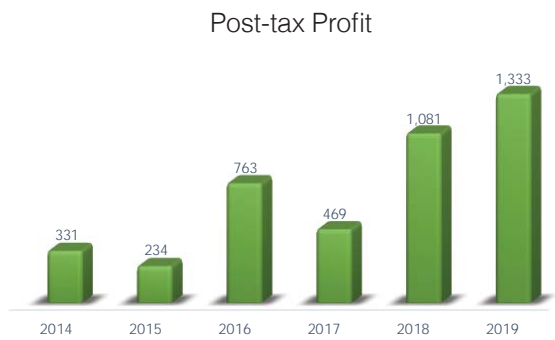
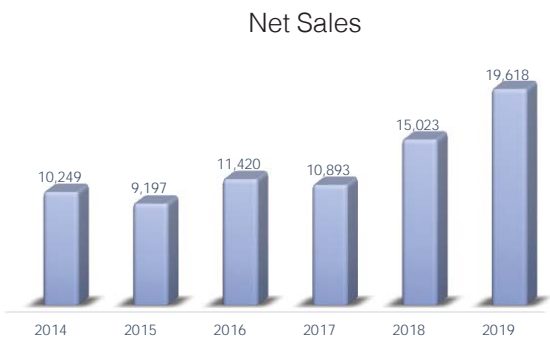
Intellectual Capital

The Company values its experienced employees and focuses on retention and motivation of its employees. The company invests on the development of new products on continuous basis to meet the changing market trends and also invests in state of art technology, IT infrastructure and brands/ licenses/ certifications towards enhancing operational efficiency and gaining competitive edge over competitors.

There are large number of intellectual assets associated with the company including memberships, licenses, brands and certifications which have kept it as market leader of its products.

Key Financial Performance Indicators

	2019	2018	2017	2016	2015	2014
Rupees in millions						
Net Sales	19,618	15,023	10,893	11,420	9,197	10,249
Gross Profit	2,769	2,735	1,683	1,998	1,457	1,909
EBIT	2,140	1,667	915	1,291	744	843
Finance Cost	639	441	396	459	445	427
Pre-tax Profit	1,501	1,226	518	833	298	416
Post-tax Profit	1,333	1,081	469	763	234	331
Net Assets	9,008	7,795	6,713	5,280	4,517	3,283



Comments

During the financial year 2019, Sadaqat Limited has performed exceptionally well as evident through above determined key financial performance indicators. Current year's results are improved which reflect growth of revenue and net profits by 31% and 23% respectively. The entity was able to sustain its profitability owing to effective cost control measures supported by exchange gain arising from Pkr devaluation.

Management is monitoring the above KPIs on consistent basis and recommends the corrective actions in case of negative deviations from prior years. These key performance indicators reflect the financial performance of the company and will remain relevant in the future to assess company's performance.

Summary for Budget v/s Actual FY 2019		
	Actual	Budget
Sales	19,618	19,388
Cost of Sales	16,848	16,106
Gross Profit	2,769	3,282
Net Expense	1,268	1,676
Taxes	168	166
Net Profit	1,333	1,440

Comments

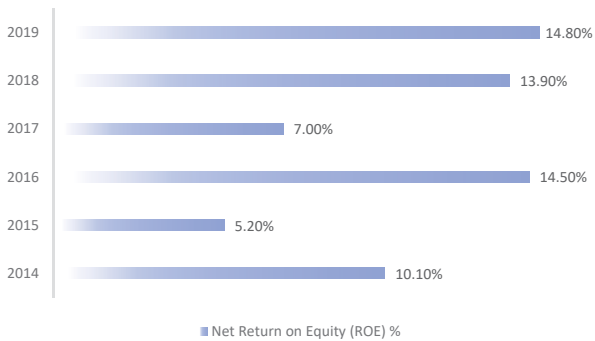
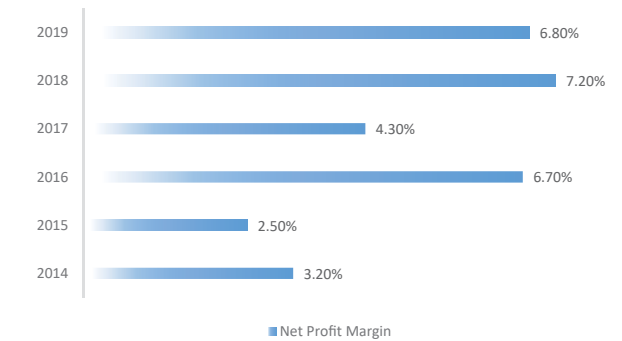
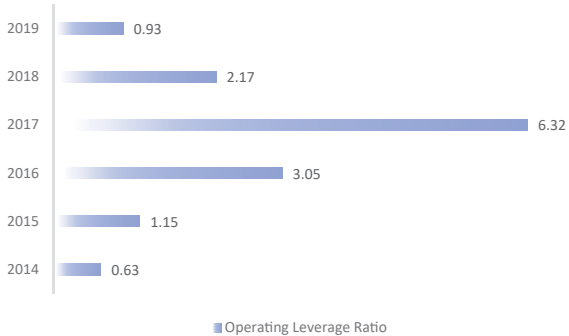
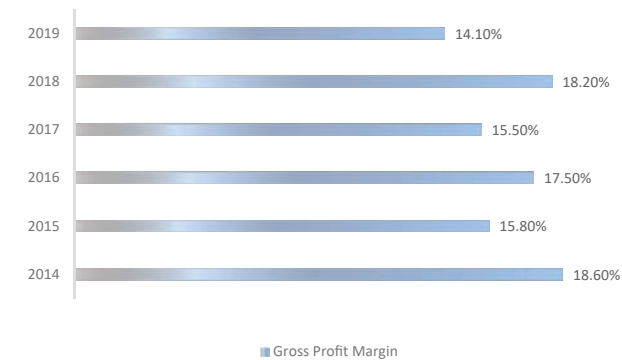
Budgets are prepared by the management and reviewed by the Board of Directors on annual basis in which challenging financial targets are set keeping in view its resources and investments made during the last few years. The company has established a separate "Corporate Planning and Control" department to consistently and frequently monitor the actual performance against the set targets.

In FY-2019, the company exceeded its sales budget by approx. 1% and achieved approx. 93% targeted profit as the company was able to exceed its targeted quantity and sales number along with devaluation of local currency. Actual GP Margin as compared to budgeted has reduced to 14% from 17% because of increased cost of raw materials, increased discounts allowed and stable sale prices in foreign currency terms. On the other side, net expenses and taxes reduced significantly due to remarkable foreign currency exchange gain.

Financial Statement Analysis

Profitability

	2019	2018	2017	2016	2015	2014
Ratios						
Gross Profit Margin	14.1%	18.2%	15.5%	17.5%	15.8%	18.6%
EBITDA Margin to Sales	14.0%	14.6%	12.6%	14.7%	11.3%	10.4%
Operating Profit Margin	10.9%	11.1%	8.4%	11.3%	8.1%	8.2%
Net Profit Margin	6.8%	7.2%	4.3%	6.7%	2.5%	3.2%
Operating leverage ratio	0.93	2.17	6.32	3.05	1.15	0.63
Net Return on Equity (ROE) %	14.8%	13.9%	7.0%	14.5%	5.2%	10.1%
Net Return on Assets (ROA) %	6.2%	6.4%	3.2%	6.8%	2.5%	4.1%



Comments

Gross Profit

During last 6 years, there has been a range bound fluctuation in gross profit margin. Gross profit margin of the Company for FY-2019 has decreased to 14.1% from 18.2%. This decrease was mainly due to prices that remained competitive in foreign currency terms and a portion of benefit of exchange gain had to be passed to customer. Further, GP margin reflect decrease due to increase in raw material and energy costs as a result of inflation and devaluation whereas impact of exchange gain being reflected in other income instead of sales.

However, despite adverse impact of inflation and currency devaluation on raw material and energy costs, management has taken effective cost control measures supported by exchange gain which led to maintained net profit margins.

Net Profit

The Company has registered a strong post-tax profit of PKR 1,333 million marking a significant growth over the preceding year. This growth signifies that the Company has the capacity to generate superior returns for its shareholders. The key drivers behind this triumph were achievement of sales targets, optimal capacity utilization, reduction in certain cost components and currency devaluation which resulted in significant exchange gain to the company. On the other hand, the government’s support in terms of drawback of duties and taxes for exporters also supported net profit for the year.

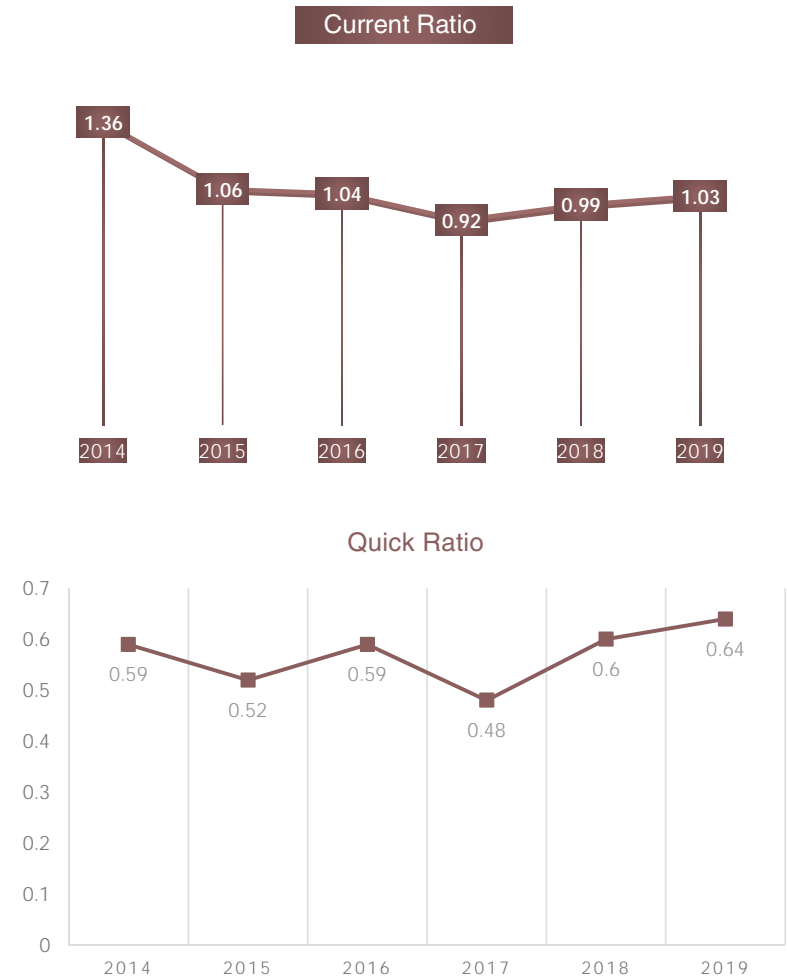
In past 6 years the Company’s net profit increased consistently though there was temporary drop in FY 2015 and 2017. Although the market competition remained stiff, yet the Company has been still able to achieve net profit margin of 6.8% as compared to 7.2% during the last financial year.

Return on Investment

During FY 2019, the Company has witnessed negligible decrease in return on capital employed to 6.2% from 6.4%. At the same time return on equity has increased from 13.9% to 14.8%. This increase in both ratios indicates that the Company is optimally utilizing its resources and owner's funds in order to generate strong profits. During last 6 years, there has been improvements in both the ratios and the results of FY 2019 for ROE stood on the top.

Liquidity

	2019	2018	2017	2016	2015	2014
	Ratios					
Current Ratio	1.03	0.99	0.92	1.04	1.06	1.36
Quick Ratio	0.64	0.60	0.48	0.59	0.52	0.59
Cash to Current Liabilities	0.01	0.02	0.02	0.02	0.02	0.02
Net Cash flow from operations to Sales	-1.3%	1.3%	6.9%	2.6%	9.1%	-3.6%

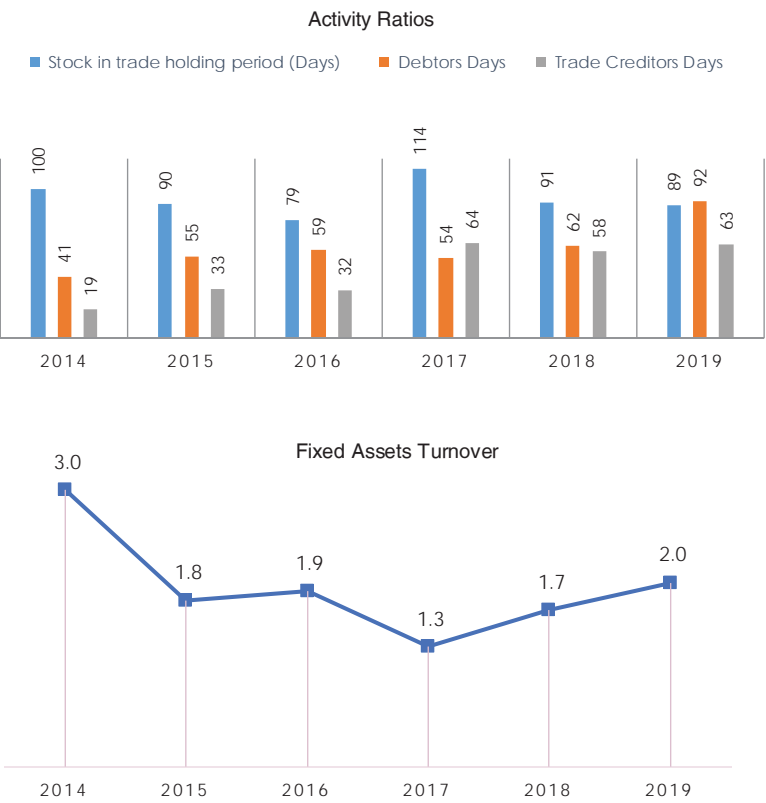


Comments

Over the years, effective working capital strategies have led the Company towards improved liquidity position. In FY-2019 the company’s liquidity position has improved as compared to last year and quick ratio has also witnessed highest level this year among all 6 years which reflects that the entity’s liquidity risk has reduced. Net cash flow from operations to sales is negative in current year due to increased working capital requirement and increased finance cost paid on short term borrowings as required to cope with expansion of business and increase in sales.

Activity /
Turnover Ratios

	2019	2018	2017	2016	2015	2014
Ratios						
Stock in trade holding period (Days)	89	91	114	79	90	100
Stock in trade turnover (times)	4.1	4.0	3.2	4.6	4.0	3.6
Debtors Days	92	62	54	59	55	41
Debtors Turnover	4.0	5.9	6.8	6.1	6.6	8.9
Trade Creditors Days	63	58	64	32	33	19
Trade Creditors Turnover	5.8	6.3	5.7	11.2	11.1	18.9
Fixed Assets Turnover	2.0	1.7	1.3	1.9	1.8	3.0
Total Assets Turnover	0.9	0.9	0.7	1.0	1.0	1.3



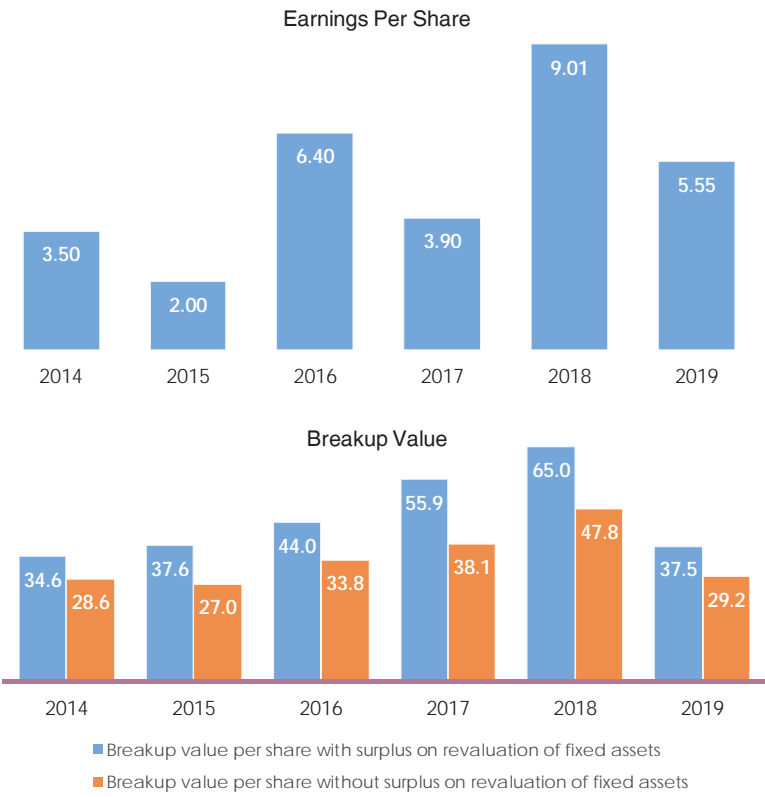
Comments

Cash cycle during the last five years has gradually shortened and improved owing to optimal inventory management. However, during the financial year 2019 cash cycle has slightly increased due to change in credit terms with the customers and recording of unrealized gain in foreign debtors, whereas inventory and creditors days almost remained in line with last year.

Fixed and total assets turnover have also improved during the financial year 2019 owing to improved sales volume.

Investment

	2019	2018	2017	2016	2015	2014
Ratios						
Earnings per share (N-1)	5.55	9.01	3.9	6.4	2.0	3.5
Break up value per share with surplus on revaluation of fixed assets	37.5	65.0	55.9	44.0	37.6	34.6
Break up value per share without surplus on revaluation of fixed assets	29.2	47.8	38.1	33.8	27.0	28.6



Comments

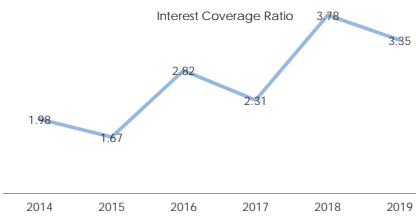
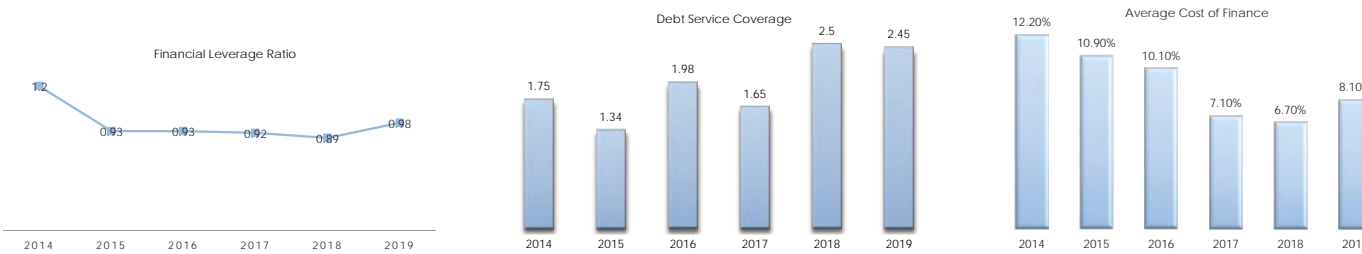
There has been gradual improvement in EPS over last few years except for sharp increase in FY 2016 owing to exceptional profitability. During the FY-2019, the company issued 100% bonus shares to all of its existing shareholders proportionately which resulted in double share capital and diluted the EPS for the year.

Break-up value with/without surplus on revaluation has consistently evidenced increase owing to consistent profits and its reinvestment during the last many years. However, during the FY-2019, Break-up value (with/without surplus on revaluation) has also decreased since number of shares doubled due to 100% bonus issue.

(N-1) In FY-2019, the company has issued 100% bonus shares which doubled the number of shares as a result of which EPS reflect decline in FY-2019. However, without the effect of bonus issue, EPS would have reflected 23% growth.

Capital Structure

	2019	2018	2017	2016	2015	2014
	Ratios					
Total Liabilities to Equity	1.39	1.18	1.20	1.13	1.11	1.43
Long Term Liabilities to Equity	0.13	0.11	0.17	0.15	0.22	0.42
Equity Multiplier	2.39	2.18	2.21	2.13	2.11	2.43
Financial Leverage ratio	0.98	0.89	0.92	0.93	0.93	1.20
Interest Coverage Ratio	3.35	3.78	2.31	2.82	1.67	1.98
Debt Service Coverage	2.45	2.50	1.65	1.98	1.34	1.75
Total Liabilities to Total Assets	58%	54%	55%	53%	53%	59%
Average cost of finance	8.1%	6.7%	7.1%	10.1%	10.9%	12.2%



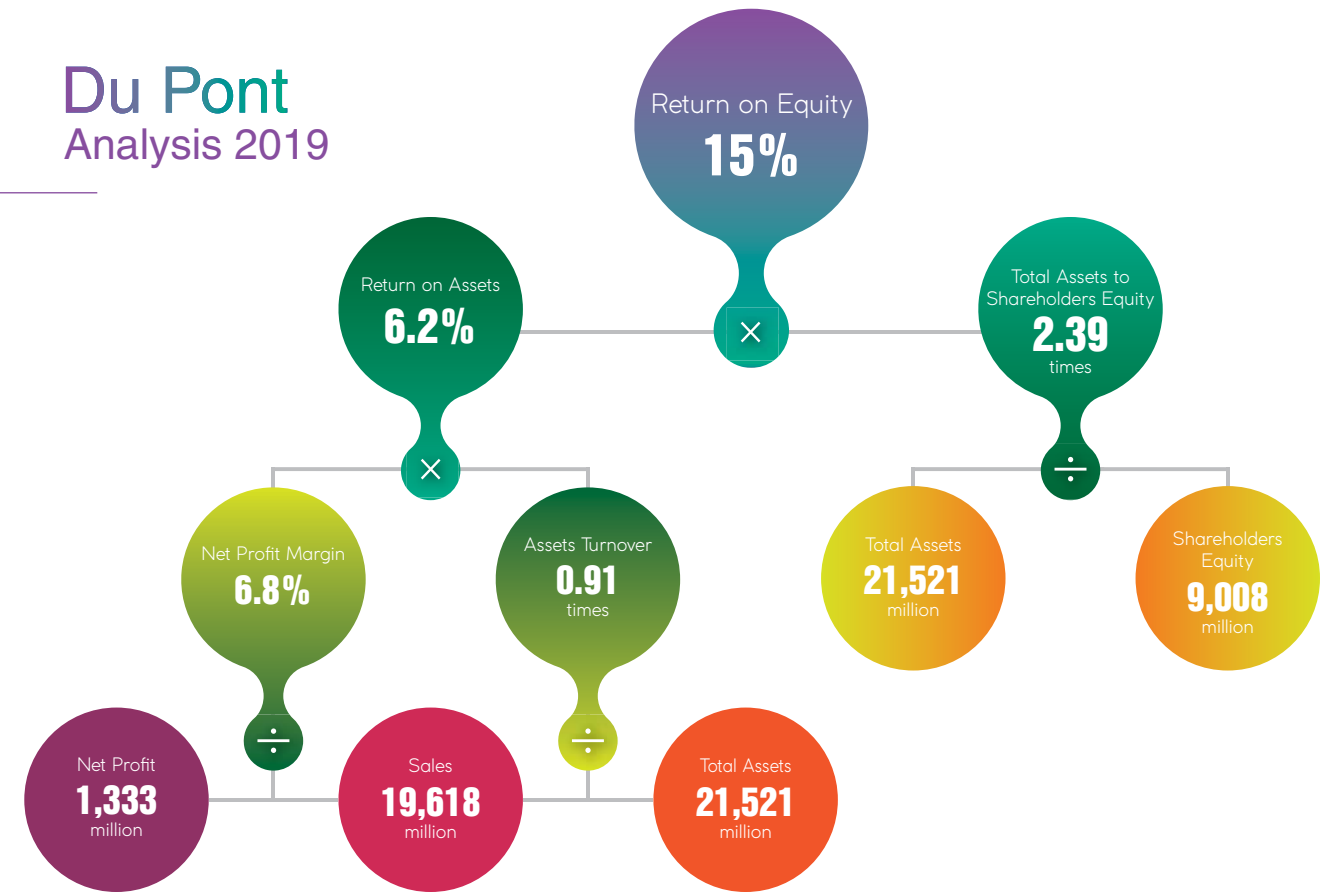
Comments

Interest cover and debt service coverage ratios have marked gradual improvement over past six years. However, during the FY-2019 interest coverage ratio and debt service coverage has decreased negligibly as compared to last year due to increased finance cost.

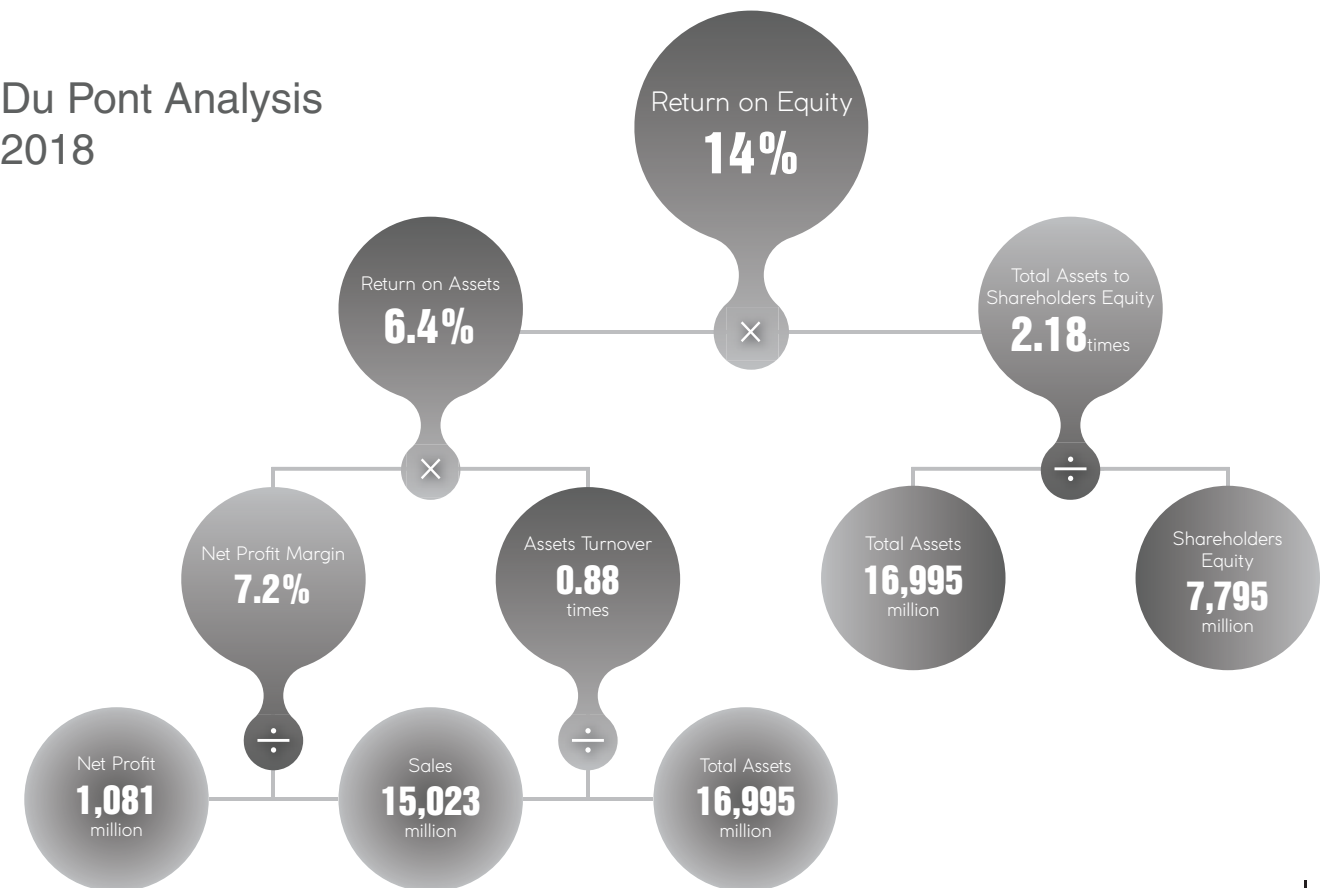
During FY-2019, equity multiplier and financial leverage have slightly increased which reflects increase in borrowings in the overall capital structure to finance the growth & meet expansion needs. The company has obtained to finance its short term working capital requirements and investment into plant & machinery.

Average financial cost %age has consistently declined each year showing improvement in management and control over debt structure as well as the cost of finance. However, this year it has increased as compared to last year as a result of increase in KIBOR rate which almost doubled in last few months.

