

“BETTER  
ENVIRONMENT  
BETTER  
TOMORROW”

# SADAQAT LIMITED INTEGRATED REPORT 2020

## SUSTAINABLE PROSPERITY



if undelivered please return to:

**Sadaqat Limited**

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🌐 www.sadaqatgroup.net



## About the Cover

Sadaqat limited is a well-integrated company with cohesive departments and aligned stakeholders that bring synergies to the business. The integrated governance approach enabled the Company to maneuver through the challenges posed by pandemic, towards organizational excellence.

The vertical expansion of the structure signifies plans of backward integration to develop stronger roots in the supply chain and become a one stop solution. Moreover, there is always room for growth, improvement and expansion that can be captured by an effective strategy. Finally, the Company has a strong foundation on which the all organizational activities are based to attain sustainable prosperity.





## VISION

One that becomes hallmark of success for others

Company is committed to maintain highest standards of quality by committing indispensable resources to meet customers' expectations. Establishing a benchmark to get recognized as an industry leader in the dynamic and competitive textile environment.



## MISSION

The core values are foundation of the Company's culture. The management promotes a people-oriented approach and collaborative environment for employees, which results in congruence of goals for the employees and the organization. The Company invests in human capital across the company to empower the workforce and promote diversity at the workplace.



## CULTURE THE BINDING FORCE

Being a socially responsible corporate entity, the Company is committed in demonstrating the highest standards of ethical behavior in all business proceedings. The company's Code of Conduct provides guidelines to ensure transparency in activities, compliance with applicable laws, rules and regulations, managing conflict of interest and avoiding discrimination.



## ETHICS WIND BENEATH THE WINGS



## CORE VALUES THE SECRET OF SUCCESS



### INTEGRITY

Act honestly and transparently in all activities and relationships with all stakeholders.



### RESPECT

Follow ethical principles to promote respect, fairness and openness across the Company.



### INNOVATION

Focus on innovation through process automation and invest in the state-of-the-art technology to set industry benchmarks.



### QUALITY

Adapt highest quality standards to transcend needs and expectations of the customers and provide good value for money to maintain stronger relationship.



### DIVERSITY

Develop and implement policies and principles which encourage diversity and create a culture of trust, confidence and dependability.



### SUSTAINABILITY

Create sustainable long-term value for all stakeholders by focusing on the economic, social and environmental impacts arising from the value creation process.

## Performance at a Glance

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

### Monetized Capital 2020 vs 2019



2.1% ↗  
Revenue

61.6% ↗  
Net Profit

57.2% ↗  
Net Worth

62% ↗  
Earnings Per Share

### Non-Monetized Capital 2020



Relationship Capital  
Number of Foreign Business Partners  
**85~90**

Number of Foreign Business partners with more than 5 years  
**Approx. 20**

Human Capital  
Total Training Hours  
**55.11k**

Employees with more than 5 years of Experience at Sadaqat  
**928**

### Sustainability Related 2020 vs 2019



Economic  
2% ↗  
Total Value Shared

Social  
PKR **31.85** Million  
Community Investment FY-2020

Environmental  
7.5% ↗  
Water Consumption / kg fabric

79% ↗  
Water Reused

7.7% ↗  
Energy Saving

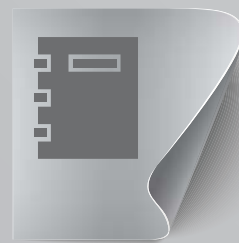
27.4% ↗  
Hazardous Waste

## Calendar of Major Events 2020



★ Note: Subsequent event related to FY-2020.

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## Organizational Overview and External Environment

Sadaqat Limited is one of the largest home textile exporters of Pakistan with over three decades of manufacturing experience and emerging as a premium quality exporter of woven & knitted apparels across the globe. The Company aims at providing unmatched customer satisfaction and achieve significant levels of consumer loyalty by delivering high quality products. It has opted the state-of-the-art technologies for cost efficient and quality products with minimum environmental adversities.

The Company aims at minimizing its risk through its effective management in challenging economic scenarios amid pandemic outbreak while maintaining its positive relationship with its customers across the globe. During the FY-2020, the Company has been able to exceed PKR 20 Billion gross revenue in these unprecedented times. Further the Company has proactively improved its readiness and developed response and recovery plan to ensure the continuity of its business smoothly during the global crisis.

# Corporate Information

## Board of Directors

Mukhtar Ahmed (Chairman)  
Khurram Mukhtar (Chief Executive Officer)  
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)  
Mohammad Iqbal Ghorri (Advisor)  
Hummayun Shahzad (Advisor)

## Director Finance & Strategy

Mohammad Iqbal Ghorri (FCMA, MS, PURC-US)

## Chief Financial Officer

Hummayun Shahzad

## Company Secretary

Basharat Hashmi

## Legal Advisor

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

## Bankers

National Bank of Pakistan  
Habib Bank Limited  
United Bank Limited  
Askari Bank Limited  
Standard Chartered Bank  
Bank of Punjab  
The Bank of Khyber  
SAMBA Bank Limited  
Pak Brunei Investment Company  
MCB Bank Limited

## External Auditors

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

## External Consultant

Kreston Hyder Bhimji & CO  
(Chartered Accountants)  
206, 1st Floor, The Business Center,  
New Civil Line, Faisalabad

## Credit Rating Company

VIS Credit Rating Company Limited  
VIS House 431, Q-Block Commercial Area,  
Phase II DHA, Lahore.

## Insurance Company

IGI General Insurance Ltd.  
Atlas Insurance  
The United Insurance Co. Ltd.  
Century Insurance Co. Ltd.  
UBL Insurers Ltd.  
Jubilee General Insurance Co. Ltd.  
Askari General Insurance Co. Ltd.

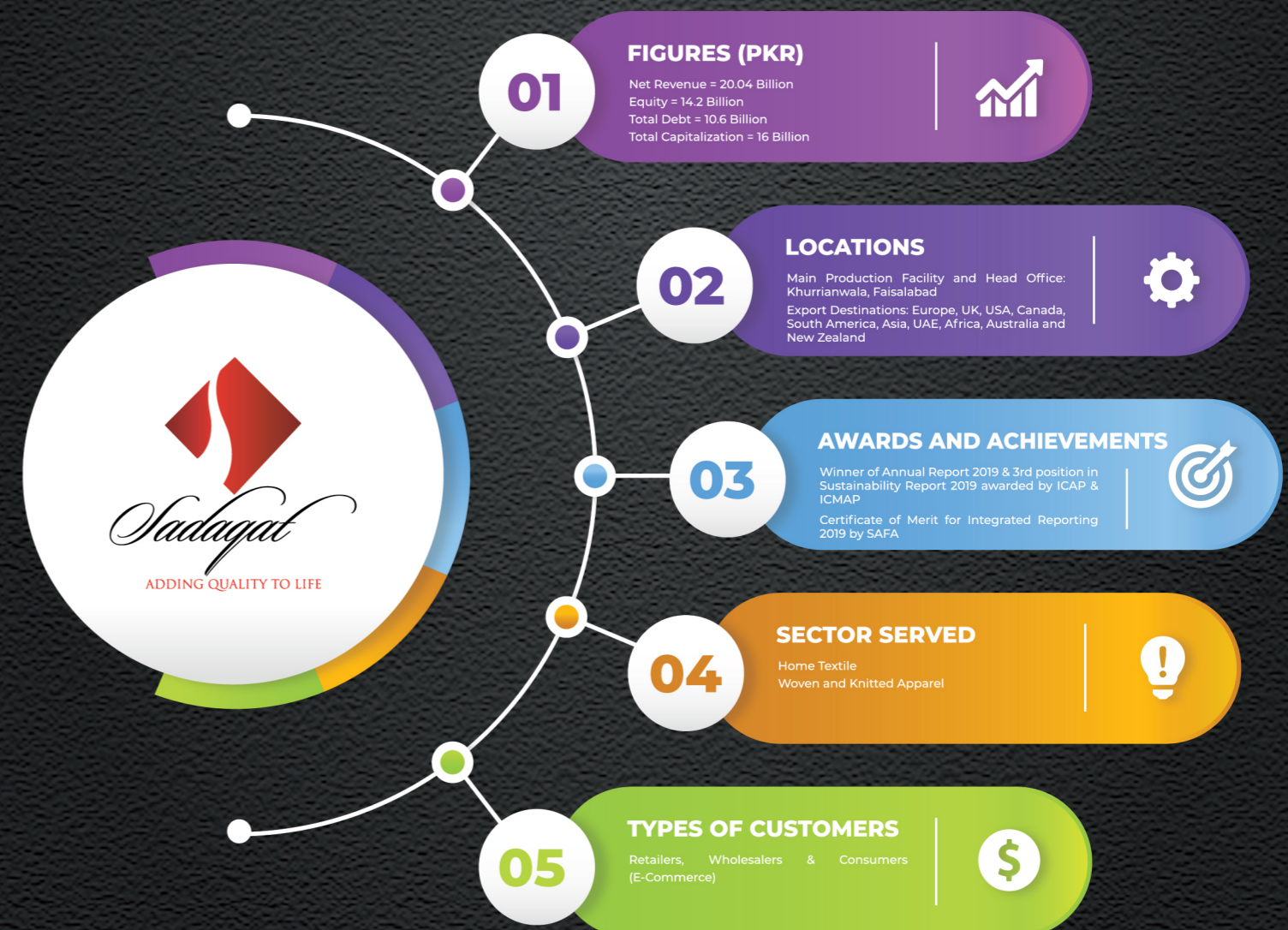
## Company's Registered Office (Head Office)

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

# Company Profile

## Company Overview

Sadaqat Limited is Pakistan's largest home textile and garments manufacturing unit. The Company is engaged in a wide range of home textile products from the last three decades across the globe and stepped into woven & knitted apparels segment. Over the years the Company has become one of the robust and accomplished businesses in Pakistan under the visionary leadership and determination of founding family supported by diversified professional management and hardworking team. Sadaqat Limited is an unlisted public company while aspiring to list on Pakistan Stock Exchange in upcoming financial year. The Company is headquartered at Khurrianwala, Faisalabad with its production facilities at same location.



# Milestones



1951

Sadaqat Textile Mills  
(Weaving & Sizing Unit)



1987

Sadaqat Textile Mills (Pvt.) Limited  
Upgraded Weaving from Automatic Looms  
to Shuttle Less Looms



1991

Home Textile  
(Processing, Cut, Stitch & Pack)



2005

Printing Unit



2008

Sadaqat Limited  
(Public Unlisted Company)



2010

Accreditation with British Retail Consortium  
Social Accountability  
Accreditation Service (SA 8000)



2011

Fabric Mercerizing Facility



2015

Digital Printing Facility  
Supplier of The Year Award  
by Bonton USA



2017

TEXPA Machines  
Automated Color Kitchen



2018

Apparel  
(Woven & Knitted)  
Circular Knitting & Processing



2019

Sales of PKR 19 Billion  
Top Exporters Award by PBIT  
Export Excellence Award by PTEA

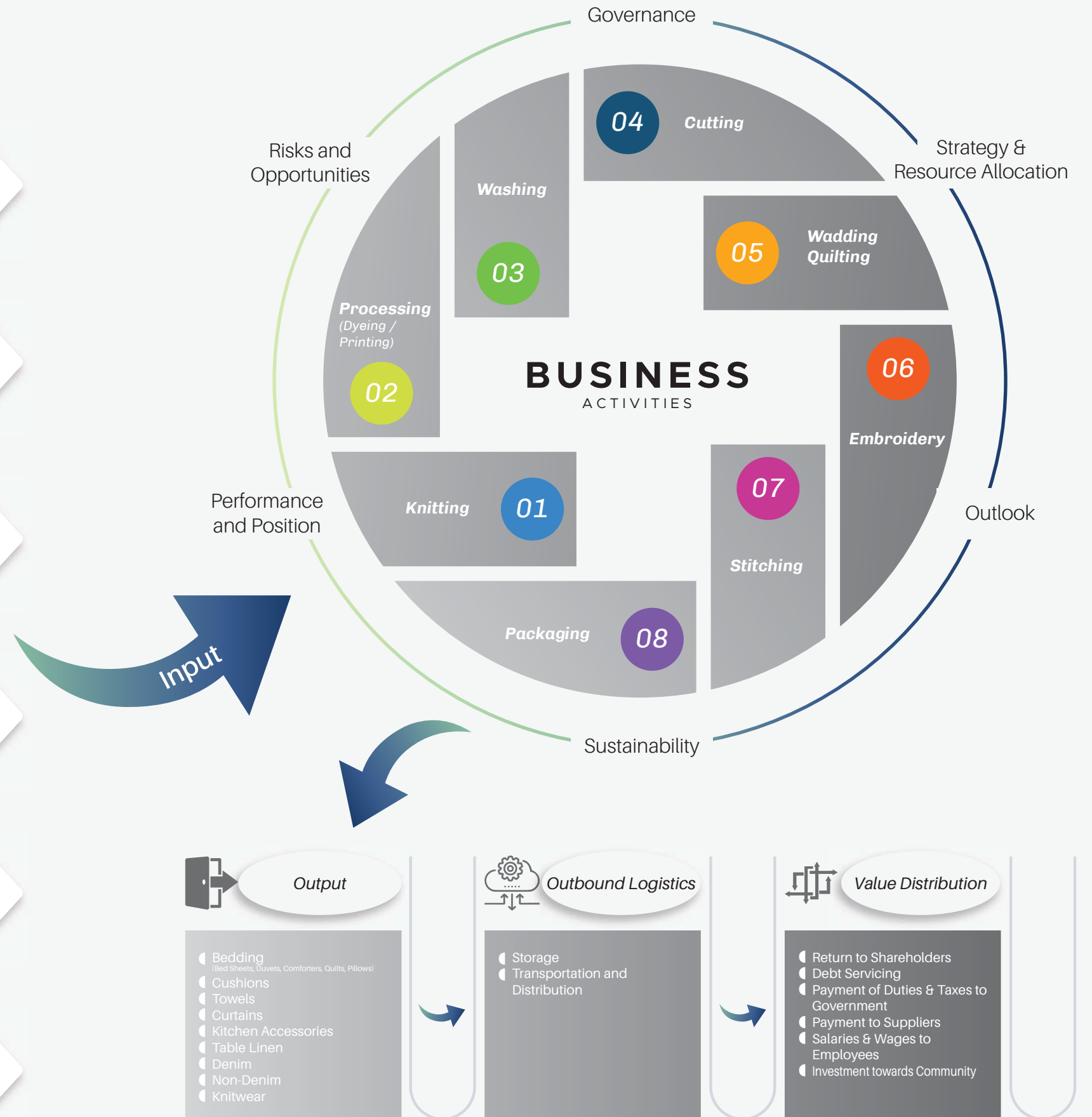
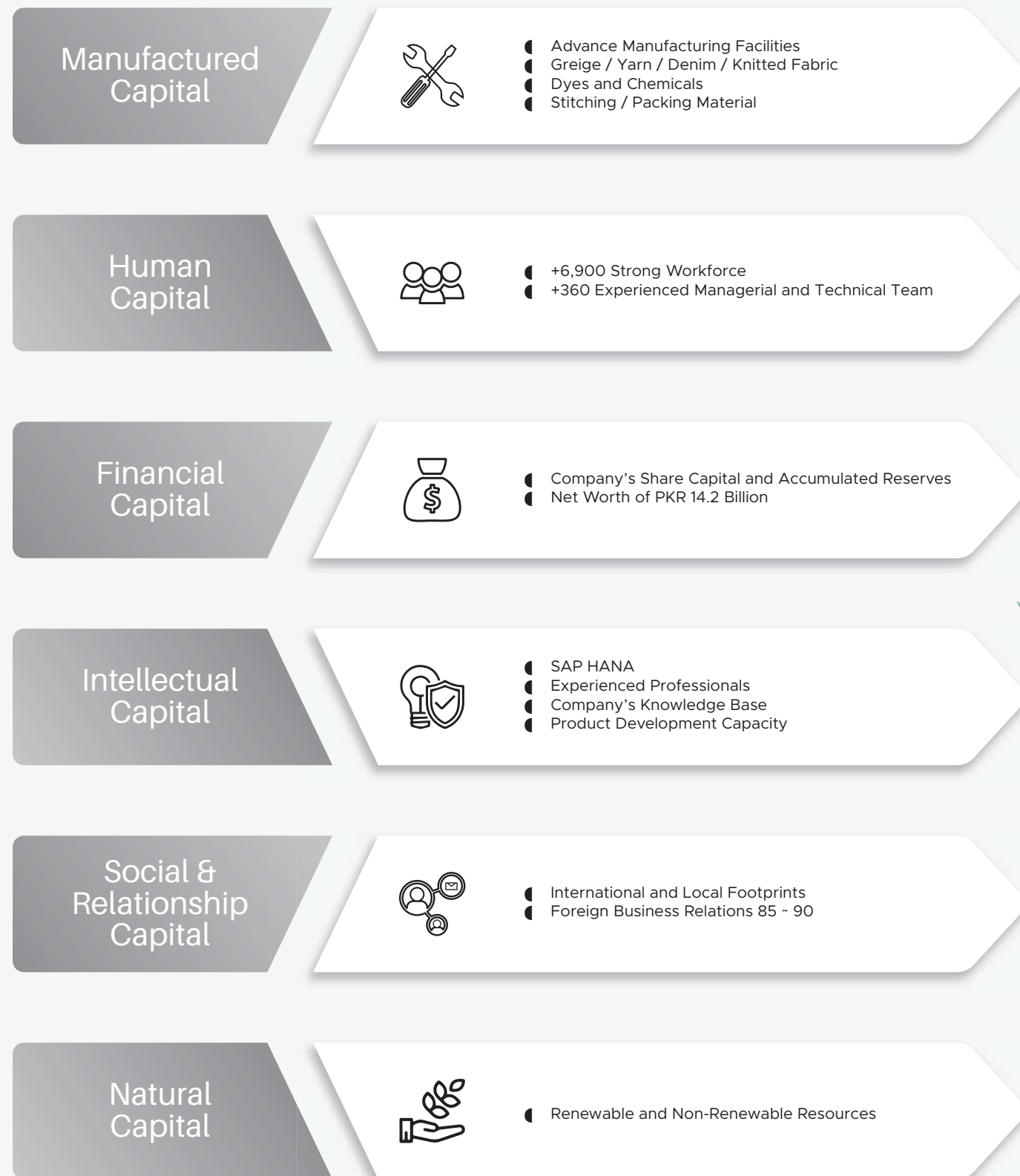


2020

Certificate of Merit by SAFA  
Integrated Reporting 2019  
Best Annual Report in Textile Sector  
by ICAP and ICMAP  
3rd position in Sustainability Report  
by ICAP and ICMAP



# Business Model

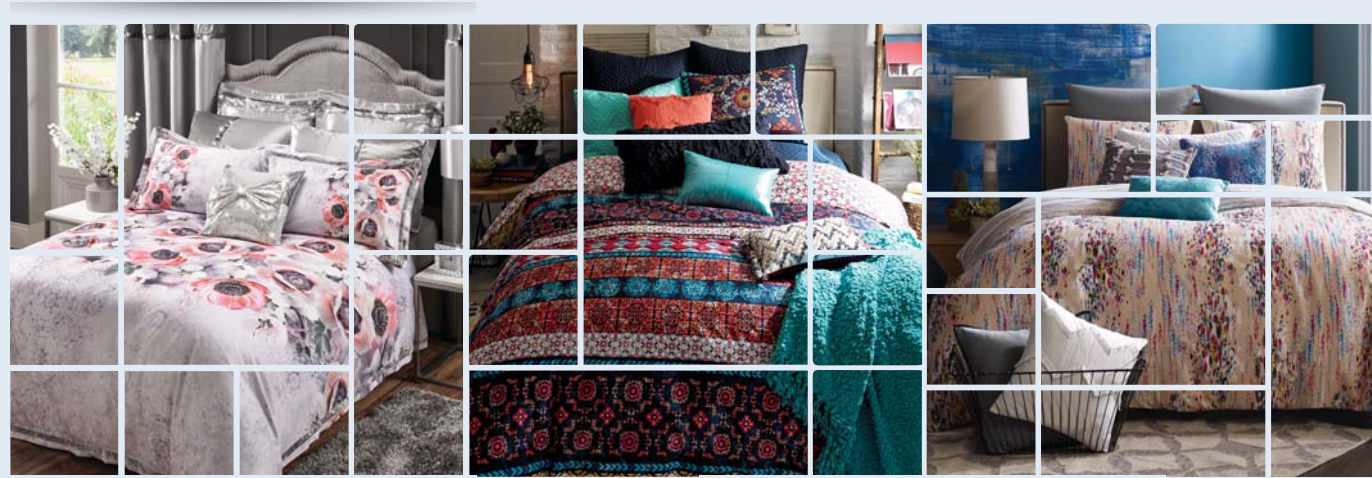


# Product Portfolio

## HOME TEXTILE

Home textile products encompass all home furnishing needs and are designed to set new trends and fashion vibes. Our Home textile products include the following categories:

### Filled Bedding



### Un-Filled Bedding



### Towels



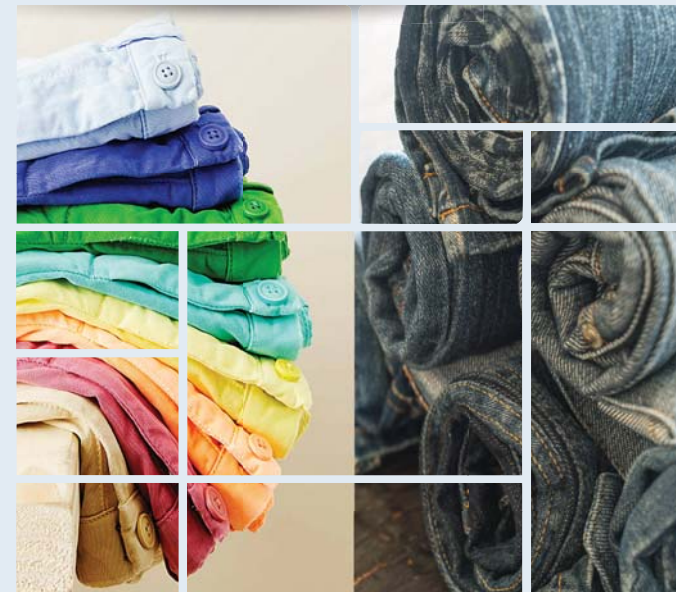
### Table Linen & Curtains



## APPAREL

Designing products according to the fashion flow of the target countries have helped us to increase our exports. Our garment products include the following categories:

### Woven Apparel



### Knitted Apparel



# Global Footprints

CANADA

USA  
MEXICO  
DOMINIC REPUBLIC

BRAZIL  
URUGUAY

UK  
IRELAND

EUROPE  
(GERMANY, SPAIN, BELGIUM,  
NETHERLANDS, FRANCE,  
SWEDEN, ITALY, POLAND)