Du Pont Analysis 2019



Du Pont Analysis 2018



Horizontal Analysis

FOR THE LAST SIX FINANCIAL YEARS

Balance Sheet

	%	2019	%	2018	%	2017	%	2016	%	2015	%	2014
Property, plant and equipment	12	9,540	2.02	8,548	43	8,379	12	5,856	52	5,229	10	3,438
Intangibles	67	45	(22)	27	-	35	-	-	-	-	-	-
Long term advances	-	251	9,762	123	(22)	1	-	2	-	-	-	-
Long term deposits	7	25	15	23	1	20	1	20	(0)	20	12	20
Non Current Assets	13	9,860	3	8,722	44	8,435	12	5,878	52	5,248	10	3,458
Stores, spares and loose tools	83	389	10	212	(32)	193	(2)	283	3	290	2	281
Stock in trade	34	4,088	6	3,060	41	2,879	7	2,044	(17)	1,915	15	2,296
Trade debts	93	4,933	60	2,557	(14)	1,600	34	1,861	20	1,392	4	1,157
Loans and advances	(63)	226	29	602	1,147	469	(8)	38	(75)	41	59	166
Trade deposits and short term prepayments	418	63	(14)	12	(80)	14	88	70	(73)	37	1,856	137
Balances with statutory authorities	13	1,235	145	1,094	199	446	2	149	27	146	6	115
Interest accrued	(36)	2	27	3	-	2	-	-	(100)	-	-	3
Other receivables	(62)	20	(11.11)	53	214	59	-	19	-	19	-	-
Derivative financial assets	(63)	11	100	29	(100)	-	-	132	-	-	-	-
Tax refunds due from the Government	5	423	(34)	402	(9)	606	75	663	30	379	84	292
Short term investment	179	140	-	50								
Cash and bank balances	(34)	131	84	198	(3)	108	50	111	11	74	43	67
Current Assets	41	11,660	30	8,273	19	6,375	25	5,369	(5)	4,293	18	4,514
Total Assets	27	21,521	15	16,995	32	14,810	18	11,247	20	9,541	14	7,971
Issued, subscribed and paid up share capital	100	2,400	-	1,200	-	1,200	-	1,200	26	1,200	-	950
Unappropriated profit	2	4,615	34	4,532	18	3,371	40	2,853	15	2,035	26	1,768
Surplus on revaluation of fixed assets	(3)	1,992	(4)	2,063	75	2,143	(4)	1,227	127	1,281	(5)	565
Shareholders equity	16	9,008	16	7,795	27	6,713	17	5,280	38	4,517	11	3,283
Long term financing	29	1,005	(27)	779	53	1,061	(18)	693	(36)	844	406	1,327
Liabilities against assets subject to finance lease	264	121	(51)	33	(34)	68	(23)	104	161	135	107	51
Long term deposits	36	29	(30)	21	51	30	78	20	2,496	11	-	0
Deferred taxation	96	49	64	25	-	15	-	-	-	-	-	-
Non Current Liabilities	40	1,204	(27)	858	44	1,175	(17)	817	(28)	990	380	1,379
Trade and other payables	59	3,440	23	2,166	81	1,758	25	974	17	782	(29)	666
Interest accrued on loans	95	123	7	63	8	59	13	54	(29)	48	33	68
Derivative financial liability	-	-	(100)	-	-	29	-	-	-	-	-	-
Short term borrowings	28	7,264	22	5,678	24	4,638	30	3,734	20	2,876	(8)	2,391
Current portion of non current liabilities	11	482	(1)	435	13	437	18	388	79	329	40	184
Current Liabilities	36	11,310	21	8,342	34	6,922	28	5,150	22	4,035	(11)	3,309
Total equity and liabilities	27	21,521	15	16,995	32	14,810	18	11,247	20	9,541	14	7,971

Profit and Loss Account

	%	2019	%	2018	%	2017	%	2016	%	2015	%	2014
Sales - net	31	19,618	38	15,023	(5)	10,893	24	11,420	(10)	9,197	13	10,249
Cost of sales	37	16,848	33	12,288	(2)	9,210	22	9,422	(7)	7,740	15	8,340
Gross profit	1	2,769	62	2,735	(16)	1,683	37	1,998	(24)	1,457	4	1,909
Selling and distribution expenses	26	615	(3)	489	5	502	9	477	(9)	438	2	479
Administrative expenses	31	991	124	757	(2)	338	36	346	(55)	255	3	564
Other operating expenses	103	147	(7)	72	56	78	132	50	(21)	21	(15)	27
Other income	349	1,123	67	250	(10)	150	8,179	167	(55)	2	1,583	4
Operating profit	28	2,140	82	1,667	(29)	915	74	1,291	(12)	744	8	843
Finance cost	45	639	11	441	(14)	396	3	459	4	445	5	427
Profit before taxation	22	1,501	136	1,226	(38)	518	179	833	(28)	298	12	416
Taxation	17	168	191	144	(29)	50	9	70	(25)	64	37	86
Profit for the year	23	1,333	131	1,081	(39)	469	226	763	(29)	234	6	331
Other Comprehensive Income	-	-	(100)	-	-	1,075	-	-	-	-	-	-
Total Comprehensive Income	23	1,333	(30)	1,081	102	1,544	226	763	(29)	234	6	331

Horizontal Analysis

FOR THE LAST SIX FINANCIAL YEARS

Comments

Non-Current Assets

Non-Current Assets of the company increased consistently in last 5 years. The reason for this increase is expansion and automation of entity's operations. Non-current assets have increased by 185% from 2014 to 2019.

Current Assets

Current assets of the company have increased over past 5 years by 158%. Main reason behind this increase is increase in stock in trade and trade debts as company's operations have grown remarkably over last few years.

Total Equity

Equity of the company has increased by 174% in last 5 years. Reason for this increase is retention of profit and transfer from surplus on revaluation of fixed assets to equity.

Non-Current Liabilities

Non-current liabilities of company have decreased by 13% during last 5 years. Reason behind this decrease is significant repayment of long-term finance already availed by the company as netted by new availment.

Current Liabilities

Current liabilities of company increased by 242% over past 5 years. This increase is because of growing business volume leading to increase in creditors and borrowings to finance the increasing working capital needs.

Sales

Net Sales of the company have grown overall by 91% in last 5 years. In 2019 sales grew by 31% reflecting quantitative growth as well as owing to devaluation of local currency.

Profit for the Year

Profit after tax has increased steadily over past 5 years except for a slight decrease in FY 2017. It grew by 303% from 2014 to 2019 mainly due to increased sales, optimal capacity utilization and continuous process reengineering measures to control costs.

Gross Profit

Gross profit of the Company has also grown in line with the sales by 45% in last 5 years.

Vertical Analysis

FOR THE LAST SIX FINANCIAL YEARS

Balance Sheet

	%	2019	%	2018	%	2017	%	2016	%	2015	%	2014
Property, plant and equipment	44	9,540	51	8,548	57	8,379	52	5,856	55	5,229	43	3,438
Intangibles	0	45	0	27	0	35	-	-	-	-	-	-
Long term advances	1	251	-	123	0	1	0	2	-	-	-	-
Long term deposits	0	25	0	23	0	20	0	20	0	20	0	20
Non Current Assets	46	9,860	51	8,722	57	8,435	52	5,878	55	5,248	43	3,458
Stores, spares and loose tools	2	389	1	212	1	193	3	283	3	290	4	281
Stock in trade	19	4,088	18	3,060	19	2,879	18	2,044	20	1,915	29	2,296
Trade debts	23	4,933	15	2,557	11	1,600	17	1,861	15	1,392	15	1,157
Loans and advances	1	226	4	602	3	469	0	38	0	41	2	166
Trade deposits and short term prepayments	0	63	0	12	0	14	1	70	0	37	2	137
Balances with statutory authorities	6	1,235	7	1,094	3	446	1	149	2	146	1	115
Interest accrued	0	2	0	3	0	2	-	-	-	-	0	3
Other receivables	0	20	0	53	0	59	0	19	0	19	-	-
Derivative financial assets	0	11	0	29	-	-	1	132	-	-	-	-
Tax refunds due from the Government	2	423	2	402	4	606	6	663	4	379	4	292
Short term investment	1	140	0	50								
Cash and bank balances	1	131	1	198	1	108	1	111	1	74	1	67
Current Assets	54	11,660	49	8,273	37	6,375	32	5,369	25	4,293	26	4,514
Total Assets	100	21,521	100	16,995	100	14,810	100	11,247	100	9,541	100	7,971
Issued, subscribed and paid up share capital	11	2,400	7	1200	8	1,200	11	1,200	13	1,200	12	950
Unappropriated profit	21	4,615	27	4532	23	3,371	25	2,853	21	2,035	22	1,768
Surplus on revaluation of fixed assets	9	1,992	12	2,063	14	2,143	11	1,227	13	1,281	7	565
Shareholders equity	42	9,008	46	7,795	45	6,713	47	5,280	47	4,517	41	3,283
Long term financing	5	1,005	5	779	7	1,061	6	693	9	844	17	1,327
Liabilities against assets subject to finance lease	1	121	0	33	0	68	1	104	1	135	1	51
Long term deposits	0	29	0	21	0	30	0	20	0	11	0	0
Deferred taxation	0	49	0	25	0	15	-	-	-	-	-	-
Non Current Liabilities	6	1,204		858		1,175		817		990		1,379
Trade and other payables	16	3,440	13	2,166	12	1,758	9	974	8	782	8	666
Interest accrued on loans	1	123	0	63	0	59	0	54	1	48	1	68
Derivative financial liability	0	-	-	-	0	29	-	-	-	-	-	-
Short term borrowings	34	7,264	33	5,678	31	4,638	33	3,734	30	2,876	30	2,391
Current portion of non current liabilities	2	482	3	435	3	437	3	388	3	329	2	184
Current Liabilities	53	11,310		8,342		6,922		5,150		4,035		3,309
Total equity and liabilities	100	21,521	100	16,995	100	15,984	100	12,064	100	10,531	100	9,350

Statement of Comprehensive Income

	%	2019	%	2018	%	2017	%	2016	%	2015	%	2014
Sales - net	100	19,618	100	15,023	100	10,893	100	11,420	100	9,197	100	10,249
Cost of sales	86	16,848	82	12,288	85	9,210	83	9,422	84	7,740	81	8,340
Gross profit	14	2,769	18	2,735	15	1,683	17	1,998	16	1,457	19	1,909
Selling and distribution expenses	3	615	3	489	3	338	3	346	3	255	6	564
Administrative expenses	5	991	5	757	5	502	4	477	5	438	5	479
Other operating expenses	1	147	0	72	1	78	0	50	0	21	0	27
Other income	6	1,123	2	250	1	150	1	167	0	2	0	4
Operating profit	11	2,140	11	1,667	8	915	11	1,291	8	744	8	843
Finance cost	3	639	3	441	4	396	4	459	5	445	4	427
Profit before taxation	8	1,501	8	1,226	5	518	7	833	3	298	4	416
Taxation	1	168	1	144	0	50	1	70	1	64	1	86
Profit for the year	7	1,333	7	1,081	4	469	7	763	3	234	3	331
Other Comprehensive Income	-	-	1	80	10	1,075	-	-	-	-	-	-
Profit for the year	7	1,333	8	1,162	14	1,544	7	763	3	234	3	331

Vertical Analysis

FOR THE LAST SIX FINANCIAL YEARS

Comments

Non-Current Assets

Non-current assets as % of total assets have decreased in FY 2019. Although property plant and equipment increased from last year but the current assets increased significantly due to remarkable growth causing increase in stock and trade debts.

Total Equity

Total Equity has increased every year through increase in retained earnings owing to re-investment of net profits for each financial year.

Long Term Financing

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

Gross Profit

Gross profit ratio fluctuated approximately within the range of 15~20% during the last 6 years with highest level achieved in FY 2014.

Cash Flow Statement

Direct Method Cash Flow

Cash flows from operating activities

	2019	2018
	Rupees in millions	
Cash receipts from customers	17,242	14,065
Cash paid to suppliers, employees and for expenses	(16,593)	(13,306)
Cash generated from operations	649	759
Interest paid	(614)	(437)
Income taxes paid	(92)	(93)
Dividend Paid	(120)	-
Settlement of derivative financial Asset	0.23	(17)
WPPF	(65.85)	(27)
Long term security deposits received	16.12	7
Net cash from operating activities	(262)	192

Cash Flows From Investing Activities

Purchase of property, plant and equipment	(1,129)	(376)
Addition in capital work in progress	(464)	(460)
Intangible assets	(25)	(3)
Sale proceeds from disposal of property, plant and equipment	45	20
Interest on loan to associated undertaking	4	11
Profit on bank deposits	5	3
Net cash used in investing activities	(1,564)	(805)

Cash Flows From Financing Activities

Long term financing - net	240	(287)
Repayment of liabilities against assets subject to finance lease	(67)	(50)
Short term borrowings - net	1,587	1,040
Net cash generated from / (used in) financing activities	1,759	703
Net decrease in cash and cash equivalents	(67)	90
Cash and cash equivalents at the beginning of the year	198	108
Cash and cash equivalents at the end of the year	131	198

Summary of Cash Flows

	2019	2018	2017	2016	2015	2014
	Rupees in millions					
Cash Flow from Operating Activities	(262)	192	748	292	836	(371)
Cash Flow from Investing Activities	(1,564)	(805)	(2,031)	(1,008)	(1,139)	(446)
Cash Flow from Financing Activities	1,759	703	1,280	753	310	837
Changes in Cash & Cash Equivalents	(67)	90	(3)	37	7	20
Cash & Cash Equivalents - Year end	131	198	108	111	74	67

Comments

Operating Activities

Net cash generated/ used in operating activities has been fluctuating during past 6 years mainly due to fluctuation in net profits as well as investment in working capital. Cash flow from operating activities went negative during FY-2019 mainly due to increased working capital requirements and increased payment of finance cost, taxes and dividend.

Investing Activities

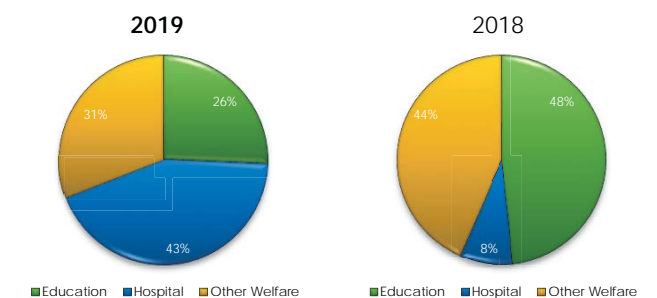
Overall trend for last 6 years suggests persistent investment in expansion, capacity enhancement, diversification and technology advancement as evident through addition in land, buildings, machinery and power generation. Through above investments, the company has achieved and is achieving expansion of operations, innovation, enhancement in product quality and competitive edge in the market. During the FY-2019, the company has also invested an aggregate of approx. Rs. 1.5 billion on building, technology upgradation and investment into inhouse own circular knitting and processing plants and expansion of home textile and garments business.

Financing Activities

There has been an increasing yet fluctuating trend over the last 6 years. Net increase in long and short term borrowing each year is tagged with investment made in plant & machinery funded through long term loan as well as the increasing working capital requirements owing to increase in business volume each year respectively. During FY-2019, net increase in short term borrowings reflect arrangement of finance for working capital whereas decrease in long term borrowings reflect net repayment of loans.

Statement of Charity Account

	2019	2018
Description		
Education	1,944,288	3,416,355
Hospital	3,293,000	580,000
Other Welfare	2,343,563	3,084,618
	7,580,851	7,080,973



Free Cash Flow

Pkr (million)

Particulars	2019	2018
Profit Before Tax	1,501	1,226
Add: Non-Cash Items	783	790
	2,284	2,016
Less: Working Capital Changes	(1,635)	(1,256)
Less: Capital Expenditure	(1,619)	(839)
Less: Taxes Paid	(162)	(93)
Free Cash Flows	(1,133)	(172)

Comments

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

Economic Value Added (EVA)

Pkr (million)

Particulars	2019
Net Operating Profit After Tax	1,972
Cost of Capital	1,389
Economic Value Added	583
Cost of Capital	
Total Assets	21,521
Current Liabilities	11,310
Invested Capital	10,211
WACC %	13.6%
Cost of Capital	1,389

Formula

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

Cost of Capital = Invested Capital * WACC %

Segmental & Quarterly Analysis

Capital Expenditure



Segmental Analysis

Sadaqat Limited's major operational segments include processing, stitching, quilting, wadding and embroidery; however, the company has recently invested into its own circular knitting & processing plant during the financial year 2019 to take benefits of synergies involved in backward integration. circular knitting, processing and stitching being the major segments whereas quilting, wadding and embroidery being the value adding segments of the Company. Further, the company has also invested in garments segment (processing & stitching) which produces knitted and woven garments. Below is the segmental brief on annual performance of Company's major segments.

Processing

Overall performance of the processing segment remained satisfactory during the FY-2019. The company has made investment for routine balancing, modernization and replacement and installed Poslu Stentar 8 chambers targeted to strengthen the finishing process and for enhancement of product quality. In order to ensure the transparency and integration of reporting related to processing segment, the company has also made investment in SCADA System to control, monitor and integrate overall data related to efficiency achieved on real time basis. Implementation of SCADA system is in line with the Company's objective to enhance operational efficiency and provide transparency in reporting system. The overall processing capacity per annum remained at 78.5 million meters per annum in total with approximately 93% capacity utilization which has resulted in remarkable financial results for the Company.

Stitching

The hemming units are equipped with high speed precision stitching machines while supported by Smart MRT Hanger system that acts as an all-efficient workflow and allows tracking and recording every stage of production in real-time. In addition, the Company boasts of having automatic cut to sew TEXPA machines as a part of its cut & sew facility. The capacity of this division is indeterminable due to multi product plants involving varying processes of manufacturing and run length of order lots. During the FY-2019, the company has made further investment in stitching segment by installing new sewing machines which resulted in enhancement of overall stitching capacity to fulfill the growing demands of the customers more efficiently and effectively.

Quilting, Wadding and Embroidery

Overall performance of these value-added segments remained satisfactory and the available capacity proved to be sufficient to meet the demand. During the FY-2019, the company introduced pin-sonic quilting and embroidery quilting which helped us to provide variety of options to its customers. Further the company has also made substantial investment in Automatic Pillow Filling Plant to ensure the quality of products and increase productivity. These segments provide the Company with competitive edge over peer companies. The Company has single and multi-needle quilting lines, wadding plant and computerized as well as manual embroidery machines.

New Segments

Knitting

Sadaqat Limited is continuously growing its business operations by adopting concentric diversification strategy. During the FY-2019, the company has invested in its own circular knitting and processing plant to ensure continuous supply to its knitwear segment and achieve synergies in long term. The company has installed around 27 circular knit machines range from 18 gauge to 28 gauge with capacity of 10 tons per day.

Garments

During the FY-2019, the company also invested into new garments (knitted / woven) segment. The current installed capacity of this segment is approx. 20,000 pcs per day (11,000 pcs per day of woven and 9,000 pcs per day of knitted garments). However, the company has planned to expand its production capacity to 35,000 pcs per day (20,000 pcs per day of woven and 15,000 pcs per day of knitwear garments) in upcoming financial year.

This segment is equipped with state-of-the-art technologies and systems including CAD GERBER (designing software), TUKATECH 3D (cutting software) and stitching facilities to ensure premium quality and innovative design products. In order to create sustainable business environment, the company invested into high speed laser machines, EIM (Environment Impact Measurement Software) and Jeanologia washing machines which shows our commitment to preserve the environment.

Quarterly Analysis

Quarters Individual

Amount in PKR

Quarters	Sales	Profit
Q1	4,202,608,158	324,425,617
Q2	5,296,455,239	371,416,544
Q3	5,185,853,325	354,662,359
Q4	4,932,661,914	282,136,264
Total	19,617,578,636	1,332,640,784

Quarters Consolidated

Amount in PKR

Sales	Profit
4,202,608,158	324,425,617
9,499,063,397	695,842,161
14,684,916,722	1,050,504,520
19,617,578,636	1,332,640,784

Comments

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

Market Share

The Company is now a progressive export-oriented textile manufacturing unit bearing annual exports of around PKR 20 billion in FY 2019 and rapidly progressing each year. The Company markets its products to its customers located in Europe, UK, USA, Canada, Asia, UAE, North America, Australia and New Zealand. The Company earns valuable foreign exchange for the country and retains approx. 6~7 percent share of annual textile (bed ware) exports of Pakistan.

CEO's Video Presentation

Video presentation of Chief Executive Officer (CEO) of Sadaqat Limited explaining the business review, performance, strategy and outlook for FY-2019 is placed on the website of the Company and can be viewed on www.sadaqatgroup.com.

Presentations not applicable

The financial statements for the year ended June 30,2019 have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act 2017. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the international Accounting Standards Board as notified under the Companies Act 2017 and, provisions of and directives issued under the Act. Wherever, the requirements of the Companies Act 2017 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Act 2017 or the requirements of said directives shall prevail.

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

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



Outlook

We are steadfast towards enduring shareholders value by setting targets to achieve prominent growth in revenue and profitability. We have determinedly looked towards social, economic and environmental change that shall inspire others. Challenges and uncertainties at global and domestic fronts require us to embed in our business philosophy a sense of responsibility to conduct business activities, whilst being a strategic partner in sustainable growth.

Forward Looking Statement



I present before you the forward-looking statement of Sadaqat Limited keeping in view our plans for forthcoming financial year. Our drive towards Sustainability, customer satisfaction, market leadership, automation through investment into state of art technology, and introduction of new products inspire others and set a model for our peers.

Sadaqat Limited is continuously converging expansion of business and adopting diversification within textile sector to maximize stakeholders' value. The company is developing and preparing to expand its existing setup of home textile as well as centering on expansion of newly added garments segment in upcoming years. The company has also articulated a comprehensive business plan for the upcoming financial years which shows the prospect strategic directions and planned projects to add new product lines, penetrate into new markets and regions. The company is also considering to raise funds in imminent future through initial public offer (IPO) or TFC / Islamic Sukuk as required for business expansion.

We monitor the macro-economic indicators to develop and execute our short, medium- and long-term strategies. We are expecting country's political and economic stability in upcoming years and simultaneously there are expectations attached to the new policies and initiatives that new government might take for the uplift of overall economy specifically the suppressed textile sector and the country's exports. During FY-2020, the Company is also expecting to recoup funds locked with government in shape of textile refunds and duty drawbacks which would potentially support working capital and short-term cash flow challenges faced by it.

Sadaqat limited has entrenched into its corporate objective's aspects like innovation and high-quality products on continuous basis. To meets these objectives, the company has deployed state of the art technologically and advanced manufacturing techniques in order to maximize overall efficiencies to satisfy customers. The company is also dedicated to provide safe, healthy and collaborative work environment to its employees without any discrimination and company is striving hard for gender balancing. Being amidst the top employers, the Company provide regular in house and external training to its existing and newly appointed employees to empowered them to play a vivacious role in future advancement of the Company.

Performance against Last Year's Forward-Looking Statement / Status of Projects

In FY-2018, the Company had made substantial capital expenditures exceeding Rs. 800 million in expansion and innovation while expectant that it would procure results in upcoming year and the results of FY 2019 proved that the entity met its expectations in terms of noteworthy growth in sales and profits by 31% and 23% respectively. The Company has also paid dividends during the financial year which supplemented the objective of the company to provide sustained returns to the shareholders. The Company has enhanced its capacity as well as utilization of capacity during the FY 2019. The Company majorly installed stitching machines, stentar, SCADA system and automatic pillow filling plant along with routine balancing, modernization and replacement of existing home textile setup. Further during the FY-2019, the Company has commenced its own circular knitting and processing plant to take benefit of synergies as well as it has already penetrated into garments segment and is planning to expand the same in upcoming years.

The Company has also taken great care of the economic, environmental and social impact of its operations by voluntarily adhering to applicable laws and regulations. The company has increased its focus on statutory, legal and environmental compliances including voluntary as well as imposed by law and certain customer specific requirements. The Company is ISO 9001:2015, ISO 14001:2004, OHSAS 18001:2007 and OEKO-TEX (Standard 100, STEP, Fair Trade), BEPI certified. The Company is strongly committed to create value for its stakeholders through viable business performance.

Future Outlook and Assumptions Used for Projections / Forecasts

During FY-2020, we are strongly dedicated to grasp bigger market globally and striving towards prosperous future growth with our efficient processes and efficient management team. The company has projected an average growth of revenue by 25 ~ 30% p.a. in the next 3 years and the profitability is expected to be maintained in line with growth in export numbers. Management has drawn and finalized the following projections related to revenue and net profits of the company for upcoming three years, however, any changes in plans for investment or new projects may have an impact on projected numbers:

PKR (Billions)	FY-2020	FY-2021	FY-2022
Revenue	27 ~ 29	32 ~ 34	36 ~ 38
Net Profit	1.8 ~ 1.9	2.1 ~ 2.2	2.4 ~ 2.5

Projections for the upcoming financial years are prepared based on the past trends, prevailing circumstances, country's economic and political challenges and the company's vision, mission, plans, objectives and corporate strategies. Moreover, assumptions used for the preparation of projections are compiled after due research after taking all stakeholders on board.

The Company has a dedicated Corporate Planning and Control department which carefully conceive the budgets and forecasts after conducting meetings and liaising with top management and all relevant departments including marketing department, export department, production & planning department, finance department and HR department. For expansion and diversification projects, the company has carried out due diligence process and also obtained expert opinion of consultants, where required, to test the assumptions and finalize the feasibility studies and financial budgets of the company. The management has also performed sensitivity analysis to determine the significant impact of changes in assumptions on the financial performance of the Company.

I am grateful for the exertion and commitment of our people which they exhibit every day. I take this opportunity to thank Board members for their admirable guidance, employees for their steadfast efforts and customers for placing trust on our company.

Mohammad Iqbal Ghorī FCMA, PURC (US)
Director Strategic Planning





Striving for Excellence

Sadaqat Limited has prepared and presented its financial statements as per International Financial Reporting Standards issued by IASB as notified under Companies Act-2017 and provisions and directives issued under the Act. Moreover, for Annual Integrated Report 2019 which also comprises financial and non-financial capitals, it has adopted Integrated Reporting Framework of IIRC and reported its Sustainability Report as per GRI standards to provide detailed insight and disclosure of organization's activities and their impact on the economy, society and environment.

Compliance and Disclosures

Compliance with IFRS and Companies Act 2017

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

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

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
- Amendments to IAS 40 Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 2 - Classification and measurement of share-based payment transactions

The adoption of the above amendments, improvements to accounting standards, interpretations and standards did not have any effect on the financial statements, except for IFRS 15 and IFRS 9 which are discussed in note 4.2 and 4.3 of financial statements.

Disclosures Beyond BCR Criteria

To pursue further transparency, consistency, comparability and presentable information for its stakeholders, the organization has also mapped its report with the following:

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

Governance Practices Exceeding Legal Requirements

The Company's commitment to good governance remains strong. The Company keeps on rationalizing and strengthening its system of strong corporate governance exceeding its legal requirements, comprising of internally developed code of conduct, policies and procedures, synchronized with industry's best available governance practices.

To adhere with the highest levels of moral and ethical values, Sadaqat Limited has voluntarily adopted a number of best practices of Listed Companies (Code of Corporate Governance) Regulations, 2017 which were not mandatory on the company during FY-2019 including;

- Two independent directors were appointed including one female.
- Chief Executive Officer and Chairman of the company are two separate individuals.
- Formulation of Board Committees (Audit Committee, Human Resource & Remuneration Committee, Nomination Committee and Risk Management Committee) as per the requirements of Code including the size and structure of the committees.

The Board and its Committees play pivotal role in risk management and entity's strategic planning. Further, Environment, Health & Safety Committee and Sustainability Committee are in place regarding implementation of aggressive Health, Safety and Environment strategies to ensure safety of employees and equipment.

Statement of Management's Responsibility

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

Related Parties

Sadaqat Limited has maintained a complete and updated list of all related parties. As required under fourth schedule of the Companies Act 2017, related party transactions have been disclosed in note 41 of the financial statements which also describe the names of related parties within and outside Pakistan along with the basis of relationship. The company has not entered into any contract or arrangement with related party other than in the ordinary course of business during the year.

Approved Policy on Related Party Transactions

The company has a policy approved by its Board of Directors which requires that the company shall carry out all transactions with its related parties on an arm's length basis in the normal course of business. Further, the policy also specifies that all transactions entered into with related parties shall be reviewed by Audit Committee and on its recommendation shall be approved by Board of Directors.

Shariah Advisor Report

The Company is not required to have a sharia advisory Board hence there is no sharia advisory report during the FY-2019.

Statement of Adherence

Adherence with the Integrated Reporting Framework

An integrated report is a concise communication about how company's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term. This reflects commitment of management towards the improvement in transparency, consistency, comparability and conciseness of reporting to facilitate its stakeholders and upon getting feedback from stakeholders, the company shall further refine and precise the presented information in upcoming years.

Guiding Principles for Integrated Reporting:

The integrated reporting framework follows a principle-based approach which includes the following guiding principles underpin the preparation of an integrated report, informing the content of the report and how information is presented:

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

Content Elements for Integrating Reporting:

The Company has incorporated the following content elements of Integrated Reporting Framework in this report:

- Organizational Overview and External Environment
- Business Model
- Strategy and Resource Allocation
- Risk and Opportunity
- Governance
- Performance and Position
- Outlook
- Striving for Excellence

Unreserved Statement:

Sadaqat Limited has always worked towards transparency, integrity and authenticity of information presented to its stakeholders. Keeping in view the changes in corporate environment, the Company has made effort and unreservedly adhered to Integrated Reporting <IR> framework issued by the International Integrated Reporting Council (IIRC) to provide additional disclosures beyond the compulsory requirements in order to enhance the value of its corporate reporting.

Financial Statements

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



INDEPENDENT AUDITOR'S REPORT

To the members of Sadaqat Limited

Report on the audit of financial statements

Opinion

We have audited the annexed financial statements of the **Sadaqat Limited** (the Company), which comprise the statement of financial position as at **30 June 2019** and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **30 June 2019** and of the profit, total comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Upon reading the other information, if we conclude that there is material misstatement therein, we are required to communicate the matter to the Board of Directors. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

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

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

The engagement partner on the audit resulting in this independent auditors' report is Sajjad Hussain Gill.