CHINA  
MALAYSIA  
BANGLADESH  
JAPAN  
HONGKONG  
KOREA

SOUTHAFIRCA  
LIBYA  
SENEGAL

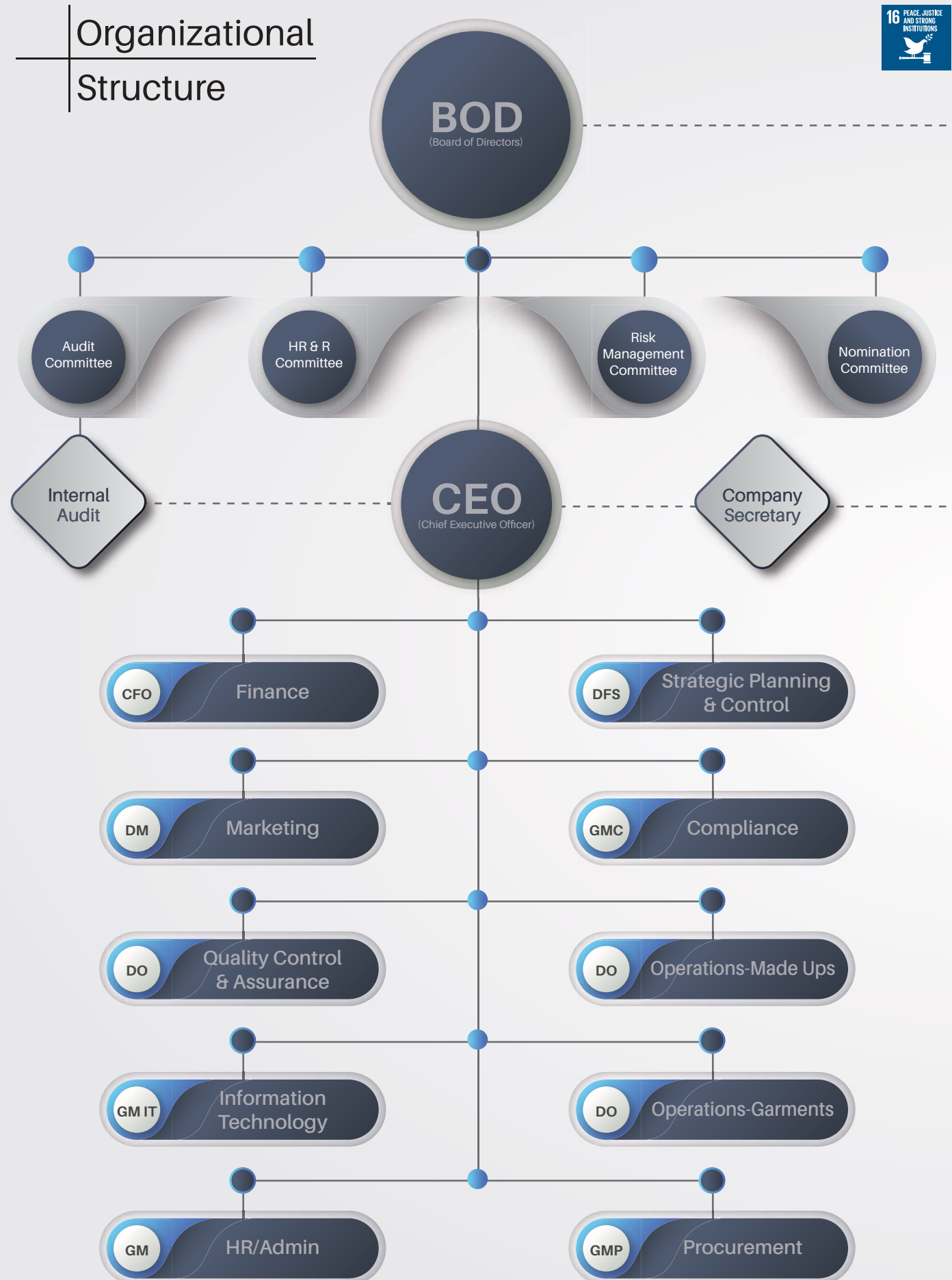
UAE  
KUWAIT  
TURKEY

AUSTRALIA  
NEWZEALAND

## Regions:

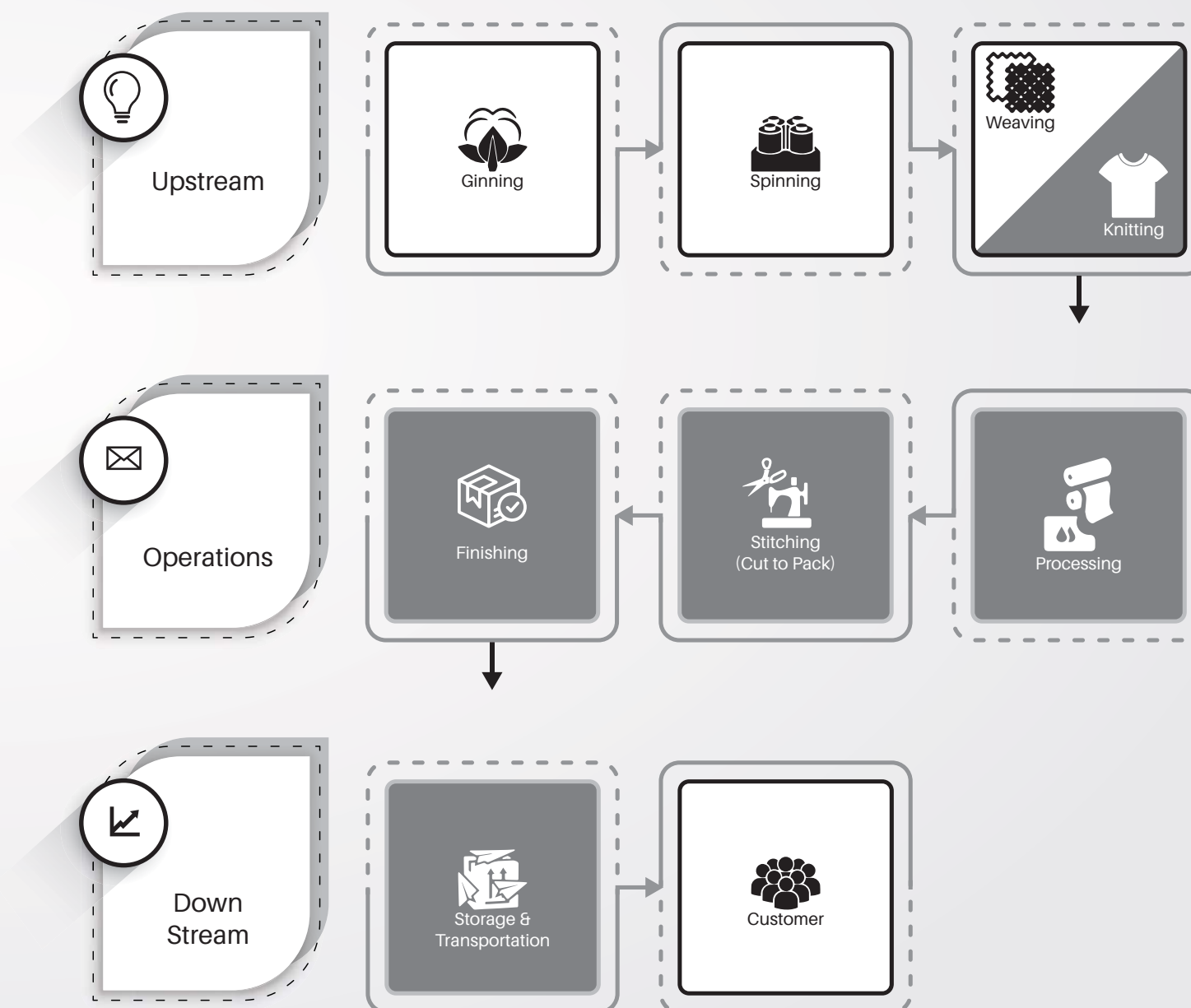
Europe, UK, USA, Canada, South America, Asia,  
Middle East, Africa, Australia and New Zealand

## Organizational Structure



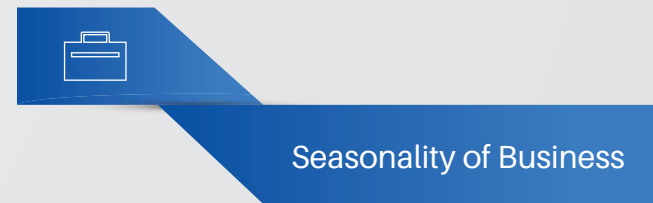
## Position within the Value Chain

The Company has developed synergies with its vendors to ensure excellence and deliver high value. Upstream are the activities of the supply chain that precede the value addition by the Company. Operations are the activities that are primarily done in house and downstream are the activities that succeed the in-house value addition in the value chain. The Company has control over the major value addition segments of the supply chain. Below highlighted is the depiction of company's current position within the value chain.



# MACRO Environment

## Competitive Landscape and Market Positioning



Primary business of the Company is export and home textile export constitute majority of its sales get uplift during certain international events including Christmas, Easter and Halloween etc. The marketing team performs regular trend analysis to pursue upcoming demand well before these international festivals. Further, sales during last quarter remained on lower side due to COVID-19 spread on international basis as compared to peak period. The Company manages seasonality through advance sales, proper inventory management and production / import planning, keeping the products available according to the customers' demand.



Being leading exporter of textile products 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. The major raw material comprises of greige, yarn, dyes & chemicals, stitching and packing material and composition of material during the financial year 2020 includes around 12% imported raw material while remaining 88% is purchased from local suppliers.






The Company's export sales are proportionately impacted due to fluctuations in foreign currency exchange rates and during the FY-2020, the company has earned exchange gain exceeding Rs. 157 million. The company is exposed to foreign currency fluctuation for its imported raw material which is around 12% of total raw material cost. 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.



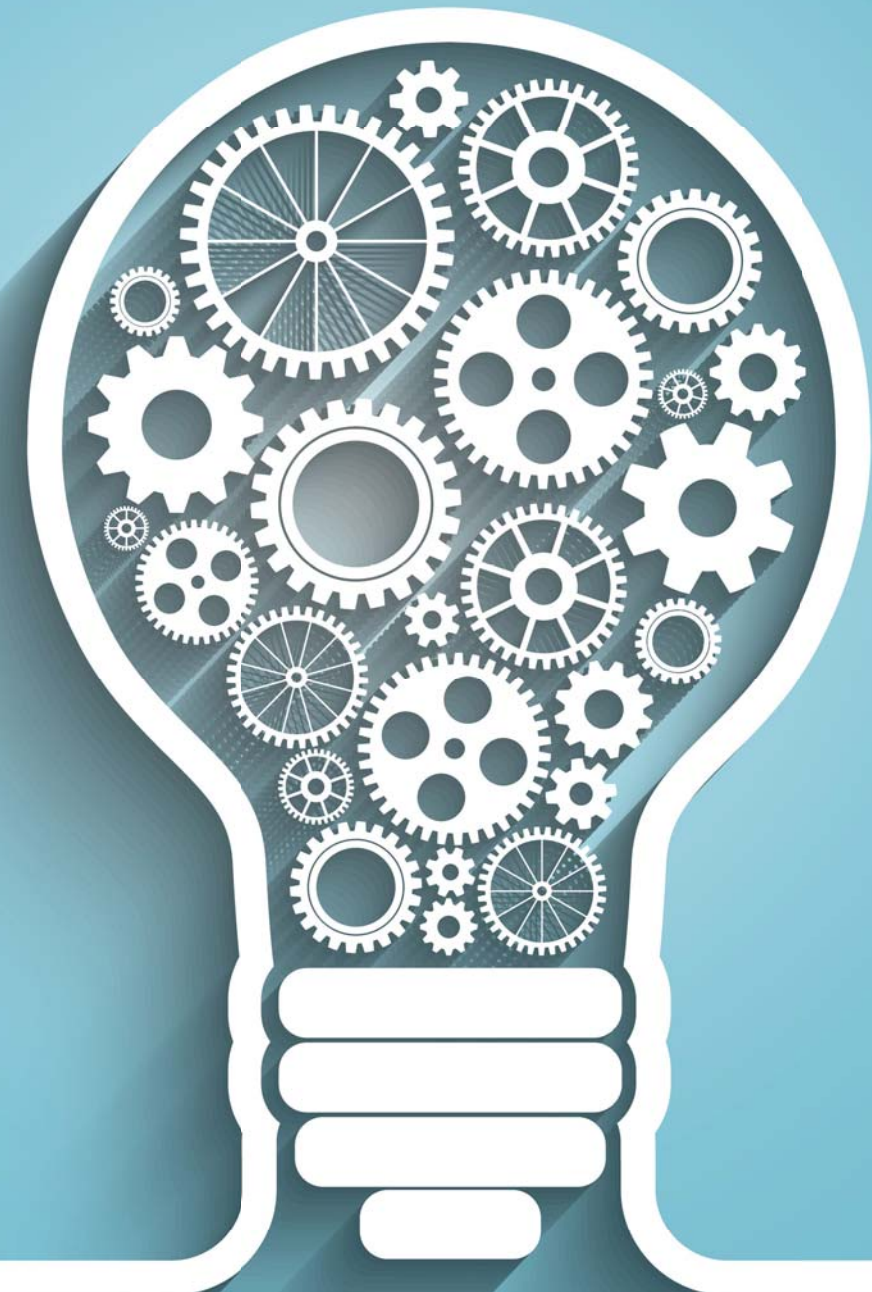
There were no significant changes, except for the consequences of global lockdowns due to pandemic outbreak, which affected the information disclosed in this section however the management has reconsidered and updated its core values in order to reflect current priorities and circumstances. Moreover, the company has made its circular knitting and processing plant full operational which was installed during the last financial year.

			<div>P</div> <div>Political</div> <div>E</div> <div>Economic</div> <div>S</div> <div>Social</div>		
					
Description	<p>A consistently uncertain political turmoil leads to a confusion in the market and impacts the organization negatively. During last few years, the political situation of Pakistan has posed some challenges for the overall textile industry and impacted the profitability of the sector.</p>		<p>Pakistan's economic growth remained slowed due to the stabilization measure undertaken by the government and spread of COVID-19 during the year which has affected every sector. Extensive variation in economic factors i.e. interest rates, inflation, foreign currency exchange rate and energy cost etc. impacted the profit margins and pricing strategy of businesses.</p>		<p>Limited resources, increasing unemployment, mismanaged healthcare &amp; obsolete education system, population growth and increasing CSR awareness are gaining the interest of socially responsible organizations. Further, changes in fashion trends, consumer concerns about ecosystem and cultures has provided a unique opportunity for business to gain a competitive edge on new horizon.</p>
	<ul style="list-style-type: none"> <li>Political uncertainties and change in government's policies negatively impact the business environment.</li> <li>Minimum wage rate is low as compared to other countries which gives competitive edge in terms of lower production cost.</li> <li>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.</li> </ul>		<p><b>Interest rates</b> SBP Export Refinancing Facility (ERF) and Long-Term Finance Facility (LTFF) are in place providing support to exporters in terms of availability of cheaper finance for growth. SBP has also provided financial easing by lowering the KIBOR rates to stabilize the impact of recession due to COVID-19</p> <p><b>Inflation rates</b> Increased inflation rates and energy cost during recent years led to threat of increase in cost of production thus tightening the profit margins.</p> <p><b>Exchange rate</b> Exchange rate gains remained less volatile as compared to preceding year and PKR depreciated by approx. 5% against foreign currency. The impact of devaluation is favorable for organization with majority of the revenue coming in shape of export realization. Whereas the devaluation negatively impacts on import of raw material by making it more expensive and cost inefficient.</p>		<p>Due to increasing awareness and deteriorating social situations, businesses are facing a natural push to invest in CSR activities and devise an integrated CSR strategy. 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.</p>
	<p>The management through proactive planning keeps a close eye on the political developments and government's regulatory policies that may affect the company for timely decision making and to avoid any unfavorable outcomes. The management diligently follows up exports packages and reliefs offered to businesses and comply with relevant laws and regulations for smooth operations and business growth.</p>		<p>Management actively monitors the economic factors and take measures to minimize respective negative impacts. The company keeps an optimal mix of debt-equity and has obtained maximum borrowings under SBP schemes to reduce its interest cost. A dedicated treasury team monitors the changes in exchange rates in foreign currencies and devise risk management strategy. Company constantly strives to bring efficiencies in its manufacturing process which supports in mitigating adverse effect of increase in production cost.</p>		<p>Being a socially responsible citizen, the Company actively takes part in social initiatives and work towards safe workplace environment. The Company donates in various social causes including education programs, worker's safety, tree plantation and healthcare of society. The company has also attained certifications to comply with health and safety regulations and maintain proper check for workplace safety. The entity has designated teams in multiple parts of the world to monitor local market trends and develop future designing plans to perform on CSR fronts.</p>

			<div>T</div> <div>Technological</div> <div>L</div> <div>Legal</div> <div>E</div> <div>Environmental</div>		
					
Description	<p>In order to excel in the global market and to achieve competitive advantage over other players, the companies are required to increase technological developments and adopt to latest advancements to provide enhanced quality products and new techniques of production. Significant investments have recently been seen in textile manufacturing sector towards automation and technological change.</p>		<p>Companies are required to ensure compliance with various laws and regulations which includes statutory, corporate, legal, secretarial, taxation, export, employment, environmental, health and safety. These legal requirements are a great challenge, however are necessary for the smooth operations of the company.</p>		<p>As global consciousness about sustainability is rising, more stringent and rigorous requirements are emerging and are anticipated by the customer in textile sector. 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, recycling of several resources and carbon emissions.</p>
	<p>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. Development of highly sophisticated tools, automated machineries and innovations in textile industry is driving the production cost &amp; lead time to historical lows.</p>		<p>Businesses have to comply with all these applicable laws and regulations due to stringent regulations which causes huge cost for companies. Further, non-compliance of applicable laws and regulations may result in severe actions and penalties by regulators.</p>		<p>During the past few decades, the awareness regarding environmental problems has increased considerably which results in increased environmental costs to meet the requirements of environmental, health &amp; safety laws and regulations resulting in squeezing profits but at the same time contributing in improving global climate, improved brand image and compliance with sustainability goals.</p>
	<p>The Company see the technology advancement as an opportunity and prioritize the adoption of latest technology to enhance its operations and to attain competitive edge. The Company invests significant amount on advanced technology machineries on regular basis. Entity has modern machinery at its production facility. In addition to that, organization also has SAP HANA in place to allow real time environment.</p>		<p>Management makes conscious efforts and has a dedicated compliance department overseen by the BOD to ensure adherence to all applicable law and regulations and monitors the policy changes. The company has developed policies and procedures according to applicable laws and also hire the services of lawyer / expert on need basis and has no history of any material fines due to non-compliance. Further, the company keeps open and transparent interactions with regulators to carry out participatory role in strategy making.</p>		<p>The Company 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. Under the adoption of integrated reporting, the company also directing its resources to comply with Sustainable Development Goals.</p>

## Strategy and Resource Allocation

The Company is focused in passing on maximum value to its stakeholders by pursuing strategic expansion within its core competencies and also to achieve joint synergies. The management sets challenging objectives so as to attain profitable results and gain competitive advantage in the market and allocate resources effectively across all areas to provide flexibility in executing these strategic moves. The company strives to provide quality products and has maintained its competitive position in core business through strong leadership, unique organizational culture, professional excellence and financial strength.



# Objectives & Management Strategies

01

Achieve Leadership Position in Textile Sector

02

Maximizing value for shareholders and achieving sustainable growth.

03

Producing optimum quality products to achieve highest level of customer satisfaction.

04

Controlling cost and achieving business synergies through improved operational efficiency and utilizing cross divisional expertise.

05

Develop a portfolio of skilled workforce and maintain ethical, healthy & transparent working environment for all employees.

06

Sustainable development and contribution towards society.

Timeline	Long Term	Short to Medium Term	Short / Medium / Long Term	Short to Medium Term	Medium Term	Medium to Long Term
Strategy	Planned investment in the state-of-the-art machinery to upgrade production facilities and implementing latest ERP technologies and manufacturing techniques to maximize overall efficiencies.	Expansion of sales through entering into untapped markets to maximize global footprint and diversify within textile sector to enhance profitability.	Implementation of strict quality assurance policies & guidelines along with securing international quality related certifications to ensure that products meet / exceed the required quality standards.	Optimal utilization of capacity requirement through alignment of business processes and backward integration is also under consideration to reduce the risk of dependency. Equip the staff with the latest production techniques to enhance overall efficiencies.	Training and development programs for the employees on continuous basis and creating an enjoyable work environment, where employees exhibit positive energy.	Contribute positively towards environment by reducing carbon footprints and implementing alternative source of energy projects. Contribution towards social initiatives related to employment, health and education.
Priority	High	High	High	High	High	High
Resources Allocated	Financial Capital Manufactured Capital Intellectual Capital	Financial Capital Human Capital Manufactured Capital Social & Relationship Capital	Human Capital Intellectual Capital	Manufactured Capital Financial Capital Human Capital Intellectual Capital	Human Capital Financial Capital	Natural Capital Social and Relationship Capital Financial Capital
Key Performance Indicators (KPIs)	Market Share Capital Expenditures Production Efficiency Ratio	Sales Volume Growth Profitability Margins	Percentage of Rejection Product Quality Survey	Operating Income Growth Production efficiency ratio Reduction in Costs	Internal & External Training of Employees Employee Turnover Rate	Percentage of Water Reused Percentage of Energy Saved Payback of investment Allocation of funds for CSR
Future Relevance of KPIs	The KPIs will continue to be relevant in foreseeable future to assess the performance of the company against its objectives.	The KPIs will continue to be relevant in foreseeable future to assess the performance of the company against its objectives.	The KPIs will continue to be relevant in foreseeable future to assess the performance of the company against its objectives.	The KPIs will continue to be relevant in foreseeable future to assess the performance of the company against its objectives.	The KPIs will continue to be relevant in foreseeable future to assess the performance of the company against its objectives.	The KPIs will continue to be relevant in foreseeable future to assess the performance of the company against its objectives.
Status	Ongoing Process – However, the Company has invested PKR 2,852 million in respect of Capex targeted toward automation, expansion, technology advancement and BMR.	Ongoing Process – However, the company has achieved approx. 85% of sales targets and remained profitable during the year in spite of economic recession due to COVID-19 pandemic outbreak.	Ongoing process – However, the management has implemented effective quality controls which enable producing quality products and also facilitate the customer social, ethical, environmental and quality audits in transparent manner.	Ongoing process – However, achieved optimal production utilization and also achieved new synergies by diversification within textile umbrella. The management has in place cost control department to identify all avenues of reduction of production and operating cost.	Ongoing Process – However, the company has invested in the employees through 55,109 training hours during the year.	Ongoing Process – However, the company has increased water reused by 79%, energy saving by 7.7% and initiated installation of solar energy project during the year. The company also incurred approx. PKR 8.7 million on education, health and other social welfare activities.

# Resource Allocation Plan

Effective and efficient planning for utilization of the available capitals leads to implementation of strategies in order to achieve the desired objectives which are aligned with Company's vision and mission. The Company has developed resource allocation plan which is reviewed and updated in line with the corporate vision. The Company has established Industrial Engineering, Production Planning & Control (PPC) and Cost Control (CCD) departments for effective development and implementation of resource allocation plan. These departments synergize their forces in order to optimize production capacity utilization, minimize wastages, adopt lean production techniques, introduce process engineering and undertake other measures in order to meet corporate objectives.