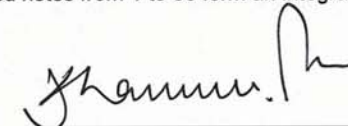
EY Ford Rhodes
Chartered Accountants
Lahore: 23 October 2019

SADAQAT LIMITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	9,540,051,795	8,548,254,507
Intangible assets	6	45,067,989	26,962,420
Long term deposits	7	24,666,367	23,049,167
Long term advances	8	250,680,796	123,417,013
		<u>9,860,466,947</u>	<u>8,721,683,107</u>
Current assets			
Stores, spares and loose tools	9	388,888,584	212,493,664
Stock in trade	10	4,087,740,801	3,059,919,587
Trade debts	11	4,932,826,404	2,557,319,150
Loans and advances	12	225,881,776	602,484,055
Trade deposits and short term prepayments	13	63,091,295	12,170,626
Balances with statutory authorities	14	1,235,318,311	1,094,148,105
Interest accrued	15	1,620,371	2,540,955
Other receivables	16	20,244,380	52,715,242
Derivative financial assets		10,843,478	29,132,292
Tax refunds due from the Government	17	423,412,975	402,446,283
Short term investments	18	139,500,000	50,000,000
Cash and bank balances	19	130,854,664	198,102,278
		<u>11,660,223,039</u>	<u>8,273,472,237</u>
TOTAL ASSETS		<u>21,520,689,986</u>	<u>16,995,155,344</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Issued, subscribed and paid up share capital	20	2,400,000,000	1,200,000,000
Capital reserve - surplus on revaluation of property, plant and equipment	21	1,992,209,904	2,062,823,891
Revenue reserve - unappropriated profit		<u>4,615,317,056</u>	<u>4,532,062,285</u>
		<u>9,007,526,960</u>	<u>7,794,886,176</u>
Non-current liabilities			
Long term financing	22	1,004,853,674	778,697,821
Liabilities against assets subject to finance lease	23	120,877,760	33,197,511
Long term deposits	24	28,851,907	21,161,594
Deferred taxation	25	48,934,149	24,977,614
		<u>1,203,517,490</u>	<u>858,034,540</u>
Current liabilities			
Trade and other payables	26	3,439,799,358	2,166,064,835
Interest accrued on loans	27	123,177,415	63,210,300
Short term borrowings	28	7,264,305,893	5,677,674,711
Current portion of non current liabilities	29	482,362,870	435,284,782
		<u>11,309,645,536</u>	<u>8,342,234,628</u>
		<u>21,520,689,986</u>	<u>16,995,155,344</u>
CONTINGENCIES AND COMMITMENTS			
	30		

The annexed notes from 1 to 50 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER



DIRECTOR

SADAQAT LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees
Revenue from contract with customers	31	19,617,578,636	15,022,636,036
Cost of revenue	32	16,848,242,930	12,288,108,128
Gross profit		2,769,335,706	2,734,527,908
Selling and distribution expenses	33	615,415,789	488,632,873
Administrative expenses	34	990,813,723	756,855,615
Other operating expenses	35	146,682,872	72,279,248
		1,752,912,384	1,317,767,736
Other income	36	1,123,438,031	250,162,911
Operating profit		2,139,861,353	1,666,923,083
Finance costs	37	638,879,951	441,060,922
Profit before taxation		1,500,981,402	1,225,862,161
Taxation	38	168,340,618	144,373,590
Profit for the year		1,332,640,784	1,081,488,571
Earnings per share - basic and diluted	39	5.55	4.51

The annexed notes from 1 to 50 form an integral part of these financial statements.

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 CHIEF EXECUTIVE OFFICER


 DIRECTOR

SADAQAT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	2019 Rupees	2018 Rupees
Profit for the year	1,332,640,784	1,081,488,571
Other comprehensive income:		
Items to be reclassified to statement of profit or loss in subsequent periods	-	-
Items not to be reclassified to statement of profit or loss in subsequent periods:		
Total other comprehensive income for the year	-	-
Total comprehensive income for the year	1,332,640,784	1,081,488,571

The annexed notes from 1 to 50 form an integral part of these financial statements.

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 CHIEF EXECUTIVE OFFICER


 DIRECTOR

SADAQAT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Issued, subscribed and paid up share capital	Capital reserve surplus on revaluation of property, plant and equipment	Revenue reserve - unappropriated profit	Total
	----- Rupees -----			
Balance as on 01 July 2017	1,200,000,000	2,142,840,712	3,370,556,893	6,713,397,605
Transferred from surplus on revaluation of operating fixed assets	-	(80,016,821)	80,016,821	-
Total comprehensive income for the year	-	-	1,081,488,571	1,081,488,571
Balance as at 30 June 2018	1,200,000,000	2,062,823,891	4,532,062,285	7,794,886,176
Bonus shares issued during the year	1,200,000,000	-	(1,200,000,000)	-
Transferred from surplus on revaluation of operating fixed assets	-	(70,613,987)	70,613,987	-
Dividend (Rs. 0.50 per share)	-	-	(120,000,000)	(120,000,000)
Total comprehensive income for the year	-	-	1,332,640,784	1,332,640,784
Balance as at 30 June 2019	2,400,000,000	1,992,209,904	4,615,317,056	9,007,526,960

The annexed notes from 1 to 50 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER


DIRECTOR

SADAQAT LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

CASHFLOW FROM OPERATING ACTIVITIES

Profit before taxation
Adjustments for non-cash items:
 Depreciation on property, plant and equipment
 Amortization on intangibles
 Profit on bank deposits
 Interest on loan to associated undertaking
 Gain on disposal of operating fixed assets
 Finance costs
 Exchange gain - net
 Exchange (gain) / loss on derivative financial assets
 Provision for expected credit losses
 Provision for doubtful recoveries
 Provision for bonus
 Provision for Workers' Profit Participation Fund

Cash flows before working capital changes

(Increase) / decrease in current assets:

Stores, spares and loose tools
 Stock in trade
 Trade debts
 Loans and advances
 Trade deposits and short term prepayments
 Balance with statutory authorities
 Other receivables
 Short term investments
 Tax refunds due from the Government - sales tax

Increase in current liabilities:

Trade and other payables

Cash flows generated from operations

Finance costs paid
 Income tax paid
 Dividend paid
 Settlement of derivative financial assets
 Workers' Profit Participation Fund paid
 Long term security deposits received

Net cash flows (used in) / generated from operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

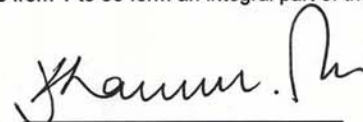
Purchase of property, plant and equipment
 Addition in capital work in progress
 Intangibles
 Sale proceeds from disposal of property, plant and equipment
 Interest on loan to associated undertaking
 Profit on bank deposits

Net cash flows used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Long term financing - net
 Repayment of liabilities against assets subject to finance lease-net
 Short term borrowings - net
Net cash flows generated from financing activities
 Net increase in cash and cash equivalents
 Cash and cash equivalents at the beginning of the year
 Cash and cash equivalents at the end of the year

The annexed notes from 1 to 50 form an integral part of these financial statements.


CHIEF EXECUTIVE OFFICER

Note	2019 Rupees	2018 Rupees
	1,500,981,402	1,225,862,161
(5)	611,328,421	523,767,655
(6)	7,272,977	10,200,894
(36)	(5,374,926)	(3,106,277)
(36)	(3,948,904)	(9,837,454)
(36)	(3,777,032)	(426,898)
(37)	638,879,951	441,060,922
(36)	(717,542,567)	(195,800,022)
(35)	18,055,656	(40,992,260)
(35)	16,090,085	-
(35)	14,013,234	-
(26)	128,197,016	40,208,686
(26)	79,736,560	65,198,275
	782,930,471	830,273,521
	2,283,911,873	2,056,135,682
(9)	(176,394,920)	(19,724,270)
(10)	(1,027,821,214)	(181,051,726)
(11)	(1,662,169,936)	(761,616,248)
(12)	377,522,863	(135,649,833)
(13)	(50,920,669)	1,970,729
(14)	(141,170,206)	(648,384,601)
(16)	6,572,792	6,588,739
(18)	(89,500,000)	(50,000,000)
(17)	(3,013,679)	161,666,239
(26)	1,131,647,791	329,463,418
	(1,635,247,178)	(1,296,737,553)
	648,664,695	759,398,129
	(578,912,836)	(436,841,780)
	(162,337,096)	(92,932,173)
	(120,000,000)	-
	233,158	(17,283,741)
	(65,846,844)	(27,286,589)
	16,116,302	6,850,987
	(910,747,316)	(567,493,296)
	(262,082,621)	191,904,833
	(1,129,366,171)	(376,371,785)
	(464,425,192)	(459,912,902)
	(25,378,546)	(2,611,028)
	45,417,188	20,242,724
	3,948,904	11,031,339
	5,374,926	3,106,277
	(1,564,428,891)	(804,515,375)
(22)	239,841,770	(287,440,102)
(23)	(67,209,054)	(49,555,669)
(28)	1,586,631,182	1,039,825,089
	1,759,263,898	702,829,318
	(67,247,614)	90,218,776
	198,102,278	107,883,502
(19)	130,854,664	198,102,278


DIRECTOR

SADAQAT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. LEGAL STATUS AND OPERATIONS

Sadaqat Limited (the Company) was initially incorporated in Pakistan under repealed Companies Ordinance, 1984, in the name and style "Sadaqat Textile Mills (Private) Limited" on November 01, 1987 under the repealed Companies Ordinance, 1984 (Repealed with the enactment of the Companies Act, 2017 on May 30, 2017). 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 bleaching, dyeing, printing, knitting, stitching and otherwise dealing in and export of all kinds of value added fabrics and home textile products.

1.1 The geographical location and address of the Company's business units, including mills / plant is as under:

- The Company is operating at 2 locations.
- Head office and main manufacturing facility is located at 2-KM Sahianwala Road, Khurrianwala Faisalabad
- Stitching unit 1 is located at Small Industrial Estate, Daewoo road, Faisalabad respectively.

2. STATEMENT OF COMPLIANCE

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

3. BASIS OF MEASUREMENT

3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention, except for revaluation of certain assets as referred to in Note 4.4 which are stated at revalued amounts and certain assets as referred in note 4.3 are stated at their fair value.

3.2 Functional and presentation currency

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

3.3 USE OF ESTIMATES AND JUDGMENTS

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

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

3.3.1 Useful life, residual values, impairment and method of depreciation of property, plant and equipment (Note 4.4)

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

3.3.2 Contingencies (Note 4.13)

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

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.

4.1 Standards, interpretations and amendments to published approved accounting standards effective during the year

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

The Company has adopted the following revised standards, amendments and interpretation of IFRS which became effective for the current year.

Standard or Interpretation

- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations
- Amendments to IAS 40 Transfers of Investment Property
- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28
- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 2 - Classification and measurement of share based payment transactions

The adoption of the above amendments, improvements to accounting standards, interpretations and standards did not have any effect on the financial statements, except for IFRS 15 and IFRS 9 which introduce the following changes

4.2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

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IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures. The management reviewed and assessed the Company's existing contracts with the customers in accordance with the guidance included in IFRS 15 and concluded that there is no material impact on the revenue recognition of the Company.

The Company is in the business to manufacture and sale of textile products in the international markets. Products are sold under separately identifiable contracts and together, as a bundled package of goods.

Changes in accounting policies resulting from application of IFRS 15

The Company recognises revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1.

Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2.

Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3.

Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4.

Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5.

Recognise revenue when (or as) the Company satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- The Company's performance does not create an asset with an alternate use to the Company and the Company has as an enforceable right to payment for performance completed to date.
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

For performance obligations where one of the above conditions are not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

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When the Company satisfies a performance obligation by delivering the promised goods or services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

The Company's contracts with customers for the sale of goods generally include one performance obligation and recognized at a point of time. Revenue is recognized when goods are dispatched to customers and bill of lading is prepared for local sales and exports sales respectively. It is the time when control (significant risk and rewards) relating to ownership of goods and control over these goods have been transferred to the buyer.

4.3 IFRS 9 Financial Instruments

Impact of IFRS 9

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The application of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

The management reviewed and assessed the Company's existing financial assets for impairment in accordance with the guidance included in IFRS 9, to determine the credit risk associated with the respective financial assets and concluded that there is no material impact on the Company's financial assets with regards to impairment requirements of IFRS 9.

Changes in accounting policies resulting from application of IFRS 9

Financial instruments: assets

The Company applied IFRS 9 effective from 01 July 2018. All comparative numbers for financial year 2018 were prepared under IAS 39. This is the first year of IFRS 9 adoption and comparatives have not been restated.

i) Classification and measurement of financial instruments

IFRS 9 Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets and liabilities and replaces IAS 39.

Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument.

IFRS 9 classification is based on two aspects; the business model within which the asset is held (the business model test) and the contractual cash flows of the asset which meet the solely payments of principal and interest ("SPPI") test.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The Company determines the classification at initial recognition.

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Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not have any financial asset designate fair value through other comprehensive

Financial assets at FVTOCI

A debt instrument is measured at FVTOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment by investment basis.

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at fair value through profit or loss

A financial asset is mandatorily classified in this category if it is acquired principally for the purpose of selling in the short term, or if it fails the SPPI test. Derivatives are classified as FVTPL as they do not meet the SPPI criteria.

A financial asset can be classified in this category by choice if so designated by management at inception. This designation is because the relevant assets and liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair value basis.

The Company defines fair value as the price, as at the measurement date, that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

ii) Initial recognition

At initial recognition, an entity shall measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

iii) Subsequent measurement

Gains and losses arising from changes in the fair value of assets classified as fair value through profit or loss are included in the statement of profit or loss in the period in which they arise.

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Gains and losses arising from changes in the fair value of debt instruments classified as fair value through other comprehensive income are recognised as other comprehensive income until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised as other comprehensive income is recognised in the statement of profit or loss. Any premium or discount paid on the purchase of securities held at amortised cost is amortised through the statement of profit or loss using the effective interest rate method.

The fair values of quoted investments in active markets are based on current bid prices. In other cases, the Company establishes fair value by using appropriate valuation techniques.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has either transferred substantially all of the risks and rewards of ownership or the Company deems that it no longer retains control of the risks and rewards of ownership.

The Company has no modified financial instruments.

iv) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. IFRS 9 requires impairment assessment on all of the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments measured at amortised cost or FVTOCI
- lease receivables; and
- loan commitments and financial guarantee contracts issued.

Under IFRS 9, no impairment loss is recognised on equity investments. IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month Expected Credit Loss (ECL) or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The term 'expected credit loss' does not imply that losses are anticipated, rather that there is recognition of the potential risk of loss.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade debts have been grouped based on days overdue.

Financial instruments: liabilities**i) Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings.

ii) Subsequent measurement

Financial liabilities are subsequently measured at amortised cost.

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iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

New Standards, Interpretations and Amendments

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below and have not been adopted early by the Company:

Standard or Interpretation		Effective Date (Annual periods beginning on or after)
IFRS 16	Leases	01 January 2019
IAS 19	Plan Amendment, Curtailment or Settlement (Amendments)	01 January 2019
IAS 28	Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
IFRS 9	Prepayment Features with Negative Compensation - (Amendments)	01 January 2019
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments)	01 July 2019
IFRS 3	Definition of a Business (Amendments)	01 January 2020
IAS 12	Income Taxes: Income tax consequences of payments on financial instruments classified as equity	01 January 2019
IFRS 11	Joint Arrangements: Previously held interests in a joint operation	01 January 2019
IFRS 3	Business Combinations - Previously held Interests in a joint operation — (Amendments)	01 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	01 January 2019
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 28	Long-term Interests in Associates and Joint Ventures – (Amendments)	01 January 2019
IAS 1 and 8	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material, to clarify the definition of material and its alignment with the definition used in the Conceptual Framework (Amendments)	01 January 2020
IAS 8 -	Accounting Policies, Changes in Accounting Estimates and Errors — (Amendments)	01 January 2020

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:

Standard		IASB effective date (Annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	01 July 2009
IFRS 14	Regulatory Deferral Accounts	01 January 2016
IFRS 17	Insurance Contracts	01 January 2021

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

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

4.4 Property, plant and equipment

4.4.1 Operating fixed assets

Owned

These are stated at cost less accumulated depreciation and impairment loss, if any, except for 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 statement of profit or loss during the year in which they are incurred.

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

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and the depreciation based on assets original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to unappropriated profit.

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

Disposal

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statement of profit or loss in the year the asset is derecognized.

Impairment

The Company continually assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amount and the resulting impairment loss is recognized in statement of profit or loss for the year. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount, and the increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in statement of profit or loss. The recoverable amount is the higher of an assets' fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future years to allocate the assets' revised carrying amount over its estimated useful life.

Lease hold

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

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

4.4.2 Capital Work in Progress

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

4.4.3 Intangible assets

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

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

Impairment

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

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4.5 Stores, spares and loose tools

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

4.6 Stock in trade

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

Cost is determined on the following basis :-

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

4.7 Trade debts and other receivables

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

4.8 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.

4.9 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 statement of financial position 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 statement of profit or loss, unless they are directly attributable to qualifying assets, in which case these are capitalized.

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

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4.10 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.

4.11 Trade and other payables

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

4.12 Provisions

Provisions are recognized in the statement of financial position 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 reporting date and are adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

4.13 Contingencies

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

4.14 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 statement of financial position 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 reporting 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.

Company recognize deferred tax liability on un realized balance of trade receivables at the rate of 1%.

4.15 Foreign currency translation

Transactions in foreign currency during the period are initially recorded in the functional currency at the rate prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency at the rate of exchange prevailing at the reporting date. All non monetary items are translated into rupees at exchange rates prevailing on date of transaction or on date when fair values are determined. Exchange differences are charged to statement of profit or loss."

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4.16 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 statement of profit or loss in the year of incurrence.

4.17 Drawback refund and rebate

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

4.18 Earnings per share

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

4.19 Related party transactions

All transactions with related parties are carried out at mutual agreed prices on an arm's length basis.

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5. PROPERTY, PLANT AND EQUIPMENT

SADAQAT LIMITED

	Note	2019 Rupees	2018 Rupees
Operating fixed assets-tangible	(5.1)	9,000,118,778	7,670,756,023
Capital work in progress	(5.2)	539,933,017	877,498,484
		<u>9,540,051,795</u>	<u>8,548,254,507</u>

5.1 Operating fixed assets - tangible

PARTICULARS	COST / REVALUED AMOUNT				Rate (%)	DEPRECIATION			Net book value as at 30 June 2019
	As at 01 July 2018	Additions / Transfers	(Disposal)	As at 30 June 2019		For the year	Transfer / (Disposal)	As at 30 June 2019	
Owned:----- Rupees -----									
Freehold land									
Cost	529,487,203	13,309,000	-	542,796,203		-	-	-	542,796,203
Revaluation surplus	985,146,322	-	-	985,146,322		-	-	-	985,146,322
	1,514,633,525	13,309,000	-	1,527,942,525		-	-	-	1,527,942,525
Buildings on freehold land - factory									
Cost	2,680,191,131	674,234,556 *	-	3,354,425,687	5	643,815,176	124,966,271	-	768,781,447
Revaluation surplus	759,850,907	-	-	759,850,907	5	80,551,163	33,964,987	-	114,516,150
	3,440,042,038	674,234,556	-	4,114,276,594		724,366,339	158,931,258	-	883,297,597
Plant and machinery									
Cost	3,418,044,977	871,951,316	-	4,289,996,293	10	1,213,923,546	253,699,938	-	1,467,623,484
Revaluation surplus	841,301,125	-	-	841,301,125	10	485,236,011	35,606,511	-	520,842,522
	4,259,346,102	871,951,316	-	5,131,297,418		1,699,159,557	289,306,449	-	1,988,466,006
Generators									
Cost	181,970,893	-	-	181,970,893	10	69,603,417	11,236,748	-	80,840,165
Revaluation surplus	48,465,616	-	-	48,465,616	10	6,152,905	4,231,271	-	10,384,176
	230,436,509	-	-	230,436,509		75,756,322	15,468,019	-	91,224,341
Electric installations	337,097,426	63,272,882	-	400,370,308	10	117,226,682	25,188,225	-	142,414,907
Furniture and fixtures	86,324,258	28,386,298	-	114,710,556	10	34,566,643	6,559,606	-	41,126,249
Office equipment	190,310,101	57,157,426	-	247,467,527	10 - 33	70,301,782	35,450,266	-	105,752,048
Sui gas installations	2,066,066	-	-	2,066,066		1,344,984	72,108	-	1,417,092
Work shop equipments	15,629,627	-	-	15,629,627	10	10,131,104	549,852	-	10,680,956
Vehicles	198,756,731	47,213,933	(64,274,771)	181,695,893	20	108,593,130	23,341,654	(37,610,627)	94,324,157
Transfer from leasehold	-	48,567,636 **	-	48,567,636			8,656,731	8,656,731	39,910,905
	10,274,642,383	1,804,093,047	(64,274,771)	12,014,460,659		2,841,446,543	554,867,437	(28,953,896)	8,647,100,575
Leasehold:									
Plant and machinery									
Generators	158,269,614	-	-	158,269,614	10	43,242,387	11,502,723	-	54,745,110
Vehicles	32,825,663	-	-	32,825,663	10	16,408,186	1,641,748	-	18,049,934
	160,463,104	226,805,921	(14,976,012)	372,293,013	20	54,347,625	43,316,513	(8,656,731)	89,007,407
Transfer from leasehold	-	(48,567,636)**	-	(48,567,636)		-	-	-	-
	351,558,381	178,238,285	(14,976,012)	514,820,654		113,998,198	56,460,984	(8,656,731)	161,802,451
Total	10,626,200,764	1,982,331,332	(79,250,783)	12,529,281,313		2,955,444,741	611,328,421	(37,610,627)	9,000,118,778

* This represents amount transferred from capital work in progress.

** This represents amount transferred from lease hold.



5.1 - continued

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PARTICULARS	COST			Rate (%)	DEPRECIATION			Net book value as at 30 June 2018
	As at 01 July 2017	Additions / Transfers	(Disposal)		As at 30 June 2018	For the year	Transfer / (Disposal)	
-----Rupees-----								
Owned:								
Freehold land								
Cost	524,028,678	5,458,525	-	529,487,203	-	-	-	529,487,203
Revaluation surplus	985,146,322	-	-	985,146,322	-	-	-	985,146,322
	1,509,175,000	5,458,525	-	1,514,633,525				1,514,633,525
Buildings on freehold land - factory								
Cost	2,680,191,131	-	-	2,680,191,131	5	107,177,682	643,815,176	2,036,375,955
Revaluation surplus	759,850,907	-	-	759,850,907	5	35,752,618	80,551,163	679,299,744
	3,440,042,038	-	-	3,440,042,038		142,930,300	724,366,339	2,715,675,699
Plant and machinery								
Cost	2,981,355,799	236,037,364	-	3,217,393,163	10	221,155,769	1,153,604,474	2,063,788,689
Revaluation surplus	841,301,125	-	-	841,301,125	10	39,562,791	485,236,011	356,065,114
Transfer from leasehold	-	200,651,814 *	-	200,651,814		60,319,072	60,319,072	140,332,742
	3,822,656,924	436,689,178	-	4,259,346,102		321,037,632	1,699,159,557	2,560,186,545
Generators								
Cost	179,370,893	2,600,000	-	181,970,893	10	12,388,979	69,603,417	112,367,476
Revaluation surplus	48,465,616	-	-	48,465,616	10	4,701,412	6,152,905	42,312,711
	227,836,509	2,600,000	-	230,436,509		17,090,391	75,756,322	154,680,187
Electric installations	299,407,191	37,690,235	-	337,097,426	10	94,860,490	117,226,682	219,870,744
Furniture and fixtures	81,820,208	4,504,050	-	86,324,258	10	29,134,733	34,566,643	51,757,615
Office equipment	160,450,474	29,859,627	-	190,310,101	10	58,250,500	70,301,782	120,008,319
Sui gas installations	2,066,066	-	-	2,066,066	10	1,264,864	1,344,984	721,082
Work shop equipments	15,629,627	-	-	15,629,627	10	9,520,157	10,131,104	5,498,523
Vehicles	156,136,988	48,936,258	(24,737,731)	180,335,515	20	88,278,019	98,996,300	81,339,215
Transfer from leasehold	-	18,421,216 **	-	18,421,216		9,596,830	9,596,830	8,824,386
Total	9,715,221,025	584,159,089	(24,737,731)	10,274,642,383		546,835,790	2,841,446,543	7,433,195,840
Leasehold:								
Plant and machinery								
Generators	358,921,428	-	-	358,921,428	10	23,414,623	103,561,459	255,359,969
Vehicles	32,825,663	-	-	32,825,663	10	1,824,164	16,408,186	16,417,477
Transfer from leasehold	125,596,791	53,287,529	-	178,884,320	20	21,608,980	63,944,455	114,939,865
	-	(219,073,030)**	-	(219,073,030)		(69,915,902)	(69,915,902)	(149,157,128)
	517,343,882	(165,785,501)	-	351,558,381		(23,068,135)	113,998,198	237,560,183
	10,232,564,907	418,373,588	(24,737,731)	10,626,200,764		523,767,655	2,955,444,741	7,670,756,023

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

	Note	2019 Rupees	2018 Rupees
Cost of sales	(32)	502,660,382	469,035,297
Administrative expenses	(34)	108,668,039	54,732,358
		<u>611,328,421</u>	<u>523,767,655</u>

5.1.2 Forced sale value of freehold land, buildings, plant and machinery and generators as per the last revaluation report as of June 30, 2017 was Rs. 5,674.52 million. This amount does not include assets which are capitalized from 01 July 2017 to 30 June 2019.



5.1.3 Details of disposals made during the year from operating fixed assets are as follows:

Asset Description	Particulars of the Purchaser	Relationship of Purchaser with the Company	Mode of Disposal	Cost / Revalued Amount	Accumulated Depreciation	Net Book Value	Sale Proceed	Gain / (Loss)
Rupees-----								
Vehicles :								
Toyota Prado (FW-004)	Mr. Hamza Khurram	Employee	Company Policy	7,664,781	3,495,140	4,169,641	3,300,000	(869,641)
Grand Cruiser (BF-004)	Mr. Hamid Mukhtar	Director	Company Policy	15,850,000	11,297,200	4,552,800	9,800,000	5,247,200
Land Cruiser Prado	Mr. Ali Khan	Employee	Company Policy	16,786,875	126,699	16,660,176	16,660,176	-
Toyota Grand Cruiser (UU-04)	Mr. Khurram Mukhtar	Chief Executive Officer	Company Policy	13,667,309	10,993,014	2,674,295	2,674,295	-
Toyota Corolla (FD-16-3)	Mr. Muhammad Ali	Employee	Company Policy	1,830,000	91,500	1,738,500	1,800,000	61,500
Toyota Corolla GLI (LEE-3058)	Mr. Mukhtar Ahmad	Director	Company Policy	1,976,012	387,885	1,588,127	752,883	(835,244)
Toyota Corolla (LEE-3058)	Mr. Ali Kari	Employee	Company Policy	1,851,156	705,907	1,145,249	1,145,249	-
Toyota Corolla GLI (LE-6636)	Mr. Muhammad Hamza	Employee	Company Policy	1,420,000	453,850	966,150	1,225,000	258,850
Toyota Allis - Grande (DY-357)	Mr. Muhammad Asim	Employee	Company Policy	2,387,294	1,502,953	884,341	861,734	(22,607)
Suzuki Cultus (FD-183)	Mr. Muhammad Zahid	Employee	Company Policy	1,145,345	285,450	859,895	859,895	-
Suzuki Cultus (LEC-2209)	Mr. Muhammad Shafique	Employee	Company Policy	1,135,147	441,918	693,229	693,229	-
Toyota XLI (LE-5968)	Mr. Muhammad Zahid	Employee	Company Policy	1,035,000	529,368	505,632	476,928	(28,704)
				66,748,919	30,310,884	36,438,035	40,249,389	3,811,354
Vehicles :								
Motor cars	Various employees	Employee	Company Policy	9,356,996	5,906,081	3,450,915	3,416,468	(34,447)
Motor cycles	Various employees	Employee	Company Policy	3,144,868	1,393,662	1,751,206	1,751,331	125
				12,501,864	7,299,743	5,202,121	5,167,799	(34,322)
For the year ended 30 June 2019				79,250,783	37,610,627	41,640,156	45,417,188	3,777,032

5.2 Capital Work In Progress

	Note		Rupees	
	2019	2018	2019	2018
Electric Installation	-	(5.2.1)	869,400	-
Building civil works	-	(5.2.1)	538,705,617	877,498,484
Plant and machinery	-	(5.2.1)	358,000	-
			<u>539,933,017</u>	<u>877,498,484</u>

5.2.1 Movement in capital work in progress

	Note		Rupees	
	2019	2018	2019	2018
Opening balance	-	-	-	-
Additions during the year	1,361,720	-	392,681,915	-
Transferred to operating fixed assets	(492,320)	-	484,816,569	-
Closing balance	869,400	-	877,498,484	434,683,718

6. INTANGIBLE ASSETS

PARTICULARS	BALANCE AS AT 01 JULY 2018			FOR THE YEAR			BALANCE AS AT 30 JUNE 2019			Rate (%)
	Cost	Accumulated amortization	Net Book Value	Additions	Disposal Cost/ (Accumulated Amortization)	Amortization	Cost	Accumulated amortization	Net Book Value	
	----- Rupees -----									
Softwares	43,260,776	16,298,356	26,962,420	25,378,546	-	7,272,977	68,639,322	23,571,333	45,067,989	20
	----- Rupees -----									
PARTICULARS	BALANCE AS AT 01 JULY 2017			FOR THE YEAR			BALANCE AS AT 30 JUNE 2018			Rate (%)
	Cost	Accumulated amortization	Net Book Value	Additions	Disposal Cost/ (Accumulated Amortization)	Amortization	Cost	Accumulated amortization	Net Book Value	
	----- Rupees -----									
Softwares	40,649,748	6,097,462	34,552,286	2,611,028	-	10,200,894	43,260,776	16,298,356	26,962,420	20

6.1 Amortization charge for the year has been allocated to administrative expenses (Note 34).

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	Note	2019 Rupees	2018 Rupees
7. LONG TERM DEPOSITS			
Margin against letter of guarantee		17,814,630	17,610,630
Security deposits		4,187,792	3,695,472
Other security deposits		2,663,945	1,743,065
		<u>24,666,367</u>	<u>23,049,167</u>
8. LONG TERM ADVANCES			
Advance for capital work in progress	(8.1)	68,955,261	1,266,661
Advance for land purchase	(8.2)	181,725,535	122,150,352
		<u>250,680,796</u>	<u>123,417,013</u>
8.1	This represents advance provided to M/s Haroon Ali (contractor) for the construction of building.		
8.2	This represents advance given to Faisalabad Industrial Estate Development Management Company (FIEDMC) for the acquisition of land.		
	Note	2019 Rupees	2018 Rupees
9. STORES, SPARES AND LOOSE TOOLS			
Stores		320,537,830	166,081,965
Spares		65,136,056	42,978,403
Loose tools		3,214,698	3,433,296
		<u>388,888,584</u>	<u>212,493,664</u>
10. STOCK IN TRADE			
Raw material			
- in hand		1,414,355,284	877,372,329
- in transit		-	50,146,866
- held by third parties		179,816,021	83,871,420
		<u>1,594,171,305</u>	<u>1,011,390,615</u>
Work in process		1,494,303,938	1,027,323,102
Finished goods	(10.1)	965,981,328	976,412,144
Waste		33,284,230	44,793,726
		<u>2,493,569,496</u>	<u>2,048,528,972</u>
		<u>4,087,740,801</u>	<u>3,059,919,587</u>
10.1	It includes stocks amounting Rs. 599 million (2018: 509 million) in transit to port for shipment to customers.		
	Note	2019 Rupees	2018 Rupees
11. TRADE DEBTS - considered good			
Foreign	(11.1)	4,897,620,152	2,497,761,439
Local		39,411,501	59,557,711
		<u>4,937,031,653</u>	<u>2,557,319,150</u>
Less: Allowance for expected credit losses		(4,205,249)	-
		<u>4,932,826,404</u>	<u>2,557,319,150</u>

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11.1 Foreign debts include following balances from related parties:

	Maximum Balance		Closing balance	
Related party name	Month	Amount	2019	2018
----- Rupees -----				
Sadaqat Global Limited - UK	Jun-19	3,308,697,348	3,308,697,348	1,631,561,785
KHAS Holding Private Limited	Jul-18	23,322,028	12,386,222	19,296,835
Jay Franco Europe Limited - UK	Jun-19	92,769,513	92,769,513	-
Sleepworld Australia (PTY) Limited	Apr-19	113,961,631	32,225,998	6,884,606
Sleepworld International LLC	Jun-19	103,571,656	103,571,656	32,897,609

11.2 The customers have no history of default. Aging analysis of the trade debts is given in Note 43.

	Note	2019 Rupees	2018 Rupees
12. LOANS AND ADVANCES - unsecured			
Loan to KHAS Holdings (Pvt.) Ltd. - associated undertaking	(12.1)	-	99,448,154
Advances to employees against salaries:			
- Executives (other than CEO and Directors)		9,127,203	9,813,720
- Other employees		10,175,521	15,338,635
		<u>19,302,724</u>	<u>25,152,355</u>
Advances to suppliers		206,579,052	477,883,546
		<u>225,881,776</u>	<u>602,484,055</u>

12.1 This loan carries markup at 8% per annum and the maximum aggregate amount due from associated undertaking calculated with reference to month end balance is Rs. 99.45 million (2018: Rs. 128.22 million).

	Note	2019 Rupees	2018 Rupees
13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
Trade deposits:			
- Deposit under collection account		167,095	77,322
- Deposit under debt repayment account		1,414,160	363,022
- Deposit under letters of credit		42,308,127	8,050,668
		<u>43,889,382</u>	<u>8,491,012</u>
Prepayments		19,201,913	3,679,614
		<u>63,091,295</u>	<u>12,170,626</u>

14. BALANCES WITH STATUTORY AUTHORITIES

Gas Infrastructure Development Cess (GIDC)		5,436,856	5,436,856
Workers' Welfare Fund		-	11,847,153
Special excise duty		12,442,697	12,442,697
Drawback on local taxes and levies		-	45,588,172
Drawback of customs - duty	(14.1)	191,173,936	144,536,670
Duty drawback on taxes	(14.2)	997,349,959	874,296,557
Rebate on mark-up on financing		28,914,863	-
		<u>1,235,318,311</u>	<u>1,094,148,105</u>

14.1 Drawback of customs-duty

Balance at the beginning of the year		144,536,670	108,526,068
Claimed during the year		172,611,703	99,772,984
Received during the year		(125,974,437)	(63,762,382)
		<u>191,173,936</u>	<u>144,536,670</u>

	Note	2019 Rupees	2018 Rupees
14.2 Duty drawback on taxes			
Balance at the beginning of the year		874,296,557	261,196,033
Claimed during the year		625,894,772	894,954,762
Received during the year		(502,841,370)	(281,854,238)
		<u>997,349,959</u>	<u>874,296,557</u>
15. INTEREST ACCRUED		<u>1,620,371</u>	<u>2,540,955</u>
This represents interest accrued on Term Deposit Receipts (TDRs) and Investment in Government Bonds - Refund Payment Orders			
	Note	2019 Rupees	2018 Rupees
16. OTHER RECEIVABLES			
Mark up support	(16.1)	18,846,951	18,846,951
Faisalabad Electric Supply Company (FESCO)	(16.2)	-	11,884,836
Punjab Revenue Authority (PRA)	(16.3)	-	14,706,787
Receivables from associated undertaking	(16.4)	-	7,276,668
Others		1,397,429	-
		<u>20,244,380</u>	<u>52,715,242</u>
16.1	This represents mark up support under Technology Upgradation Fund scheme of the State Bank of Pakistan.		
16.2 Faisalabad Electric Supply Company (FESCO)			
Balance at the beginning of the year	(16.2.1)	11,884,836	-
Less: Allowance for expected credit losses		(11,884,836)	-
		<u>-</u>	<u>-</u>
16.2.1	This represents receivable from FESCO against ownership transferred for electric lines installed by the Company.		
16.3 Punjab Revenue Authority (PRA)			
Balance at the beginning of the year	(16.3.1)	14,706,787	-
Less: Written - off		(14,706,787)	-
		<u>-</u>	<u>-</u>
16.3.1	This represents amount forcefully withdrawn by PRA on account of withholding tax on payments made to suppliers for the period when the Company was not registered as withholding agent.		
16.4	This represents receivable from an associated undertaking, KHAS Holdings against sale of land. Maximum aggregate balance calculated with reference to the month end balance is Rs. 7.2 million (2018: Rs. 13.8 million)		
17. TAX REFUNDS DUE FROM THE GOVERNMENT			
Income tax		223,672,164	205,719,151
Sales tax		199,740,811	196,727,132
		<u>423,412,975</u>	<u>402,446,283</u>
18. SHORT TERM INVESTMENTS			
At amortised cost:			
Term deposit receipts (TDRs)	(18.1)	50,000,000	50,000,000
FVTPL:			
Investment in Government Bonds - Refund Payment Orders	(18.2)	89,500,000	-
		<u>139,500,000</u>	<u>50,000,000</u>

18.1 These represent investments in local currency Term Deposit Receipts (TDRs). The TDRs carry mark up at three months KIBOR plus 2.75% less deposit rate of 2.25% (2018: 3M KIBOR less 2.25%) per annum payable quarterly in arrears. As stated in Note 22, TDRs of Rs. 50 million are given as security against syndicate demand finance facility arranged with National Bank of Pakistan.

18.2 This represents investment in Government bonds issued by the Government of Pakistan at 10% simple interest rate, against Refund Payment Orders issued in the name of the Company.

	2019 Rupees	2018 Rupees
19. CASH AND BANK BALANCES		
Cash in hand	14,288,347	5,141,140
Balance with banks in current accounts	116,566,317	192,961,138
	<u>130,854,664</u>	<u>198,102,278</u>
20. SHARE CAPITAL		
20.1 Authorized share capital		
350,000,000 (2018: 150,000,000) ordinary shares of Rs. 10/- each	<u>3,500,000,000</u>	<u>1,500,000,000</u>
20.2 Issued, subscribed and paid up share capital		
69,147,801 ordinary shares of Rs. 10/- each fully paid in cash	691,478,010	691,478,010
4,573,890 ordinary shares of Rs. 10/- each issued for consideration other than cash	45,738,900	45,738,900
46,278,309 ordinary shares of Rs. 10/- each issued as fully paid bonus shares	462,783,090	462,783,090
120,000,000 ordinary shares of Rs. 10/- each issued as fully paid bonus shares	<u>1,200,000,000</u>	<u>-</u>
	<u>2,400,000,000</u>	<u>1,200,000,000</u>
21. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT		
Surplus on revaluation of assets at the beginning of year	2,062,823,891	2,142,840,712
Less :		
Surplus relating to incremental depreciation charged on -related assets transferred to unappropriated profit	(70,613,987)	(80,016,821)
	<u>1,992,209,904</u>	<u>2,062,823,891</u>

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

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

22. LONG TERM FINANCING

	Note	2019 Rupees	2018 Rupees
Long term financing - export oriented projects (LTF-EOP)			
Demand finance	(22.2)	857,357,513	523,863,648
Syndicated term finance	(22.3)	354,441,823	248,093,918
	(22.4)	150,000,000	350,000,000
		1,361,799,336	1,121,957,566
Less: Current portion shown under current liabilities	(29)	(356,945,662)	(343,259,745)
		1,004,853,674	778,697,821

22.1 Terms and conditions of these borrowings are as follows:

Lender	Mark-up / Profit rate per annum (%)	Installment amount	No. of installment outstanding	Date of final repayment
LTF-EOP:				
Askari Bank Limited Tranche 1	SBP rate + 2.5%	3,411,009	10	13-Dec-2021
Askari Bank Limited Tranche 2	SBP rate + 2.5%	1,718,539	8	21-May-2021
Askari Bank Limited Tranche 3	SBP rate + 2.5%	1,508,000	7	27-Mar-2021
Askari Bank Limited Tranche 4	SBP rate + 2.5%	855,000	20	16-Oct-2025
Askari Bank Limited Tranche 5	SBP rate + 2.5%	1,590,000	20	24-Oct-2025
Askari Bank Limited Tranche 6	SBP rate + 2.5%	1,715,000	20	20-Nov-2025
Askari Bank Limited Tranche 7	SBP rate + 2.5%	448,017	20	13-May-2026
The Bank of Khyber Tranche 1	SBP rate + 1.75%	996,325	19	28-Jan-2024
The Bank of Khyber Tranche 2	SBP rate + 1.75%	1,531,095	19	2-Feb-2024
The Bank of Khyber Tranche 3	SBP rate + 1.75%	2,180,780	20	22-May-2024
The Bank of Khyber Tranche 4	SBP rate + 1.75%	751,790	19	5-Feb-2024
MCB Bank Limited Tranche 1	SBP rate + 2%	2,375,224	8	2-Jun-2021
MCB Bank Limited Tranche 2	SBP rate + 2%	1,494,600	10	17-Oct-2021
MCB Bank Limited Tranche 3	SBP rate + 2%	1,111,500	10	4-Dec-2021
MCB Bank Limited Tranche 4	SBP rate + 2%	667,860	11	13-Jan-2022
Pak Brunei Investment Company Limited Tranche 1	SBP rate + 2.50%	3,174,000	4	28-Jun-2021
Pak Brunei Investment Company Limited Tranche 2	SBP rate + 2.50%	8,740,000	5	3-Nov-2021
Pak Brunei Investment Company Limited Tranche 3	SBP rate + 2.50%	1,177,000	5	16-Sep-2021
United Bank Limited Tranche 1	SBP rate + 2%	1,150,000	18	31-Dec-2023
United Bank Limited Tranche 2	SBP rate + 2%	1,277,706	17	20-Sep-2023
United Bank Limited Tranche 3	SBP rate + 2%	2,572,019	17	20-Sep-2023

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Lender	Mark-up / Profit rate per annum (%)	Installment amount	No. of installment outstanding	Date of final repayment
United Bank Limited Tranche 4	SBP rate + 2%	1,013,733	16	30-Jun-2023
United Bank Limited Tranche 5	SBP rate + 2%	3,280,734	16	30-Sep-2023
The Bank of Punjab Tranche 1	SBP rate + 2.5%	1,645,000	15	7-Feb-2023
The Bank of Punjab Tranche 2	SBP rate + 2.5%	737,222	16	25-Apr-2023
The Bank of Punjab Tranche 3	SBP rate + 2.5%	955,556	16	23-May-2023
The Bank of Punjab Tranche 4	SBP rate + 2.5%	2,217,300	18	4-Dec-2023
National Bank of Pakistan Tranche 1	SBP rate + 2%	1,179,000	20	22-Mar-2026
National Bank of Pakistan Tranche 2	SBP rate + 2%	1,336,200	20	22-Mar-2026
National Bank of Pakistan Tranche 3	SBP rate + 2%	2,244,000	20	15-Apr-2026
National Bank of Pakistan Tranche 4	SBP rate + 2%	1,820,450	20	28-Feb-2026
National Bank of Pakistan Tranche 5	SBP rate + 2%	895,500	20	23-Apr-2026
National Bank of Pakistan Tranche 6	SBP rate + 2%	843,428	20	26-Apr-2026
Habib Bank Limited Tranche 1	SBP Rate+1.5%	1,540,814	20	15-Oct-2025
Habib Bank Limited Tranche 2	SBP Rate+1.5%	857,827	20	13-Nov-2025
Habib Bank Limited Tranche 3	SBP Rate+1.5%	1,253,820	20	13-Nov-2025
Demand Finance:				
National Bank of Pakistan Demand Finance Tranche 1	3 Month kibor + 1.5%	744,990	53	23-Nov-2023
National Bank of Pakistan Demand Finance Tranche 2	3 Month kibor + 1.5%	8,607,225	19	6-Jan-2024
National Bank of Pakistan Demand Finance Tranche 3	3 Month kibor + 1.5%	174,889	20	14-May-2026
National Bank of Pakistan Demand Finance Tranche 4	3 Month kibor + 1.5%	570,860	20	27-May-2026
National Bank of Pakistan Demand Finance Tranche 5	3 Month kibor + 1.5%	6,320,394	20	14-May-2026
Syndicated Term Finance:				
United Bank Limited Syndicated Loan Tranche 1	3 months KIBOR+ 2.75%	50,000,000	3	7-Feb-2020

22.2 These loans are secured against first exclusive charge of Rs. 941 million over specific fixed assets, first joint pari passu charge of Rs. 600 million over fixed asset and personal guarantees of all sponsoring Directors of Company. Payment is to be made in quarterly and monthly equal installments.

22.3 These loans are secured against first exclusive charge of Rs. 548 million over specific fixed assets and personal guarantees of all the Directors of the Company. Installments are payable on quarterly basis.

22.4 This finance has been obtained for support of working capital requirements. The facility is secured against investment in term deposit receipts, first pari passu charge of Rs. 134 million over all current assets, first pari passu charge Rs. 400 million over fixed asset and personal guarantees of all sponsoring Directors of the Company. Installments are payable on quarterly basis.

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	Note	2019 Rupees	2018 Rupees
23. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
Future minimum lease payments		244,847,632	109,637,478
Less: Unamortized finance charges		(32,962,027)	(8,781,104)
Present value of minimum lease payments		211,885,605	100,856,374
Less: Current portion shown under current liabilities	(29)	(91,007,845)	(67,658,863)
		<u>120,877,760</u>	<u>33,197,511</u>

Minimum lease payments	Finance cost for future years	Principal outstanding
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2019

		2019 Rupees	
Not later than one year	111,632,935	20,625,090	91,007,845
Later than one year but not later than five years	133,214,697	12,336,937	120,877,760
	<u>244,847,632</u>	<u>32,962,027</u>	<u>211,885,605</u>

Minimum lease payments	Finance cost for future years	Principal Outstanding
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2018

		2018 Rupees	
Not later than one year	74,738,079	7,079,216	67,658,863
Later than one year but not later than five years	34,899,399	1,701,888	33,197,511
	<u>109,637,478</u>	<u>8,781,104</u>	<u>100,856,374</u>

The Company has entered into lease agreements for lease of vehicles and plant and machinery with various financial institutions. These are secured by way of exclusive ownership of leased assets, specific exclusive charge of Rs. 40 million (2018: 55 million) over plant and machinery of the Company in favor of Orix Leasing Company, postdated cheques to Askari Leasing Company and personal guarantee of all sponsoring Directors of the Company.

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 (2018: 3 to 6 months KIBOR plus 2% to 5% per annum). The purchase option is available to the Company on payment / surrender of deposit along with last installment.

	Note	2019 Rupees	2018 Rupees
24. LONG TERM DEPOSITS			
Long term deposits		63,261,270	45,527,768
Less: Current portion shown under current liabilities		(34,409,363)	(24,366,174)
		<u>28,851,907</u>	<u>21,161,594</u>

This represents advances received from staff and will be adjusted as per Company's car policy against sale of vehicles. The fair value adjustment in accordance with the requirements of IFRS 9 'Financial Instruments: Recognition and Measurement' arising in respect of long term loans is not considered material and hence not recognized.

	Note	2019 Rupees	2018 Rupees
25. DEFERRED TAXATION			
Taxable temporary differences on unrealized export debtors		<u>48,934,149</u>	<u>24,977,614</u>

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	Note	2019 Rupees	2018 Rupees
26. TRADE AND OTHER PAYABLES			
Trade creditors		2,909,931,657	1,944,402,287
Accrued liabilities		162,297,776	61,778,468
Contract liabilities		2,421,003	31,522,215
Commission payable		19,341,843	10,968,548
Provision for bonus		128,197,016	40,208,686
Payable to Provident Fund	(26.1)	126,111,122	8,013,055
Workers' Profit Participation Fund	(26.2)	81,299,999	65,846,844
Withholding tax payable		10,198,942	3,324,732
		<u>3,439,799,358</u>	<u>2,166,064,835</u>

26.1 This carries markup at 3 months KIBOR plus 4% (2018: 3 months KIBOR plus 4%)

	Note	2019 Rupees	2018 Rupees
26.2 Workers profit participation fund (WPPF)			
Opening balance		65,846,844	27,286,589
Allocation for the year		79,736,560	65,198,275
Interest on WPPF		1,563,439	648,569
		<u>147,146,843</u>	<u>93,133,433</u>
Less: Payments during the year		(65,846,844)	(27,286,589)
		<u>81,299,999</u>	<u>65,846,844</u>

27. INTEREST ACCRUED ON LOANS - secured

Long term financing	29,288,889	18,927,784
Short term borrowings	93,888,526	44,282,516
	<u>123,177,415</u>	<u>63,210,300</u>

28. SHORT TERM BORROWINGS

Financial institutions - secured		
Export refinance facilities	(28.2)	4,232,700,006
Short term running finance	(28.3)	62,628,711
Other short term finance	(28.4)	2,968,977,176
		<u>7,264,305,893</u>

28.1 These loans are secured against 1st Joint Pari Passu charge of PKR 7,059 million over fixed assets and PKR 5,618 million over current assets of the Company. The ranking charge over current assets PKR 734 million and ranking charge over fixed assets of the Company PKR 1,002 million will be converted into 1st Joint Pari Passu charge over fixed assets and current assets of the Company and after upgradation of the ranking charges, these will be vacated accordingly. The additional security against these loans are lien on import and export documents and personal guarantee of all Director of the Company. Available limits and pricing are as under:

28.2 Export refinance facilities

Limit	Pricing
Sanctioned limit amounting to Rs. 4,515 million and available limit is Rs. 80.8 million.	At the rate of SBP tariff plus 1% p.a. (2018: SBP tariff plus 1% p.a.)

28.3 Short term running finance

Limit	Pricing
Sanctioned limit amounting to Rs. 65 million and available limit is Rs. 2.4 million.	At the rate of 1 month KIBOR to 3 months KIBOR plus 1.25% to 2.5% (2018: 3 months KIBOR plus 1.5% to 1.75%) p.a.

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28.4 Other short term finance

Limit	Pricing
Sanctioned limit amounting to Rs. 3,875 million and available limit is Rs. 1,107 million.	At the rate of 1 month KIBOR to 3 month plus 1.25% to 1.75% (2018: 1 month KIBOR to 3 month plus 1% to 2.5%) p.a.

	Note	2019 Rupees	2018 Rupees
29. CURRENT PORTION OF NON CURRENT LIABILITIES			
Long term financing	(22)	356,945,662	343,259,745
Liabilities against assets subject to finance lease	(23)	91,007,845	67,658,863
Long term deposits	(24)	34,409,363	24,366,174
		<u>482,362,870</u>	<u>435,284,782</u>

30. CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

30.1.1 Honorable Supreme Court of Pakistan vide its order dated 22 August 2014 directed that Gas Infrastructure Development Cess (GIDC), which was levied through GIDC Act 2011, was invalidly levied under Article 77 of the Constitution of Pakistan. Pursuant to the aforesaid decision, the Company has availed stay orders from Honorable Lahore High Court and Honorable Sindh High Court against current levy of Gas Infrastructure Development Cess (GIDC) under GIDC Act 2015 and recovery of arrears under GIDC Act 2011 and GIDC Ordinance 2014 amounting to Rs. 125,986,516 (2018: Rs. 57,407,147). Prudently, the Company has not recorded payable of the aforesaid amount.

30.1.2 The Company along with other companies has filed a writ petition against Federation of Pakistan in the Lahore High Court. The writ petition relates to the amendment brought about in the minimum wages for Unskilled Workers Ordinance, 1969, Honorable Lahore High Court has passed an order against Employees Old Age Benefits (EOBI) and held this amendment ultra vires the constitution of Islamic Republic of Pakistan. The Company has taken stay order from Honorable Lahore High Court (Intra Court) against calculation of Punjab Employees Social Security (PESSI) and EOBI as per new wage rates, No provision has been recorded by the Company in this regard.

	2019 Rupees	2018 Rupees
30.2 Commitments		
30.2.1 Under letters of credit for		
-Raw material	223,882,553	186,953,995
-Stores and spares	253,878,648	308,063,079
-Capital expenditure	150,545,817	140,920,009
	<u>628,307,018</u>	<u>635,937,083</u>
30.2.2 Against purchase of land		
-Within one year	47,659,344	47,659,344
-After one year but not more than five years	95,318,688	142,978,032
	<u>142,978,032</u>	<u>190,637,376</u>
30.2.3 Against civil contracts		
-Capital work in progress	450,251,450	137,890,031
30.2.4 Forward exchange contracts		
-Sale	523,035,787	550,294,476

30.2.5 Bank guarantees issued by banks on behalf of the Company in favor 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

30.2.6 Post dated cheques issued in favor of custom authorities for release of goods imported for re-export

	1,767,349,087	924,443,961
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	Note	2019 Rupees	2018 Rupees
31. REVENUE FROM CONTRACTS WITH CUSTOMERS			
Export sales		20,117,829,700	15,000,704,892
Local sales:			
Processing Receipts		49,465,563	73,934,768
Waste sale		135,980,088	96,434,436
		<u>185,445,651</u>	<u>170,369,204</u>
Gross sales	(31.1)	20,303,275,351	15,171,074,096
Less:			
Foreign commission and discount	(31.2)	(673,326,479)	(141,729,278)
Sales tax		(12,370,236)	(6,708,782)
		<u>(685,696,715)</u>	<u>(148,438,060)</u>
		<u>19,617,578,636</u>	<u>15,022,636,036</u>

31.1 Disaggregation of the Company's revenue from contracts with customer is as follows.

Segments	2019 Rupees	2018 Rupees
Export Sales:		
Sale of made-ups	19,895,342,489	14,923,553,749
Sale of fabric	122,812,318	77,151,143
Sale of garments	99,674,893	-
	<u>20,117,829,700</u>	<u>15,000,704,892</u>
Local Sales:		
Processing services	49,465,563	73,934,768
Waste sales	135,980,088	96,434,436
	<u>185,445,651</u>	<u>170,369,204</u>
Total revenue from contracts with customers	<u>20,303,275,351</u>	<u>15,171,074,096</u>

Geographic markets

United Kingdom	11,658,111,465	8,725,667,629
Spain	1,790,615,472	1,213,191,786
Australia	1,068,903,340	277,908,916
Germany	899,100,261	689,734,717
Ireland	681,878,823	724,154,913
Belgium	677,595,456	676,514,814
Netherlands	661,929,853	574,750,899
France	574,106,941	416,886,884
Malaysia	510,422,732	429,111,487
U.S.A	473,888,370	525,637,974
New Zealand	406,825,188	308,414,986
Sweden	312,210,980	58,051,771
Italy	190,008,866	99,577,602
Brazil	44,531,621	-
Dominican Republic	43,948,757	38,701,173
United Arab Emirates	36,410,205	30,908,832
Canada	23,819,431	3,531,081
Kuwait	14,621,645	21,408,902
Turkey	11,730,514	7,550,150
Poland	9,637,576	-
Finland	9,391,515	96,503,952
China	11,106,723	-
Singapore	6,467,785	10,418,618
Korea	566,181	961,780
Chile	-	13,093,874
Denmark	-	3,228,482
Greece	-	3,809,617
India	-	4,888,381
Nigeria	-	1,709,451
Senegal	-	1,499,362
South Africa	-	42,886,859
Total revenue from contracts with customers	<u>20,117,829,700</u>	<u>15,000,704,892</u>

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	Note	2019 Rupees	2018 Rupees
31.2	This includes commission and discount to following related parties:		
	Sadaqat Global Limited - UK	475,951,900	2,477,986
	Sleepworld Australia	3,886,750	-
	Sleepworld International Limited	26,600,000	-
		<u>506,438,650</u>	<u>2,477,986</u>
32.	COST OF REVENUE		
	Raw material consumed (32.1)	11,563,133,733	8,041,195,195
	Stores and spares consumed (32.2)	2,755,225,249	2,158,180,817
	Salaries, wages and benefits (32.3)	1,283,831,760	1,159,877,562
	Fuel and power	867,636,098	560,356,523
	Conversion and processing charges	856,142,699	430,671,438
	Folding and packing	2,155,112	50,494
	Freight	65,331,241	68,256,802
	Loading and handling charges	56,128,349	36,797,261
	Insurance	29,839,360	36,427,996
	Repairs and maintenance	109,705,946	47,751,198
	Depreciation (5.1.1)	502,660,382	469,035,297
		<u>18,091,789,929</u>	<u>13,008,600,583</u>
	Work in process		
	Opening balance	1,027,323,102	1,503,030,259
	Closing balance (10)	<u>1,494,303,938</u>	<u>1,027,323,102</u>
		<u>(466,980,836)</u>	<u>475,707,157</u>
	Cost of goods manufactured	<u>17,624,809,093</u>	<u>13,484,307,740</u>
	Finished goods		
	Opening balance	1,021,205,870	817,913,498
	Closing balance (10)	<u>999,265,558</u>	<u>1,021,205,870</u>
		<u>21,940,312</u>	<u>(203,292,372)</u>
		<u>17,646,749,405</u>	<u>13,281,015,368</u>
		<u>(798,506,475)</u>	<u>(992,907,240)</u>
	Less: duty drawback	<u>16,848,242,930</u>	<u>12,288,108,128</u>
32.1	Raw material consumed		
	Raw material opening inventory	1,011,390,615	557,924,104
	Add: Purchases during the year	12,145,914,423	8,494,661,706
	Raw material available for consumption	13,157,305,038	9,052,585,810
	Raw material closing inventory (10)	<u>(1,594,171,305)</u>	<u>(1,011,390,615)</u>
		<u>11,563,133,733</u>	<u>8,041,195,195</u>
32.2	Stores and spares consumed		
	Opening inventory	212,493,664	192,769,394
	Add: Purchases during the year	2,931,620,169	2,177,905,087
		<u>3,144,113,833</u>	<u>2,370,674,481</u>
	Closing inventory (9)	<u>(388,888,584)</u>	<u>(212,493,664)</u>
		<u>2,755,225,249</u>	<u>2,158,180,817</u>
32.3	This include Rs. 40 million (2018: Rs. 29.09 million) in respect of provident fund contribution.		
33.	SELLING AND DISTRIBUTION EXPENSES		
	Staff salaries and benefits (33.1)	80,667,193	55,431,524
	Sea and air freight	70,745,706	56,903,410
	Clearing and forwarding	237,134,258	218,439,062
	Freight and octroi	81,599,273	54,966,300
	Advertisement	676,300	123,017
	Sales promotion expenses	74,639,681	51,506,619
	Export development surcharge	46,563,944	35,879,656
	Claims and damages	23,389,434	15,383,285
		<u>615,415,789</u>	<u>488,632,873</u>
33.1	This include Rs.3.67 million (2018: Rs. 1.24 million) in respect of provident fund contribution.		