## Financial Capital

In line with its business model and risk profile, the Company utilizes a mix of debt and equity in order to minimize its cost of capital as well as maintains its current and liquid ratio at optimal level to avoid surplus funds. The increase in working capital requirements each year are tagged with quantitative and numeric growth in business evident through the financial trend of past 6 years. Further, the Company optimally avails the privilege of subsidized long and short term borrowing available to export oriented entities so as to effectively and efficiently manage its financial capital and the cost of financing.



## Manufactured Capital

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



## Human Capital

The Company through its HR & R Committee periodically updates its HR policies and procedures to keep higher employee motivational level which in turn results into optimal productivity as well as product quality. Furthermore, the entity assigns due value to its human capital and keeps on taking initiatives to build the capacity of its employees which in turn also benefits the employees as well as the organization along with contribution towards the economy in shape of skilled resources.



## Social & Relationship and Natural Capital

The entity strives to stay socially responsible and engages itself in a number of interactions with the local community such as donations to health and educational institutes, support funds and packages for employees, training for employees, jobs for community and infrastructure development etc. The entity also puts effort to conserve natural resources by investing which results in energy and water conservation and maximum recycling & reuse of consumed water. The overall management of social, natural and relationship capital keeps the organization socially responsible and sustainable in the long run.

## Significant Changes in Objectives & Strategies

As the objectives and strategies of the company are set and formed with careful planning henceforth there have been no significant changes compared to last year, however, these are updated according to the current business environment.

## Liquidity Position of 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 the company has PKR 409.5 million in form of Cash and Bank balances as at 30th June, 2020. The Company maintains strong business relationship with all its banks and investment companies as it has never defaulted with respect to repayment of debts and is increasing the short-term financing facilities in line with working capital requirements for optimized operations. In addition to financing through banks, the entity is also evaluating other options to raise funds including initial public offer (IPO) by listing in stock exchange in the upcoming financial years.

The liquidity position of the Company seems quite reasonable as current ratio and the liquidity ratio are 0.99:1 and 0.54:1 respectively in financial year 2020 reflecting the Company has enough current assets available to satisfy its current liabilities. Further, the entity's revenues have gone up by 2.1% in financial year 2020 as compared to last financial year and the entity projects to close financial year 2021 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.

## Significant Plans and Decision

The Company has a long history of expansion and diversification to upgrade its existing production facilities. The company has escalated the business by enriching its portfolio through investment in garments segment and installing circular knitting & processing plant during last years. Moving Forward, the company is also planning expansion of its business through backward integration including investment in weaving and spinning unit to take benefit of reduced cost and improved quality. Further BMR of existing set up is also in pipeline to take benefit of business synergies by achieving optimal operational efficiencies.

There are no significant plans for any corporate restructuring during the coming year and the company would continue to operate in the foreseeable future hence there would be no discontinuance of operations. 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

A structured mechanism to address potential risks as well as capitalization of significant opportunities is essential for the success of an organization. The Company being a major exporter of diversified textile products is exposed to a wide spectrum of risks as part of its operations. So, the Company employs a robust risk management system to identify and address potential risk successfully. The Management also devises optimal strategies to maximize the gain from potential opportunities in the long term.

The Board of Directors principally assumes the responsibility to keep a check on risk appetite by managing all possible risks and maneuver the strategy accordingly. In so doing, the Management understand risk management as a continual process that is firmly integrated as a regular step in the operating practices. The risk management procedures are designed to embed integrity in business practices to demonstrate commitment with best practices of corporate governance.

## STRENGTHS

- Market leadership and clear vision of consistent growth
- State-of-the-art machinery and production facilities
- Mature Enterprise Resource Planning System
- Global presence & well-established distribution network
- Ability to provide wide range of optimum quality products
- Established relationship with international customers (+70 blue chip customers)
- Loyal and skilled workforce
- In-house power generation capacity
- Clean energy in compliance with international standards
- Transparent and strong corporate & sustainability reporting
- Future capacity enhancement plans



## OPPORTUNITIES

- Expansion into new foreign markets to increase exports
- Expansion in existing and untapped product segments
- Backward integration in the supply chain to improve quality
- Low cost financing arrangements by SBP
- Government support for export-oriented sectors
- Incentives on import of fresh machinery
- Explore rapidly growing E-Commerce market
- CPEC - Infrastructure development / New projects and SEZs
- Implementation of cheaper and greener energy source
- GSP plus status (Duty free access to the European market)
- Significant increase in home textile export of Pakistan



## WEAKNESSES

- Shortage of skilled labor at production facility.
- Dependency on supplier due to limited backward integration.
- Slow release of textile policy and taxation refunds to textile industry.



## THREATS

- Volatility in exchange rates
- Rising inflation leading to increase in cost of production
- Rising energy cost (WAPDA / RLNG / Diesel)
- Imposition of new taxes/duties and withdrawal of few incentives to exporters under latest budget
- Natural disaster e.g. spread of COVID-19 internationally



# SWOT Analysis

# Risk Management

The Company believes in managing risk and creating value from opportunities to remain competitive and ensure sustainable success in a dynamic environment. The overall responsibility for effective risk management is bore by the Board of Directors through developing and monitoring risk management policies. A strong monitoring practice is observed around risk tolerance to ensure that the company is operating within the risk appetite. The likelihood and impact of all the identified potential risks are analyzed and strategies are devised to mitigate the risks. Risk management committee plays its important role by reviewing and supervising the process to identify potential risks along with their impact and likelihood of occurrence. The Committee also reviews risk exposure and risk appetite of the Company and recommends risk mitigation strategies.

The Board of Directors have implemented an effective ongoing process to identify and assess business risk including those that would threaten the business model, operational disruption, future performance and solvency of the Company, while establishing and implementing policies and procedures. 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. Opportunities are grabbed at the right time through effective utilization of human resource, deployment of technical expertise, financial soundness, efficient manufacturing, relationship management and intellectual capital in alignment with designed policies and targets.

Managing risks and capitalizing opportunities are fundamental responsibilities of the Board hence in order to fulfil this obligation the Board and the Audit Committee continuously seek to refine its risk assessment and management process. 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. In its risk management process, the Board identifies key risks, their tolerance level and their influences on organization's value creation in short, medium, long term and achievement of organizational goals. The Company has a designed Risk Matrix highlighting the impact, likelihood and magnitude of each risk along with their risk mitigation strategies. The risk matrix is reviewed and updated regularly to ensure relevance and resilience by board of directors.

## Key Elements of Risk Management

To manage the potential risks effectively, identification of the risk appetite is primal which is driven by the following steps:

- Performance should be competitive, responsible and focused on creating value for all the stakeholders.
- Behaviors must be in line with the code of business conduct to protect and enhance company's reputation;
- To operate the business within the set-out capital allocation framework; and
- To ensure that the potential risks are effectively managed.



Business Continuity Planning

The Company performs business continuity planning (BCP) as a preventive measure to devise recovery mechanism from potential risks related threats. BCP is deployed to protect the organization and its resources to make sure the functions are dynamic enough to take a hit in challenging times. A comprehensive plan cogitated and preventive arrangements are put in place at 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 situations.

A top-notch firefighting system is implemented and all physical assets including building, machinery, vehicles and inventory are insured to cope with any unforeseen risks. As a part of BCP to manage the information security risk, documented policies are implemented in accordance with international standards and data backup to avert any IT security risk. Matters pertaining to BCP are reviewed by board on periodic basis in its meetings. Simultaneously, the Board ensures whether BCP is kept up-to-date and employees are trained and well aware of their roles in its implementation.

The Management believes in transparency, integrity and responsibility hence the company is inclined to adopt preventive measures instead of reactive ones. Necessary precautionary principles of Article 15 of RIO declarations are observed to ensure organization, stakeholder and worker’s physical and financial safety.

International Business

The Company’s international operations and sources of revenue are subject to the usual risks of doing business abroad, such as the implementation of, or potential changes in, foreign and domestic trade policies, increases in import or export duties, anti-dumping measures in foreign markets, safeguard measures, trade restrictions and protectionist policies. The Company has successfully avoided any material negative impact caused by uncertainties across multiple variables. In current financial year, uncertain global and regional economic conditions, owing to COVID- 19 pandemic outbreak have affected international trade and increased protectionist actions along with decelerating economic strengths around the world and global textile sector has also been impacted by it.

The Company works in collaboration with the customer and suppliers by careful management of stakeholders. Strong relationship management has enabled the Company to avoid any major downturn during economic disruption. Notwithstanding the efforts, preventive measures around pandemic have resulted in increased raw material prices and increased the cost of production which adversely affected the profitability for textile sector as a whole.

Capital Structure

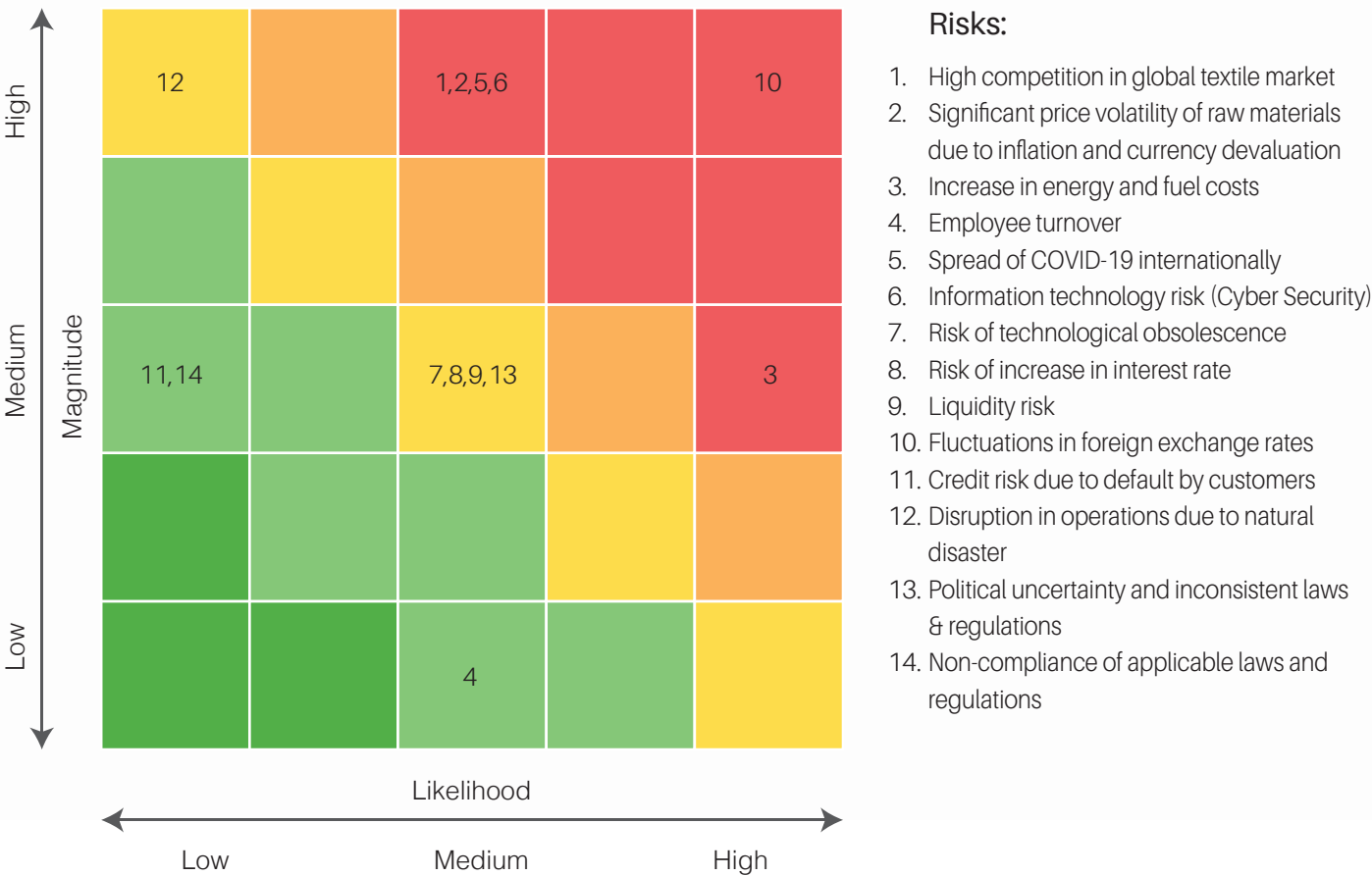
The BOD along with the support of finance team keeps a close eye on new investing opportunities and comprehensive analysis is done on all available financing alternatives to ensure adherence to risk tolerance level and to deliver maximum value to the shareholders. An adequate capital structure is maintained and any identified deficiencies in the capital structure are proactively addressed. The bottom-line concern of all the risk mitigation practices is to benefit the stakeholders, ensure work force satisfaction and maintain a strong capital base to support the sustained development.

In order to monitor capital structure changes a few tools are used which includes, gearing ratios, financial leverage, equity multiplier, Dupont analysis, debt to asset ratio, mark up costs and return on assets. Aligned with its capital structure of previous period, this year again the Company has been able to maintain its balanced capital structure with 51% of the total assets funded though equity investment, 41% through current liabilities whereas long term liabilities comprise only 8% of the total assets base.

Payment of Debts

Despite declaration in growth momentum the Company has successfully managed to meet all its debt obligations on time and there is no instance of default in repayment of any debt obligation during financial year 2020.

Risk Matrix



# Principal Risks

Type	Risk	Source	Risk Rating	Magnitude / Likelihood	Nature	Impact Area	Possible Impact	Mitigating Strategy
<b>Market / Commercial Risk</b>	High competition in global textile market	External	Medium	High / Medium	Short Term	Financial Capital Social & Relationship Capital	Low profit margins due to competitive pricing  Sharing of customer base impacting the sales growth	Aggressive marketing strategies and consciously building a closer relationship with the customers to achieve their loyalty and continuously analyzing the marketing needs. Upgrade manufacturing facility through investment into latest technology to achieve cost competitiveness along with higher profit margins even at competitive price. Continuous efforts to produce utmost quality products aligned with latest international trends. Company's expansion plans are in line with increasing market growth.
<b>Operational Risk</b>	Significant price volatility of raw materials due to inflation and currency devaluation	External	High	High / Medium	Short / Medium Term	Financial Capital Manufactured Capital	Raw material such as greige fabric, dyes and chemical form substantial part of cost of goods sold so increase prices of raw material directly impacts profitability, price compatibility and shareholders value. Hence, high inflation and currency devaluation against foreign currency squeeze the profit margins due to increase in production cost.	Regular reviews of raw material prices and less dependency on any particular supplier ensures that the Company has enough bargaining power to get the raw material at competitive prices. The company has strategic relationships with key international raw material suppliers which benefit the company in price negotiation.  The company is also committed to enhance operational efficiencies and implementation of effective cost control strategies to mitigate the risk.
<b>Operational Risk</b>	Increase in energy and fuel costs	External	Medium	Medium / High	Short / Medium Term	Financial Capital Manufactured Capital	Fuel and energy are a major portion of cost in textile manufacturing business and any changes in the cost of energy directly impacts profitability, price compatibility and shareholders value.	In house electricity generation provides more control and yields efficient productivity which helps to reduce overall energy costs. Reliance on multiple energy sources such as coal, WAPDA, natural gas and solar energy protects the company from adverse fluctuation in any one source. Management has also nominated a dedicated team which look for optimal mix in order to manage energy costs through EMS in SAP.
<b>Operational Risk</b>	Employee turnover	Internal	Low to Medium	Low / Medium	Short / medium term	Human Capital	Employee turnover at key positions and competent employees may affect the operations and cost of the company.  Hurdles in locating suitable, skilled and qualified resources. This may result in increase of salaries and additional cost related to onboarding and training of employees.	Provision of market complete remuneration packages and continuous growth opportunities pave the way to keep the competent and skilled workforce with the company. Continuous skills development programs to equip employee with the necessary skill sets to stay motivated and perform their duties effectively.  Onboarding of new talent with defined career trajectory to cultivate creativity, energy and knowledge transfer within the organization.
<b>Operational Risk</b>	Spread of COVID-19 internationally	External/ Internal	High	High / Medium	Ongoing	Financial capital Human capital	Due to spread of COVID-19 on international basis especially in Europe market which constitute the most important export destination for textile products may result in decline in overall sales resulting in decline in profitability.  Failure in providing a safe working environment may lead to illness of employees which may impact the operations of the company.	Strong relationship with the customers and geographically diversified customer base has helped the company to survive and maintain the sales. The safety and wellbeing of the workforce and customers has been and continues to be the overriding priority. The management has implemented strong health & safety measures during the pandemic to minimize its spread and facilitate the employees to work from home. Further, the company continuously monitoring events closely in evaluating the impacts and designing appropriate response strategies.


Type	Risk	Source	Risk Rating	Magnitude / Likelihood	Nature	Impact Area	Possible Impact	Mitigating Strategy
Operational Risk	Information technology risk (cyber security)	External / Internal	High	High / Medium	Long term / Ongoing	Manufactured capital Financial capital Intellectual capital	Information system breakdown may result in delayed operations and loss of company's important data. Theft of company's confidential and sensitive information.	The Company has developed top notch IT controls, malware protection and firewalls to safeguard confidential information. The company keeps the backup of the data on regular basis and has developed BCP plan to ensure the availability of IT system all the time.
Operational Risk	Risk of technological obsolescence	External / Internal	Medium	Medium / Medium	Long term / Ongoing	Manufactured capital Financial capital Intellectual capital	The company's failure to keep pace with technology advancements may render the production processes inefficient ultimately impacting cost of production and sales of the products.	The Company substantially invests in new expansion projects and BMR of existing facilities with the latest technology to remain competitive in the growing textile market. The management also invest to upgrade its manufacturing facilities with state-of-the-art machinery and systems to achieve optimum production efficiency with minimum production cost.
Financial Risk	Risk of increase in interest rate	External	Medium	Medium / Medium	Medium term	Financial Capital	Currently the company has good interest cover ratio however rising interest rate could result in higher borrowing cost and impact the profitability of the company.	The company being an export-oriented entity enjoys the benefit of low-cost debt financing from SBP. 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.
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 may be unable to meet its financial obligations due to non-availability of sufficient funds.	The finance department manages the funds proactively and ensures the availability of required financial resources by availing the sufficient credit lines from the different financial institutions and through optimum utilization of cash generated from operations. The management plans the working capital requirements beforehand and enough flexibility is already incorporated in the cash flow projections to avoid any major hit.
Financial Risk	Fluctuations in foreign exchange rates	External	High	High / High	Short term	Financial capital	The company is exposed to foreign exchange risk due to import of raw material. Further, high volatility in exchange rate possess a challenge for importing/exporting business to budget their costs, absorb the fluctuations as well as posed challenges in decision making.	A dedicated treasury department is established to monitor the forex market and capitalize the fluctuations in the market on regular basis. The Company possess a software solution to watch, predict and hedge the risk through financial derivatives (forward contracts) booking at the right window.

Type	Risk	Source	Risk Rating	Magnitude / Likelihood	Nature	Impact Area	Possible Impact	Mitigating Strategy
Financial Risks	Credit risk due to default by customers	External	Low	Medium / Low	Medium Term / Ongoing	Financial capital	<p>The company may face cash flow problems due to high trade debts.</p> <p>There is a risk of financial loss to the company if customer defaults to discharge its payment obligations thus impacting the profitability.</p>	<p>Major revenue is generated from blue chip customers of the company to whom credit limits have been assigned keeping in view the risk level and after due diligence. The Company regularly reviews and monitors the credit position and credit worthiness of its customers.</p> <p>A significant portion of risk is hedged through LC mode and through credit insurance. Aging of receivables is closely monitored and regular systematic follow up are made to ensure maximum recoveries on timely basis.</p>
Natural Risk	Disruption in operations due to natural disaster	External	Medium	High / Low	Long term / Ongoing	Human capital Manufactured capital Financial capital	Probability of major accidents, disruption in operation and in extreme case destruction of production facility due to any natural disaster may cease the production and lead to sudden capital requirements for the re-building process.	Security management system, disaster recovery plan and business continuity plan are put in place to counter the natural disasters. The company has taken all preventive & safety measures during the construction and erection of building. The Company has also complete insurance cover to enable company to resume its operations and to safeguard against monetary losses.
Political Risk	Political uncertainty and inconsistent laws & regulations	External	Medium	Medium / Medium	Medium term	Manufactured capital Financial capital Social & Relationship Capital	Stable law and order situation in the country improves the overall business performance, investor confidence, and also encourages export. Imposition of inconsistent laws & regulations may affect the strategic objectives and negatively impact the company's profitability.	The Company through proper channel provides its feedback and suggestions to government while maintaining an open and transparent relationship with regulators and government. 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 of applicable laws and regulations	Internal	Medium	Medium / Low	Short term	Financial capital Relationship capital	The company may expose to fines, penalties and litigations due to non-compliance with laws and regulations which may adversely impact the reputation and result in financial loss to the entity.	The management closely monitor changes in the laws & regulations and ensure that impact is incorporated in the strategic planning in a timely manner. The Company has a dedicated department to ensure compliance with all legal and regulatory requirements to avoid any legal consequences.

# Key Opportunities

The Company’s commitment to quality, sound relationship with its customers and other stake-holders, proactive market trends analysis and careful monitoring of available opportunities, is what fuels the growth. The Company has a pool of significant opportunities which it strategizes to capitalize in future. To ensure a sustainable growth, opportunities across all the capitals are identified and resources are strategically allocated to capitalize on each.

Type	Opportunity	Source	Impact on Capitals	Key source of opportunity	Capitalization Strategy
<b>Market Opportunities</b>	Grasping potential home textile and garments global markets	External	Social & Relationship capital Financial capital	Exponential growth in population of the world and CPEC project has resulted in increasing demand of home textile and garments products. This reflects a huge opportunity for the Company which it intends to capture through increase in its market share.	With robust network of vigilant marketing teams around the globe, the Management keeps a close eye on market trends and growing demands to materialize the growth opportunities which provide a sustainable growth of exports and profitability in long term.
<b>Human Capital Opportunities</b>	Availability of cheaper labor and efficient working environment	Internal/ External	Human Capital	Due to a comparatively lower wage rate and high unemployment, organizations in Pakistan can access to less costly and readily available labor.	Labor force utility is optimized using strategies to control production cost while adhering to all the legal compliance requirements and organizational developed principles. Further, the company also performs regular training & development programs for its employees to enhance their technical & professional skills and provide improved working conditions.
<b>Technological Opportunities</b>	Digitization and inclination to adopt Ecommerce platforms	Internal/ External	Financial Capital	During the recent years, businesses are going digital due to wide availability of internet connectivity. Further, increasing trend among people towards online purchases creates opportunities for companies to capitalize this opportunity through online segment	The Company is directing its efforts towards expanding online sales on various online market places to sell throughout the world.
<b>Economic Opportunities</b>	Incentives offered to exporters by government	External	Financial Capital	The strategic trade policy framework depicts that Government is planning to extend its support by providing multiple incentives to the export-oriented entities which includes; low cost financing arrangements, duty draw backs and other tax reliefs.	A dedicated team analyses the change in policies and emerging policies to fully capitalize the incentives available to the company.
<b>Operational Opportunities</b>	Access to high tech energy efficient automated technology	External	Manufactured Capital	Deployment of modern technology certainly brings in production efficiencies and operational synergies leading to quality improvement and cost reduction.	The Company has plans to expand and integrate backwards to have more control over production lead time and quality. Significant investments are in process to invest in technological advancement and facility upgradation. Further, the company has also formulated its growth plans for upcoming financial years for backward integration to maximize the shareholders wealth and this would not only have a direct impact on the cost but also assist in managing its supply chain more efficiently.