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	Note	2019 Rupees	2018 Rupees
34.	ADMINISTRATIVE EXPENSES		
	Directors' remuneration	80,100,000	91,873,960
	Staff salaries and benefits (34.1)	340,230,845	247,327,027
	Postage and telecommunication	98,012,063	53,368,932
	Utilities	103,602,173	100,785,423
	Printing and stationery	12,632,421	6,283,792
	Vehicle running and maintenance	47,332,007	58,220,349
	Travelling and conveyance	81,280,396	68,964,338
	Fee and subscription	26,591,930	10,611,841
	Legal and professional	3,468,544	1,360,500
	Entertainment	29,524,090	16,680,965
	Repairs and maintenance	14,198,261	19,333,300
	Auditors' remuneration (34.2)	2,900,000	2,115,818
	Insurance	9,017,104	4,907,379
	Depreciation (5.1.1)	108,668,039	54,732,358
	Amortization (6.1)	7,272,977	10,200,894
	Zakat	4,153,100	4,715,000
	Others	21,829,773	5,373,739
		<u>990,813,723</u>	<u>756,855,615</u>
34.1	This include Rs. 8.67 million (2018: Rs. 4.05 million) in respect of provident fund contribution.		
34.2	Auditors' remuneration		
	Statutory audit fee	1,800,000	1,500,000
	Special audit / review fee	750,000	500,000
	Out of pocket expenses	350,000	115,818
		<u>2,900,000</u>	<u>2,115,818</u>
35.	OTHER OPERATING EXPENSES		
	Provision for Workers' Profit Participation Fund	79,736,560	65,198,275
	Charity and donations (35.1)	7,580,851	3,615,000
	Unrealized exchange loss on derivative financial instrument	18,055,656	-
	Social compliance expenses	11,206,486	3,465,973
	Allowance for expected credit losses	16,090,085	-
	Provision for doubtful recoveries	14,013,234	-
		<u>146,682,872</u>	<u>72,279,248</u>
35.1	Name of donees to which donation has been made:		
	Name of Donee:		
	Anjuman-E-Islamia (Regd.) Faisalabad	275,000	2,500,000
	Mangla Golf Club Fund	-	1,000,000
	Chiniot Blood Bank and Dialysis Centre	1,040,000	70,000
	The Patient Behbud Society	700,000	25,000
	Diamer & Basha Mohmand Dam Fund	560,000	20,000
	Divisional Sports Committee	500,000	-
	The Indus Hospital	500,000	-
	Others	4,005,851	-
		<u>7,580,851</u>	<u>3,615,000</u>
35.2	No Directors or their spouses have any interest in the donee.		

	2019 Rupees	2018 Rupees
36. OTHER INCOME		
Income from financial assets:		
Exchange gain - net	1,110,337,169	195,800,022
Profit on saving accounts	5,374,926	3,106,277
Interest on loan to associated undertaking	3,948,904	9,837,454
Unrealized gain on derivative financial instruments	-	40,992,260
	<u>1,119,660,999</u>	<u>249,736,013</u>
Income from non-financial assets:		
Gain on disposal of operating fixed assets	3,777,032	426,898
	<u>1,123,438,031</u>	<u>250,162,911</u>

37. FINANCE COSTS

Mark up on:		
- Long term financing	80,166,506	62,201,876
- Short term borrowings	395,150,453	266,164,680
	<u>475,316,959</u>	<u>328,366,556</u>
Interest on workers' Profit Participation Fund	1,563,439	648,569
Interest on loan from Employees' Provident Fund Trust	12,237,955	10,522,015
Lease finance charges	17,859,263	12,062,929
Bank charges and commission	131,902,335	89,460,853
	<u>163,562,992</u>	<u>112,694,366</u>
	<u>638,879,951</u>	<u>441,060,922</u>

38. TAXATION

Current tax		
-for the year	148,203,233	130,690,603
-prior year	(3,819,150)	3,922,311
	<u>144,384,083</u>	<u>134,612,914</u>
Deferred tax	23,956,535	9,760,676
	<u>168,340,618</u>	<u>144,373,590</u>

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

	2019 Rupees	2018 Rupees
39. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year (Rupees)	<u>1,332,640,784</u>	<u>1,081,488,571</u>
Weighted average number of ordinary shares (Numbers)	<u>240,000,000</u>	<u>240,000,000</u>
Earnings per share (Rupees)	<u>5.55</u>	<u>4.51</u>

39.1 Diluted earnings per share

No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have a diluted impact on earnings per share when exercised.

40. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2019			2018		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	Rupees					
Managerial remuneration	15,999,120	37,331,280	173,699,134	12,000,000	49,249,307	42,311,568
Provident fund	-	-	5,595,196	-	-	2,868,876
House rent allowance	6,400,800	14,935,200	69,492,160	4,800,000	19,699,723	16,924,627
Utilities	1,600,080	3,733,520	17,371,737	1,200,000	4,924,931	4,231,157
Total	<u>24,000,000</u>	<u>56,000,000</u>	<u>266,158,227</u>	<u>18,000,000</u>	<u>73,873,961</u>	<u>66,336,228</u>
Number of persons	<u>1</u>	<u>5</u>	<u>102</u>	<u>1</u>	<u>5</u>	<u>37</u>

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

41. TRANSACTIONS WITH RELATED PARTIES

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

Name	Nature of relationship	Nature of transaction	2019	2018
			Rupees	
Sadaqat Global Limited - UK	Common Directorship	Sales	5,045,381,781	4,070,069,644
		Commission and discount expense	475,951,900	2,477,986
KHAS Holding	Director's Spouse	Sales	53,703,525	40,840,687
		Loan	-	99,448,154
		Transfer of land	-	7,276,668
Jay Franco Europe	Common Directorship	Sales	145,750,338	-
Sleepworld Australia	Common Directorship	Sales	30,300,254	-
		Commission expense	3,886,750	-
Sleepworld International Limited	Common Directorship	Sales	106,345,514	-
		Commission expense	26,600,000	-
Provident Fund	Employee's Fund Scheme	Amount contributed	52,849,853	39,644,568
C 100 Think Tank	Director's membership	Membership	400,000	-
			<u>5,941,169,915</u>	<u>4,259,757,707</u>

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

- 41.2** Jay Franco Europe is incorporated in United Kingdom. The registered office is situated at Unit 6 Westpoint Enterprise Park, Clarence Avenue, Trafford Park, Manchester, England, M17 1QS.

- 41.3** Sleepworld Australia is incorporated in Australia. The registered office is situated at 4 Kerrins Court Highton VIC Australia, 3216.

- 41.4** Sleepworld International LLC is incorporated in United States of America (USA). The registered office is situated at 267 Fifth Avenue, Suite B 101, New York, NY 10016, USA.

42. EMPLOYEES PROVIDENT FUND TRUST

The Company has maintained an employees provident fund trust and investments out of provident fund have been made in accordance with the provisions of section 218 of the Companies Act and the rules formulated for this purpose. The salient information of the fund is as follows:

	2019 Rupees Un-audited	2018 Rupees Audited
Size of the fund (net assets)	234,099,715	208,367,948
Cost of investment made (actual investments made)	215,797,751	149,810,129
Percentage of investments made (cost of investments)	92%	72%
Fair value of investments	(42.1) 215,797,751	149,810,129

42.1 Breakup of investment (actual):

	2019		2018	
	Investments	% of fund	Investments	% of fund
UBL Asset Allocation Fund	342,863	0%	337,351	0%
Faysal savings growth fund	454,092	0%	425,721	0%
NAFA Islamic Active Allocation Plan	-	0%	169,498	0%
NAFA Financial Sector -Income Fund	-	0%	20,025,201	10%
NAFA Income opportunity Fund	723,351	0%	2,721,900	1%
UBL -Al Ameen Islamic Active Allocation Plan VI	-	0%	5,821,271	3%
NBP Profit and Loss A/C	35,839,417	15%	25,080,161	12%
UBLFund (-Al Ameen Islamic Active Allocation Plan -X)	-	0%	17,125,555	8%
UBLFund (-Al Ameen Islamic Active Principal Preservation Plan	-	0%	4,857,414	2%
Alfallaha Capital Preservation Fund II	-	0%	4,995,055	2%
Alfallaha GHP Money Market Fund.	937,094	0%	40,016,671	19%
UBL Liquidity Plus Fund	684,082	0%	20,007,082	10%
UBL Growth Fund	231,204	0%	214,194	0%
HBL Term Finance (Tier 1)	50,000,000	21%	-	0%
Due from the Company	126,111,122	54%	8,013,055	4%
Faysal Income and growth fund	50,339	0%	-	0%
NAFA Govt Securities Liquid fund	188,539	0%	-	0%
HBL Govt Securities fund	235,648	0%	-	0%
	<u>215,797,751</u>	<u>92%</u>	<u>149,810,129</u>	<u>72%</u>

42.2 The above information is based on un-audited financial statements of the provident fund.

43. FINANCIAL RISK MANAGEMENT

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

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors has the overall responsibility for the establishment and oversight of Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to react to changes in market conditions and the Company's activities.

a) Market risk

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

i) Currency risk

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

Monetary items, including financial assets and financial liabilities, denominated in currency other than functional currency of the Company are periodically restated to Pak rupee equivalent and the associated gain or loss is taken to the statement of profit or loss account

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

	Changes in Rate	2019 Rupees	2018 Rupees
Foreign debtors/ (Foreign creditors) - USD	+1	17,500,294	13,824,603
	-1	(17,500,293)	(13,824,603)
Foreign debtors/ (Foreign creditors) - EURO	+1	2,225,250	1,552,074
	-1	(2,225,249)	(1,552,074)
Foreign debtors/ (Foreign creditors) - GBP	+1	7,152,889	2,188,481
	-1	(7,152,889)	(2,188,481)
Foreign debtors/ (Foreign creditors) - Yuan	+1	(7,372,773)	-
	-1	7,372,773	-

The following significant exchange rates were applied during the year:

Currency	2019		2018	
	Average Rate	Reporting Date Rate	Average Rate	Reporting Date Rate
	-----Rupees-----		-----Rupees-----	
US Dollar	140.98	160.50	113.12	121.45
Euro	161.94	182.50	130.59	141.37
Great British Pound	181.32	203.40	147.82	159.24
Chinese Yuan	21.12	23.85	17.85	18.38

ii) Other price risk

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

iii) Interest rate risk

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

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

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

	2019 Rupees	2018 Rupees
Floating rate Instruments:		
Financial Liabilities		
Liabilities against assets subject to finance lease	211,885,605	100,856,374
Short term borrowings	<u>7,264,305,893</u>	<u>5,677,674,711</u>
	<u>7,476,191,498</u>	<u>5,778,531,085</u>
Financial Assets		
Short term investment - TDRs	<u>50,000,000</u>	<u>50,000,000</u>
Fixed rate instruments:		
Financial Liabilities		
Long term financing	<u>1,361,799,336</u>	<u>1,121,957,566</u>
Financial Assets		
Short term investment - Government bonds	<u>89,500,000</u>	<u>-</u>

Cash flow sensitivity analysis for variable rate instruments

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

		Changes in Interest Rate	Effects on Profit Before Tax
		Percent	Rupees
Floating interest rates:			
Financial Liabilities	2019	+1	74,761,915
		-1	(74,761,915)
	2018	+1	57,785,311
		-1	(57,785,311)
Financial Assets	2019	+1	500,000
		-1	(500,000)
	2018	+1	500,000
		-1	(500,000)

b) Credit risk

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The Company does not believe it is exposed to major concentration of credit risk, however to manage any possible exposure the Company applies approved credit limits to its customers.

The management monitors and limits the Company's exposure to credit risk through monitoring of client's credit exposure review and conservative estimates of expected credit losses against receivables, if any, and through the prudent use of collateral policy.

The Company is exposed to credit risk on trade debts, deposits, other receivables, short term investment and bank balances. The Company seeks to minimize the credit risk exposure through having exposures only to customers considered credit worthy and obtaining securities where applicable. The maximum exposure to credit risk at the reporting date is:

	2019 Rupees	2018 Rupees
Long term deposits	24,666,367	23,049,167
Trade debts	4,937,031,653	2,557,319,150
Loans	-	99,448,154
Trade deposits	43,889,382	8,491,012
Interest accrued	1,620,371	2,540,955
Derivative financial asset	10,843,478	29,132,292
Other receivables	20,244,380	52,715,242
Short term investment	139,500,000	139,500,000
Bank balances	116,566,317	192,961,138
	<u>5,294,361,948</u>	<u>3,105,157,110</u>

The aging of trade debts at reporting date is:

Age analysis of trade debts:

0 to 3 Months (0 - 90 days)	2,938,950,049	2,483,099,286
4 to 6 Months (91 - 180 days)	1,210,582,906	23,388,382
7-12 Months	766,414,537	37,735,896
Over 12 Months	21,084,161	13,095,586
	<u>4,937,031,653</u>	<u>2,557,319,150</u>

Aging analysis of trade debts from associated undertakings:

	2019	2018
0 - 90 days	1,612,270,707	1,683,778,455
91 - 180 days	1,180,000,044	6,862,380
7-12 Months	751,387,265	-
Over 12 Months	5,992,721	-
	<u>3,549,650,737</u>	<u>1,690,640,835</u>

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

	Rating			2019	2018
	Short term	Long term	Agency	Rupees	Rupees
Banks:					
Bank Alfalah Limited	A-1+	AA+	JCR-VIS	498,392	1,111,410
The Bank of Khyber	A1	A	JCR-VIS	41,038,281	7,565,764
Bank of Punjab	A1+	AA	PACRA	938,104	737,406
Dubai Islamic Bank	A-1+	AA	JCR-VIS	5,696	5,696
First Women Bank Limited	A2	A-	PACRA	249,023	294,655
Bank Islami Pakistan Limited	A1	A+	PACRA	15,000,007	-
Habib Bank Limited	A-1+	AAA	JCR-VIS	22,193,797	62,062,703
MCB Bank Limited	A-1+	AAA	PACRA	3,767,734	9,769,407
Meezan Bank Limited	A-1+	AA+	JCR-VIS	4,277,401	4,829,521
National Bank Of Pakistan	A-1+	AAA	JCR-VIS	11,418,797	44,930,816
Silk Bank Limited	A-2	A-	JCR-VIS	50,000	50,000
Standard Chartered Bank	A-1+	AAA	PACRA	13,861,118	5,548,970
United Bank Limited	A-1+	AAA	JCR-VIS	1,327,562	22,009,803
Waseela Microfinance Bank	A1	A	PACRA	1,164,417	147,736
Samba Bank Limited	A-1	AA	JCR-VIS	775,988	33,897,251
Term Deposit Receipts (TDRs)					
National Bank Of Pakistan	A-1+	AAA	JCR-VIS	50,000,000	50,000,000
				<u>166,566,317</u>	<u>242,961,138</u>

c) Liquidity risk

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

The Company's approach to managing liquidity is to ensure, as far as possible, to always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Company has unused borrowing limits available as referred in Note 28. Furthermore available cash and bank balances are sufficient to meet any liquidity issues.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the financial liabilities as at 30 June 2019:

	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years
2019				
(Rupees)				
Long term financing	1,361,799,336	1,441,965,842	437,112,168	1,004,853,674
Liabilities against assets subject to finance lease	244,847,632	244,847,632	111,632,935	133,214,697
Trade deposits	63,261,270	63,261,270	34,409,363	28,851,907
Trade and other payables	3,072,229,433	3,072,229,433	3,072,229,433	-
Interest accrued on loans	123,177,415	123,177,415	123,177,415	-
Short term bank borrowings	7,264,305,893	7,659,456,346	7,659,456,346	-
Total financial liabilities	<u>12,129,620,979</u>	<u>12,604,937,938</u>	<u>11,438,017,660</u>	<u>1,166,920,278</u>
2018				
(Rupees)				
Long term financing	1,121,957,566	1,204,848,976	363,855,330	840,993,646
Liabilities against assets subject to finance lease	100,856,374	109,637,478	74,738,079	34,899,399
Trade deposits	45,527,768	45,527,768	24,366,174	21,161,594
Trade and other payables	2,065,371,044	2,065,371,044	2,065,371,044	-
Interest accrued on loans	63,210,300	63,210,300	63,210,300	-
Short term bank borrowings	5,677,674,711	5,677,674,711	5,677,674,711	-
Total financial liabilities	<u>9,074,597,763</u>	<u>9,166,270,277</u>	<u>8,269,215,638</u>	<u>897,054,639</u>

44. Fair value of financial assets and liabilities

Fair value for financial assets measured at fair value through profit or loss is derived from quoted market prices in active markets, if available.

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

44.1 Financial Instruments by categories

2019		
FVTPL	Cash and cash equivalents	Amortized cost
-----Rupees-----		
Assets as per statement of financial position:		
Long term deposits	-	24,666,367
Trade debts	-	4,932,826,404
Loans	-	-
Short term deposits	-	43,889,382
Interest accrued	-	1,620,371
Derivative financial asset	10,843,478	-
Other receivables	-	20,244,380
Short term investment	89,500,000	50,000,000
Cash and bank balances	-	-
	130,854,664	-
	100,343,478	5,073,246,904
-----Rupees-----		
Assets as per statement of financial position:		
Long term deposits	-	23,049,167
Trade debts	-	2,557,319,150
Loans	-	99,448,154
Short term deposits	-	8,491,012
Interest accrued	-	2,540,955
Derivative financial asset	29,132,292	-
Other receivables	-	52,715,242
Short term investment	-	50,000,000
Cash and bank balances	-	-
	198,102,278	-
	29,132,292	2,793,563,680
-----Rupees-----		
Liabilities as per statement of financial position:		
Long term financing	1,361,799,336	1,121,957,566
Liabilities against assets subject to finance lease	244,847,632	100,856,374
Trade deposits	63,261,270	45,527,768
Trade and other payables	3,072,229,433	2,065,371,044
Interest accrued on loans	123,177,415	63,210,300
Short term bank borrowings	7,264,305,893	5,677,674,711
	12,129,620,979	9,074,597,763

44.3 Level of Fair value Modelling

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

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

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

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data. The carrying values of all financial assets and liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

As at 30 June 2019, the Company held the following financial instruments measured at fair value:

	Jun-19	Level 1	Level 2	Level 3
Financial Assets measured at fair value	-----Rupees-----			
Derivative financial asset	10,843,478	-	10,843,478	-

As at 30 June 2018, the Company held the following financial instruments measured at fair value:

	Jun-18	Level 1	Level 2	Level 3
Financial liabilities measured at fair value	-----Rupees-----			
Derivative financial asset	29,132,292	-	29,132,292	-

There were no transfers between level 1, 2 and 3 of the financial instruments stated above.

44.5 Capital risk management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, or issue new shares in the form of bonus or right. No changes were made in the objectives, policies or processes during the year ended 30 June 2019 from last year.

Consistent with others in the industry and the requirements of the lenders, the Company monitors the capital structure on the basis of gearing ratio. This ratio is calculated as borrowings less any cash and cash equivalents divided by total capital employed. Borrowings represent long term financing and short term borrowings obtained by the Company. Total capital employed includes 'total equity' plus 'borrowings'. The gearing ratio as at 30 June 2019 is as follows:

	Note	2019 Rupees	2018 Rupees
Long term financing	22	1,361,799,336	1,121,957,566
Short term borrowings	28	7,264,305,893	5,677,674,711
Total debt		8,626,105,229	6,799,632,277
Cash and bank balances		(130,854,664)	(198,102,278)
Net debt		8,495,250,565	6,601,529,999
Total equity		9,007,526,960	7,794,886,176
Total capital employed		17,633,632,189	14,594,518,453
Gearing ratio		48.2%	45.2%

45. PLANT CAPACITY AND ACTUAL PRODUCTION

	2019	2018
Processing		
Installed capacity for the year (in meters)	78,500,000	78,000,000
Capacity utilized for the year (in meters)	73,034,753	73,000,000
Number of shifts worked per day	3	3

Stitching

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

Reasons for shortfall

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

46. NUMBER OF EMPLOYEES

	2019	2018
The number of employees at the year end were as follows:		
Total number of employees as at the reporting date	6,605	5,604
Average number of employees during the year	6105	5,574
Total number of factory employees as at the reporting date	6,209	5,205
Average number of Factory employees during the year	5,707	5,204

47. NON ADJUSTING EVENT AFTER REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2019 of Rs. 0.25 per share (30 June 2018: Rs. 0.25 per share) at their meeting held on 21 October 2019. However, this event has been considered as non-adjusting event under IAS 10 'Events after the Reporting Period' and has not been recognized in these financial statements.

48. CORRESPONDING FIGURES

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

49. GENERAL

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

50. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 21 OCT 2019


CHIEF EXECUTIVE OFFICER


DIRECTOR

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting (“AGM”) of Sadaqat Limited will be held on November 12, 2019 at 11:00 a.m. at 2KM Sahianwala road Khurrianwala Faisalabad to transact the following business:

Ordinary Business

1. To confirm minutes of the last Extraordinary General Meeting held on December 31, 2018.
2. To receive, consider and adopt the audited financial statements of the Company for the year ended June 30, 2019, together with the Directors’ and Auditors’ Reports.
3. To consider and approve, the payment of the final cash dividend @ 2.5% i.e. Rs. 0.25 per share as recommended by the Board of Directors, for the year ended June 30, 2019, This is in addition to the following interim dividends issued/paid/distributed amongst shareholders.
 - ✓ Bonus shares @ 100%
 - ✓ Cash Dividend 2.5%
4. To appoint Company’s external auditors and fix their remuneration. The Board and the Audit Committee have recommended the appointment of retiring Auditors M/s. EY Ford Rhodes, Chartered Accountants as auditors of the Company for the year ending June 30, 2020.
5. To discuss any other business with the permission of the Chair.

By Order of the Board


Basharat Hashmi
Company Secretary

Faisalabad
November 12, 2019

form of proxy

I/We _____ of (full address) _____

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

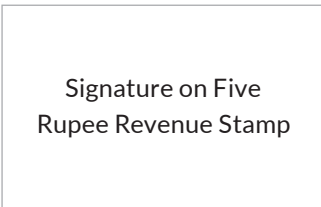
who is also a member of Sadaqat Limited, as my/our proxy in my/our absence to attend and to vote and act for
me/us and on my/our behalf at the 32nd Annual General Meeting of the Company to be held on Tuesday,
November 12, 2019 at 11:00 am and at any adjournment thereof.

Signature this _____ day of _____, 2019

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

Witness

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



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

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

Note:

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

تشکیل نیابت داری

میں / ہم _____ کے _____

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

اور ذیلی کھاتہ نمبر _____ مسمی / مسماة _____ ساکن _____

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

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

کواپنی جگہ بروز منگل 12 نومبر 2019، بوقت 11 بجے صبح منعقد یا ملتوی ہونے والے کپنی کے 32 سالانہ اجلاس عام میں رائے دہندگی کے لئے اپنا نمائندہ (پراکسی) مقرر کرتا / کرتی ہوں۔

مورخہ _____ 2019

دستخط گواہ نمبر 1 _____
نام _____
پتہ _____
شناختی کارڈ نمبر _____

دستخط گواہ نمبر 2 _____
نام _____
پتہ _____
شناختی کارڈ نمبر _____

نوٹ:

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The Green evolution

Sustainability Performance

Sadaqat Limited does not only strive to ensure the legality, soundness, and transparency of its business but also endeavor to respond rapidly to constantly changing economic and social environment and efficiently conduct operations. We are bolstering management oversight and monitoring capabilities and focusing on sustainably enhancing our corporate values to ensure strong corporate governance. We are cultivating a self-directed corporate culture where sustainability perspectives are reflected in management decision making. We focus to reduce negative impacts and on the other front, increase value creation potential through continuous improvements in our processes. Sadaqat Limited strives to achieve a more sustainable society by addressing environmental problems, development of products and utilization of technology with minimal environmental footprints.



About Sustainability Reporting

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

Scope

Reporting Period:

The period represented by the data and information contained within this report is from 1st July 2018 to 30th June 2019. Additional prior-year data is supplemented to FY-2019 information where applicable to provide a more complete picture of progress to date.

Reporting Cycle:

This publication marks the release of our fourth official Sustainability Report and we are working diligently and have well established protocols and integrated systems that allow us to report on annual basis.

Date of Publication: 10th January, 2020.

Boundary:

The financial information and all the data reported is related to Sadaqat Limited only.

Most Recent Report:

Prior to this publication, the most recent Sadaqat Limited Sustainability Report was for FY-2018.

Restatements/ Changes from Prior Period:

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

Report Methodology

Content:

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

Topic Boundaries:

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

Report Base:

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

External Assurance:

The Board of Directors upon recommendation of Sustainability Committee has appointed the following external assurance provider for assurance over Sustainability Report.
EY Ford Rhodes, 96 / B-1, 4th Floor, Pace Tower, M.M.Alam Road,
Gulberg III, Lahore, 54000, Pakistan.

Membership of Associations

Sadaqat Limited is dedicatedly engaged and affiliated with associations, authorities and external bodies to foster and promote a healthy and safe work environment. In order to establish sustainable community, entity has become part of number of external initiatives dedicated to social justice, product quality, health and safety and environmental sustainability. Apart from membership and certification fees, entity does not make the any other payment related to these organizations.

Product Stewardship



Social Stewardship



Ecological Stewardship



Supply Chain as a Value Chain

Sadaqat Limited continues to introduce and ensure practices to monitor the social, environmental and economic performance of stakeholders in its entire value chain. These activities aim to spread the company's sustainability approach across all points in the value chain, from sourcing and logistics to sales points where products and services are delivered to the consumer.

The supply chain function continued to be a steady source of fuel for commercial growth by optimizing operations and also augmenting capital efficiency. We only partner with the best suppliers, those that offer high quality, competitive costs, on-time delivery, and what we believe to be safe workplace conditions. We are able to do this by selecting qualified raw material suppliers and working closely with them. We establish longstanding relationships with vendors of fine fabric, dyes & chemicals and try to ensure persistent quality management.

Sadaqat Limited focuses on delivering the best quality and does not compromise its approach towards compliance with social, environmental and ethical values in materials, technical specifications and production processes. With a structure, dedicated to ensuring quality standards throughout the entire product journey from development to the final stage of the commercial cycle, the Company takes utmost care to use its resources most efficiently across the organization to avoid any wastages.

We target to work with our vendors, suppliers, and contractors to attain continual enhancement in our performance. However, we also acknowledge that total conformity across our supply chain is a long-term aspiration. The Company's purchases comprise of ~88% from local and 12% from foreign suppliers. The Company purchases/ imports machinery and equipment from local as well as international suppliers. Sadaqat Limited has paid PKR 16,729 million to its suppliers in financial year 2019.

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

The Company operates closely with its in-bound and out-bound logistics, from raw material procurement to end user sale, to ensure that company values are embedded throughout the supply chain since it also seeks to work on economic, environmental and social priorities with its vendors and customers.

Sadaqat Limited has increased its product range through inclusion of garments and Knitting segments. Now the entity's products are expanded to eight segments including bedding, curtains, cushion, table linen, kitchen accessories, denim, non-denim & knitted garments. Further it has seven major business activities which comprise knitting, processing, cutting, stitching, wadding, quilting and embroidery.

Sadaqat Limited follows its code of conduct and sets forth its requirements for every supplier. As a part of our corporate responsibility strategy, we will be requesting more information from our suppliers on their emissions, water consumption and waste generation, moving beyond social and legal compliance. This information, along with the use of new tools, will allow us to fully map our supply chain.

We have continued to improve our consumer health supply chain, in quality, safety, service standards. Our supply chain has successfully supported strong growth of our brands through improvements across productivity, procurement and systems, ensuring robust and reliable supply.

Our human capital at manufacturing facility, suppliers, distributors, retailers, customers and the communities in which we operate assists us developing our business and persistently improves our sustainability performance. We try to recruit our workforce from the community and country in which we are based since the management aims to aspire growth of local community in-line with the organization's success. We offer training programs and on-the-job development when few skills are in shortage, such as engineering or technical abilities.

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

- Human Rights and Non Discrimination
- Training & Education
- Health and Safety
- Emissions Control
- Effluents & Waste
- Energy & Water Conservation

Supply Chain	Up Stream	Operations	Down Stream
Process	Raw Material Sourcing (Vendors + Suppliers)	Manufacturing/ Production	Storage & Distribution of final product
Issues Applies	Human Rights Energy / Water Conservation Health and Safety Training & Education	Human Rights and Non Discrimination Health and Safety Emissions Control Training & Education Energy / Water Conservation	Human Rights Health and Safety Training & Education

Sustainability Committee



Vision

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

Objective

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

Responsibilities of Committees

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

Members



Osman Mukhtar
GM Compliance & Sustainability



Mohammad Asim
Head of Technical Department



Adeel Ahmad
DGM - Corporate Planning & Control



Asim Ali
Member CPC

Economic Performance



Management Approach

As one of the top tier exporter of home textile and garments products, Sadaqat Limited understands its role in innovating and acting in ways that set example for other to follow. Collaboration, listening and sharing represent the foundation for our achievements.