## Governance

Best practices of corporate governance are implemented to ensure transparency and accountability by directing the organization through a system of sound processes and controls. An open and effective management style is the core reasons for consistent growth of the Company. The strong relationship between executive management, board of directors, shareholders and other stakeholders of the Company lay the foundation to set strategic objectives and devise relevant strategies.

The Board has overall responsibility for establishing the company's purpose, values and strategy to deliver the long-term sustainable success and generate value for shareholders. The Company implements highest standards of ethical business practices and fulfill its obligations towards society along with achievement of financial objectives.

## Core Management's Profile



**Mukhtar Ahmed**  
Chairman

Mr. Mukhtar Ahmed is the key founding members of Sadaqat Limited. He is the Chairman of BOD with over 45 years of an all-encompassing textiles and commerce industry experience. His principal contributions as Chairman is effective governance and leadership of the board of Directors. He is also fulfilling his responsibilities for overall corporate affairs by playing an important role in laying down solid foundation for the board. His visionary leadership and command over the textile dynamics has enabled him to take important strategic decisions for the Company in consultation with Directors.

As a part of its responsibilities, he determines the value to be promoted throughout the organization, reviews organizational goals, and determines appropriateness of company's policies and practices. He was former Chairman of Faisalabad Dryport Trust and Chamber of Faisalabad Garment City Company (FGCC).



**Khurram Mukhtar**  
Chief Executive Officer

Mr. Khurram Mukhtar with deep interest and competency in textile and governance affairs is leading the organization as Chief Executive Officer. His professional career spans more than 25 years in the textile industry on executive management positions. He has extensive knowledge of textile sector and under his visionary leadership, the Company has reached new heights and expanded exponentially. As the CEO he played a key role in the rapid growth of the company as well as diversification within textile sector. His extensive international business exposure, expertise in change management, business strategy and customer development make him a valuable member of the Board.

Throughout his career Mr. Khurram Mukhtar has served several public offices and worked on promotion of fair and modern trading practices. He is currently serving as the Chairman Faisalabad Electric Supply Company (FESCO) in social responsibility spirit, and as patron in Chief of Pakistan Textile Exporters Association (PTEA). He has also served as Director of Faisalabad Garment City Company (FGCC) and as Chairman Khurrianwala Industrial Estate Association (KIEA). Furthermore, he is also affiliated with few international textile organizations and has been an active member of Youth President Organization (YPO) and International Textile Manufactures Federation Switzerland (ITMF).



**Shoaib Mukhtar**  
Director

Shoaib Mukhtar is a director and member of board of directors. He is a versatile professional with exceptional talent in multiple domain of business ranging from marketing to stakeholder's management and has built strong business relationships and strategic alliances. He is also serving as a member of HR & R committee and nomination committee.

He has served at Pakistan Textile Exporters Association (PTEA) as the Vice Chairman. His interest lies in youth entrepreneurship so he is the founder and President of Young Entrepreneurship Organization Pakistan (YEOP) and also a member of Entrepreneurs' Organization (EO).



**Hamid Mukhtar**  
Director

Hamid Mukhtar is a director and member of board of directors. With an experience spreading over 2 decades in textile industry on executive roles, he has made cardinal contributions in growth and expansion of manufacturing capacity of Sadaqat limited. He is also serving as chairman of nomination committee and risk management committee as well as member of audit committee and HR & R committee.

He has represented the corporate sector as a former member of Alternate Dispute Resolution Committee of Central board of revenue (ADRC-CBR) and also a member of Entrepreneurs' Organization (EO). He holds a bachelors of Technology BTech focused in textiles from University of Bolton.



**Awais Mukhtar**  
Director

Awais Mukhtar is a director and member of board of directors. He has enriched experience of textile industry and his dynamic personality and diverse experience have been a game changer for the company. He is also serving as member of audit committee and nomination committee.

He is also a member of Pakistan Institute of Freight Forwarder Council (PIFFC), International Federation of Freight Forwarders Associations (FIATA) and Youth Entrepreneur Organization Pakistan (YEOP).



**Syed Ahmad Ashraf**  
Independent Director

Syed Ahmad Ashraf is an independent director at BOD of Sadaqat limited. His holistic experience has enabled him to provide valuable support to the board in decision making and growth management.

He has a diverse professional experience across different sectors in multiple roles. He has served as CFO in Century Paper and Board Mills Limited and Company secretary in Dawood Hercules and Chemicals Limited. He has also served Dawood Group of companies in capacity of Head of Internal Audit and Controller Accounts in Tourism Development Corporation Limited. Moreover, he has served as Chief executive of SA Ashraf & Associates and Corporate & Tax advisor at Saad Rasool Law Associates.

Mr. Syed Ahmad Ashraf holds MBA in Financial Management from JF Kennedy University California (USA) and fellow membership of Institute of Cost & Management Accountants of Pakistan (FCMA). Further, he is also an Associate Member of Institute of Corporate Secretaries of Pakistan (ICSP).



**Maleeha Humayun Bangash**  
Independent Director / Female

Maleeha Humayun Bangash holds MBA from LUMS & Booth School of business (University of Chicago). A 20+ years of rich and varied experience in domestic and international multicultural settings has equipped her to be a valuable leader in financial services, asset management and strategy formulation.

As founding member / commissioner in Competition Commission of Pakistan (CCP), she has developed an invaluable professional acumen. She has also associated as Managing Director with Investment Climate Reforms unit. Her professional portfolio also includes services to UBL, MCB, AMC, JSIL, Bank Al Habib and Mutual Funds Association of Pakistan.



**M. Naeem Haider**  
Head of Internal Audit

Mohammad Naeem Haider is currently serving as Head of Internal Audit and also leading Cost Control Department at M/s. Sadaqat Limited. With a professional career stretching over 27 years, Mr. Naeem is a seasoned professional having experience in high-profile financial positions in corporate sector, with specialization in costing and audit affairs.

As a fellow member of ICMA Pakistan, he has owned distinguished status among cost accounting professionals. He has served key non-standing committee of CPD, Member Affairs and actively participated research & publications committee for three years. His contributions as a former Chairman, Vice chairman and secretary of Faisalabad Branch Council are impeccable. He takes keen interest in internal audit, deployment of internal audit charter to strengthen financial controls, development of internal audit manual, costing business planning, financial modeling, performance monitoring, budgeting and management accounting.



**Mohammad Iqbal Ghori**  
FCMA, PURC (US), MS  
Director Finance & Strategy

Mr. Mohammad Iqbal Ghori is Director Finance & Strategy at Sadaqat Limited. With over three decades of enriched career in multiple financial roles, he has held distinguished positions in several public and private organizations. His sound understanding of financial operations, risk management and financial strategy makes him a valuable resource for the organization. He is keenly involved in the formulation of objectives, financial & operational strategies, resource allocation plans and system development of the organization.

He has a prominent role in cost accounting & regulatory ecosystem of Pakistan and is a staunch advocate of diversity, fairness and robustness in regulatory bodies to safeguard consumer rights. Further, he is the former President Institute of Cost Management Accountant of Pakistan (ICMAP) and currently serving as Member National Council of the institute. He is also the former chairman of Corporate Governance Advisory Board (CGAB), Cost Accounting Standards Board (CASB), Research and Publication Committee and Editorial Board of research journal of ICMAP. He was also the chairman Research & Publication committee of Institute of Public Finance Accountants (PIPFA) and has several papers and publications to his name.

He is Chief Operating Officer (COO) of C-100 Think Tank and COO of KHAS holdings. Further, he was a former member of Policy Board Auditor General Pakistan and nominated as Member Panel of Experts at PSX. He was also Chairman of SAFA Committee of Government and Public Sector Enterprises Accounting (PPSEA) and member of CAPA Public Sector Financial Management (PSFM). He is also playing an active role in improvement of academic sector by being a board member of NUML Islamabad and former board member at ISRA University Hyderabad.



**Hummayun Shahzad**  
Chief Financial Officer

Hummayun Shahzad as Chief Financial Officer at Sadaqat Limited is leading financial activities involving planning and operations of the company. His numerous contributions in financial management, operational management, capital restructuring, corporate and legal affairs as well as taxation has yield extraordinary results. Under his leadership the company has substantially grown and maintained a healthy financial outlook. He also ensures that the Company has a sound financial compliance system to remain compliant with domestic and global standards while capitalizing the available opportunities. His project management skills helped the company to successfully implement new projects related to diversification, expansion and technological advancements.

He is a Professional Accounting Affiliate at Institute of Chartered Accountants of Pakistan (ICAP) and holds a Master in Finance. He is also a Fellow Member of Pakistan Institute of Public Finance Accountants (PIPFA).

## Chairman's Review



On behalf of the Board of Directors, it is a privilege for me to present the review report before you highlighting the overall performance of the company for the year ended June 30, 2020 and performance of the board members. The Company has continued to follow growth-oriented strategy and made major expansions and capacity enhancements during the financial year to capitalize on long term opportunities. I am confident that Company's resilient, proactive, capital efficient and customer centric approach will continue to deliver sustainable growth in years to come. The management is optimistic about the future prospects and expects to demonstrate excellent performance through its efforts and strategic directions provided by the Board.

## Company's Performance Overview

The financial year 2020 has been a challenging year for overall economy especially the second half of the year which witnessed economic slowdown due to emergence of COVID-19 resulting in country wide lockdown. The preventive measures taken at national and international platform negatively affected the export sector of Pakistan, however, the Company managed to strive and sustain a positive direction towards growth by effective resource mobilization. The Company also formulated carefully planned strategy to ensure the wellbeing and economic viability of the organization and its employees.

Despite these challenges, the Company was able to exceed gross revenue of PKR 20 billion during the year (an 2.1% growth in net numbers as compared to last year) thus maintaining strong confidence of the stakeholders, customer markets and community while delivering better results despite risks and uncertainties. There was a decline in net profitability as compared to last year due to fiercely competitive market environment, increased finance cost, lesser exchange gain and periodic cost of deferred orders. The board of directors has also proposed cash dividend of Rs. 0.25 per share and bonus shares in the proportion of 2.5 new shares for every 100 shares for the financial year 2020.

The Company continued to invest in upgradation of its production facilities, development of workforce and technologies, both in home textile and apparel segments. The Company also took benefit of its established brand to target new customers and have presence in potential markets. The Management is also considering expansion through backward integration by installing its own spinning and weaving units to take benefit of business synergies due to expansion within supply chain. This initiative shall enhance shareholders' value through reduction in cost of production and sharing of other operating costs as well as satisfying customers by producing better quality products. In alignment with its sustainability objectives, the Company is increasing green energy consumption and relying less on non-ecofriendly energy mediums.

## Board's Performance Review

The Board of directors has exercised its powers and committees have performed their duties as required under the Companies Act, 2017 and approved TORs respectively. The Board formulates all significant policies, procedures and strategies for the company. Annual performance evaluation of the board members has been carried out by the chairman and results showed that all board members have performed their duties diligently and managed the affairs of the Company in an effective and efficient manner.

Board has formed four important committees including Audit Committee, HR&R Committee, Risk Management Committee and Nomination Committee to assist and oversee control functions. Audit Committee and HR&R Committee are chaired by independent directors, indicating Company's commitment to the highest levels of corporate governance and transparency. Board comprises of directors who possess core competencies and immense experience in textile sector and are actively investing their energies towards strategic decision making. The BOD has devised and approved its business plan for the upcoming financial years setting direction for Company's growth and future projects.

During the financial year 2020, Board has reviewed the company's growth, expansion projects, BMR, financial statements, findings and recommendations of internal audit department on continuous basis. The Company has also incorporated corporate social responsibility (CSR) into its business model and remained focused in investing in communities and environment. The Company made contribution in education, economic development, diversity and reducing environmental footprints so as to achieve optimal standards of health and safety.

On behalf of the executive management team and Board members, I would like to express my gratitude to the global customers for the confidence they have continued to place in the Company and its products. Further, I would like to thank my associates, bankers, employees and other stakeholders for the commitment and dedication they have shown in executing the affairs of the company.

Mr. Mukhtar Ahmed  
Chairman

## CEO's Message



### Dear Stakeholders,

I am pleased to share Company's annual results for the financial year 2020. During the year, the Company has met many strategic targets mainly related to expansion plans and providing products of prime quality. The Company successfully retained its leadership position in the industry and has been able to sustain its market share with effective marketing strategies and strong customer relations. The Company is a well-diversified organization by means of geography, product segment, customer and currency.

The financial year remained challenging for textile industry and emergence of the COVID-19 has dampened the country's overall economic growth. The revenue and profitability of the Company has affected to an extent due to unprecedented challenges of the pandemic. With the grace of Allah Almighty, the Company has achieved net revenue of PKR 20 billion (2019: PKR 19.6 billion) and net profitability of PKR 511 million during the year. The Management is also reviewing overall cost structure to optimize costs and ensuring maximum utilization of resources. Looking forward, the Company is eyeing to unlock revenue mark of PKR 32 billion in financial year 2021 and is optimistic about positive results in upcoming years.

The Company has already come a long way in a short time span, however, still there is much that is to be achieved. Company's way forward is continuous expansion of business and the management is planning diversification within supply chain to enrich the customer experience and to provide One Stop Solution for all the textile needs. Keeping in view entity's mission to exceed customer satisfaction and stay as a market leader, the Company is focusing on process innovation, manufacturing excellence and investment into state-of-the-art technology which are expected to generate promising returns in coming years. Further, the management is also exploring the opportunity of entity's listing on stock exchange in near future.

Management's focus is to safeguard the well-being of everyone including its associates and those within the supply chain network. The Company ensured the strict compliance with Government's SOPs at its office immediately after the emergence of COVID-19. The outbreak of pandemic resulted into lockdown across the country and restricted the business activities. However, to mitigate the adverse impact of pandemic the government of Pakistan has announced relief packages to provide strong support and for the development of the textile industry. SBP has also reduced the base rate of markup to provide financial stability to business sectors which kept Company's financing cost on low side. Company's business model is resilient and attuned to providing customers with better services, creating greater value for shareholders, building an extensive development platform for its staff, and assuming full responsibilities as a corporate citizen. The Company has stayed true to its original aspirations and forged ahead, sharing a better future with the country, embedding sustainability in its business operations and throughout the supply chain. Being socially responsible company, the Company remain committed in giving back to the society and community in the areas of health, safety, environment, education and security evident from the CSR activities.

The Company comprehensively promoted the talent development strategy, enhanced the skills of employee through continuous training and development, stimulated the potential and creativity of all employees, and thereby realized the mutual growth and progress of its staff. By regularly giving speeches, gaining feedback, leading teams and guiding others to achieve their goals in a supportive atmosphere, leaders emerge from the Toastmasters program.

Finally, I would like to express my gratefulness to the shareholders, bankers, employees and other stakeholders for their contribution and efforts since they have always acted as a driving force behind the company's achievements. I would also like to thank Board members and executive management for their valuable direction, support and trust throughout the year.

  
Mr. Khurram Mukhtar  
Chief Executive Officer

# Directors' Report

The Directors of Sadaqat Limited are pleased to present their 33rd Report along with the audited Financial Statements for the year ended June 30, 2020.

## Review of Operating and Financial Performance

The financial year 2020 started with high revenue growth and stanch profitability. During the first half of the financial year 2020, the Company performed well and achieved significant revenue growth to meet the budgeted sales target of PKR 24 Billion. However, during the second half of the financial year 2020, the COVID-19 pandemic decelerated the growth momentum as a result of operational disruptions and eruption in the global economy. Nonetheless, the Company managed to dampen the impact of the epidemic by the deployment of a swift risk identification mechanism, comprehensive strategic plan and implementation of SOPs as prescribed by national and international authorities. While operating in a challenging environment, the Company has enhanced its customer base to uphold its market share, and effective cost control measures were put in place to ensure financial strength. The COVID-19 pandemic crisis, tested the company’s capability, leadership and sustainability as the situation is a once-in-a-century event.

The Board of Directors and executive management took effective risk control measures, and to laid down strategies to capture the opportunities in the crises. The company enhance its product catalogue and implemented stringent credit controls policies. The company made significant investments in production infrastructure, human resource development to enhanced capacity for the maximizing of shareholder's value.

## Financial Performance

A summary of the Company's performance for the financial year ended June 30, 2020, in comparison to last year.

Particulars	2020	2019	Favorable / (Unfavorable) %
	Rs. in Millions	Rs. in Millions	
Revenue – net	20,035	19,618	2.1%
Gross Profit	3,307	2,769	19.4%
Other Income	159	1,123	(86) %
Finance Costs	944	639	(48) %
Profit before taxation	718	1,501	(52) %
Profit after taxation	511	1,333	(62) %
EPS (Rs.)	2.13	5.55	(62) %

The results for the financial year 2020 reflected an increase in net revenue and gross profit by 2.1% and 19.4% respectively as compared to last year. However, the net profitability took a hit as compared to the previous year due to an increase in raw-material cost, finance cost, lower volatility in the exchange rate, operational disruptions and periodic cost of deferred orders related to the last quarter of the year. The Company was able to

sustain its profitability owing to effective cost control measures taken during the financial year, which resulted in a net profit of PKR 511 million. There was also an increase in finance cost due to long term loans obtained for expansion and increased short term borrowings to meet enhanced working capital requirements. Resultantly, the basic and diluted EPS is PKR 2.13 (2019: PKR 5.55/share); however, the management is anticipating better performance and profitability in upcoming years.

Improvements in activity ratio have been witnessed in the financial year 2020 as receivable days decreased from 92 days to 55 days. On the other side, timely payments to creditors resulted in a decrease in creditors days from 63 days to 55 days. Deferred orders in the last quarter caused the Inventory holding period to increase from 89 days to 102; however, the overall cash cycle has decreased as compared to previous financial year due to the corresponding fluctuation in debtors and creditors days.

The current ratio and liquid ratios were 0.99:1 and 0.54:1, respectively. The liquidity outlook is quite adequate as the Company has PKR 409.5 million Cash and Bank balances on June 30, 2020. Further, cash flow from operations to sales has also improved during the year, and the Company has managed to settle all its debt obligations on a timely basis which becoming due for repayment during the year and hence there has been no default in repayment of any debt obligation by the Company. Moreover, Company did not avail any deferment options presented to the corporate sectors by SBP to dampen the impact of COVID-19.

## Operating Performance

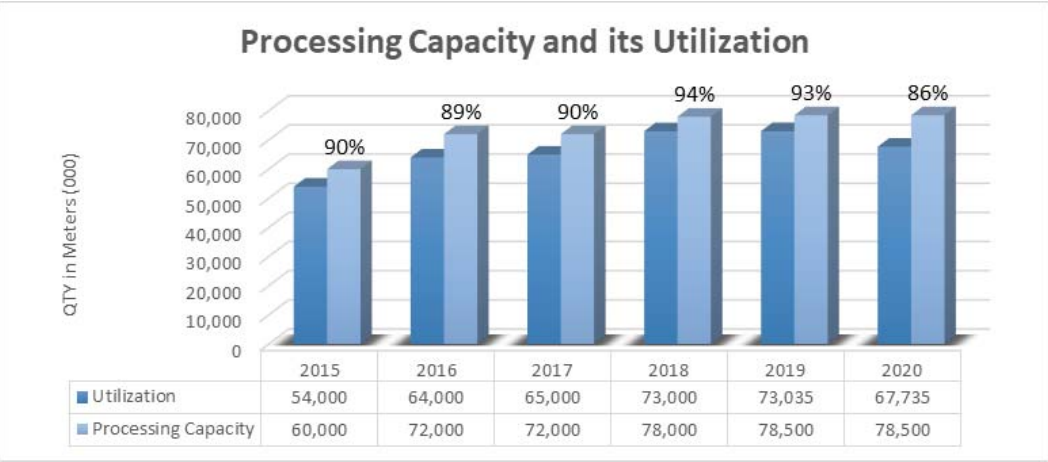
The Company has remained committed towards the continuous expansion of its business through diversification and backward integration to achieve the Company's strategic objectives. The Company is focused on increasing value for the stakeholders by growing the presence in the new markets while pursuing strategic expansion into business opportunities, which align with the core competencies. During the financial year, the Company has continued to improve capacity utilization of its knitting unit and enhanced its garments segment's production capacity. Management is also expecting high returns and growth in garments segment in upcoming financial years. The goal of this diversification within textile umbrella is to achieve strategic fit while diversifying the risk portfolio and exploration of new business avenues.

Further, the Company is also looking forward to other avenues of backward integration which would allow managerial, operational and marketing synergies due to expansion within the textile umbrella. It would enable the Company to achieve its objectives of cost control and improve profitability. While delivering in financial terms, the Company also focuses on embedded sustainability in its corporate culture to manage the economic, environmental and social impact of its operations.

The Company is firmly committed to creating value for its stakeholders through sustained business performance. The Company also ensuring ethical practices through its resilient business model which provide the Company notable competitive edge over its peers in terms of capacity utilization, productivity, product quality, advanced infrastructure, real-time environment, quality of financial reporting, compliance with the regulatory framework including social and environmental laws and regulations. During the financial year 2020, the Company further invested in building, plant and machinery and latest systems targeted towards enhancement of production capacity and for routine BMR (balancing, modernization and replacement) which are supplemented with comprehensive risk management and efficient financing. No other significant changes have occurred during the financial year regarding the nature of the entity's’ business.

A quick economic revival coupled with substantial business opportunities in coming years are anticipated, and therefore, the production facility and the workforce are all geared up to capture the opportunity. The Company has also formulated its growth and business plan for the upcoming financial years in which it includes enhancement of production capacities, investment in new projects including potential for backward integration in weaving and spinning and penetration into new market regions. For the planned investments, the Board of Directors is reviewing the proposal to make an initial public offer (IPO) in future to meet the required equity portion of the financing mix for the potential projects.

The comparison of processing capacity and its utilization for the year ended June 30, 2020, with last years is presented below:



Further, knitting conversion and knitting processing units have an annual installed capacity of 3.64 million kgs. Significant CAPEX investments were also made to enhance the capacity of apparel division, and these investments are expected to improve the Company's profitability in years to come.

**Best Corporate and Sustainability Report Award**

The Board of Directors has placed special emphasis on the quality, accuracy and completeness Company's financial statements and the other information being published by the Company in its Annual and Sustainability Report to achieve professional excellence in its reporting. The company's Annual report secured the First Position in the Textile Sector and declared" **“Winner of the Best Annual Report 2019”** in the textile sector. The company also achieved 3rd position all over Pakistan in Sustainability Report 2019 by ICAP and ICMA Pakistan.

**Adequacy of Internal Controls**

The Company's commitment to good governance remains healthy, and internal sound controls have been established across all the functions. The Audit Committee review the company's system of internal control to ensure that systems are in place and are adequate to safeguard Company's assets, prevention & detection of error or fraud, compliance with laws & regulations and ensure the reliability of financial statements. Internal audit department provides its independent evaluation on the effectiveness of corporate governance, risk management and controls while reporting directly to the audit committee. The Company keeps on rationalizing and strengthening its system of strong corporate governance, comprising of internally developed code of conduct, policies and procedures, and synchronized with industry's best available governance practices.

**Dividend**

The Board of Directors have recommended a final cash dividend for the financial year ended June 30, 2020, 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. The BOD has also recommended the issue of bonus shares @ 2.5%, that is 2.5 new shares for every 100 shares held.

**Contribution to National Exchequer and Economy of Pakistan**

During the financial year 2020, the Company has contributed around Rs. 256.8 million (2019: 181 million) to the Government treasury on account of income tax and sales tax. The Company has also contributed towards Pakistan's economy by earning an equivalent foreign currency revenue of 128 Million USD approx. (2019: ~150M). Furthermore, the critical economic contribution includes the provision of employment to more than 6,900 employees, along with compensation and benefits of around Rs. 2,120 million (2019: 1,785) during the year.

**Subsequent Events**

The Board of directors of the Company at their meeting held on November 6, 2020, has proposed a cash dividend of Rs. 0.25 per share and bonus shares in the proportion of 2.5 new shares for every 100 shares for the financial year ended June 30 2020. However, this event has been considered as a non-adjusting event under IAS 1' 'Events after the Reporting Period' and has not been recognized in these financial statements.

There are no other material changes, and commitments affecting the Company's financial position have occurred between the end of the financial year of the Company and the date of the auditor's Report.

**Financial Statements**

The Chief Executive Officer and a Director have endorsed the financial statements of the Company for the financial year 2020 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 auditor's EY Ford Rhodes, Chartered Accountants, shall stand retired on the conclusion of the 33rd Annual General Meeting. Being eligible, they offered themselves for re-appointment and the Board of Directors have recommended their appointment as auditors of the Company on the suggestion of the Audit Committee for the year ending June 30, 2021, at a fee to be mutually agreed.

**Related Party Transactions**

During the year, all transactions with related parties have been executed at arm's length, and detail of these transactions are disclosed in note 42 to the financial statements of the Company.

**Positions of the Chairman and Chief Executive Officer**

Separate incumbents hold positions of the Chairman of Board of Directors and Chief Executive Officer of the Company in compliance with good governance practices, and the Board has clearly defined the respective roles and responsibilities of Chairman and Chief Executive Officer.

**Roles and Responsibilities of Chairman**

Chairman of the Company represents the non-executive director of the Board, is responsible for providing effective leadership and directions to the Board during their proceedings. He is responsible for ensuring that the Board plays a significant role in fulfilling its responsibilities and making recommendations regarding the effectiveness of the Board in achieving the Company's objectives.

The Chairman has the authority to set agendas, sign the minutes of the board meetings, presiding as chairman at each AGM, acting as a liaison between management and the Board, coordinating with the committees to ensure its effective operations, managing conflict of interests and safeguarding the interest of shareholders in the Company. He also works closely with the chief executive officer and provides support for the management on major issues.

**Roles and Responsibilities of Chief Executive Officer**

Chief Executive Officer represents the executive director of Board at the Company and entrusts the powers of managing the affairs of the Company under all statutory obligations. He is responsible for the day to day management of the Company's affairs and execution of long- & short-term plans to increase shareholders' value.

The responsibilities include overseeing the overall business operations, build a corporate culture and ethical working environment, implementation of policies and strategies approved by the Board, regularly monitoring the financial results against plans and budgets to take necessary measures, ensuring compliance with laws & regulations, ensuring the effective functioning of the internal control system, safeguarding company's assets & resources. He is also responsible for business growth, identification of potential investment opportunities and to ensure the implementation of projects approved by the Board.

## Composition of the Board of Directors

The Board of Directors of the Company consist of seven (7) directors who encourage the representation of executive, non-executive and independent directors as well as gender diversity on its Board. The Board comprised of two independent directors (including one female director) who are also heading HR&R Committee and Audit Committee. The Independent directors provide their declaration of independence as per the criteria defined in the Companies Act 2017 to the Chairman of the Board. The Board members have appropriate core competencies, diversity, requisite skills, knowledge and experience to ensure the smooth business operations.

Composition of the Board of Directors as of June 30, 2020, is as follow:

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

## Board and its Committees

The Board of Directors performs the oversight function of corporate governance through well-structured and designated committees which take advantage of the expertise of all the directors and senior management. Policies and procedures have been adopted by the Board and its committees and integrated into the Company's corporate governance. The Board and its Committees play a pivotal role in risk management, strategic planning, periodic review of corporate policies and procedures, review of business risks to devises strategies to address those risks appropriately. The Company has formed the following committees to assist the Board and to comply with best practices of Code of Corporate Governance voluntarily:

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

## Audit Committee

The audit committee represents the Board of directors and is the central part of corporate governance. Audit Committee of the Company comprises of three members, and chairman of the committee is an Independent Director. Audit Committee ensures the transparency and accountability by focusing on risk matrix identifying the strategic, financial, regulatory and compliance risks of the Company. The risk matrix is periodically updated and used to address and devise the audit strategy to mitigate those risks while considering the efficiency and effectiveness of internal controls linked to them. The committee meets quarterly or as and when required basis.

Primarily the audit committee provides administration of the financial reporting process, the audit process, the Company's system of internal controls and compliance with laws & 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. Internal financial controls are well placed and working adequately. The Audit Department follows a risk-based approach in its audit plan, including compliance with relevant statutory requirements. The department, review legal matters which may significantly impact financial statements, all related party transactions, monitoring compliance with the best practices of corporate governance, and investigating any violations thereof.

The Audit Committee, before the approval of the Board, reviewed the Interim and Annual financial statements of the Company. Meetings of the committee were held as per terms of reference approved by Board and proper minutes of all the meetings were kept in the Company's records. Salient features of terms of reference of the Committee are included in the Audit Committee Report.

## Human Resource & Remuneration Committee

The Human Resource & Remuneration (HR & R) Committee performs its functions following the terms of reference as determined by the Board of Directors. The HR&R committee comprises of three members, and the chairman of the committee is an independent director. The Committee meets at least once annually or at such other frequency as the Chairman may determine. Proper minutes of the meeting of the committee was also kept and retained in the 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 while ensuring that these remain within the framework country's laws and regulations.
- Recommendation to the Board for consideration and approval of a policy framework for determining the remuneration of directors and members of senior management.
- Review and recommend the training & development and the succession planning for critical positions, including the role of the Chief Executive Officer.
- Review and recommendation on corporate objectives related to the human resources of the Company.
- Human resource management including review and recommendation, selection, evaluation and compensation (including retirement benefits) 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 independent external consultant.
- Review the audit observations, if any, raised by the internal/external auditors of the Company relating to HR management.
- 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 make recommendations to the Board for approval of new or revised salary structures and incentive plans.
- Review human resource development, organizational structure, code of conduct, ethics and recommend to the Board significant changes, if any.

## Nomination Committee

The Board of Directors of the Company have constituted a nomination committee consisting of four (04) members, including the chairman of the committee. The nomination committee is responsible for considering and making recommendations to the Board in respect of the Board committees and the chairmanship of the relevant committees.

The nomination committee is also responsible to regularly review the structure, size and composition of the Board and recommend to the Board concerning any necessary changes. The nomination committee performs its functions according to 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 comprising of three (03) members which comply with code of corporate governance. The committee identifies and proposes strategies to mitigate risks in accordance with a well-structured risk management process and carry out the review of the effectiveness of risk management procedures and present a report to the Board. The company deals in several currencies and multiple geographical locations; therefore, risk identification and mitigation are vital for long term sustainability. During the financial year, the committee performed its tasks exceptionally by identifying the risks that emerged due to COVID-19 and strategizing it on a timely basis.

Salient Features and Terms of Reference

- Review and monitoring 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 the Company's' risk framework and internal control system are appropriately disclosed in the Director's report.
- Review risk exposure and recommend the risk appetite of the Company board's approval and supervise the process to identify potential risks & their impacts and implement appropriate procedures to mitigate those risks.
- Review and recommend the Board design and implementation of risk management strategies along with the procedures to monitor the adequacy and effectiveness of those strategies.
- Recommend risk management policy for the approval of the Board of Directors.

Environment, Health and Safety (EHS)

The Company is devoted to act ethically and aims to embed sustainability in its business operations through compliance with all environmental standards at the production facility. The Company is committed to providing high standards of health and safety culture for its employees, customers, suppliers and other stakeholders. The EHS Committee is actively working to harmonize the Company's health & safety activities within the direction and framework provided by the Board. The committee also ensures the implementation of standard policies and procedures in place to monitor and control its greenhouse gases 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. It follows strict product and quality standards designed to ensure the safety and quality of each of its products and rigorously taking measures to continuously improve its health and safety environment across the entire system since its incorporation. The Company is also striving to meet environmental, health and safety practices and introducing products with low emissions and installing state of the art equipment for the protection of the environment and to control industry effluents. By the Company's vision of a sustainable environment installation of a 1MW solar grid has been started, significant water recycling and other initiatives were taken to move closer to zero waste objective. Furthermore, detailed EIA (environmental impact analysis) is also being performed for new spinning and weaving projects.

The Company holds Occupational Health and Safety (OSHAS) 18001:2007 certification. It gets its facility certified on its protocols which provides the Company with absolute comfort regarding standards of health and safety conditions at the facility. The Company has installed a wastewater treatment plant at its premises to mitigate harmful elements from wastewater to meet the National Environmental Quality Standard (NEQS) limits. The Company has partnered with the World Wide Fund (WWF) on green initiatives and invested in green energy projects to protect the environment by reducing environmental footprints. It will also contribute towards slowing down climatic change.

The Company has aligned its strategic objectives with the best local and international standards to ensure a sustainable and prosperous future. Further, effective firefighting system is also installed throughout the 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 the Company's published sustainability report.

Corporate Social Responsibility (CSR)

The Company is rigorously focused on investing in corporate social responsibility initiatives which include education, healthcare, social welfare, women empowerment 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 working in the best interest of its stakeholders. The Company believes in returning to the community by actively participating in various social initiatives.

During the financial year 2020, the Company has directed its efforts and resources for towards community on various corporate social responsibility causes. The Company has not only undertaken preventive action within the premises but also extended its full support by providing safety gear and financial support to the government and for prevention of viral spread. The Company has a proven history and track record of its strong commitment to work in the best interest of all the stakeholders, in particular the community where it operates and creates a positive impact for the people.

The significant portion of CSR funds goes to education and health sector. The Company has an MOU with LUMS to participate in their NOP (National Outreach Program). It is a regular donor of Chiniot Blood Bank and dialysis center and Lahore Institute of Health Sciences (LIHS). Further, the detailed analysis of CSR activities is presented in the published Sustainability Report of the Company.

Shares held by Sponsors / Directors / Executives

As at financial year-end, the total number of shares held by sponsors/directors are 240 million shares which constitute 100% of the Issued, subscribed & paid up share capital. Moreover, no shares are held by any executive of the Company.

The pattern of Shareholding as at June 30, 2020, is 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%

## Acknowledgements

We would also like to take this opportunity to express the appreciation for the services, loyalty, commitments and efforts being continuously rendered by the employees of the Company and expect the same in future.

The Board of Directors appreciate the continued support of the customers, suppliers, banks, financial institutions, regulators and shareholders and hope that this cooperation and support continues to grow in the future.

On behalf of the Board of Directors

  
Mr. Khurram Mukhtar  
Chief Executive Officer

  
Mr. Shoaib Mukhtar  
Director

## سپانسرز/ڈائریکٹرز/ایگزیکٹوز کے حصص

مالی سال کے آخر تک، سپانسرز/ڈائریکٹرز کے پاس جاری کردہ شیئرز کی تعداد 240 ملین ہے، جو ادا شدہ کیپٹل کا 100 فیصد ہیں۔ مزید یہ کہ کمپنی کے کسی ایگزیکٹو کے پاس کوئی شیئر نہیں ہیں۔  
30 جون ، 2020 کو شیئر ہولڈنگ کا پیٹرن، درج ذیل ہے۔

### شیئر ہولڈنگ

مجموعی حصص	تا	از	حصص یافتگان کی تعداد
4	500	1	2
1,996	1,000	501	2
1,744,624	1,744,700	1,744,601	1
1,883,904	1,884,000	1,883,901	1
236,369,472	59,092,400	59,092,001	4
<b>240,000,000</b>			<b>10</b>

فیصد	تعداد	حصص یافتگان کی تعداد	حصص یافتگان کی قسم
100%	240,000,000	10	ڈائریکٹرز ، چیف ایگزیکٹو آفیسر ، ڈائریکٹر کے رشتہ دار جن میں ان کے بچے اور شریک حیات شامل ہوں
<b>100%</b>	<b>240,000,000</b>	<b>10</b>	<b>مجموعہ</b>

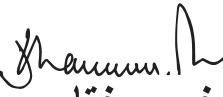
### اعتراف

ہم اس موقع پر کمپنی کے ملازمین کو انکی خدمات، وفاداری اور انتھک محنت پر خراج تحسین پیش کرنا چاہتے ہیں اور مستقبل میں بھی اسی جذبے کی توقع کریں گے۔

بورڈ اپنے صارفین، سپلائرز، بینکوں، مالیاتی اداروں، ریگولیٹرز اور حصص یافتگان کی مسلسل حمایت کو سراہتا ہے یں اور امید کرتا ہے کہ مستقبل میں بھی یہ تعاون جاری اور مزید بڑھتا رہے گا۔

بورڈ آف ڈائریکٹرز کی جانب سے

  
شعیب مختار  
ڈائریکٹر

  
خرم مختار  
چیف ایگزیکٹو آفیسر

بنیادی طور پر آڈٹ کمیٹی مالی رپورٹنگ کے عمل، آڈٹ کے عمل، کمپنی کے اندرونی کنٹرول کے نظام اور قوانین و ضوابط کی تعمیل کرتی ہے۔ کمیٹی اکاؤنٹنگ اور رپورٹنگ کے امور اور مالی بیانات پر حالیہ پیشہ ورانہ قواعد کے ممکنہ اثرات کا جائزہ لینے کے ساتھ ساتھ اندرونی مالی کنٹرول اور آپریشنل کنٹرول کے نظام کو بھی یقینی بناتی ہے۔ آڈٹ کاحکمہ قانونی تقاضوں کے مطابق اپنے آڈٹ پلان میں ( risk-based approach)کی پیروی کرتے ہوئے قانونی و مالی معاملات کا جائزہ، متعلقہ پارٹی سے تمام لین دین، کارپوریٹ گورننس کے بہترین طریقہ کار کی تعمیل کا جائزہ لے گااورکسی بھی خلاف ورزی کی تحقیقات پر نمایاں طور پر اثر انداز ہوسکتا ہے۔ بورڈ کی منظوری سے قبل کمیٹی اپنے اجلاس میں (جو بورڈ کے منظور شدہ ریفرنس کی شرائط کے مطابق ہوئے) کمپنی کے عبوری اور سالانہ رپورٹ کا جائزہ لیتی ہے۔ ان تمام میٹنگوں کے منٹ کمپنی کے ریکارڈ میں موجود ہیں۔ کمیٹی کے TORs نمایاں خصوصیات کے ساتھ آڈٹ کمیٹی رپورٹ میں شامل ہیں۔

### بیومن ریسورس اینڈ ریمونیشن کمیٹی

یہ کمیٹی بورڈ آف ڈائریکٹرز کے طے شدہ ریفرنس کی شرائط لحاظ سے پنے فرائض سرانجام دیتی ہے ایچ آر اینڈ آر کمیٹی تین ممبروں پر مشتمل ہے اور کمیٹی کا چیئرمین ایک آزاد ڈائریکٹر ہے۔ کمیٹی کے اجلاس سال میں کم سے کم ایک بار اس کے علاوہ کسی وقت چیئرمین کے بلاوہ پر منعقد کیا جاسکتاہے۔ کمیٹی کے اجلاس کے تمام منٹ بھی کمپنی کے ریکارڈ میں میں موجود ہیں۔

### نامزدگی کمیٹی

کمپنی کے بورڈ آف ڈائریکٹرز نے کمیٹی کے چیئرمین سمیت چار (04) ممبروں پر مشتمل نامزدگی کمیٹی تشکیل دی ہے۔ نامزدگی کمیٹی بورڈ کمیٹیوں اور متعلقہ کمیٹیوں کی صدارت کے سلسلے میں بورڈ کو سفارشات پر غور کرنے اور اس کی ذمہ داری عائد کرتی ہے۔ نامزدگی کمیٹی بورڈ کے ڈھانچے ، سائز اور تشکیل پر باقاعدگی سے جائزہ لینے اور کسی بھی ضروری تبدیلیوں سے متعلق بورڈ کو سفارش کرنے کی بھی ذمہ دار ہے۔ نامزدگی کمیٹی بورڈ آف ڈائریکٹرز کے ذریعہ منظور شدہ TOR کے مطابق اپنے فرائض سرانجام دیتی ہے۔

### حادثاتی مینجمنٹ کمیٹی

کارپوریٹ گورننس کے ضابطہ اخلاق کی تعمیل کرتے ہوئے بورڈ آف ڈائریکٹرز نے حادثاتی مینجمنٹ کمیٹی تشکیل دی ہے جو تین (03) ممبروں پر مشتمل ہے۔ کمیٹی رسک مینجمنٹ سسٹم کے مطابق خطرات کی نشاندہی اور ان کو کم کرنے کی حکمت عملی تجویز کرنے کے علاوہ اسکے موثر ہونے کا جائزہ لے کر بورڈ کو رپورٹ پیش کرتی ہے۔ کیونکہ کمپنی متعدد کرنسیوں اور متعدد جغرافیائی مقامات پر معاملت کرتی ہے لہذا، طویل مدتی استحکام کے لئے خطرے کی نشاندہی اور اسکے توڑ کی تجویز بہت ضروری ہے۔ مالی سال کے دوران ، کمیٹی نے COVID-19 کی وجہ سے پیدا ہونے والے خطرات کی ناصرف بروقت نشاندہی کی بلکہ اس کی حکمت عملی طے کرکے غیر معمولی طور پر اپنے فرائض انجام دیئے۔

### ماحولیات ، صحت اور حفاظت (EHS)

کمپنی اخلاقیات کے اصولوں پر کام کر نے کے لئے وقف ہے۔ اور اس کا مقصد اپنے کاروباری و پیداواری عمل پر تمام ماحولیاتی معیارات کی تعمیل کے ذریعے استحکام حاصل کرنا ہے۔ کمپنی اپنے ملازمین ، صارفین ، سپلائی کنندگان اور دیگر اسٹیک ہولڈرز کے لئے صحت اور حفاظت کی ثقافت کے اعلیٰ معیار کی فراہمی کے لئے پرعزم ہے۔ ای ایچ ایس کمیٹی بورڈ کی فراہم کردہ ہدایات کے تحت کمپنی کی صحت اور حفاظت کی سرگرمیوں کو ہم آہنگ کرنے کے لئے سرگرم عمل ہے۔ کمیٹی گرین ہاؤس گیسوں کے اخراج کی نگرانی اور ان پر قابو پانے کے لئے معیاری پالیسیاں اور طریقہ کار پر عمل درآمد کو بھی یقینی بناتی ہے ان تمام کارروائیوں کے لئے یہ اپنی سفارشات بورڈز سے منظور کرواتى ہے۔

کمپنی کی ٹیم(اپنے وجود سے) تندہی کے ساتھ اپنی مصنوعات اور متعلقہ سپلائی چین کے (life cycle) اور اسکی صحت اور حفاظت کا جائزہ لیتی ہے اور مصنوعات کی کوالٹی کو بہتر و یقینی بنانے کے لئے ڈیزائن کئے گئے معیار کی پیروی کرتی ہے۔ کمپنی ماحولیات، صحت اور حفاظت کے طریقوں کو پورا کرنے اور ماحول دوست اخراج والی مصنوعات کو متعارف کرانے اور ماحولیات کے تحفظ کے لئے ریاست کے تجویز کردہ صنعتی آلودگی کو روکنے کے جدید ترین آلات کی تنصیب کے لئے بھی کوشاں ہے۔ کمپنی وژن برائے پائیدار ماحول پر عمل پیرا ہوتے ہوئے ہم نے نا صرف ایک میگاواٹ کے سولر گرڈ کی تنصیب کی ہے بلکہ(zero waste) مقصد کے حصول کے لئے پانی کی ریسائیکلنگ و دیگر کئی اقدامات بھی کیے ہیں۔

کمپنی کے پاس پیشہ ورانہ صحت اور حفاظت 18001:2007 (OSHAS) کی سرٹیفیکیشن بھی ہے۔ یہ سرٹیفیکیٹ اس کمپنی کو ملتا ہے جو صحت اور حفاظت کے پروٹوکول کے معیار کے مطابق سہولیات فراہم کرتی ہے۔ کمپنی نے قومی ماحولیات کے معیار (NEQS) کے قواعد و ضوابط کو پورا کرتے ہوئے گندے پانی سے نقصان دہ عناصر کی تخفیف کے لئے اپنے احاطے میں گندے پانی کی صفائی کا پلانٹ لگایا ہے۔ کمپنی نے سبز اقدامات (green initiatives) پر ورلڈ وائڈ فنڈ (WWF) کے ساتھ شراکت کی ہے اور ماحولیاتی قدموں کے نشانات (environmental footprints) کو کم کرکے ماحول کی حفاظت کے لئے گرین انرجی منصوبوں میں سرمایہ کاری کی ہے جوموسمی تغیر کو کم کرنے میں بھی معاون ثابت ہوگی۔

پائیدار اور خوشحال مستقبل کو یقینی بنانے کے لئے کمپنی نے اپنے اسٹریٹجک مقاصد کی تشکیل سازی بہترین مقامی اور بین الاقوامی معیار کے مطابق کی ہے۔ مزید یہ تمام پروڈکشن ایریاز میں فائر فائٹنگ کا موثر نظام بھی انسٹال کیاجاتا ہے، اور کسی بھی ہنگامی صورتحال سے نمٹنے کے لئے ملازمین اور عملہ کی تربیت کے لئے فائر فائٹنگ کی مشقیں وقتا فوقتاکی جاتی ہیں۔اس کے علاوہ، کمپنی نے ماحولیات، صحت اور حفاظت کی خاطر متعدد اقدامات اٹھائے اور متعدد سرٹیفیکیٹ بھی حاصل کیے، جن کی تفصیل کمپنی کی شائع کردہ استحکام رپورٹ میں درج ہے۔