Our performance driven culture and our aspiration aims to achieve operational excellence. We manage our assets with flexibility, which allows us to react quickly to the dynamic market conditions. We are growing organically and contributing towards the development of the textile industry, both locally and internationally and highlight the industry issues at through different platforms such as APTMA, PTEA etc.

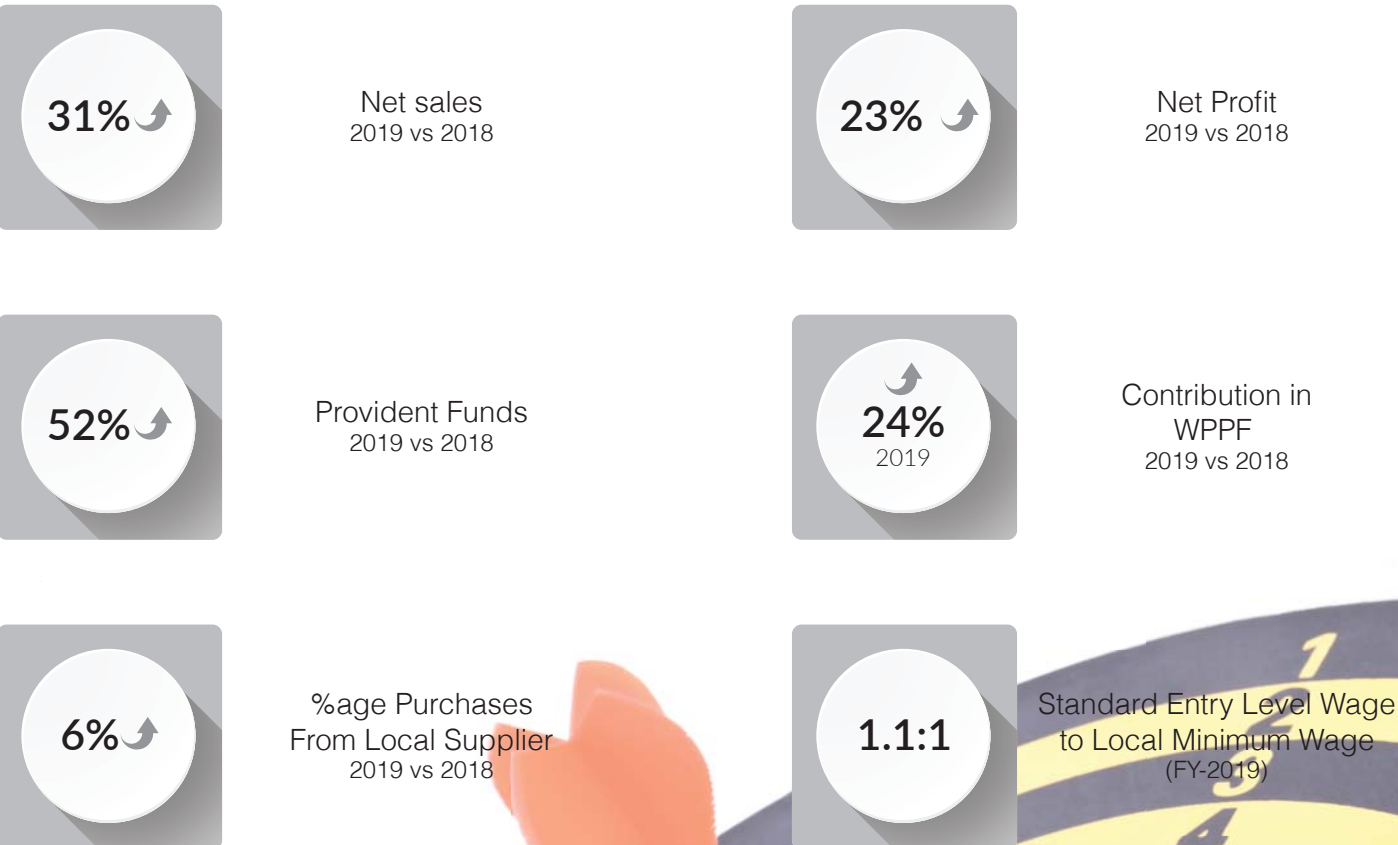
Sadaqat Limited has continued its efforts towards the generation of feasible yet sustainable returns for its shareholders. The Company remained persistent in its performance from last few years following its well defined vision, core competences and optimal resource utilization. The Company is following its vision by fulfilling and satisfying customer's needs through provision of prime quality products. Sadaqat Limited has a moto of "Adding Quality To Life" which is embedded in its routine operations.

Continuous stakeholder engagement and in depth materiality analysis have contributed towards the identification of topics which are material for association in term of seriousness of effects and the impact on stakeholder's decisions. Sustainability Committee has responsibility to evaluate the management approach regarding its effectiveness to generate improved results towards sustainable growth of entity. Henceforth, the Company is very much aware of immediate and circuitous effect produced through its operations towards the economy.

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

Stakeholder engagement section defines the process of determination of material topics and their boundaries which are highlighted in the report. The key materials aspects include payments of taxes and duties to government bodies, investor payments, settlements with suppliers and payments of salaries and benefits to employees.

Key Performance Indicators



Market Presence

In order to enhance the economic benefits provision to local community, Sadaqat Limited considers market presence as material topic as significant portion of the workforce is compensated in a manner or scale that is closely linked to laws or regulations on minimum wage. Organization has created vision of growth and value creation in line with economic need and benefits of domestic community. Management has put its efforts towards understanding the needs of local community through which it can improve the domestic standard of living with organization growth.

The Company continued its compliance with applicable laws and regulations for minimum wage. Sadaqat Limited maintained the ratio of average minimum entry level wages compared to local minimum wages at fairly above of the minimum wage level. During the FY 2019, the ratio of standard entry level wage to local minimum wage was 1.098:1 for male and 1.03:1 for female employees across all significant locations of operations.

Khurrianwala Faisalabad is the major location of operation hence management has taken it as significant location of operation while calculating the ratio.

However, while employing production staff preference is given to local community residents. Approximately 17% senior management is hired from Faisalabad which the Company considers as its local community. In the Company, all employment is strictly done on merit and no preference whatsoever is granted. The Company categorize senior manager and above ranked employees as its senior management.

Procurement Practices

The Company continued its procurement practices with high preference to local suppliers in order to generate repeating sway over the monetary prosperity of the domestic market. Management has considered this aspect material as it can attract additional investments indirectly to the local economy. Sadaqat Limited follows its policies dedicatedly regarding local procurement of its raw material to play its part in stimulation and growth of local economy.

Geographically, management considers Pakistan as its local place of procurement hence approximately 88% of its purchases were made from local vendors while 12% purchases from international suppliers during FY-2019.

Economic Performance

The Chief Executive is the person in charge for economic impact of entity's operations. The Board as a whole set the direction of economic goals and policies. CEO monitors the undertakings, procedures and performances on frequent basis related to value generation and impact of company's maneuvers on economy.

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

Employees are offered defined contribution plan, i.e. provident fund, by the Company, where both the Company and employees contribute same proportion of funds on monthly basis which is 8.5% of basic salary. Sadaqat Limited contributed Rs. 52 Million to provident fund plan during the year FY 2018-19. Moreover, the Company also contributes to Worker's Profit Participation Fund (WPPF) and Employees Old Age Benefits Institution (EOBI). During the year, the Company contributed 5% of minimum wage of employees in EOBI and allocated Rs. 81.3 million funds for WPPF purpose.

Sadaqat Limited being part of textile industry is entitled to certain benefits including drawback of local taxes and levies, duty drawback on exports, LTFF/ ERF loans at subsidized rates and tax credits on balancing and modernization of machinery. At the end of FY 2019 PKR 1,659 million is receivable from government and statutory authorities. There is no presence of Government in shareholding structure of the entity.

Description	2019	2018	2017	2016
Revenue	20,753	15,280	11,047	11,595
Value Shared				
Suppliers	16,729	11,979	8,921	9,181
Employees	1,785	1,555	1,173	1,064
Providers of Capital	639	441	396	459
Government	181	151	55	78
Community	87	72	34	50
Total	19,421	14,198	10,579	10,832
Value Retained	1,333	1,081	469	763

Anti-Corruption

The management has always laid great emphasis on ensuring that day to day operations of the Company are conducted in the most transparent manner. In this regard, the management maintains a zero-tolerance policy towards unethical business practices and highly discourages corruption in every form.

Sadaqat Limited believe in a strong commitment to business integrity. Upholding this commitment involves incorporating strong anti-bribery systems into our business practices and reporting on our progress. Sadaqat Limited has developed a work environment where staff could safely and anonymously report known or suspected instances of frauds. Fighting successfully against corruption entails both a top-down and a bottom-up communication approach. The Company encourage whistle-blowers that they can act anonymously without fear of unjust retribution, so they can act as an essential element in eliminating corruption. The entity has strong internal audit functions in place to review the operations in order to detect any potential occurrence of corruption.

All operations were assessed for the risks related to corruption. Moreover, Sadaqat Limited has not provided formal training on anti-corruption during the FY 2019. No incident of corruption reported during the year. The Company also has proper policies and formal code of conduct in placed on anti-corruption which is communicated to each stakeholder of entity.

Social Performance

Management Approach

Sadaqat Limited is actively engaged to contribute towards social sustainability as well as perceive the impact of its operations on society. The Company also strive to enhance the robustness of its operations and to reduce their negative social impact.

Developing human capital has been part of Sadaqat Limited's mission since its inception, and we continue to collaborate with a wide range of stakeholders on fostering the next generation and supporting local community.

The Company has identified material aspects on social fronts after having regular consultation sessions with stakeholders. Moreover, the Sustainability Committee has the responsibility to evaluate the management approach to measure its effectiveness to generate improved results towards sustainable growth.

The Company employs suitably qualified people and continues to invest in them. Our people are harnessed to enhance our intellectual capital and to promote innovation. Our commitment to adopt socially sustainable policies and procedures has helped us to stay socially responsible over the years. The labor intensive operations require good human resources policies, ongoing training, education and safe working conditions for better productivity.

Sadaqat Limited is also engaged in raising awareness of human rights and promoting the use of grievance mechanisms to address employee concerns throughout the Company. At the same time, we are strengthening human rights due diligence and expanding the scope of other human-rights-related activities. The Company is committed to honor human rights within domain of its influence and has explicitly stated no tolerance towards child labor, forced and compulsory labor.

Progress on social activity is monitored by sustainability committee and answered to board on consistent basis. Consultation with local community is conducted before development and implementation of different social programs.

Sadaqat Limited has acquired the status of numerous certification including WRAP and SA8000 for the development and maintenance of socially acceptable practices at the work place. Going forward, we will continue to pursue the sustainable development of society and our company through dialogue with and proactive information disclosure to our stakeholders.

Interview of GM-Compliance



Osman Mukhtar

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

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



What is the Company's vision towards sustainability and how it ensures environmental compliance?

ANS Sustainability Committee in line with BOD's vision, constantly ensure to stay updated with compliance requirements and keep investing in sustainable development initiatives.

In the current year, Company has acquired following new compliance certifications:

- OEKO-TEX (Made in Green)
- SANFOR
- Business Environmental Performance Initiative BEPI
- Higg Index

Moreover, the company is also contributing towards more greener and better environment by carrying out plantation activities, processing its waste water to make it less hazardous for nature and re-using its waste to stay as an eco-friendly business.



What sort of plans the entity has developed for reduction of gaseous & carbon emissions?

ANS Sadaqat Limited is concerned about its responsibility regarding carbon emissions and impact of greenhouse gases on environment. It tries to minimize the emissions arising out its operations by using more efficient processing machines and consuming better quality fuels which emit less CO2 in environment. The company has also installed filters to refine its emissions as much as possible. In addition to above, we are also engaged in greener environment activity and planting more and more trees every year to reduce the impact of emissions.



What is the level of importance of Diversity and Non-Discrimination aspect within the organization?

ANS Management ranks the non-discrimination and diversity aspect as its top most priority and has well defined policy with strict compliance of rules regarding the aspect. We fully comply with SA 8000 & WRAP certifications and fulfill the requirement of prohibition of discrimination clause. Being the member of UN Global Compact, Sadaqat Limited ensures it acquiescence with non-discriminatory principle along with managing diversity at its workplace.



How entity has ensured the compliance with laws related to child and forced labor within the organization?

ANS The entity has Social Performance Team which safeguards the human rights at workplace and ensure the compliance with Child and Force Labor policy of entity. Forced Labor is strictly prohibited at the organization and all candidates are hired with their free consent. It also complies with the compliance requirements of Prohibition of Child Labor and Prohibition of Forced Labor clauses of SA 8000, WRAP & UNGC. SPT in collaboration with Sustainability Committee and HR&R Committee, make sure that employees hired are not under-aged and prohibits the forced labor at its workplace.



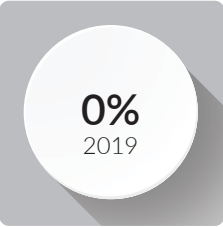
Any specific projects or initiatives are in pipeline to promote green environment?

ANS With continuous improvements and rapid growth of business, management is also concerned towards economic, social and environmental impacts of its activities. Management has planned to install 1MW Solar Power Plant FY-2020 across its facility to promote renewable/ green energy. This initiative is also expected to conserve 26,960 GJs of energy per annum.

Key Performance Indicators



Community Investment
2019 vs 2018



Child or Forced
Labor
0% in 2018



Health and Safety
Representation
100% in 2018

Human and Work Place Rights

Sadaqat Limited considers prosperity of human as a significant matter. The Company accepts that human right goes past the fundamental privileges of representatives at work environment and treat them with due consideration and regard.

Sadaqat Limited has human and work place rights policies in place to create a value chain where the human rights of all stakeholders are respected. The Company's activities, policies and positive initiatives towards human rights adheres to SDG-3 "Good health and wellbeing", SDG-5 "Gender equality" and SDG-10 "Reduced Inequalities" of United Nations.

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

Non-Discrimination

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

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

Freedom of Association and Collective Bargaining

Sadaqat Limited focuses on protection and remediation in relation to freedom of association and collective bargaining across manufacturing facility. Entity's Code of Conduct has been approved by the management to specify the standards of behavior applicable throughout the organization. It calls for the upholding of the fundamental rights of employees, in line with the principles of the United Nations Global Compact.

100% of employees are covered by Workers Management Committee (WMC). Purely on non-discriminatory basis, all employees of the company possess freedom and right to associate and collectively bargain by ethical and legal means to protect their rights through this Committee. On parallel means, all employees are free in their right to vote any representative, whom they are comfortable with, for representing their rights. There were no such events reflecting material breach of the code of conduct during FY 2019.

Child, Forced and Compulsory Labor

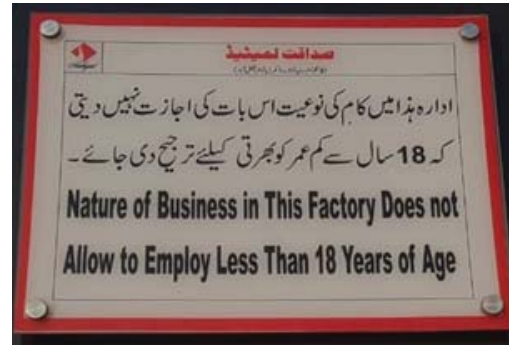
The entity's Code of Conduct clearly express firm stance against the use of child labor or forced labor either in company or along our supply chain. Management recognizes its responsibility to participate in eliminating abuse of child labor from society and consider forced and compulsory labor against its core values and ethical statements.

With great success, no instance of child labor has been reported or identified during the financial year 2019. The executives feels pride in expressing that it has likewise effectively kept up material compliance towards applicable laws and entity's internal policies related to forced and compulsory labor.

Supplier Social Assessment

The Company ensures to procure fabric and materials manufactured with reduced environmental impact to engage our vendors in helping us to protect the environment, it is crucial that we share our commitment to environmentally conscious craftsmanship throughout our entire supply chain. Sadaqat Limited accepts that its long haul feasible achievement is related with collaborative working of all business partners particularly suppliers and customers. Quality measures and execution of social criteria by suppliers has direct sway on company's activities as well as goodwill and brand image.

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



Celebrations with Employees

Sadaqat Limited energizes workplace for its representatives and advance the culture where workers are kept propelled and regarded. The company celebrates the birthday of its employees as a push to fill their heart with joy. Celebration starts by presentation of pleasant bouquet along with a delicious cake to the birthday buddy and the moment is then captured to make it memorable for them.



Total Birthday's
Celebrated

349



Social Performance Team



Sadaqat Limited has established a Social Performance Team (SPT) in its facility to quickly and efficiently respond, in an appropriate manner, toward any violation relating to principles set by the company in its code of conduct. They act cautiously and watch out for all exercises in their range of obligation. If they evidence any offense or untrustworthy conduct, they effectively report the issue and blow the whistle to the administration.

Employees from different departments are currently part of this team. They are provided with necessary knowledge and training required to effectively perform their tasks. Moving forward, an effective and measurable appraisal matrix of SPT is under development phase in order to ensure the team's efficient and effective performance.

SA 8000



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

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

Value towards Society

Through volunteerism, donations and brand community programming, we work to enhance the wellbeing of our communities. Sadaqat Limited contribute their time and talents every year through paid leave, MOUs and charity programs. As guided by its approved CSR policy, the Company engages community on an ongoing basis to obtain insights and suggestions for better community service. We pay emphasis to work in local communities to achieve our sustainable development goals of No Poverty, Zero Hunger, Quality Education, Good Health and Well-being of society. The organization has signed MOUs with various organizations at local, national and international level to achieve the training and education needs of community. Furthermore, Sadaqat Limited also takes part in capacity building programs aimed towards developing and establishing the skills and capabilities of interested individuals.

Local Communities

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



Initiatives Taken / Continued By The Company During FY-2019

Ali Zaib Foundation and Sundas Foundation

Under the umbrella of Board's approved CSR policy, Sadaqat Limited has continued to collaborate with ALI ZAIB foundation and Sundas foundation in maintaining blood donation camp in the company's facility on regular basis. The Company pays certain amount to both foundations on monthly basis in order to help them in their noble cause. Sadaqat Limited also encourages it's employees to support the campaign by participating in blood donation on voluntary basis.



LUMS

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

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



NTU

Sadaqat Limited has continued the MOU with NTU to provide fresh graduates of National Textile University (NTU) with internship program to enhance their understanding of textile sector in a practical environment. Internship is being offered for 8 weeks and it covers processing, fashion apparel and home textiles segments. The Company has constructed lab for (NTU) in last year to fulfill the research and development needs of students.



Employee's Support Package

Sadaqat Limited has always valued its employees as an important asset and has always cared for their needs. In pursuit of its corporate social responsibility, this year the Company initiated to provide monthly ration package to its workers of certain deserving cadre in order to support their household expenses. During the period, the Company has distributed 11,924 ration packages to its workers. In essence of this, Sadaqat Limited has fulfilled its commitment to participate in UN SDG – 2 “Zero hunger” in FY 2019.

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



Vaccination Camp

Sadaqat Limited organizes the vaccination camps of Hepatitis, Typhoid & Cholera for its employees to ensure that its human resource is at best of its health and not suffering from major disease.

Annual Iftar Dinner

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

Sadaqat Care Model Primary School

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



Product Stewardship

Sadaqat Limited has worked to provide high quality and safe products and services and has always prioritized the customer's perspective. Management and team is well aware of the impact of its products on social fronts. As changes in social norms and the environment bring about the need for higher standards of safety, we are crafting even higher safety standards throughout the organization's activities to increase trust in Sadaqat Limited. Product stewardship and customer health and safety had always been accorded high importance by the Company.

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



Customers’ Health and Safety

Sadaqat Limited believes that a product stewardship program should protect both the consumer who consume our products and the workers involved in making them. At Sadaqat Limited, we consider health and safety of customers as our social responsibility for sustainability and well-being of our existing customers. We target ourselves towards manufacturing the right product in optimal manner.



Sadaqat Limited has in place thorough quality assurance measures from the design and production stages to finished product, as well as working to ensure a quick response and proper information disclosure in the event a problem emerges. Our company believes product stewardship as an integrated process that depends on the proficiency and commitment of various divisions, acting towards common goal of identification and minimization of health and safety risks at every stage of product’s lifecycle. Because of effective procedures and with consolidated endeavors of all the divisions, no event occurred which indicate any non-compliance with customer health and safety policies while adhering to several international regulations.

Socioeconomic Compliance

Sadaqat Limited strictly adheres to laws and regulations and acts in a moral and fair manner with all its business partners in order to create positive impact on both the society and the economy. Compliance with socioeconomic rules is important for Company and an ethical responsibility of the organization for corporate image.

There were no significant fines and non-monitory sanctions due to non-compliance of laws and regulations in the socioeconomic area.

Marketing and Labeling

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



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



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



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



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



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

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



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

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

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



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

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



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

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



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

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



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



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

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



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

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

The STeP certification system enables us to have transparent public communication regarding our commitment to produce sustainable products that are tested for harmful substances. Unlike other certification systems, STeP enables an integrated view of production conditions from sustainable perspectives. Following 6 modules are covered under STeP:

- Chemicals management
- Environmental performance
- Environmental management
- Social responsibility
- Quality management
- Health protection and safety at work



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

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



The Business Environmental Performance Initiative (BEPI) enables us to manage and improve the environmental performance of our global supply chain through a supported and tailored management system approach. We have completed and submitted self-assessment Questionnaire (SAQ) of BEPI on amfori BEPI portal. The following environmental areas are covered under BEPI:

- Environmental Management System
- Energy Use, Transport and Greenhouse Gases (GHG)
- Water Use
- Wastewater/Effluents
- Emissions to Air
- Waste Management
- Chemicals
- Major Incident Management
- Contaminated Land/Soil and Groundwater
- Land Use and Biodiversity
- Environmental Nuisances



The Higg Index is a suite of sustainability assessment tools developed by the Sustainable Apparel Coalition (SAL) to assess the manufacturing facility, brand and product impacts of textile production. We are working on two modules of Higg Index i.e Facility Environmental Module (FEM) and Facility Social Labour Module (FSLM). The Higg Facility Environmental Module (Higg FEM) is a sustainability assessment tool that standardizes how our facility measure and evaluate our environmental performance, year over year. The Higg FEM is designed to create a common means and language to communicate sustainability to stakeholders. The Higg Facility Social & Labor Module (Higg FSLM) is a tool that promote safe and fair social and labor conditions for value chain workers. It enables us to measure efficacy of our social and labor welfare programs and our social impact across our supply chain.



The Sanforized label means dimensional stability for products made up of Sanforized labeled fabrics. The purpose of the process is to shrink fabrics in such a way that products made up of these fabrics do not shrink during washing. The amount of potential wash shrinkage must be determined prior to shrinking.




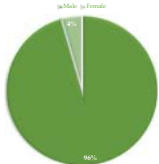
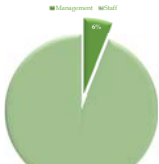

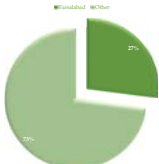
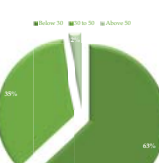
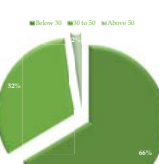
Labor Practice and Decent Work

Sadaqat Limited regards its employees as valued partners who play a vital role in business sustainability. The cornerstone of a sound and mutually beneficial relationship between employees and the company, and the motive force for sustainable growth, is to provide proper working conditions for employees and build a framework for the maximization of their potential. Sadaqat Limited aims to be a company in which all employees can engage in safe and fulfilling work.

The workforce is updated about occupational health and safety concerns through a continuous process of training and coaching at different levels. An atmosphere conducive to growth, a learning centric approach and prospects for self-actualization set Sadaqat limited apart from its peers.

Employment

Sadaqat Limited considers its associates vital for its success. With approximately 6,605 associates, entity looks to support their wellbeing with a robust benefits package that also support its our efforts to attract and retain some of the best people in the industry. Our guidelines and employment practices promotes professional development, diversity and personal growth. The data has been compiled from system generated reports which are extracted from separate HR module of ERP. The module keeps the complete track of human capital of Sadaqat Limited and ensures the provision of complete statistics.

					
TYPE					
	Full Time	6,318	287	6,605	
	Part Time	-	-	-	
	Total	6,318	287	6,605	
CATEGORY					
	Management	379	5	384	
	Staff	5,938	283	6,221	
	Total	6,317	288	6,605	
CONTRACT					
	Permanent	6,318	287	6,605	
	Temporary	-	-	-	
	Total	6,318	287	6,605	
REGION					
	Faisalabad	1,697	92	1,789	
	Other	4,621	195	4,816	
	Total	6,318	287	6,605	
HIRING					
	Below 30	1,595	44	1,639	
	30 to 50	843	65	908	
	Above 50	60	4	64	
	Total	2,498	113	2,611	
ATTRITION					
	Below 30	1,032	35	1,067	
	30 to 50	457	52	509	
	Above 50	28	6	34	
	Total	1,517	93	1,610	

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

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

Labor/Management Relations

Sadaqat Limited strives to remain in dialogue with each individual employee about their basic rights and career development. Management always consider labor relationship as a vital responsibility to maintain smooth associations with workers and labor unions. The Company manages these relations through its Workers Management Committee and Social Performance Team.

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

Occupational Health and Safety

As a corporate entity that engages with international customers, building safe, healthy, and hygienic workplace environments at business site is a task of high importance for Sadaqat Limited. Management believe in the basic right to a clean, healthy and safe work environment for all of the associates and supply chain workers. The absence of safety in the workplace puts workers at risk, can negatively impact productivity and worker morale, and tarnish consumers’ perception of our brands

The Company has covered this topic by vigilantly taking actions towards continuous improvement of its health and safety environment across whole workplace. Ensuring the health and safety of all employees is the basic principle underlining the Sadaqat Limited Health and Safety Policy. Employees work together to create safe, secure work environments that aim to be accident free.

Sadaqat Limited has adopted a “shared responsibility” approach to the wellbeing of its employees. In this regard, the company equips employees with the appropriate education and health-care facilities in order for employees to best manage their own health. Handling of waste material during the manufacture of textile products carries great risk of towards health and safety of labor hence this has been categorized as material topic.

Sadaqat Limited is audited for verification and compliance in line with the OHSAS 18001 management standard. This assurance provides the entity with certain level of assurance regarding standard of health and safety conditions at workplace. Occupational Health and Safety management system is implemented as voluntary as well as legal requirement of Factory Act-1934.

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

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

Firefighting framework has been in place at all the manufacturing sites as well as Company's head office which is assessed regularly by security officials confirming examination of the

working states of framework. Sadaqat Limited likewise leads continuous fire drills for its representatives and staff group to prepare for inescapable crisis circumstance.

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

Social Performance Team (SPT) is trained to ensure occupational health and safety practices in place and appropriately implemented. To achieve this, employees and the teams in which they work are guided and supported in taking responsibility for their own safety. SPT comprise of workers from various divisions so it supports in maintaining a keen look across the sites.

Entity conduct fire-fighting training sessions to provide guidance about basic skills regarding operation and usage of fire equipment by its employees. Trainings are aimed to make mindfulness about clearing plan in crisis fire circumstance.

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

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

Sadaqat Limited also conducts workshops related to chemical handling, waste handling and safe driving instructions after every 4 months. Employees are presented with both oral and practical presentations and demonstrations to impart these defensive measures. Additionally, the Company likewise provides life insurance to its workers according to appropriate laws and aggregate sum of premium is borne by the Company. Sadaqat Limited likewise gives medical coverage, retirement provision and maternity leaves to its employees as well.

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



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

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



Events



Sadaqat Limited has celebrated and organized a walk throughout the facility for celebrating
“World Day for Safety and Health at Work”
 on 28th April, 2019.



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

Sadaqat Limited uplifted the mandate of ILO and continued its practice by organizing a walk throughout the facility to celebrate World Day for Safety and Health at Work (Safe Day) on 28th April, 2019.



Sadaqat Limited celebrated Independence Day with a moto of
“Greener Pakistan”
 on 13th August, 2019.



Company celebrated
“International Women’s Day” on 8th March, 2019

to play its part in creating balanced world in work diversity,
equality and to truly make a positive difference for women.



The Company’s management met with Participants of International Conference on
“Water Footprints of the Cotton Textile Value Chain:
Environmental Repercussions from Field to Hanger”

on 2nd February, 2019



Training and Education

Training, education and performance management is an important aspect to developing our associates and equipping them with the skill sets they need to do their jobs. Sadaqat Limited also sees ongoing training and education as an opportunity to keep associates' skill sets relevant in the marketplace and effectively attract and retain top talent. Management believe formal, education-based learning opportunities are an essential part of its associates' development. Offerings are made available based on role, function or business need. HR and Organization Development (OD) department frequently evaluates the training need of employees to develop and update the training calendar.

Additionally, the Company has performance management process for associates across the company. The process provides associates with opportunities to play a more active role in their personal development and pursue their career aspirations. Administration and production staff are given appropriate remuneration and incentives linked to their performance through periodical performance evaluation conducted by HR department.

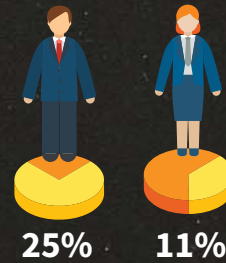
Association with ACCA and ICAEW


Sadaqat Limited is enjoying gold status of ACCA Approved Employer- Trainee Development and Approved Training Employer (ATE) status from Institute of Chartered Accountants of England and Wales (ICAEW). This training is proposed to give practical exposure and knowledge about different segments including Audit, Finance, Accounts, Taxation and Corporate Planning & Control. The training is aimed towards the provision of practical insight regarding the role of professional accountants and how they can groom themselves as well as prove valuable for the organization.

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



Career development and performance appraisal reviews during the reporting period (as % of total males/females at the end of reporting period.)

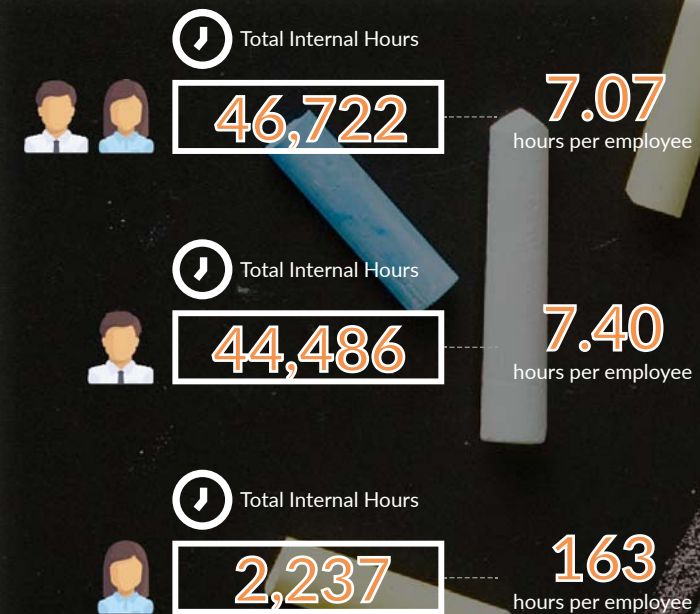
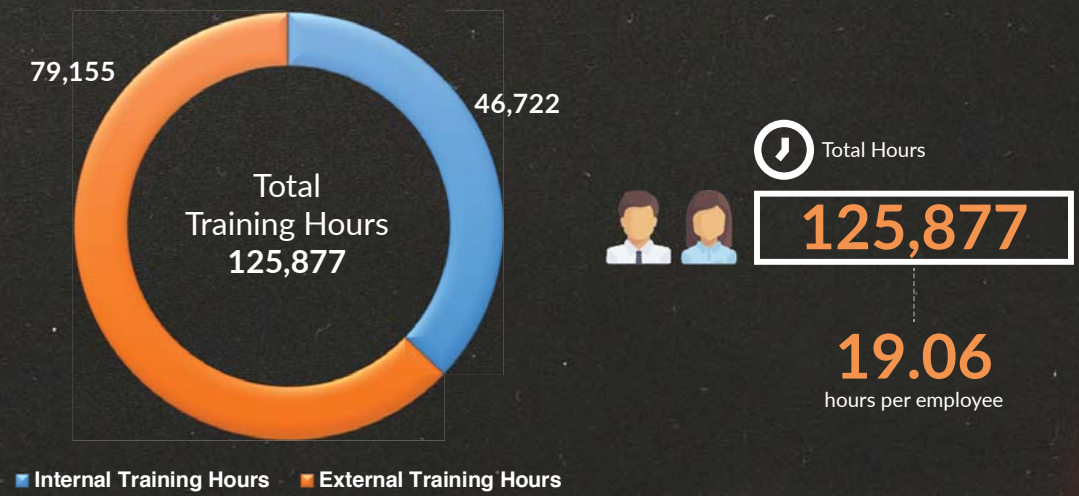


 2.5% of total employees who received appraisals are senior managers and above.



Skills Enhancement Training Exercise

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



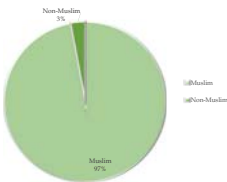
Diversity and Equal Opportunity

Sadaqat Limited believes in the development of all its employees, regardless of race, ethnicity and gender. Management is committed towards the elimination of discrimination and enhancement of diversity across its management system with the provision of equal learning and growth opportunities for its employees. Our equal opportunity policy outlines that we aim to provide equal employment opportunities for all applicants and associates in recruiting, hiring, placement, training, compensation, insurance, benefits, promotion, transfer and termination.

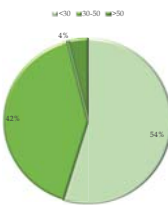
Sadaqat Limited strictly prohibits discrimination and harassment on the basis of race, color, religion, gender, national origin, ancestry, age, physical disability, marital status or any other basis protected by law. We believe that empowerment of women can have replicating effects over the society and it is a part of our approach to see women as pillars of community by empowering them at the workplace.

Workforce Diversity (Religion / Age)

CADRE	MUSLIM	NON-MUSLIM
Management	383	1
Staff	6,040	181
Total	6,423	182

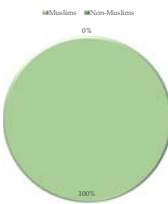


CADRE	< 30	30 – 50	> 50
Management	70	301	13
Staff	3,533	2,455	233
Total	3,603	2,756	246

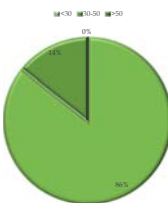


Board of Directors (Religion/Age)

GENDER	MUSLIM	NON -MUSLIM
Male	6	-
Female	1	-



GENDER	< 30	30 – 50	> 50
Male	-	5	1
Female	-	1	-



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

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



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



Sadaqat Limited has been awarded Gold certificate of compliance for successfully abiding by the standards of Worldwide Responsible Accredited Production (WRAP). The Company achieved this universally accepted milestone to ensure greater commitment towards human resources management, health and safety, environmental practices, and legal compliance. The WRAP Certification Program's objective is to independently monitor and certify compliance with these standards, to ensure that sewn products are being produced under lawful, humane and ethical conditions.



Environmental Performance

Management Approach

Sadaqat Limited is committed towards responsible stewardship of its resources and ensures that its activities result in no harm to staff and the environments in which the company operates. Management has adequate policies in place for environmental management, derived from international best practices, related to our environmental & social compliance.

Sustainability is being integrated into the strategic and operational aspects of the business. Stakeholders are increasingly expecting the business community to take steps on environmental issues and responsible sourcing which can ultimately contributes towards a sustainable environment.

The Company has been consistently investing in the development of sustainable processes and adoption of updated technologies with minimal environmental impacts. Sustainability Committee provides overall direction on our sustainable management approach in order to produce better results towards sustainable growth of the entity. Our group-wide environmental strategy is an integral part of our Health and Safety management system, which we use to manage our environmental impacts as well as health & safety at work.

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

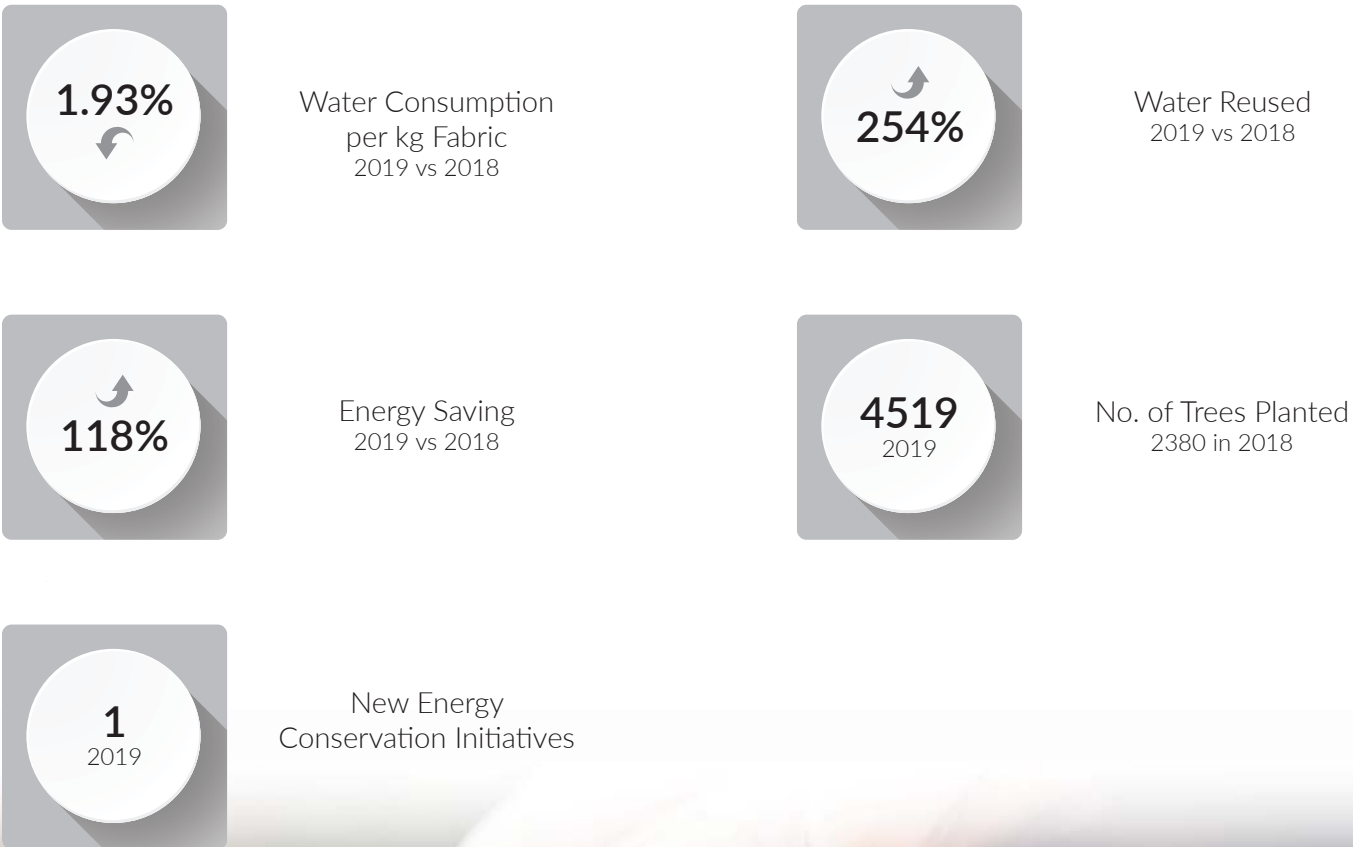
Entity understands and acknowledges the direct and indirect impact of its operations on environment hence it has dedicatedly worked towards the reduction of negative environmental footprints of its operations.

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

Entity organizes training for its key staff on regular basis regarding health, safety and environmental aspects in order to update them about latest knowledge on the subject. Compliance with internal policies, targets, applicable laws, certifications and customer's compliance requirements is monitored on time to time basis.



Key Performance Indicators



Water Withdrawals

Home textile and garments production depends heavily on access to an abundant supply of clean water. Water flows throughout our supply chain. Sadaqat Limited keenly focus on using water responsibly across its supply chain and returning it to communities as clean or cleaner water. The Company utilizes water in an efficient manner and also ensure it is recycled to be eco-friendly.

The water used is withdrawn from ground wells and does not have major effects on water level around the factory site. We carry extra care by 100% water treatment before disposing unused water to our surroundings. Our Company maintained 100% efficiency in treatment of waste water through EPA1 approved waste water treatment plant.

TYPE	UOM	2019	2018	2017	2016
Water withdrawal/year	M³	1,027,622	977,776	881,530	878,120
Water consumption/kg Fabric	Kgs	50.01	50.999	51.304	53.085
% of water reused	%	34.48%	10.24%	10%	6.9%
Water reused (Volume)	M³	354,346	100,095	87,840	60,840

Emissions

As a manufacturing company, Sadaqat Limited is concerned about its impacts on global environment through greenhouse gaseous emissions and committed to reduce its influence by taking actions to minimize CO2 emission. Entity continued to manage its impact in accordance with regulatory compliance requirements. Sadaqat Limited has engaged third party to record its emissions. The Company has improved its measures to limit the release of hazardous material by continuous improvements in its processes and monitoring the emissions of GHG gases.

Total GHG emissions were used to calculate emissions intensity. Scope I and II contains CO2 emissions from direct & indirect sources while Scope III emission contains waste water treatment related emissions which are not incorporated in Scope I. Entity has cyclone system in places across its facility which control particulate matters (PM) which contributed in reduction of SOx and NOx. Furthermore, emissions of greenhouse gases are measured by taking the reports of energy consumption from Energy Management module of ERP and then GHG emission are measured by applying conversion factor.

Some of the Greenhouse gases are obtained from 3rd party measurement report, including SOx and NOx emissions. Global environmental lab, certified laboratory from EPA1 Punjab is engaged by our company to measure the emissions. Moreover, the conversion factors are sourced from “UK Government GHG conversion factors for company reporting.”

TYPE	UOM	2019	2018	2017	2016
Direct Emission (Scope I)	MT	98,834	89,245	87,861	71,737
Indirect emissions (Scope II)	MT	2,285	2,489	782	2,170
Other indirect emissions (Scope III)	MT	734	734	734	734
Emission/unit of production	MT/Meter	0.0015	0.00139	0.00159	0.00138
Emission of OzoneDepleting Substance	Ton	Nil	Nil	Nil	Nil
Emission of NOx, SOx	Mg/Nm3	173	194	205	270

Environmental Protection Program



To uplift the mandate of UN Environment Programme (UNEP), the Company celebrated World Environment Day on 5th June, 2019 by organizing an awareness walk and conducting plantation activity.

Entity has planted **4519** trees in total during FY 2019 in its green environment initiative to play its part for the betterment of its surroundings. This will results in sequester of around 99,418 kgs of Carbon Dioxide annually upon their maturity.



Waste & Effluents

Reducing waste is foundational to our long-term strategy to emerge as efficient and sustainable business. Management act responsibly by utilizing its waste sensibly and reducing negative influence of waste on biodiversity as well as communities surrounding the factory site. Management and its team try to control environmental impact caused by the consumption of various fuels and act in possible ways to optimally utilize waste produced during different processes.

Sadaqat Limited is working to ensure water is used as responsibly as possible and that wastewater is returned to local ecosystems in a non-hazardous manner. The waste water is discharged in drain and measured by flow meters. The Company evaluate effluents and waste management at its own facility through continuous tracking and monitoring of wastewater quality and volume of waste generated. Environmental Protection Authority (EPA) approved water treatment plant is installed at Sadaqat Limited which guarantees proper treatment of waste water and mitigates harmful elements to comply with the National Environmental Quality Standard (NEQS) rules. Discharged water is not reused by any other organization. The Company has built a proper waste yard area with shelter and segregation for storage of hazardous & non-hazardous waste as per Hazardous Substance Rules, 2003.

Company continued its good practice and resulted in no incident which indicates that waste water was disposed-off according to required standards and no negative impact came to our attention regarding the biodiversity and habitats around plant sites.

TYPE	UOM	2019	2018	2017	2016
Water discharge	M3	924,862	879,999	837,454	834,214
Reuse	Ton	219.76	79.5	6.9	37.16
Incineration	Ton	2.90	1.061	1.950	1.826
Landfill	Ton	Nil	Nil	Nil	Nil
*Onsite storage	Ton	67.45	31.6	32	32
Hazardous waste (weight)	Ton	143.92	3.2	6.6	4

* Onsite-storage figures shows the status of waste stored at factory site as on 30th June 2019.



Environmental Compliance

Sadaqat Limited considers the environmental burden of all business activities and sets voluntary management criteria even stringent than the regulatory requirements. We regularly monitor water quality, noise levels, and other conditions at our production facility to minimize environmental risks. We also conduct multifaceted environmental audits to ensure full compliance with environmental requirements throughout the entity and to strive to attain even higher standards. The Company has invested heavily towards environment protection and complied with regulations to optimally minimize any negative environmental footprints of its operations.

The Company has invested more than PKR 322.47 Million during the past six years. We are partnered with World Wide Fund for Nature (WWF) on green office initiatives which act as agent promoting reduction in environmental impacts of our business operations in order to minimizing environmental burden of our operations.

TYPE	UOM	2019	2018	2017	2016
Waste disposal and remediation costs	Million	22.4	22.2	21.7	20.8
Environmental management costs	Million	21.3	56.6	52.8	20.6



Sadaqat Limited continues to implement enhanced environmental management in order to prevent repeated or new contamination occurrences. Owing to strong implementation of our policies and regular customer audits, Sadaqat Limited has clean record of compliance with laws, regulations and voluntary codes concerning nature and environment during the financial year under review. Moreover, the Company has neither paid any material fines nor has been subject to non-monetary sanctions for non-compliance with environmental laws and regulations during the financial year.

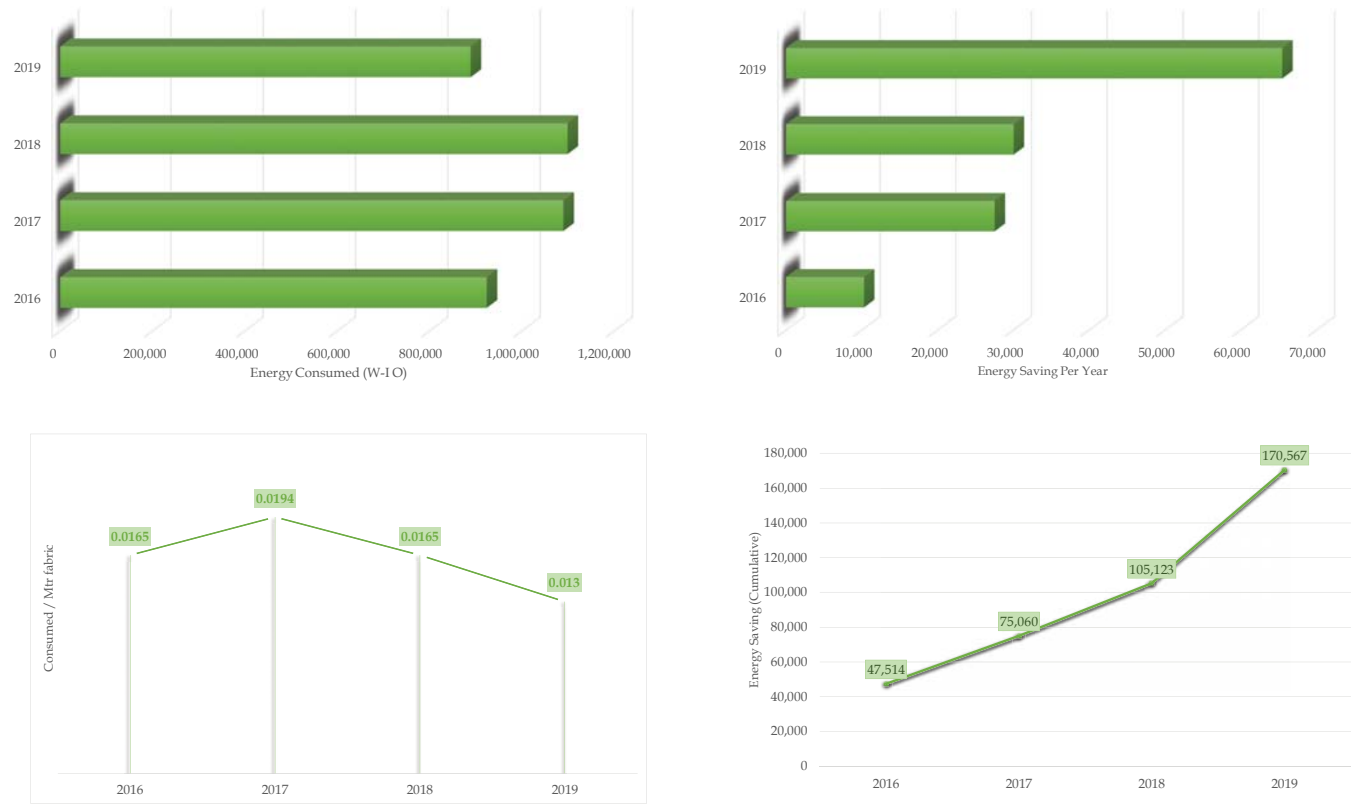


Energy

Energy use results in certain impacts on environmental fronts which are effectively managed by the entity. We are committed to reducing our impact and taking actions to address environmental issues, including climate change as the operations of the Company are energy intensive and the energy requirements are majorly fulfilled by non-renewable sources. Consumption of non-renewable fuels contributes towards direct (Scope -1) and indirect (scope-2) GHG emissions.

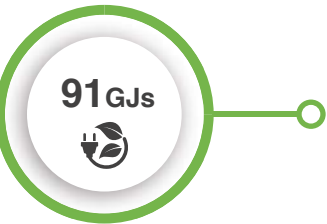
Across our value chain, we have committed to limit our energy use and reducing carbon footprints and preservation of natural reserves. Energy Management module of ERP system records the information regarding energy consumption in units, as KWH for Electricity and MJ/KG for LPG. Relevant reports are accumulated and their UOM is consolidated into gigajoules (GJ) to compute total energy usage separately. The Company has maintained a separate module for energy reporting for its monitoring and effective use while minimizing energy. The system provides comprehensive statistics concerning energy usage in manufacturing processes and in overall entity.

Sources of fuel used in computing energy intensity were: Electricity, Diesel, Coal, Natural Gas and Petrol. Any electricity, steam, heating or cooling produced from energy resources are totally consumed within the organization and are not sold outside of the entity.

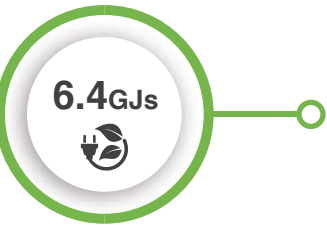


TYPE	UOM	2019	2018	2017	2016
Energy Consumed (W-I-O)	GJ	889,460	1,099,343	1,090,386	924,194
Consumed/ Mtr fabric	GJ/Meter	0.013	0.0165	0.0194	0.0165
Energy Saving Per Year	GJ	65,511	30,063	27,546	10,302
Energy Saving (cumulative)	GJ	170,567	105,123	75,060	47,514

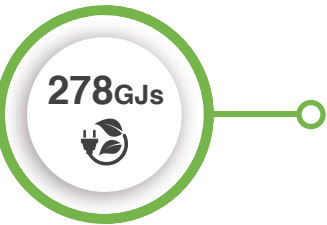
Energy Conservation Initiatives



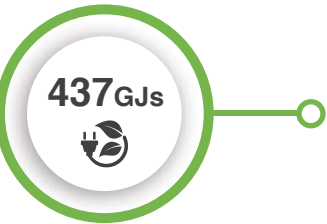
Heat Exchanger
20 heat exchangers installed in mercerizing and pad steam which saved the company approximately 91 GJs of energy in FY 2019.



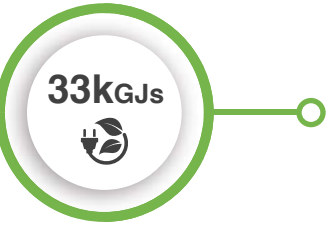
Wet Scrubber
Entity has already installed 3 wet scrubbers to limit the air pollution from its operations. Wet scrubbers control the air pollution by removing particles from gaseous emissions. From this effort, the Company has saved almost 6.39 GJs of energy from these in this year.



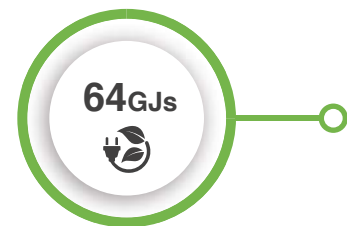
RO Plant
Entity has installed 3 RO Plants in its premises during the FY 2019. RO plants are used to remove a large majority of contaminants from industrial water by pushing the water under pressure through a semi permeable membrane. Sadaqat Limited saved 278 GJs of energy approximately in FY 2019 from installation of RO plant.



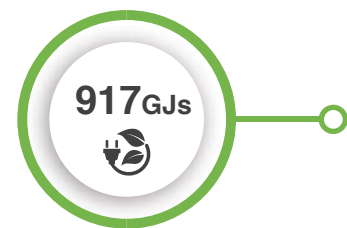
Caustic Recovery Plant
Entity installed Caustic Recovery Plant in its premises during the FY 2018. This plant processes the diluted caustic soda produced in mercerization to create concentrated caustic soda. This process generates hot water which can be used in other processes which make CRP energy efficient. Sadaqat Limited saved 437 GJs of energy approximately in FY 2019 from CRP initiative.



Chiller Plant
The Company has installed chiller plant across its head office and processing unit replacing its air conditioners. It has resulted in energy saving of approx. 32,755 GJs in financial year 2019.



Efficient Electric Motor
 Entity replaced the exhaust fans across its facility with energy efficient motor fans which resulted in near to 64 GJs of energy saving during the FY 2019.



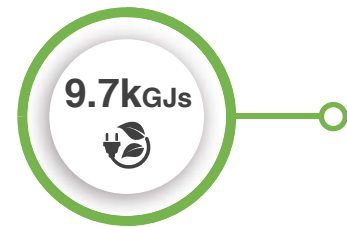
Installation of Rotary Filters
 The company has installed 5 rotary filters to re-use hot water in its processing facilities including dyeing, bleaching plant and pad steam which contributed in saving of approx. 917 GJs energy in FY 2019.



Economizer
 Economizers are tubular heat transfer surfaces used to preheat boiler feed water before it enters the steam drum. It provides high thermal efficiency by recovering the energy from fuel gas before its exhaustion to atmosphere. The company has saved nearly 3,292 GJs of energy in FY 2019 with the help of economizer.



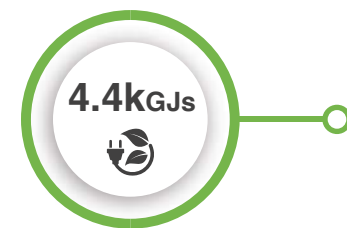
Installation of LED Lights
 The Company has 13,745 LED lights (in replacement to Company tube lights) installed throughout its facility which saved almost 6,759 GJs of energy in FY-2019.



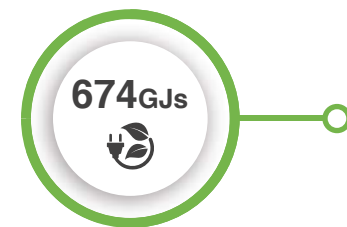
Waste Heat Recovery Plant
 The Company has Waste Heat Recovery Plants installed in its facility which contributed in energy savings of approx. 9,719 GJs in FY 2019.



Condensation Recovery System
 The condensation system installed in FY 2017 at its boilers allows it to avoid extraction of new water and energy consumption in its processes. This initiative has helped the Company to save near to 6,143 GJs of energy in the FY 2019.



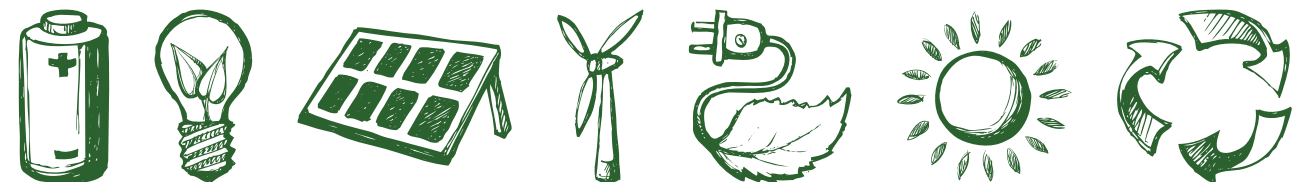
Valve Insulation
 Sadaqat Limited has valve insulation system installed across its facility site which saved almost 4,373 GJs of energy in FY- 2019.



Solar Panel
 Sadaqat Limited has installed solar panels of 25KWH in its facility. This maintained the energy saving level of almost 674 GJs in FY 2019.

Renewable Energy Project in Pipeline

The entity is planning to install 1MW plant in its premises to become increase its contribution towards greener and sustainable environment and to enhance energy saving. This would potentially result in savings of almost 26,960 GJs of energy per annum.



Certifications



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



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

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



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

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



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

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



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

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

Export Excellence Award 2019



Top Exporters Award at the Business Forum 2019 by PBIT



EMS ISO 14001:2015 Audit



The Best Corporate & Sustainability Report Award 2018



Sustainability Commitments



Moving forward, we will demonstrate that we can serve as a catalyst for transformative change. Our below commitments details how we are heading towards growth, value creation and innovation while being on the track of sustainable future and environment.

Material Issue	Results FY-2019	Target FY-2020
Business & Social Performance	<ul style="list-style-type: none">Export Revenue earned 19.6 Billion PkrIncome tax paid 162 Million PkrCharity and Donations 7.6 Million Pkr	<ul style="list-style-type: none">Export Revenue 28 Billion PkrIncome tax payment of 210 Million PkrCharity and Donations 8-9 Million Pkr
Energy & Climate Change	<ul style="list-style-type: none">NOX, SOX Emissions decreased by 12.4%	<ul style="list-style-type: none">Plan to further reduce it by 10%
Water	<ul style="list-style-type: none">254% increase in water re-use	<ul style="list-style-type: none">Plan to increase re-use of water by 10-15% as compared to F Y-2019
Environmental Protection	<ul style="list-style-type: none">Cumulative Environmental Protection cost increased by 20.8% p.a.Increased energy saving by 118 %	<ul style="list-style-type: none">Targeted to increase cumulative environmental protection cost by 10-15%Targeted to energy savings p.a by further 10% as compared to FY-2019
Training	<ul style="list-style-type: none">Training Hours decreased by 40% (Since few trainings were deferred to FY-2020)	<ul style="list-style-type: none">Targeted to increase training hours by 15-20% as compared to FY-2019.