### فلاحی سماجی ذمہ داری (CSR)

کمپنی کارپوریٹ سماجی ذمہ داری کے اقدامات میں سرمایہ کاری پر سختی سے کار بندہے۔ان سماجی ذمہ داریوں میں تعلیم، صحت کی دیکھ بھال، سماجی بہبود، خواتین کو باختیاربنانااور ماحولیاتی تحفظ شامل ہیں۔ 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 جواپنے اسٹیک ہولڈرز کے بہترین مفاد میں کام کرنے کے لئے پرعزم ہے۔ کمپنی مختلف معاشرتی اقدامات میں بڑھ چڑھ کر حصہ لے کر کمیونٹی میں مخصوص مقام حاصل کرنے پر یقین رکھتی ہے۔

مالی سال 2020 کے دوران ، کمپنی نے اپنے وسائل کو کمیونٹی کی مختلف سماجی ذمہ داریاں سے عہدہ براں ہونے کے لئے استعمال کرنے کی ہدایت کی ہے۔ کمپنی نے نہ صرف اپنی حدود میں وائرل کے پھیلاؤ کی روک تھام کے احتیاطی اقدامات کئے ہیں بلکہ سیفٹی گیئر اور مالی مدد فراہم کرکے حکومت کے ساتھ بھی مکمل تعاون کیا ہے۔ کمپنی، جہاں وہ کام کرتی ہے وہاں اور دیگر تمام اسٹیک ہولڈرز کے بہترین مفاد میں کام کرنے کا بہت عمدہ ٹریک ریکارڈ رکھتی ہے۔

سی ایس آر فنڈز کا اہم حصہ تعلیم اور صحت کے شعبے میں خرچ ہوتا ہے۔ کمپنی نے نیشنل آؤٹ ریچ پروگرام میں حصہ لینے کے لئے LUMS کے ساتھ ایک یاد داشت پر دستخط کیئے ہیں۔ یہ چنیوٹ بلڈ بینک اور ڈائلیسیس سنٹر اور لاہور انسٹی ٹیوٹ آف ہیلتھ سائنسز (LIHS) کا باقاعدہ ڈونر ہے۔ مزید ، سی ایس آر کی سرگرمیوں کا تفصیلی تجزیہ کمپنی کی شائع شدہ استحکام رپورٹ میں دیکھا جاسکتا ہے۔

## متعلقہ پارٹی سے کاروبار

دوران سال، متعلقہ پارٹیوں کے ساتھ تمام لین دین کو (arm's length) پر عمل میں لایا گیا ہے، اور ان سودوں کی تفصیل کمپنی کے مالی بیانات کے نوٹ 42 میں ظاہر کی گئی ہے۔

## چیئرمین اور چیف ایگزیکٹو آفیسر کے عہدے

حکومت کی (good governance practices)کی تعمیل میں چیئرمین بورڈ آف ڈائریکٹرز اور چیف ایگزیکٹو آفیسر کے عہدوں پر الگ الگ افراد ذمہ داریاں سرانجام دے رہے ہیں، اور بورڈ نے چیئرمین اور چیف ایگزیکٹو آفیسر کے متعلقہ کردار اور ذمہ داریوں کی واضح وضاحت کی ہے۔

## چیئرمین کے کردار اور ذمہ داریاں

کمپنی کا چیئرمین بورڈ کے غیر افسر اعلیٰ ڈائریکٹر میں سے ہے، وہ بورڈ کی کارروائی کے دوران بورڈ کی موثر قیادت اور ہدایات فراہم کرنے کا ذمہ دار ہے۔ وہ اس بات کو یقینی بناتا ہے کہ بورڈ اپنی ذمہ داریوں کو پورا کرنے اور کمپنی کے مقاصد کے حصول کے لئے موثر سفارشات پیش کرنے میں نمایاں کردار ادا کر رہا ہے ۔

کمپنی میں حصص یافتگان کے مفادہ کے تحفظ کی خاطر صدر کے پاس نظام العمل طے کرنے، بورڈ کے اجلاسوں کے منٹ پر دستخط کرنے، ہر AGM میں چیئرمین کی حیثیت سے صدارت کرنے، انتظامیہ اور بورڈ کے مابین رابطے کی حیثیت سے کام کرنے، کمیٹیوں کے ساتھ ہم آہنگی پیدا کرنے، اس کے موثر کاروائیوں کو یقینی بنانے، مفادات کے تنازعے کو سنبھالنے اور تحفظ فراہم کرنے کا اختیار ہے۔ وہ چیف ایگزیکٹو آفیسر کے ساتھ مل کر بھی کام کرتا ہے اور بڑے امور پر انتظامیہ کی مدد کرتا ہے۔

## چیف ایگزیکٹو آفیسر کاکردار اور ذمہ داریاں

چیف ایگزیکٹو آفیسر کمپنی میں بورڈ کے ایگزیکٹو ڈائریکٹر کی نمائندگی کرتے ہیں اور مروجہ قوانین کے تحت کمپنی کے امور سرانجام دیتے ہیں۔ وہ کمپنی کے یومیہ انتظام و معاملات اور حصص یافتگان کی سرمایہ کاری کی قدر میں اضافے کے لئے طویل مدتی/قلیل مدتی منصوبوں پر عملدرآمد کا ذمہ دار ہے۔

چیف ایگزیکٹو آفیسر کی ذمہ داریوں میں مجموعی کاروباری کی نگرانی، کارپوریٹ کلچر اور اخلاقیات کا ماحول تیار کرنا، بورڈ کے ذریعہ پالیسیوں اور حکمت عملیوں پر عمل درآمد، منصوبہ سازی اور بجٹ کے مالی نتائج کی باقاعدگی سے نگرانی کرنا، موثر داخلی کنٹرول، کمپنی کے اثاثوں اور وسائل کی حفاظت، قوانین اور ضوابط کی تعمیل یقینی بنانا شامل ہیں۔ وہ کاروبار میں اضافہ، سرمایہ کاری کے مواقع کی نشاندہی اور بورڈ کے منظور شدہ منصوبوں پر عمل درآمد کو یقینی بنانے کا بھی ذمہ دار ہے۔

## بورڈ آف ڈائریکٹرز کی تشکیل

کمپنی کا بورڈ آف ڈائریکٹرز سات (7) ڈائریکٹرز پر مشتمل ہے جو کہ ایگزیکٹو، غیر ایگزیکٹو اور آزاد ڈائریکٹرز کے ساتھ ساتھ صنفی نمائندگی بھی شامل ہے۔ بورڈ میں ایک خاتون ڈائریکٹر سمیت دو آزاد ڈائریکٹرز بھی شامل ہیں جو انسانی وسائل کے شعبہ کی کمیٹی اور آڈٹ کمیٹی کے سربراہ بھی ہیں۔ آزاد ڈائریکٹر نے بورڈ کے چیئرمین کو کمپنیز ایکٹ 2017 میں (declaration of independence) کا بیان فراہم کیا ہے۔

شاندار کاروباری عمل کو یقینی بنانے کے لئے بورڈ کے ممبران کے پاس مناسب بنیادی قابلیت، تنوع، مطلوبہ مہارت، علم اور تجربہ موجود ہے۔

30 جون 2020 کو بورڈ آف ڈائریکٹرز کی تشکیل مندرجہ ذیل ہے۔

- مختار احمد (چیئرمین)
- خرم مختار (سی ای او)
- شعیب مختار
- حامد مختار
- اویس مختار
- سید احمد اشرف (آزاد ڈائریکٹر)
- ملیحہ ہمایوں بنگش (آزاد ڈائریکٹر)

## بورڈ اور اس کی کمیٹیاں

بورڈ آف ڈائریکٹرز کمپنی کے کاروباری امور کی نگرانی کا کام (کارپوریٹ حاکمہ کے تحت) تمام ڈائریکٹرز اور سینئر مینجمنٹ کی مہارت سے فائدہ اٹھاتے ہوئے اچھی طرح سے منظم اور نامزد کمیٹیوں کے ذریعہ انجام دیتا ہے۔

کمپنی کی کارپوریٹ گورننس کے تحت بورڈ اور اس کی کمیٹیوں نے پالیسیاں اور طریقہ کار منظور کئے ہیں۔ بورڈ اور اس کی کمیٹیوں کی ذمہ داریوں میں رسک مینجمنٹ، اسٹریٹجک پلاننگ، کارپوریٹ پالیسیوں اور طریقہ کار کا وقتاً فوقتاً جائزہ، کاروباری خطرات کا جائزہ، ان خطرات سے مناسب طور پر نمٹنے کے لئے حکمت عملی تیار کرنا شامل ہیں۔ کمپنی نے بورڈ کی مدد، رضاکارانہ کارپوریٹ گورننس کے نفاذ اور بہترین طریقہ کاروں پر عمل درآمد کے لئے درج ذیل کمیٹیاں تشکیل دی ہیں۔

- آڈٹ کمیٹی
- انسانی وسائل اور معاوضہ (HR&R) کمیٹی
- رسک مینجمنٹ کمیٹی
- نامزدگی (Nomination) کمیٹی

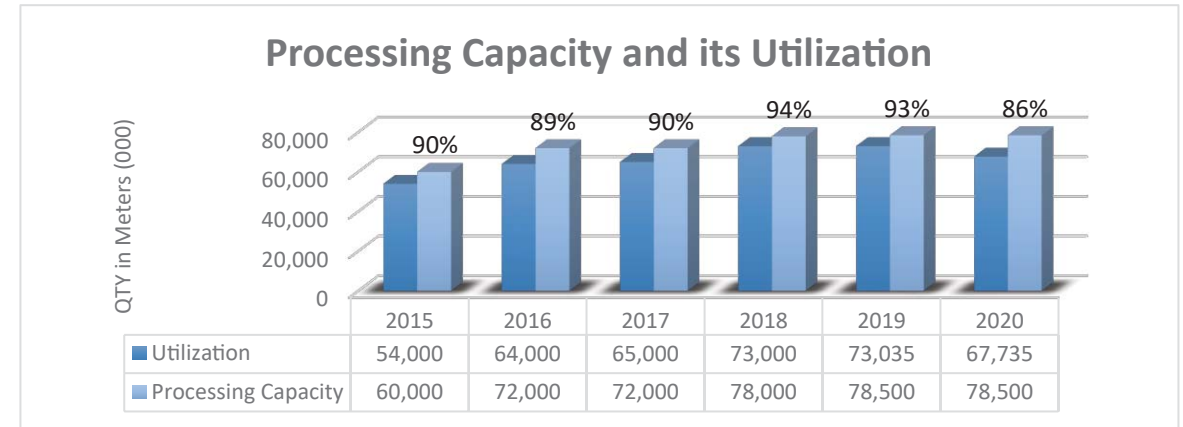
## آڈٹ کمیٹی

اور کارپوریٹ گورننس کے تحت آڈٹ کمیٹی بورڈ آف ڈائریکٹرز کی نمائندگی کرتی ہے جو کہ تین ممبروں پر مشتمل ہے، اور کمیٹی کا چیئرمین ایک آزاد ڈائریکٹر ہے۔ آڈٹ کمیٹی کمپنی کی حکمت عملی، مالی، ریگولیٹری اور تعمیل کے خطرات کی نشاندہی کرنے والے رسک سانچہ پر توجہ مرکوز کرکے شفافیت اور احتساب کو یقینی بناتی ہے۔ رسک سانچہ وقتاً فوقتاً اپ ڈیٹ ہوتا ہے اور خطرات کو کم کرنے، آڈٹ کی حکمت عملی، داخلی کنٹرول اور موثر کارکردگی پر غور کے لئے استعمال ہوتا ہے۔ کمیٹی کی میٹنگز کا انعقاد سہ ماہی بنیاد پر یا حسب ضرورت ہوتا ہے۔

فنانسنگ کے ساتھ ساتھ عمارت ، پلانٹ، مشینری (BMR) اور پیداواری صلاحیت میں اضافہ کے جدید ترین نظاموں میں مزید سرمایہ کاری کی ہے مالی سال کے دوران کمپنی کے کاروبار کی نوعیت کے حوالے سے کوئی اور قابل ذکر تبدیلیاں رونما نہیں ہوئی ہیں۔

آنے والے برسوں میں کاروبار کے خاطر خواہ مواقعوں کے ساتھ ایک تیز معاشی بحالی کی توقع کی جارہی ہے ، اور اسی وجہ سے ہماری پیداواری سہولت اور افرادی قوت سبھی اس موقع سے فائدہ اٹھانے کے لئے تیار ہیں۔ کمپنی نے آئندہ مالی سالوں کے لئے اپنی نمو اور کاروباری منصوبہ بندی بھی مرتب کی ہے جس میں پیداواری صلاحیتوں میں اضافہ ، نئے منصوبوں جیسے بنائی اور ( Spinning, weaving) میں سرمایہ کاری اور نئی مارکیٹوں کی تلاش بھی شامل ہے۔ منصوبہ بند سرمایہ کاری کے لئے ، بورڈ آف ڈائریکٹر ممکنہ منصوبوں کے لئے فنانسنگ مکس کے مطلوبہ ایکوئٹی حصے کو پورا کرنے کے لئے مستقبل میں ابتدائی عوامی پیش کش (IPO) کرنے کی تجویز کا جائزہ لے رہا ہے۔

پروسیسنگ کا موازنہ، استعداد و استعمال 30 جون، 2020 کو ختم ہونے سال اور گذشتہ برسوں کے ساتھ ذیل میں پیش کیا گیا ہے۔



مزید برآں بناوٹ کے تبدلول، ہوزری (Conversion) اور ہوزری پروسیسنگ یونٹوں کی سالانہ پیداواری گنجائش 3.64 ملین کلوگرام بے ملبوسات ڈویژن کی صلاحیت کو بڑھانے کے لئے (Capex) کی اہم سرمایہ کاری بھی کی گئی تھی۔ اور یہ کہ نئی سرمایہ کاری بھی متوقع ہے اور اس طرح سے آنے والے سالوں میں کمپنی کے منافع میں بہتری آئے گی۔

## بہترین کارپوریٹ اور استحکام رپورٹ ایوارڈ

بورڈ آف ڈائریکٹرز نے معیار، درستگی اور تکمیل پر خصوصی توجہ دی ہے۔ کمپنی کی جانب سے مالی بیانات (financial statements) اور دیگر معلومات سالانہ اور استحکام رپورٹ میں شائع کی جارہی ہیں تاکہ اس کی رپورٹنگ میں پیشہ ورانہ فضیلت حاصل کی جاسکے۔ کمپنی کی سالانہ رپورٹ نے ٹیکسٹائل کے شعبے میں پہلی پوزیشن حاصل کی اور ٹیکسٹائل سیکٹر میں "بہترین سالانہ رپورٹ 2019" کا فاتح قرار دیا گیا۔ کمپنی نے (ICMA & ICAP) کے مقابلہ "استحکام رپورٹ 2019" میں بھی پورے پاکستان میں تیسری پوزیشن حاصل کی۔

## موثر اندرونی کنٹرول

گڈ گورننس کے لئے کمپنی کے موثر اندرونی کنٹرولز نے تمام شعبہ جات میں اندرونی موثر کنٹرولز سسٹم قائم کر دیئے ہیں۔ آڈٹ کمیٹی کمپنی کے داخلی کنٹرول کے نظام کا جائزہ لیتی ہے تاکہ یہ یقینی بنایا جاسکے کہ نظام موجود ہے جو کہ کمپنی کے اثاثوں کی حفاظت، غلطی یا دھوکہ دہی کی روک تھام، قوانین و ضوابط کی تعمیل کو یقینی بناتا ہے۔ داخلی آڈٹ کا محکمہ کارپوریٹ گورننس، رسک مینجمنٹ اور کنٹرول کے موثر ہونے کے بارے میں اپنی آزادانہ رائے فراہم کرتا ہے جبکہ براہ راست آڈٹ کمیٹی کو اطلاع دیتے ہیں۔ کمپنی نے ایک مضبوط

کارپوریٹ گورننس کا نظام تشکیل دیا ہوا ہے، جو داخلی طور پر تیار کردہ ضابطہ اخلاق ، پالیسیاں اور طریقہ کار پر مشتمل ہے ، اور صنعت کے بہترین دستیاب گورننس طریقوں کے ساتھ ہم آہنگ ہے

### منافع منقسم

بورڈ آف ڈائریکٹرز نے 30 جون 2020 کو ختم ہونے والے مالی سال کے لئے 2.5 فیصد کی شرح سے ، یعنی 0.25 روپے فی حصص، حتمی منافع منقسم کی سفارش کی ہے جو کہ آئندہ سالانہ عام اجلاس میں حصص یافتگان کی منظوری سے مشروط ہے ۔ بورڈ نے 2.5 فیصد بونس شیئرز جاری کرنے کی بھی سفارش کی ہے، یعنی ہر موجودہ 100 حصص کے برخلاف 2.5 نئے حصص کا اجرا ہوگا ۔

## پاکستان کی معیشت اور قومی خزانہ میں تعاون

مالی سال 2020 کے دوران ، کمپنی نے تقریباً 256.8 ملین (2019: 181 ملین) روپے قومی خزانہ میں انکم ٹیکس اور سیلز ٹیکس کی مد میں جمع کروایا ہے۔ تقریباً 128 ملین امریکی ڈالر (2019: 150 ملین) کی مساوی غیر ملکی کرنسی کی آمدنی حاصل کرکے کمپنی نے پاکستان کی معیشت میں بھی حصہ ڈالا ہے۔ مزید یہ کہ سال کے دوران اہم معاشی شراکت میں 6,900 سے زیادہ ملازمین کو روزگار معاوضہ اور فوائد کے ساتھ 2,120 ملین روپے کی فراہمی بھی شامل ہے ،(2019: 1785 ملین روپے)

## ما بعد واقعات

کمپنی کے بورڈ آف ڈائریکٹرز نے 6 نومبر 2020 کو منعقدہ اجلاس میں ،0.25 روپے کے منقسم منافع کی تجویز پیش کی ہے ۔اس کے علاو ہ 30 جون 2020 کو ختم ہونے والے مالی سال کے لئے ہر 100 حصص کے لئے 2.5 نئے بونس حصص بھی دیئے جائیں گے ۔ تاہم اس پروگرام کو 'IAS-1' رپورٹنگ پیریڈ کے بعد کے واقعات کے تحت غیر ایڈجسٹ کرنے والے پروگرام کے طور پر سمجھا جاتا ہے اور ان مالی بیانات میں ان کو تسلیم نہیں کیا گیا ہے۔

یہاں کوئی اور مادی تبدیلیاں نہیں ہیں ،جن سے کمپنی کے مالی سال کے اختتام اور آڈیٹر کی رپورٹ کی تاریخ کے درمیان کمپنی کی مالی حیثیت متاثر ہوتی ہو۔

## مالیاتی گوشوارے

چیف ایگزیکٹو آفیسر اور ایک ڈائریکٹر نے بورڈ کی منظوری کے بعد کمپنی کے مالی سال 2020 کے مالی بیانات کی توثیق کی ہے۔ آڈیٹرز، ای وائی فورڈ روڈس، چارٹرڈ اکاؤنٹنٹس نے مالی بیانات کا آڈٹ کیا اور مالی بیانات پر غیر ترمیم شدہ، اطمینان بخش رائے کا اظہار کیا۔

## آڈیٹر

موجودہ آڈیٹر ای وائی فورڈ روڈس ، چارٹرڈ اکاؤنٹنٹس، 33 ویں سالانہ جنرل اجلاس کے اختتام پر ریٹائرڈ ہو جائیں گے، اہل ہونے کے ناطے، انہوں نے اپنی خدمات دوبارہ تقرری کے لئے پیش کیا اور بورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والے سال کے لئے آڈٹ کمیٹی کی تجویز پر کمپنی کے آڈیٹر کی حیثیت سے باہمی اتفاق رائے طے شدہ اعزازیہ پران کی تقرری کی سفارش کی ہے۔

# ڈائریکٹرز رپورٹ

صداقت لمیٹڈ کے ڈائریکٹرز 30 جون 2020 کو ختم ہونے والے مالی سال کے لئے کمپنی کی آڈٹ شدہ سالانہ رپورٹ و گوشوارہ پیش کرنے پر خوشی محسوس کرتے ہیں۔

## مالی کارکردگی کا جائزہ

مالی سال 2020 کا آغاز آمدنی میں اضافے اور بلندمنافع کے ساتھ ہوا۔ مالی سال 2020 کی پہلی ششماہی کے دوران، کمپنی نے بہتر کارکردگی کا مظاہرہ کیا اور 24 بلین روپے کی فروخت کے ہدف کو پورا کرنے کے لئے اپنی وصولیوں کو نمایاں طور پر بڑھایا۔ تاہم، مالی سال 2020 کے اگلے چھ ماہ کے دوران وبائی مرض کرونا کی وجہ سے عالمی معیشت میں آپریشنل رکاوٹوں نے کمپنی کی ترقی کی رفتار کو بہت بری طرح متاثر کیا۔

بہر حال ، کمپنی نے تیزی سے رسک کی شناخت کے طریقہ کار ، جامع اسٹریٹجک منصوبہ بندی اور قومی اور بین الاقوامی حکام کی تجویز کردہ ایس او پیز کے نفاذ کے ذریعہ وبائی امراض کے اثرات پر قابو پانے میں کامیابی حاصل کی۔ ایک مشکل ماحول میں کام کرتے ہوئے ، کمپنی نے اپنے مارکیٹ شیئر کو برقرار رکھنے کے لئے اپنے کسٹمر بیس میں اضافہ کیا ہے ، اور مالی استحکام کو یقینی بنانے کے لئے قیمت پر قابو پانے کے موثر اقدامات کیے گئے ہیں۔COVID-19 وبائی مرض کے بحران نے کمپنی کی صلاحیت، قائدانہ صلاحیت اور استحکام کو آزمایا کیونکہ اس طرح کی صورتحال صدیوں میں واقع ہو تی ہے۔

بورڈ آف ڈائریکٹرز اور ایگزیکٹو مینجمنٹ نے خطرات پر قابو پانے کے موثر اقدامات کیے ، اور بحران پر قابو پانے کے لئے موثر حکمت عملی تیار کی۔ کمپنی نے اپنی مصنوعات کی فہرست میں اضافہ کیا اور سخت کریڈٹ کنٹرول کی پالیسیوں کو نافذ کیا۔ کمپنی نے حصص یافتگان کی قدر کو زیادہ سے زیادہ کرنے کے لئے پیداواری ڈھانچے ، انسانی وسائل کی ترقی میں نمایاں سرمایہ کاری کی۔

## مالیاتی کارکردگی

گذشتہ سال کے مقابلے میں 30 جون ، 2020 کو ختم ہونے والے مالی سال کے لئے کمپنی کی مالیاتی کارکردگی کا خلاصہ۔

مثبت / (منفی) %	2019	2020	تفصیلات
	Rs. in Millions	Rs. in Millions	
	روپے ملین میں	روپے ملین میں	
2.1%	19,618	20,035	آمدنی - صافی Revenue – net
19.4%	2,769	3,307	خام منافع Gross Profit
(86) %	1,123	159	دیگر آمدنی Other Income
(48) %	639	944	تمویلی لاگت Finance Cost
(52) %	1,501	718	منافع قبل از ٹیکس Profit before Taxation
(62) %	1,333	511	بعد از ٹیکس منافع Profit after Taxation
(62) %	5.55	2.13	فی حصص آمدنی (روپے) EPS (Rs.)

مالی سال 2020 کے نتائج میں گذشتہ سال کے مقابلہ میں بالترتیب 2.1 فیصد اضافہ خالص وصولی میں اور 19.4 فیصد مجموعی منافع میں اضافہ ہوا ہے۔ تاہم ، خام مال کی قیمت، مالیات کی لاگت میں اضافہ، زر مبادلہ کی شرح میں کم اتار چڑھاؤ ، متواتر لاگت میں اضافے،

آپریشنل رکاوٹوں اور سال کی آخری سہ ماہی سے متعلق موخر شد ہ آرڈر کی وجہ سے پچھلے سال کے مقابلہ میں خالص منافع میں کمی آئی ہے۔ مالیاتی سال کے دوران کیے جانے والے موثر اقدامات کی وجہ سے کمپنی اپنے منافع کے عمل کو برقرار رکھتے ہوئے 511 ملین روپے کا خالص منافع حاصل کیا۔ کمپنی کی توسیع کیلئے طویل مدتی قرضوں اور ورکنگ کیپٹل کی بڑھتی ہوئی ضروریات کو پورا کرنے کے لئے مختصر مدت کے قرضوں میں اضافہ کی وجہ سے فنانس لاگت میں بھی قابل ذکر اضافہ ہوا ہے۔ نتیجتا اس سال کمزور فی حصص آمدنی 2.13 روپے رپی (2019: فی حصص آمدنی 5.55 روپے)؛ تاہم ، انتظامیہ آنے والے سالوں میں بہتر کارکردگی اور منافع کی توقع کر رہی ہے۔

مالی سال 2020 میں activity ratio میں بہتری دیکھنے میں آئی ہے کیونکہ 92 receivable days دن سے گھٹ کر 55 دن رہ گئے ہیں۔ جب کہ دوسری طرف قرض دہندگان کو ادائیگی کی مدت 63 دن سے کم کر کہ55 دن کردی گئی ہے۔آخری سہ ماہی میں موخر شد ہ آرڈر کی وجہ سے انوینٹری کے انعقاد کی مدت 89 دن سے بڑھ کر 102 ہوگئی ہے ۔ تاہم ، قرض دہندگان(creditors)اور مقروض (debtors) کے دنوں میں اسی طرح کے اتار چڑھاو کی وجہ سے پچھلے مالی سال کے مقابلہ میں مجموعی طور پر نقد سائیکل (cash cycle)میں کمی واقع ہوئی ہے۔

موجودہ تناسب اور مائع تناسب (current ratio and liquid ratios) بالترتیب 0.99: 1 اور 0.54: 1 تھا۔ liquidity آؤٹ لک بہت مناسب ہے کیونکہ کمپنی کے پاس 30 جون 2020 کو 409.5 ملین روپے کیش اینڈ بینک بیلنس ہے۔ مزید یہ کہ ، سال کے دوران آپریشن سے فروخت تک نقد بہاؤ (cash flow) میں بھی بہتری آئی ہے ، اور کمپنی اپنے تمام قرضے بروقت اداکرنے میں کامیاب رہی ہے اور کمپنی نے قرض کی ادائیگی میں کسی جگہ default نہیں کیا۔ مزید یہ کہ کمپنی نے COVID-19 کے اثرات کو کم کرنے کے لئے اسٹیٹ بینک کے ذریعہ کارپوریٹ سیکٹروں کو پیش کردہ deferment options کو استعمال کرنے کا فائدہ نہیں اٹھایا۔

## آپریٹنگ کارکردگی

کمپنی اپنے کاروبار میں مسلسل توسیع کے لئے پرعزم ہے اور کمپنی تنوع اور diversification and backward integration کے ذریعہ اسٹریٹجک مقاصد حاصل کرتی ہے۔ کمپنی کی توجہ نئی منڈیوں کی تلاش کر کہ اپنے اسٹیک ہولڈرز کی قدر (value)بڑھانے پر مرکوز ہے ، جو ہماری بنیادی قابلیت کے ساتھ ہم آہنگ ہے۔ مالی سال کے دوران ، کمپنی نے اپنے بنائی (knitting) یونٹ کے استعداد کار کو بہتر بنایا اور اپنے گارمنٹس یونٹ کی پیداواری صلاحیت میں اضافہ کیا ہے۔ ہم آنے والے مالی سالوں میں گارمنٹس کے حصے میں اضافہ اور بلندمنافع کی قوی امید کر رہے ہیں۔ہمارا بنیادی مقصد ٹیکسٹائل کی چھتری کے اندر رہتے ہوئے ہو اسٹریٹجک اہداف کاحصول، خطرے کے پورٹ فولیو کانتوع اور نئی کاروباری راہوں کی تلاش ہے۔

مزید یہ کہ کمپنی پسماندہ انضمام(backward integration) کے دیگر راستوں کی بھی منتظر ہے جو ٹیکسٹائل کی چھتری میں توسیع کی وجہ سے انتظامی،آپریشنل اور مارکیٹنگ میں مطابقت پذیری کی اجازت دے گی اور یہ کمپنی کو لاگت پر قابو پانے ، منافع کو بہتر بنانے کے مقاصد حاصل کرنے میں مددگار ہوگی ۔ مالی شرائط کی فراہمی کے دوران ، کمپنی اپنے کارپوریٹ کلچر میں سرایت شدہ پائیداری پر بھی فوکس کرتی ہے اور ان کاروائیوں کے معاشی ، ماحولیاتی اور معاشرتی اثرات کاجائز ہ لیتی ہے۔

کمپنی مستقل کاروباری کارکردگی کے ذریعے اپنے اسٹیک ہولڈرز کی قدر میناضافے کے لئے پرعزم ہے۔ کمپنی اپنے لچکدار کاروباری ماڈل کے ذریعہ اخلاقی طرز عمل کو بھی یقینی بناتی ہے جو کمپنی کو پیداواری صلاحیت اور اس کے استعمال، مصنوعات کے معیار ، جدید ڈھانچے، اصل ماحول، مالی رپورٹنگ کے معیار، ریگولیٹری فریم ورک کی تعمیل کے لحاظ سے اپنے حلقہ میں (بشمول معاشرتی اور ماحولیاتی قوانین اور ضوابط) تقابلی برتری مہیا کرتی ہے ۔ مالی سال 2020 کے دوران، کمپنی نے جامع حادثا تی مینجمنٹ اور موثر

# Code of Conduct – Company Policies

**Code of conduct of the Company is based on the principles of honesty, integrity, truthfulness and professional behavior. Directors and employees are expected to uphold highest standards of ethical behavior in all aspects of business conduct. Code of conduct is also used as a guiding document in decision making process. The Company policies are applicable to all employees of the head office and factory.**

## 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 and Company secretary is responsible for all the matters regarding security clearance.

## Conflict of Interest

A conflict of interest emerges when one has to choose between the self-interest and fiduciary interest. The code of conduct delegates the responsibility for prevention of conflict of interest to individuals to ensure full compliance and elimination. A formal code of conduct and anti-corruption mechanisms is in place to govern conflict of interest at Board and executive management level.

The policy provides guidance on what constitutes a conflict of interest and how it will be managed and monitored by the Company. The policy also aims at providing a framework for all Board Members to disclose actual and perceived conflicts of interest. 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.



## Investors' Grievance Policy

The Company has a well-established, transparent, easier and simpler grievance redressal mechanism. The objective of grievance handling is to safeguard the interest of investors / shareholders. The Company has a dedicated investor relation resource along with contact details which are publicly available at the Company's website to ensure easy access. All grievances are discussed in the presence of all directors including CEO, Chairman and CFO, a collective solution is formed after mutual discussion. Throughout the process the grievance is handled with efficiency, courtesy, fairness and resolved within reasonable time at an appropriate level, besides necessary steps are taken to prevent recurrence.

## Safety of Records and IT Governance

The Company has an IT Governance and Safety of Records Policy in place providing guidance and governance over storage access to information. The policy ensures if records are accurately created, maintained, easily accessible 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 purpose of the policy is to ensure the preservation of company's records of significant value for periods exceeding the legally stipulated timeframe in an efficient and secure manner along with easy retrieval of data when required. Proper procedures are in place to take back up of all-important electronic records / data on reasonable time intervals. 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 operational & strategic objectives to increase shareholders value and coordinate enterprise IT planning efforts and strategies for most effective use of resources.

## Whistle Blowing Mechanism

The company follows a well-defined whistle blowing policy to ensure business matters progress lawfully, ethically and with integrity. Rightful concerns of employees can be reported safely and anonymously. Any evidence or suspicion of any unethical or unlawful activity, damage to environment, any offence or injustice, non-compliance with applicable regulatory requirements or company policies can be reported in complete confidentiality. To win the battle against corruption and any unethical /unlawful activity the management adapts both top-down and a bottom-up communication approach. By guaranteeing potential whistle-blowers that they can act without fear of vengeance, the Company is one step closer in eradicating corruption.

## Incidents reported during the year

During the FY-2020, 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.

## Human Resource Policies

### Compensation, Benefits & Succession Planning

The Company provides compensation and benefits to all the employees as per Company's policy and law of land. The company attract and hire experienced & talented people at all levels and provide market competitive compensation & benefits. Further, adequate compensation is paid for overtime hours working against festival holidays. The Company also facilitates its employees with legal benefits like social security, group insurance, old-age benefits, bonus, annual leaves, and maternity leaves.

The Company has inked a formal document for succession planning of key employees as the company firmly believes in the continuous growth and development of its existing employees to ensure that competent resources are available in each department. The HR policies are updated on periodic basis in line with the company's requirements and its strategic objectives.

Health & Safety

The Company has strong commitment to provide employees with safe and healthy working environment including provision of hygienic water, clean and unpolluted air, adequate lighting, firefighting arrangements in case of emergency, first aid and emergency equipment. The company conducts various drills / trainings on frequent basis to improve consciousness and for safety of employees. The company also provides comprehensive health insurance coverage to all its employees along with their dependents as per predefined limits.

Social and Environmental Responsibility

The Company has integrated environment, health and safety policy in place along with Environment, Health, and Safety Committee which is working under the supervision of Board. The purpose of this policy is to ensure that business operations of the company does not have any adverse effect on the society and environment. 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 company contributes to various social and charitable causes including health and education.

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. The company has also aligned its strategic objectives, policies and procedures in line with its EHS policy to embed sustainability in the business operations and to ensure prosperous future.

Corporate Social Responsibility (CSR) Policy

Management recognizes the importance of integrating its values and business operations to meet the interests and expectations of all stakeholders including investors, employees, customers and suppliers or vendors as well as the community and environment in which the business operates. 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 socially responsible business.

The Company 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 uplift 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 Labor Policy

The Company does not employ any person below the age of eighteen years at its workplace. The Company strictly prohibits the use of child labor and forced or compulsory labor at its facility. No employee is forced to work against his/her will or work as bonded/- forced labor, 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 the business makes to the people and local communities.

Diversity Policy

The Company, 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 firefighting system is installed throughout the 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.

Policy of retention of Board fee by the Executive Directors

The company does not have any policy that requires retention of meeting fee earned by executive director against his services as non-executive director in other companies.

Policy on Non-Executive and Independent Directors' Remuneration

Directors remuneration has been ascertained in line with the legal requirements, thus non-executive and independent directors are entitled to remuneration for attending Board and Committee meetings and are also entitled to reimbursement of expenses including travelling and lodging expenses incurred. In order to adhere the relevant legal requirements, the policy for remuneration of non-executive and independent directors has been approved by the Board of Directors. Human resource and remuneration committee has been authorized by the Board to design and oversee the implementation of directors' remuneration policy. Further, detail of remuneration paid to directors including CEO during the year is disclosed in the note 41 to the financial statements of the Company.

In FY 2020, LETTER OF COMPLIANCE  
was awarded by SGS to Sadaqat Limited  
against audit of C-TPAT  
MINIMUM SECURITY CRITERIA FOR MANUFACTURERS

# Pandemic Response Strategy

## Policy Statement

Sadaqat Limited is an employee-oriented entity and the safety of its employees is Company's priority. The Company earnestly ensured the compliance with government's SOPs and requirements of international bodies at its head office and production facility to prevent the spread of COVID-19. The objective is to safeguard the health and safety of its employees as well as the society as a whole. As a leading organization, the Company has proactively assumed its responsibilities and spared no effort to improve its preparedness, response and recovery plan to ensure the continuity of its business smoothly during the global crisis.

## Pandemic Recovery Plan and Implementation

The sudden outbreak of COVID-19 pandemic has affected the whole world including Pakistan. The pandemic has brought unprecedented challenges to the overall economy and society which resulted in lockdown across the country and restricted the business activities. In response to cater the pandemic and its associated affects, the management of the Company has developed and implemented Pandemic Recovery Plan along with formulation of Pandemic Response Team. The management is committed to respond the government's measures thus controlling the spread of COVID-19.

The Company developed the plan by focusing on preventive measures taken against Coronavirus and the response & strategy against this challenging crisis.



## Preparedness and Awareness

Management ensures the protection of its employees and other stakeholders so it has taken the basic protective measures timely and actively took part in creating the awareness against pandemic. Awareness messages were circulated through emails, cell phone SMS and displayed at workplace to ensure that the employees are well aware about the safety measures and symptoms of the coronavirus to prevent the transmission. Further, checklists were also circulated to ensure adherence to the SOPs during pandemic period to mitigate adverse effects.

## Specific Control Measures

The Company follows stringent occupational health and safety guidelines to ensure provision of safe working environment for all employees. The company developed and strictly adhered to comprehensive SOP's in the light of the guidelines issued by World Health Organization and the government of Pakistan. The Company implemented the following protective measures during the COVID-19 outbreak at Head Office and factory site:

Ensured the continuity of business operations with a smaller number of employees and most of the employees at head office were advised to work from home using technology.



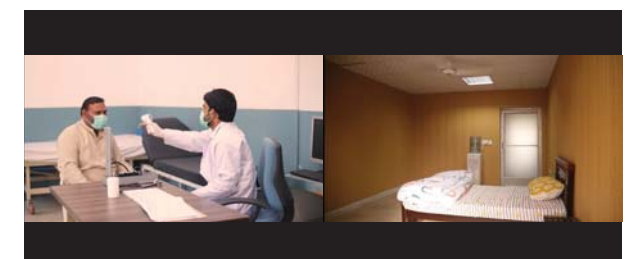
Virtual meetings were conducted at office to ensure minimum physical interaction among employees.

Regular temperature check through thermal scanner was ensured at all entry points of the company.



Use of protective gloves and face mask was made compulsory; however, the company also ensured the distribution of the same among employees.

Employees with the symptoms of covid-19 were encouraged to isolate themselves, undertake test and took appropriate medical treatment along with provision of medical leaves. The company also maintained a Quarantine Center within the premises in case of any suspicious case was identified with symptoms of coronavirus.





Hand sanitizing of all employees were performed at entry point and multiple wall hand sanitizers were also installed at different locations of the office which were easily accessible to employees.



Reinforce the general practice to maintain social distancing and preventing unnecessary gatherings and discourage physical interaction like handshake etc.



Disinfectant tunnels were installed at all entry points of the company which were used during entry and exit of employees. All office rooms, meeting rooms, corridors, surfaces and factory areas were regularly disinfected.

## Resource Allocation

The company has formed a Pandemic Response Team for the development of a well-integrated plan in response to COVID-19. The team has adopted a holistic approach and ensured that all the resources are aligned with the plan and the control measures are implemented in its true sense.

Being a socially responsible company contributed towards communities by distributing food ration bags among the affected employees and families of surrounding areas. The Company has also provided financial support to the government and also non-financial support by providing imported N-95 masks, personal protective equipment kits, thermal guns and surgical masks during the peak of pandemic realizing the shortage of medical supplies and other amenities faced by the under privileged sector of the society.

## Business Continuity Aspects

The Company has formulated different measures to combat the adverse impacts of the pandemic as a part of its business continuity. The Company reviewed the potential impacts of pandemic on its supply chain and operations along with identified corrective actions. The Company also continued its operations at head office and production facility with reduced staff as well as flexible working hours to cater the impact of COVID-19 and advised the staff to work from home. The Company has also cross trained its employees to ensure that business functions can be performed without disruptions in case any concerned staff could not perform his task due to illness.



# Performance Evaluation and Governance

## Performance Evaluation of the Board

The Board of the Company is committed to voluntarily adopt multiple requirements of Listed Companies (Code of Corporate Governance) Regulations, 2019 despite being a family owned business. So pursuant to the requirements of Code of Corporate Governance, a mechanism is in place for annual evaluation of Board's performance which is carried out at level of Board Members, Board as a whole and its Committees to ensure effective and efficient performance of Board members directed towards organizational success and implementation of best practices of corporate governance. The Board of Directors has voluntarily developed a self-evaluation checklist to evaluate its own performance and its committees which include the following matters:

- Adequate composition of Board and its Committees including their size and structure;
- The Board demonstrate integrity, credibility, trustworthiness and each director have adequate understanding of business and industry;
- Review of the strategic plans and company's performance against the planned objectives;
- Focus on succession planning and compliance with all regulatory requirements throughout the year;
- Ensure effective communication between Board and its stakeholders;
- Board policy decisions, activities & services reflect the vision and mission;
- Monitors and evaluates programs to ensure they support the mission and strategic objectives; and
- Clearly defined roles & responsibilities 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. The Board has focused on achieving optimal performance during the year to minimize the impacts of adverse economic conditions and challenges faced by the company as well as country due to spread of pandemic and continuously made efforts towards objective of the company including business expansion and growth. The overall performance of the Board measured on the defined criterion for the financial year was satisfactory.

## External Evaluation

Performance evaluation of the Board, its Committees and Board members was also carried out by M/s Kreston Hyder Bhimji & CO, Chartered Accountants during the financial year 2020. The Company's commitment towards excellence in corporate governance is signified by engaging the external consultant which brings objectivity and transparency in the evaluation process.

## Performance Review of CEO

In compliance with the Code of Corporate Governance, the Company has an effective system in place to appraise the performance of Chief Executive Officer on quantitative and qualitative values as well as assessment of his roles & responsibilities which include financial performance, business processes improvement, business growth, compliance, sustainability, managing economic challenges and people management to set the tone in right direction towards achievement of strategic business objectives.

Performance review was conducted by the Chairman and CEO was appreciated for leading business successfully and taking initiatives for continuous growth related to diversification. Board members appraised CEO for keeping entity on the track for sustainable growth and dealing with financial challenges despite tough environment for textile sector and adverse impact of pandemic.

## Chairman's Significant Commitments

Mr. Mukhtar Ahmed is serving as the Chairman of the Board of Directors at Sadaqat Limited and is one of the founding members of the Company. The detail of his other commitments and engagements are mentioned in his profile under Core Management section of this report.

Further, no external search consultancy has been used in the appointment of the Chairman or any non-executive director.

## Directors' Orientation and Training Program

Upon joining the Board, each new director is given orientation by the Company Secretary about the operations of the Company, code of conduct, Company policies, applicable laws & regulations, policy on directors' remuneration and his or her roles & responsibilities to enable him or her to effectively govern the affairs of the Company.

Directors of the Company are well experienced and have diverse background, however, the company carries out in house training sessions for directors to enhance their skills 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 the Company are well experienced and are fully conversant with their duties and responsibilities. However, the Board has approved director's training program and all directors will attend trainings under Director's Training Program from institutes approved by SECP during the next financial year.

## Governance Practices Exceeding Legal Requirements

The Company seeks to consistently 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 embed a sustainable culture of long-term value creation for stakeholders.

Management's commitment to good governance and to adhere with the highest levels of moral and ethical values is demonstrated by voluntarily adoption and implementation of a number of best practices of Listed Companies (Code of Corporate Governance) Regulations, 2019 which were not mandatory on the Company during FY-2020. Following are some governance practices exceeding the legal requirements which have been adopted by the company:

- Two independent directors were appointed including one female in Board of Directors.
- Chief Executive Officer and Chairman of the company are two separate individuals.
- Formulation of Board Committees including 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.
- Adoption of best corporate reporting practices recommended by ICAP and ICMAP.
- Adoption of Integrated Reporting Framework by International Integrated Reporting Council (IIRC).

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 also in place regarding implementation of aggressive Health, Safety and Environment strategies to ensure safety of employees and equipment.

# Report of The Audit Committee



Syed Ahmad Ashraf  
Chairman / Member



Hamid Mukhtar  
Member



Awais Mukhtar  
Member



M. Naeem Haider  
Secretary of the Committee

Audit Committee of the Company comprises of three members and chairman of the committee is an Independent Director which is in compliance with Code of Corporate Governance. Committee comprises of directors who qualify as financially literate and having excellent mix of skills and experience in the field of accounting, financial reporting, internal controls, governance and compliance areas. The Head of Internal Audit of the company is functioning as the secretary to the committee.

## 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 terms of reference of the committee may be revised with the approval of Board. The Board of Directors shall provide adequate resources and authority to enable the committee to carry out its responsibility effectively. The salient features of TOR's are stated below:

- Developing a mechanism to safeguard the company's assets;
- Reviewing quarterly, half-yearly and annual financial statements before its approval by the Board;
- Assessing accounting estimates, going concern assumption, changes in accounting policies and compliance with accounting standards;
- Examining all related party transactions to ensure that these were carried out at arm's length;
- Reviewing management letter issued by the external auditors and management's response thereto;
- Review of preliminary announcements of results prior to external publication;
- Making recommendations to the Board regarding appointment, removal and audit fees of external auditors;
- Ensuring coordination between internal and external auditors of the company;
- 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;
- Ensuring that management decisions are in conformity with the company's objectives;
- Monitoring compliance of statutory requirements and laws applicable to the company;
- Monitoring management's compliance with all policies and procedures of the company; and
- Consideration of any other issue or matter as may be assigned by the Board of Directors.

## Meetings of the Committee

Meetings of the Audit Committee are held at least once every quarter. During the financial year 2019-20, four (4) meetings of the Audit Committee were held and chief executive officer and chief financial officer were regularly invited to attend the meetings of the committee. The head of internal audit functionally reports to Audit Committee and administratively to Chief Executive Officer. 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 of the committee has circulated minutes of meetings to all members, directors, chief financial officer and head of internal audit. 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

The Audit Committee oversees the company's financial reporting process on behalf of the Board of Directors. The Company's management has the primary responsibility for the financial statements, for maintaining and assessing the effectiveness of internal control over financial reporting. Based on the review of operating and financial performance for the year ended June 30, 2020, the Audit Committee concludes and reports that:

- The Company has adhered, without any material departure, to the provisions of the Company's Act 2017 and voluntarily complied with provisions of Code of Corporate Governance.
- 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 issued by International Accounting Standard Board 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.
- The Chief Executive Officer and one Director have endorsed the financial statements and signed the Directors' Report of the company for the financial year acknowledging their responsibilities connected thereto;
- 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. However, no material incidents regarding operations of the entity or otherwise were reported to the Audit committee during the year.