Way Forward

Looking ahead, we will remain focused and achievement-driven. We aim to minimize overall environmental impact, by integrating sustainable thinking and following management approach to grow as sustainable business. Sadaqat Limited is trying to become more energy efficient and aim to produce its merchandises with lesser negative impacts on community. We also try to act socially responsible business and aim to enhance education quality of our community and to take actions that help others. We aim to leverage our scale for good, proving that Sadaqat Limited isn't an environmental liability but rather a powerful force to drive positive change.

In terms of natural capital our efforts towards achieving sustainability and our aspiration to deliver more than quality include our support of the achievement of UNGC Principles and a number of the SDGs.

The push to reduce carbon emissions and even fully decarbonize is also gathering momentum. Climate change is a key management issue for Sadaqat Limited—a challenge that we must actively contribute to resolving through innovation and business solutions. The Company is focusing towards controlling its environmental burden by reducing GHG emissions, water consumption and energy conservation along with contribution towards society and economy by working towards workers well-being, their health, safety and security.

Moving forward, Sadaqat Limited has concrete plans related to undertake training and development of its employees and also long term career based plans for its new hiring. These capacity building initiatives will enable the company to measure its progress towards associate's well-being and make them an integral future resource of the Company.

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

We brought together external stakeholders into the process of building sustainable business, to push our thinking, challenge our assumptions, and inject cutting edge insights to draft our plans to achieve sustainability goals.

Embarking on a dynamic process enabled us to build a sustainability vision guided by diverse experiences and perspectives, measurable data, and a breadth of business, social and environmental realities. We recognize that the world is changing and our business and industry need to change with it. We have an opportunity to create new value and a positive impact by helping to transform the made ups and apparel industry, starting with ourselves.

Assurance Statement



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Chartered Accountants
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ey.com/pk

INDEPENDENT ASSURANCE REPORT ON THE SUSTAINABILITY REPORT 2019 TO THE BOARD OF DIRECTORS OF SADAQAT LIMITED (THE COMPANY)

Introduction

We have undertaken a limited assurance engagement on the Sustainability Report of Sadaqat Limited (the Company) for the year ended 30 June 2019 prepared by the management of the Company.

Criteria

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

Management's responsibility

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

Limitations

Our assurance scope excludes:

- Data and information outside the defined reporting period (01 July 2018 to 30 June 2019).
- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention and national or global socio-economic and environmental aspects.
- Data and information on economic and financial performance of the company, which, we are informed, are from the company's audited financial records.

Our independence and quality control

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

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

Our responsibility and summary of work performed

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

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

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2

procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

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

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

Limited assurance conclusion

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

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

EY Ford Rhodes

Chartered Accountants

Engagement Partner: Abdullah Fahad Masood

Lahore

Date: 06 January 2020

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About Integrated Report



Report Profile

The Company has continued its practice to adhere to Integrated Reporting Framework of International Integrated Reporting Council (IIRC) for better and efficient reporting for its stakeholders. We capitalized our approach of more coherent reporting and minimized the duplication with improved quality of information for the reader. The adoption of IR framework established Board’s vision towards enhancing accountability, stewardship and trust as well as to harnessing the information flow and transparency of business brought in by the better reporting practices.

Our Integrated Report is reflects the connectivity of our strategic objectives, risks and performance and demonstrates how we create value for our stakeholders. It communicates about our financial/ non-financial performance, business potential, governing structure and our sustainability performance.

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

Sadaqat Limited has also mapped its report with Sustainable Development Goals (SDGs) along with the 10 principles of United Nations Global Compact (UNGC) to assess its pursuance on sustainability fronts as well as for setting millstones to improve its performance.

This report will furnish the investors with the information they require to make progressive capital investment decisions. The report will likewise enable the stakeholders to extract more relevant, pertinent information and insight along with impact entity is causing on social and environmental fronts of country.

Stakeholders Engagement

Identification of stakeholders

Sadaqat Limited interacts with a wide range of stakeholder groups - from government and other regulatory bodies and shareholders, to customers, vendors & local communities. We define stakeholders as those who affect and/or are affected by our business operations. Our stakeholders hold us accountable, help us understand and overcome persistent barriers to progress, stay ahead of opportunities, and create and share best practices.

Stakeholder engagement approach

Sadaqat Limited engage with key stakeholders at least once per year to continually understand the scope of our business risks and their expectations for our reporting of performance. We conducted a thorough stakeholder engagement review and materiality assessment to identify material topics and measure our performance. We engage on an as-needed basis as projects and programs are assessed and developed. Management encourages the presence of minority shareholders of the entity in stakeholder’s engagement activity by pursuing them through formal emails.

Issue identification and management

By engaging key internal and external stakeholders and understanding their expectations regarding sustainability issues, we have identified and prioritized the issues most material to our business.

Key Stakeholder Groups and Their Interactions

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

Sadaqat Limited place importance on two-way communication with stakeholders and active participation in various initiatives in coordination with various groups.

Local community mainly focused on the creating more job opportunities to improve life styles and value creation for community. Management was encouraged regarding its policies towards the any forced or child labor. . In response, the stakeholder’s engagement team highlighted the number of employees recruited and investment made in human capital during the year. The Com-pany also mentioned the support packages given to employees and initiatives towards social welfare.

Employee representatives described their concerns regarding health and safety matters with more human right assessments and training needs. In response, the stakeholder’s engagement team highlighted the chemicals handling trainings provided and entity’s associations with educa-tional institutes and professional bodies. Moreover, regular checkups and medical examinations conducted in factory site during FY-2019 were also highlighted.

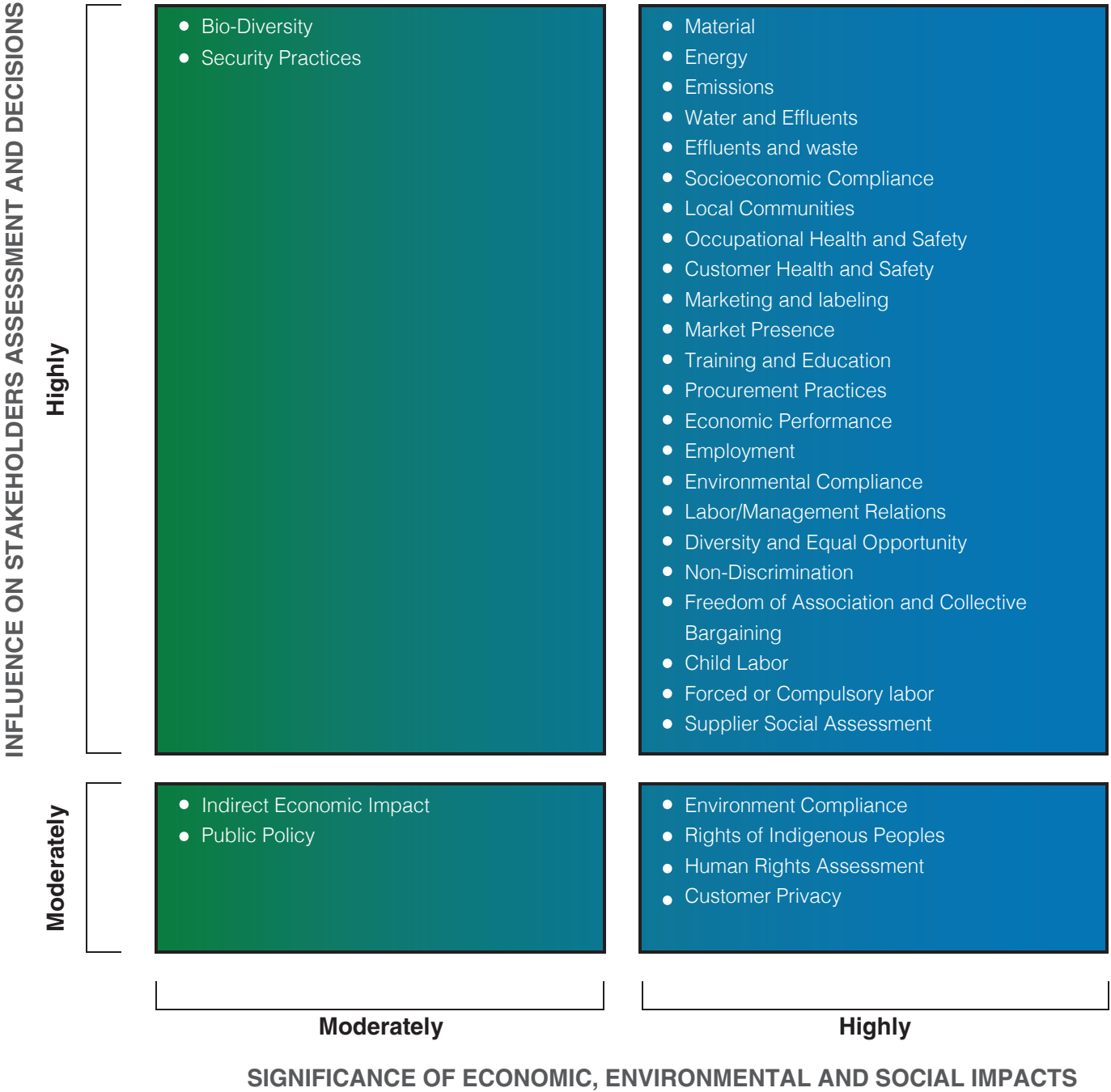
Materiality Process

Our materiality determination process, which is both retrospective and forward looking, is an inte-gral part of our efforts to embed sustainability into our routine operations to identify the issues that should form the basis of our internal and external reporting. We began both our internal and external processes by engaging with our stakeholders on what they believed were the most material issues for them and for Sadaqat Limited. During FY 2019 our external engagement pro-cesses focused on our local community and the labor unions in which we operate but also includ-ed our all-important engagement with government. Our materiality determination process is as follows:

- 1. Engage with stakeholders to identify both retrospective and future material issues
- 2. Collate, analyse, rank and categorise information collected during current and past materi-ality engagements
- 3. Present findings to the Board and its committees
- 4. Obtain agreement on the material issues
- 5. Apply agreed material issues to provide a balanced view in our reporting of how Sadaqat Limited has addressed its material issues.



Matix



Boundary of Material Topics

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

GRI Content Index

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

Key

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

GRI Standard Core Disclosures		
Disclosure	Description	Page #
General Disclosures		
GRI 102: General Disclosures 2016		
ORGANIZATIONAL PROFILE		
102-1	Name of the Organization	11
102-2	Activities, brands, products, and services	10,11,14,15
102-3	Location of headquarters	11
102-4	Location of operations	11
102-5	Ownership and legal form	11
102-6	Markets served	10,18,19
102-7	Scale of the organization	11,14
102-8	Information on employees and other workers	199,200
102-9	Supply chain	15,176,177
102-10	Significant changes to the organization and its supply chain	176
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102-13	Membership of associations	174-175

STRATEGY

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102-15	Key Impacts , risks and opportunities	32-43

ETHICS AND INTEGRITY

102-16	Values, principles, standards, and norms of behavior	2,3,70-72
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GOVERNANCE

102-18	Governance structure	21,46,73,178
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STAKEHOLDER ENGAGEMENT

102-40	List of stakeholder groups	233,234
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102-42	Identifying and selecting stakeholders	233
102-43	Approach to stakeholder engagement	233
102-44	Key topics and concerns raised	233,234

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102-49	Changes in reporting	172
102-50	Reporting period	172
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102-55	GRI content index	237-246
102-56	External assurance	228-229

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ECONOMIC PERFORMANCE

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103-2	The management approach and its Components	179,181-182	<div><div></div></div>
103-3	Evaluation of management approach	178,179	<div><div></div></div>

201 - Economic Performance

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201-4	Financial assistance received from government	182	<div><div></div></div>

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103-2	The management approach and its Components	179,181	<div><div></div></div>
103-3	Evaluation of management approach	178,179	<div><div></div></div>

202 - Market Presence

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103-3	Evaluation of management approach	178,179	<div><div></div></div>

204 - Procurement Practices

204-1	Proportion of spending on local suppliers	181	<div><div></div></div>
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ANTI-CORRUPTION

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103-2	The management approach and its Components	212,214	
103-3	Evaluation of management approach	178,212	

303 - Water and Effluents

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EMISSIONS

103 – Management Approach

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103-2	The management approach and its Components	212,215	
103-3	Evaluation of management approach	178,212	

305 - Emissions

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305-3	Other indirect (Scope 3) GHG emissions	215	
305-4	GHG emissions intensity	215	
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103-2	The management approach and its Components	212,217	
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307 - Compliance

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Category : Social

EMPLOYEMENT

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103-2	The management approach and its Components	183,199	<div><div></div></div>
103-3	Evaluation of management approach	178,183	<div><div></div></div>

401 - Employment

401-1	New employee hires and employee turnover	199-200	<div><div></div></div>
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	181,199-200	<div><div></div></div>

OCCUPATIONAL HEALTH AND SAFETY

103 – Management Approach

103-1	Explanation of the material topic and its Boundary	183,201	<div><div></div></div>
103-2	The management approach and its Components	183,201	<div><div></div></div>
103-3	Evaluation of management approach	178,183	<div><div></div></div>
403-1	Occupational health and safety management system	201-202	<div><div></div></div>
403-2	Hazard identification, risk assessment, and incident investigation	201-202	<div><div></div></div>
403-3	Occupational health services	201-202	<div><div></div></div>
403-4	Worker participation, consultation, and communication on occupational health and safety	201-202	<div><div></div></div>
403-5	Worker training on occupational health and safety	201-202	<div><div></div></div>
403-6	Promotion of worker health	201-202	<div><div></div></div>
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	201-202	<div><div></div></div>

403 - Occupational Health and Safety

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403-10	Work-related ill health	201-202	<div><div></div></div>

TRAINING AND EDUCATION

103 – Management Approach

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103-2	The management approach and its Components	183,208	<div><div></div></div>
103-3	Evaluation of management approach	178,183	<div><div></div></div>

404 - Training and Education

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404-2	Programs for upgrading employee skills and transition assistance programs	208-209	<div><div></div></div>
404-3	Percentage of employees receiving regular performance and career development reviews	208	<div><div></div></div>

DIVERSITY AND EQUAL OPPORTUNITY

103 – Management Approach

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103-2	The management approach and its Components	183,210	<div><div></div></div>
103-3	Evaluation of management approach	178,183	<div><div></div></div>

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405-2	Ratio of basic salary and remuneration of women to men	181	<div><div></div></div>

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103-2	The management approach and its Components	183,187	<div><div></div></div>
103-3	Evaluation of management approach	178,183	<div><div></div></div>

406 - Non-Discrimination

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FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

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103-3	Evaluation of management approach	178,183	

407 - Freedom of Association and Collective Bargaining

407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	187	
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CHILD LABOR

103 – Management Approach

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FORCED OR COMPULSORY LABOR

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409 - Forced or Compulsory Labor

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LOCAL COMMUNITIES

103 – Management Approach

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103-2	The management approach and its Components	183,190	
103-3	Evaluation of management approach	178,183	

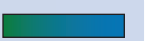
413 - Local Communities

413-1	Operations with local community engagement, impact assessments, and development programs	191-192	
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413-2

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SUPPLIER SOCIAL ASSESSMENT

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414-2	Negative social impacts in the supply chain and actions taken	188	

CUSTOMER HEALTH AND SAFETY

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MARKETING AND LABELING

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103-3	Evaluation of management approach	178,183	

417 - Marketing and Labeling

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419 - Socioeconomic Compliance

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UNGC – “Ten Principles”

WE SUPPORT



UNGC “The Ten Principles”

Principle	Statement	Page #
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	183-192
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	183-192
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	187
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor.	188
Principle 5	Businesses should uphold the effective abolition of child labor.	188
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	180,183-197, 199,200
Principle 7	Businesses should support a precautionary approach to environmental challenges.	212-227
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	212-227
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	212-227
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	70-72,182

SDG Index



Sustainable Development Goals	How our initiatives and activities support these goals	Page Ref #
1 NO POVERTY 	Initiatives and activities conducted to eradicate poverty Building capacity especially in youth to enhance their livelihood	183-192 208-209
2 ZERO HUNGER 	Continued Employee Support/ Ration Package	192
3 GOOD HEALTH AND WELL-BEING 	Heading towards safety focused, zero-lost hour and zero-incident culture Achieving good wellbeing through product stewardship Initiatives and activities conducted for good health and wellbeing	186-197 201-209
4 QUALITY EDUCATION 	Providing scholarships to community and employees Instilling practical knowledge in associates through skills development programs	190-192 208-209
5 GENDER EQUALITY 	Ensuring diversity through clear nondiscrimination policies Empowering women through skills development exercises	206 208-209
6 CLEAN WATER AND SANITATION 	Responsible withdrawal and consumption of water for manufacturing Ensuring effective treatment and proper discharge of wastewater Driving re-use of water initiative with installation of water treatment plants	214,216
7 AFFORDABLE AND CLEAN ENERGY 	Adopting and enhancing more energy-efficient technologies at production site Enhancing energy derived from renewable sources	218-229
8 DECENT WORK AND ECONOMIC GROWTH 	Protecting labor and human rights and ensuring safe working environments Decent work for employees, with fair Road map designed for career progression Hiring and training employees primarily drawn from nearby communities	179-182, 187,188, 201-204,206, 208-209

Sustainable Development Goals	How our initiatives and activities support these goals	Page Ref #
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 	Investing in resource-efficient and state-of-the-art technology for production	51,52, 103-104, 219-221
10 REDUCED INEQUALITIES 	Majorly providing jobs and training opportunities to nearby residence Zero tolerance for discrimination enforced through the Code of Conduct	180,181, 186-188
11 SUSTAINABLE CITIES AND COMMUNITIES 	Continued plantation movement	216
12 RESPONSIBLE CONSUMPTION AND PRODUCTION 	Driving initiative towards optimal utilization of resources consumption in operations in forthcoming years	108-110, 218-221
13 CLIMATE ACTION 	Driving initiative towards adopting newer technologies in manufacturing to further improve environmental impact	214-221
14 LIFE BELOW WATER 	Ensuring effective and approved treatment and proper discharge of wastewater	214,216
15 LIFE ON LAND 	Promoting healthy environment through planting trees to cope with GHG emissions	215-217
16 PEACE, JUSTICE AND STRONG INSTITUTIONS 	Robust and comprehensive governance structure is established and maintained Conducting business while keeping in view highest ethical and legal standards Strong Internal Audit department addressing corruption-related risks Effectively implementing and maintain the Code of Conduct	21,70-72 178,182
17 PARTNERSHIPS FOR THE GOALS 	Achieved status of different product, ecological and social stewardship initiatives Youth capacity building through partnerships with professional institutions	174-175, 190-192, 194-197,208, 209,211, 222-224

Integrated Reporting Checklist

Sr. No.	Particulars	Page Reference
A	Organizational overview and external environment	
1	An integrated report identifies the organization's mission and vision, and provides essential context by identifying matters such as:	
a.	The organization's:	
i	culture, ethics and values	3
ii	ownership and operating structure including size of the organization, location of its operations	10, 11
iii	principal activities and markets	10, 14
iv	competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, and the intensity of competitive rivalry)	22
v	position within the value chain	14-15, 176-177
b.	Key quantitative information	
i	The number of employees, revenue and number of countries in which the organization operates highlighting, in particular, significant changes from prior periods	10-11, 14, 199-200
c	Significant factors affecting the external environment and the organization's response.	24-25
	External environment	
2	Significant factors affecting the external environment include aspects of the legal, commercial, social, environmental and political context that affect the organization's ability to create value in the short, medium or long term. They can affect the organization directly or indirectly (e.g., by influencing the availability, quality and affordability of a capital that the organization uses or affects).	24-25
3	These factors occur in the context of the particular organization, in the context of its industry or region, and in the wider social or planetary context. They may include, for example:	24-25
a	The legitimate needs and interests of key stakeholders	24-25
b	Macro and micro economic conditions, such as economic stability, globalization, and industry trends	24-25
c	Market forces, such as the relative strengths and weaknesses of competitors and customer demand	22, 24-25
d	The speed and effect of technological change	24-25
e	Societal issues, such as population and demographic changes, human rights, health, poverty, collective values and educational systems	24-25
f	Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached	24-25
g	The legislative and regulatory environment in which the organization operates	24-25
h	The political environment in countries where the organization operates and other countries that may affect the ability of the organization to implement its strategy.	24-25

Sr. No.	Particulars	Page Reference
B	Governance	
1	An integrated report needs to provide an insight about how such matters as the following are linked to its ability to create value:	
a	The organization's leadership structure, including the skills and diversity (e.g., range of backgrounds, gender, competence and experience) of those charged with governance and whether regulatory requirements influence the design of the governance structure	21, 46, 47-48
b	Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues	28-37
c	Particular actions those charged with governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management	57, 70-79
d	How the organization's culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders	83-87, 180, 186, 213, 231-232
e	Whether the organization is implementing governance practices that exceed legal requirements / Key Policies	70-72, 114-115
f	The responsibility those charged with governance take for promoting and enabling innovation	53-55, 73-79, 114-115
g	How remuneration and incentives are linked to value creation in the short, medium and long term, including how they are linked to the organization's use of and effects on the capitals.	74-75, 83-87, 208-209
C	Business model	
1	An organization's business model is its system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term.	
	An integrated report need to describe the business model, including key:	
a	Inputs	14-15
b	Business activities	14-15
c	Outputs	14-15
d	Outcomes	14-15
2	Features that can enhance the effectiveness and readability of the description of the business model include:	
a	Explicit identification of the key elements of the business model	14-15
b	A simple diagram highlighting key elements, supported by a clear explanation of the relevance of those elements to the organization	14-15
c	Narrative flow that is logical given the particular circumstances of the organization	14-15
d	Identification of critical stakeholder and other (e.g., raw material) dependencies and important factors affecting the external environment	231-234
e	Connection to information covered by other Content Elements, such as strategy, risks and opportunities, and performance (including KPIs and financial considerations, like cost containment and revenues).	14-15

Sr. No.	Particulars	Page Reference
D	Risks, opportunities	
1	An integrated report identifies the key risks and opportunities that are specific to the organization, including those that relate to the organization's effects on, and the continued availability, quality and affordability of, relevant capitals in the short, medium and long term.	32-43
	This can include identifying:	
a	The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two.	32-43
b	The organization's assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does. This includes consideration of the specific circumstances that would cause the risk or opportunity to come to fruition. Such disclosure will invariably involve a degree of uncertainty.	32-43
c	The specific steps being taken to mitigate or manage key risks (e.g: Risk Management Framework, Risk Management review process and reporting structure) or to create value from key opportunities, including the identification of the associated strategic objectives, strategies, policies, targets and KPIs.	32-43
2	Considering the Guiding Principle, Materiality, the organization's approach to any real risks (whether they be in the short, medium or long term) that are fundamental to the ongoing ability of the organization to create value and that could have extreme consequences is ordinarily included in an integrated report, even when the probability of their occurrence might be considered quite small.	32-43
E	Strategy and Resource Allocation	
1	An integrated report needs to identify:	
a	The organization's short, medium and long term strategic objectives	26-31
b	The strategies it has in place, or intends to implement, to achieve those strategic objectives	26-31
c	The resource allocation plans it has to implement its strategy	26-31
d	How it will measure achievements and target outcomes for the short, medium and long term.	4, 26-31
2	This can include describing:	
a	The linkage between the organization's strategy and resource allocation plans, and the information covered by other Content Elements, including how its strategy and resource allocation plans:	26-31
i	relate to the organization's business model, and what changes to that business model might be necessary to implement chosen strategies to provide an understanding of the organization's ability to adapt to change	26-31
ii	are influenced by/respond to the external environment and the identified risks and opportunities	26-31
iii	affect the capitals, and the risk management arrangements related to those capitals	26-31
b	What differentiates the organization to give it competitive advantage and enable it to create value, such as:	26-31
i	the role of innovation	26-31
ii	how the organization develops and exploits intellectual capital	26-31
iii	the extent to which environmental and social considerations have been embedded into the organization's strategy to give it a competitive advantage	26-31
c	Key features and findings of stakeholder engagement that were used in formulating its Strategy and Resource Allocation plans.	26-31

Sr. No.	Particulars	Page Reference
F	Performance	
1	An integrated report should contain qualitative and quantitative information about performance that may include matters such as:	
a	Quantitative indicators with respect to targets and risks and opportunities, explaining their significance, their implications, and the methods and assumptions used in compiling them	38-43, 82-85
b	The organization's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain	86-87, 176-177
c	The state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests	233-234
d	The linkages between past and current performance, and between current performance and the organization's outlook.	88-105, 106-111
2	KPIs that combine financial measures with other components (e.g., the ratio of greenhouse gas emissions to sales) or narrative that explains the financial implications of significant effects on other capitals and other causal relationships (e.g., expected revenue growth resulting from efforts to enhance human capital) may be used to demonstrate the connectivity of financial performance with performance regarding other capitals. In some cases, this may also include monetizing certain effects on the capitals (e.g., carbon emissions and water use).	4
3	Include instances where regulations have a significant effect on performance (e.g. a constraint on revenues as a result of regulatory rate setting) or the organization's non-compliance with laws or regulations may significantly affect its operations.	232
G	Outlook	
1	An integrated report should highlight anticipated changes over time and provides information on:	
a	The organization's expectations about the external environment the organization is likely to face in the short, medium and long term	106-111
b	How that will affect the organization	106-111
c	How the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise.	106-111
2	Care is needed to ensure the organization's stated expectations, aspirations and intentions are grounded in reality. They need to be commensurate with the ability of the organization to deliver on the opportunities available to it (including the availability, quality and affordability of appropriate capitals), and a realistic appraisal of the organization's competitive landscape and market positioning, and the risks it faces.	
3	The discussion of the potential implications, including implications for future financial performance may include:	
a	The external environment, and risks and opportunities, with an analysis of how these could affect the achievement of strategic objectives	22-25, 37-43
b	The availability, quality and affordability of capitals the organization uses or affects (e.g., the continued availability of skilled labour or natural resources), including how key relationships are managed and why they are important to the organization's ability to create value over time.	106-111
4	An integrated report may also provide lead indicators, KPIs or objectives, relevant information from recognized external sources, and sensitivity analyses. If forecasts or projections are included in reporting the organization's outlook, a summary of related assumptions is useful. Comparisons of actual performance to previously identified targets further enables evaluation of the current outlook.	106-111
5	Disclosures about an organization's outlook in an integrated report should consider the legal or regulatory requirements to which the organization is subject.	106-111
H	Basis of preparation and presentation	
1	An integrated report describes its basis of preparation and presentation, including:	
a	A summary of the organization's materiality determination process	234-235
b	A description of the reporting boundary and how it has been determined	172-173
c	A summary of the significant frameworks and methods used to quantify or evaluate material matters	172-173, 232

Feedback Form

Integrated Report 2019

Details of information provided on issues covered in the report

☐ Comprehensive ☐ Adequate ☐ Not adequate

Clarity of the information provided in the report

☐ High ☐ Medium ☐ Low

The quality of design and layout of the report

☐ Excellent ☐ Good ☐ Average

Your comments for adding value to the report

Name

Designation

Organization

Contact Details

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Glossary and Acronyms

ATE	Approved Training Employer
BCI	Better Cotton Initiative
BCP	Business Continuity Plan
BOD	Board of Directors
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CRP	Caustic Recovery Plant
CSR	Corporate Social Responsibility
C-TPAT	Customer Trade Partnership Against Terrorism
DSP	Director Strategic Planning
DM	Director Marketing
DO	Director Operations
DP	Director Procurement
EFP	Employee Federation of Pakistan
EMS	Environmental Management System
EOBI	Employees Old Age Benefits Institution
EPA	Environmental Protection Authority
EPS	Earnings per Share
ERF	Export Refinance
GHG	Green House Gases
GJ	Giga Joules
GMC	General Manager Compliance

GMHR&A	General Manager Human Resource & Administration
GMIT	General Manager Information Technology
GOTS	Global Organic Textile Standard
GRI	Global Reporting Initiative
GRS	Global Recycle Standard
HSE	Health Safety and Environment
IPO	Initial Public Offer
ISO	International Standards Organization
KWH	Kilo Watt Hour
LTFF	Long Term Finance Facility
MMSCF	Million Standard Cubic Feet
MW	Mega Watt
NEQS	National Environmental Quality Standards
OCS	Organic Content Standard
OHSAS	Occupational Health and Safety Assessment Series
PNAC	Pakistan National Accreditation Council
PPE	Personal Protective Equipment
PSDF	Punjab Skills Development Funds
QMS	Quality Management System
RCM	Risk Control Matrix
SA8000	Social Accountability 8000
SCAN	Supplier Compliance Audit Network
SDG	Sustainability Development Goals
SEMTA	Sedex Members Ethical Trade Audit
SPT	Social Performance Team

UNGC	United Nations Global Compact
UOM	Unit of Measurement
WMC	Workers Management Committee
WPPF	Worker's Profit Participation Fund
WRAP	Worldwide Responsible Accredited Production
WWF	World Wild Fund