## Review of Annual Report 2020

The Committee reviewed and read the Company’s audited financial statements for the year ended June 30, 2020 and the other information included in the Comprehensive Integrated Annual Report to check whether it is materially consistent with the financial statements. The Committee has reviewed the integrated 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.

The Company was able to secure 1st position for its Annual Report 2019 in textile sector at the “Best Corporate and Sustainability Report 2019 Awards” jointly organized by ICAP and ICMA Pakistan. The Company has also secured Certificate of Merit for Integrated Reporting at SAFA Best Presented Annual Report Awards 2019.

### Annual Report’s placement on website

The Annual Report for the FY-2020 would be placed on the Company’s website for stakeholders and can be viewed on [www.sadaqatgroup.com](http://www.sadaqatgroup.com)

## Review of Related Party Transactions

The Company has entered into certain related party transactions during the financial year 2020 as disclosed in note 42 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 Board of Directors.

## Risk Management and Role of Internal Audit

The Committee ensured that effective controls and risk management system has been implemented at all levels within the company to achieve strategic 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 Committee has already developed and maintained a Risk Matrix 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.

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.

## External Auditors

The M/s EY Ford Rhodes, Chartered Accountants were engaged as external auditors of Sadaqat Limited for the year ended June 30, 2020 and the firm remained engaged as external auditors with the Company from last 4 years. The Committee reviewed and discussed audit observations and draft management letter with the external auditors and also assessed the effectiveness of external audit process. The external auditors were allowed direct access to the audit committee and necessary coordination was ensured with internal auditors of the company during the year.

The Committee evaluates the qualifications, performance and independence of the Company’s External Auditors each year and determines whether to re-engage the current Auditor. It also 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 and being eligible for reappointment, 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, 2021.

## 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 in accordance with its terms of reference approved by the Board. Further, performance evaluation of Committee was also carried out separately by the Board of Directors and results of the evaluation were found to be satisfactory.

Finally, I would like to thank Board of Directors and members of the Audit Committee for striving to set the right governance standards thus enabling the Company to achieve its objectives.

On behalf of the Audit Committee



Syed Ahmad Ashraf  
Chairman – Audit Committee

## Committee Meetings and Attendance

Particulars	Board of Directors	Audit Committee	Risk Management Committee	Human Resource & Remuneration Committee	Nomination Committee
Members	Seven	Three	Three	Three	Four
No. of Meetings	Four (4)	Four (4)	One (1)	One (1)	One (1)
Directors	Attendance in Meetings				
Mukhtar Ahmed	4	N/M	N/M	N/M	N/M
Khurram Mukhtar	2	N/M	N/M	N/M	1
Hamid Mukhtar	3	3	1	1	1
Awais Mukhtar	4	4	N/M	N/M	1
Shoaib Mukhtar	3	N/M	N/M	1	1
Syed Ahmad Ashraf	3	3	0	N/M	N/M
Maleeha Humayun Bangash	2	N/M	1	1	N/M

\* N/M (not a member)

### Board meetings held outside Pakistan

During financial year 2020, no Board meeting of Sadaqat Limited was held outside Pakistan.

## Performance and Position

This section is a manifestation of Company's performance over the period and position it has achieved highlighting the extent to which organization has been able to achieve strategic objectives and maneuver outcomes in term of effect on capitals. It also presents how effectively the strategy execution has been in the period and where does the organization stands in terms of the objective achievement. This section includes a pellucid and comprehensive analysis of company's financial as well as non-financial performance. The management is confident to increase business' consistent performance and to deliver sustainable growth in years to come through its efforts and strategic direction.



## Management Approach

The company has adopted Integrated Reporting framework of International Integrated Reporting Council and Best Corporate Report Criteria by ICAP & ICMAP to prepare this report. The management is continuously making its efforts to improve the reporting framework with each passing year to achieve optimal level of transparency, accuracy, integrity and quality of information that would elevate the performance and would enable effective decision making of the stakeholders. A comprehensive collection of quantitative and qualitative KPIs are monitored by the management to keep in view a holistic imagery. The management measures and reports entity's performance from both monetary as well as non-monetary prospects. The company has developed financial and non-financial key performance indicators through input of certain relevant stakeholders, and then the performance is measured against defined targets for each KPI.

To evaluate the financial performance and achievement of targets against monetized KPIs, analysis of certain set of financial ratios under the category of profitability, liquidity, activity, investment and capital structure is presented. However, performance against non-financial KPIs is measured with actual results under the human, relationship, natural and intellectual capital. Management has also presented the analysis of cash flows showing the impact of operating, financing and investing activities over cash flows generated from these activities. Segmental analysis of each major fragment of the company has been performed to determine whether significant changes has been occurred from prior period along with detail of major capital expenditures incurred during the financial year.

Sadaqat Limited is a fast-paced organization with continuous expansion and integration so it would be elusive to understand the trajectory and filter out the impact of COVID-19 in the absence of extensive comparison with historical trends. Therefore, a detailed comparison with previous 6 years financials and ratios along with quarterly analysis of sales and profitability during the last year is presented to the stakeholders to get a transparent picture of the financial performance of the company.

## Review by Chief Financial Officer



The financial year 2020 was challenging due to economic slowdown and uncertainty induced by pandemic which caused the widespread business disruptions and negatively impacted the performance of the company. However, the Company remained focused towards delivering objective of sustainable growth thus it has managed to post satisfactory revenue. Looking forward, the management is solidifying the financial position, continuing to strengthen the business and driving long-term profitable growth. The Management is committed to ensure the entity's future stability and smooth running of operations.

## Methods and Assumptions Used in Compiling the Indicators

Key Performance Indicators (KPIs) effectively reflect the performance of the company in achievement of objectives. Key Performance Indicators against financial as well as non-financial sides of the entity have been compiled after taking into account several factors including industry norms, available guidelines, ongoing stakeholders' feedback, emerging trends and other qualitative factors. The management has set benchmarks or targets against each key performance indicator to evaluate the performance of the company against the strategic objectives.

Financial KPIs take into account the revenue, profits, net worth, liquidity, EPS, working capital and cash flow from operating activities whereas non-financial KPIs are categorized between human, relationship, intellectual and natural capitals and performance has been measured against targets set for each KPI. Revenue represents the total amount of sales generated by the business during the mentioned periods. EPS measures the net profits after tax of the Company against the total outstanding shares. The company regularly monitors the cash flow from operating activities and strive to keep it on positive side. The company kept monitoring and improving KPIs to better gauge the performance against predefined targets and to ensure their relevance with company's strategic 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. There were no significant changes in the key performance indicators as compared to previous years, however, the benchmarks or targets may change.

## Analysis of Financial and Non-Financial Performance

Key performance indicators were calculated with transparency to ensure accuracy of information for stakeholders. Financial year 2020 has been a tough year for overall business sectors however, the Company has been able to increase its revenue by 2.1% as compared to last year. The primary factor which affected the revenue in the last quarter of the financial year was the outbreak of COVID-19 which also impacted the company's performance and resulted in decrease in profitability.

During the year, the management continued to focus on reducing operational costs by installing latest technology and also initiated Solar energy system to decrease the energy cost. Further, in house production of knitted fabric has resulted to gain more control over the production cycle. Amidst the lockdown a rightsizing decision was temporarily implemented to avoid financial stringency.

Management also continued the efforts towards creating long term value for the stakeholders and provide even better quality to the customers. Further, significant efforts for maintaining a strong foundation are done and management is looking forward to regain the growth momentum and achieve record high sales in financial year 2021.

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 the growth of an organization and the management acknowledges that human resource has the greatest importance in gaining sustainable competitive advantage. Considering this as an opportunity, the Company has been investing in training and development of employees for the last many years and also keeping in view that this investment shall support the entity in its expansion phase for a long haul. 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. Effective relationship management with all the stakeholders enables the company to minimize several risks ranging from price fluctuations, production lags, change in policies. Management believes and practices long term relationship with the key stakeholders for sustainability. Thus, including it as a non-financial indicator depicts stakeholder management and importance of this capital.

### Intellectual Capital

The Company believes that intellectual capital is a crucial ingredient in the recipe of success. The Company 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 to deploy latest technologies in the industry. Including this as key non-financial indicator shall help the company identifying its strength in intellectual capital.

### Natural Capital

The rise of awareness about the perseverance of natural capital like water, gas, coal and other environment & energy sources etc. has pushed the businesses to move towards a sustainable business model. So, the company has also added KPI's related to this section and this is also aligned with the adherence to Sustainable Development Goals and UNGC 10 principles.

## Explanation of Negative Change in Performance Against Prior Year

The financial year was challenging due to tough competition, increased inflation, political uncertainty and economic slowdown due to spread of COVID-19 which negatively impact the performance of the company. The appropriate explanation pertaining to negative changes in performance against prior years including ratios analysis, horizontal & vertical analysis of statement of financial position and statement of profit or loss, analysis of statement of cash flows and quarterly analysis is explained in the relevant sections 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 environmental and social fronts.

## Payments of Long- or Short-Term Debts

The management recognize the responsibility for the timely payment of due debts and accordingly, all debt obligations whether short term or long-term were settled on timely basis without any default in repayment of debts during the financial year 2020.

## Dividend

The Board of Directors have recommended a final cash Dividend at the rate of 2.5% (i.e. PKR 0.25 per share of PKR 10/- each) and bonus shares @ 2.5% that is 2.5 new shares for every 100 shares held.

## Payment of Duties, Taxes and Levies

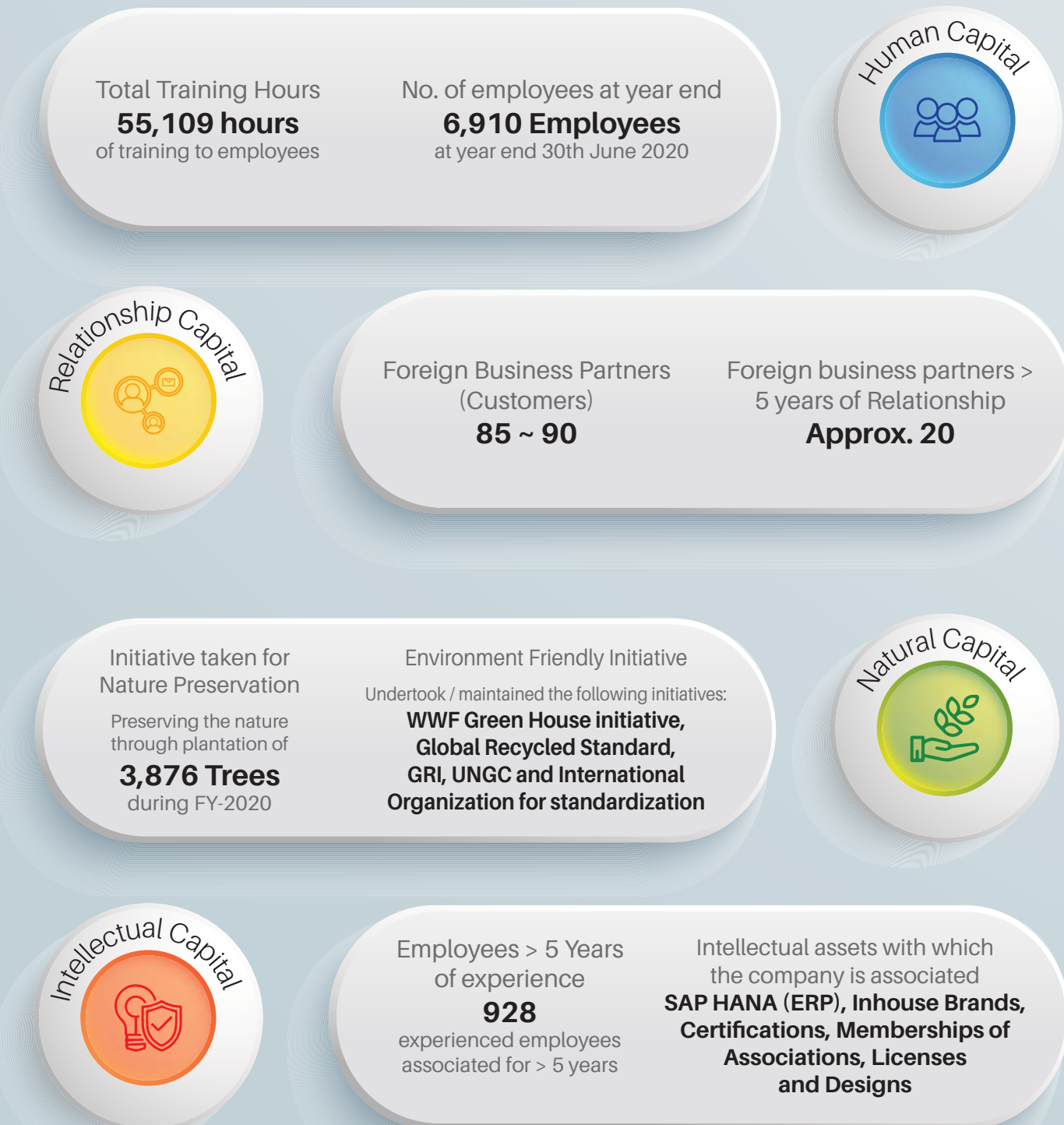
The Company fulfills all its obligations well in time and hence there has been no outstanding or overdue balance in respect of duties, taxes or levies during the financial year.



Hummayun Shahzad  
Chief Financial officer

# Key Performance Indicators

## Key Non-Financial Performance Indicators with Actual Results



## Relevance of Key Performance Indicators

### Human Capital

Human capital is pivotal for the sustainability and growth of the organization. Skilled and motivated human resources are considered as one of the most important non-financial pillars and key factor behind the success of the organization and to create value for organization's shareholders. Company has dedicated its efforts and resources to cultivate a positive and healthy relationship, in order to enable them to provide maximum economic value. Management has planned to measure this aspect from multiple dimensions however two major KPI's are "quality and extent of employee training" and "employees retention ratio".

The above-mentioned set of KPIs enables the organization to measure how successfully the HR policy is being implemented. To further improve the performance, the Company actively invests in training of its employees and keep them updated with market trends in order to make them future leaders. The Company believes that the enhancement in human capital skills elevates the profitability of the Company. Moreover, this will also enhance employee's level of commitment towards their respective roles resulting in better efficiency and productivity.

### Relationship Capital

The Company focuses in maintaining 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. To lead the industry while managing the relationships successfully, management takes into account factors such as bargaining leverage, type, strength, recency /age and frequency in a relationship.

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

### Natural Capital

The extent to which businesses depend on natural capital gives rise to potentially significant risks to supply chains, resources, future liabilities, customer base and reputation. Prudent management of natural capital can open up opportunities for new markets and revenue streams. The recent pandemic situation and alarming global warming phenomenon has highlighted its importance manifold. The Company strategizes the opportunities and risks related to natural capital to enhance the long-term value of natural capital, improve investment decisions and help ensure sustainability of current and new business.

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.

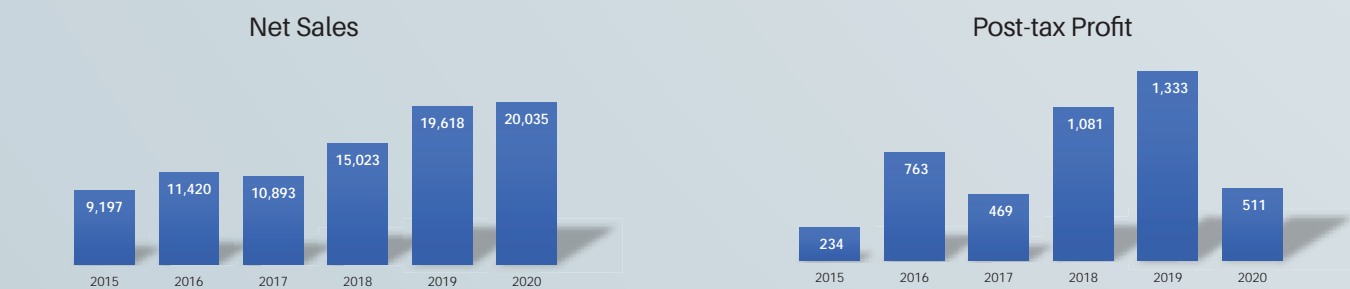
### Intellectual Capital

Intellectual capital tends to be an important resource and a key contributor to the economic success and value creation in a business. It is an intangible value driver in an organization that brings about future benefits. 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

	2020	2019	2018	2017	2016	2015
Rupees in millions						
Net Sales	20,035	19,618	15,023	10,893	11,420	9,197
Gross Profit	3,307	2,769	2,735	1,683	1,998	1,457
EBIT	1,663	2,140	1,667	915	1,291	744
Finance Cost	944	639	441	396	459	445
Pre-tax Profit	718	1,501	1,226	518	833	298
Post-tax Profit	511	1,333	1,081	469	763	234
Net Assets	14,157	9,008	7,795	6,713	5,280	4,517



### Comments

During the financial year 2020, the Company has managed to retain its key customers, added new customers, met all debt obligations and induced significant capital investments. The company was able to increase its revenue by 2.1% as compared to last year and remained profitable during the financial year despite economic downturn. The entity was able to sustain its profitability owing to effective cost control measures, controls over wastages achieved through automation and investments in state of art technology 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 2020		
	Actual	Budget
Sales	20,035	24,178
Cost of Sales	16,728	20,053
Gross Profit	3,307	4,125
Net Expense	2,589	2,467
Taxes	207	242
Net Profit	511	1,416

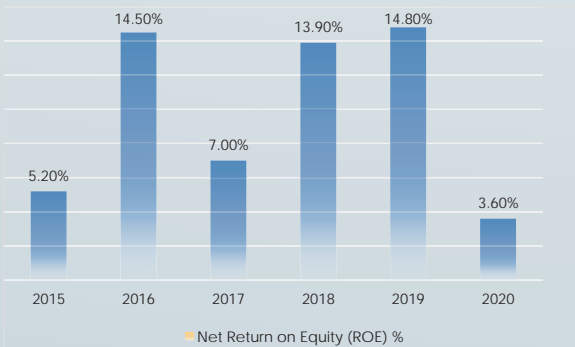
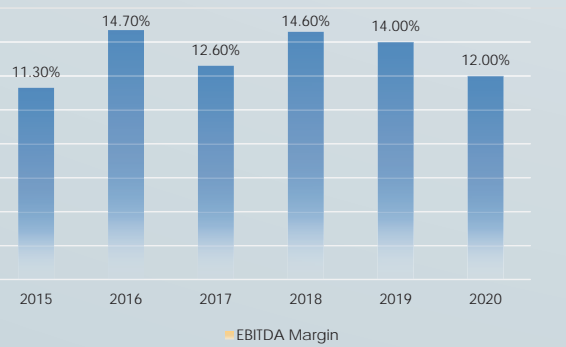
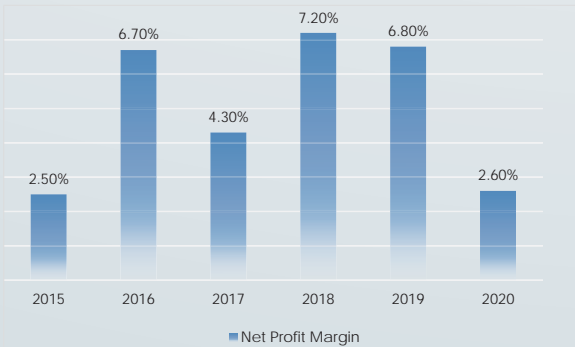
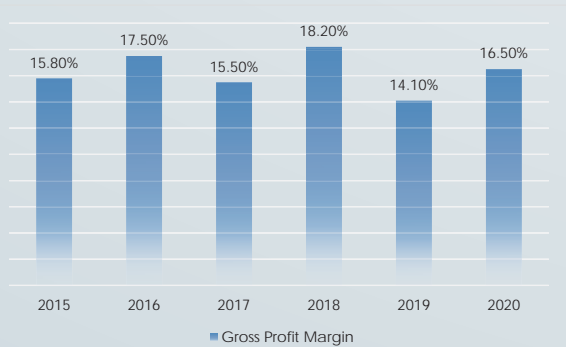
### Comments

Budgets are prepared by the management and reviewed by the Board of Directors on periodic 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 cost control department to consistently and frequently monitor the actual performance against the set targets and factors like controllable and non-controllable costs, seasonality and trends are given due importance. In financial year 2020, despite challenges and economic slowdown the company achieved ~83% of its sales target, however, it was not able to achieve its profitability targets due to increased cost of raw material and stable sale prices in foreign currency terms. The Company's revenue and profit were almost in line with the budgeted numbers for the first six months of this financial year. Net expenses have also increased due to underachievement of other income as compared to budgeted as a result of less volatility of exchange rate. On the other side, taxes have reduced as compared to budget which is a positive impact.

## Financial Statement Analysis

### Profitability

	2020	2019	2018	2017	2016	2015
Ratios						
Gross Profit Margin	16.5%	14.1%	18.2%	15.5%	17.5%	15.8%
EBITDA Margin	12.0%	14.0%	14.6%	12.6%	14.7%	11.3%
Operating Profit Margin	8.3%	10.9%	11.1%	8.4%	11.3%	8.1%
Net Profit Margin	2.6%	6.8%	7.2%	4.3%	6.7%	2.5%
Operating leverage ratio	(10.47)	0.93	2.17	6.32	3.05	1.15
Net Return on Equity (ROE) %	3.6%	14.8%	13.9%	7.0%	14.5%	5.2%
Net Return on Assets (ROA/ ROCE) %	1.8%	6.2%	6.4%	3.2%	6.8%	2.5%



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-2020 has increased to 16.5% from 14.1%. This increase in margin was mainly due to effective cost control measures taken by the management and improvement of product prices in terms of local currency.

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

Net Profit

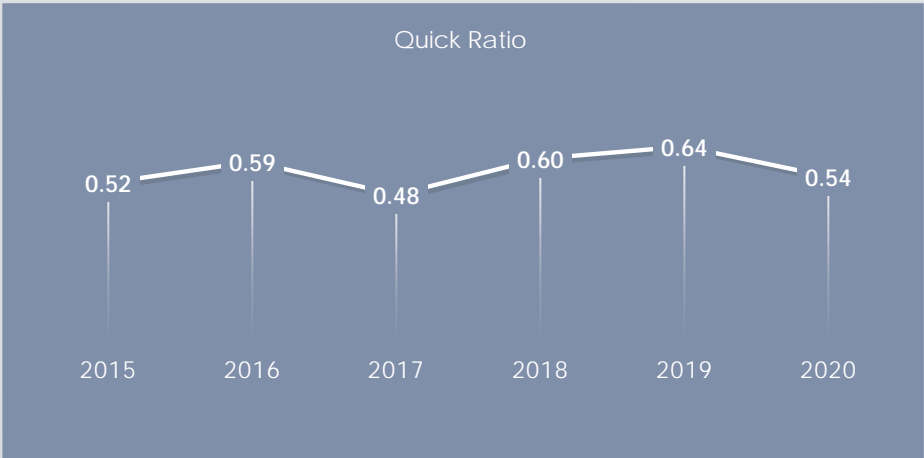
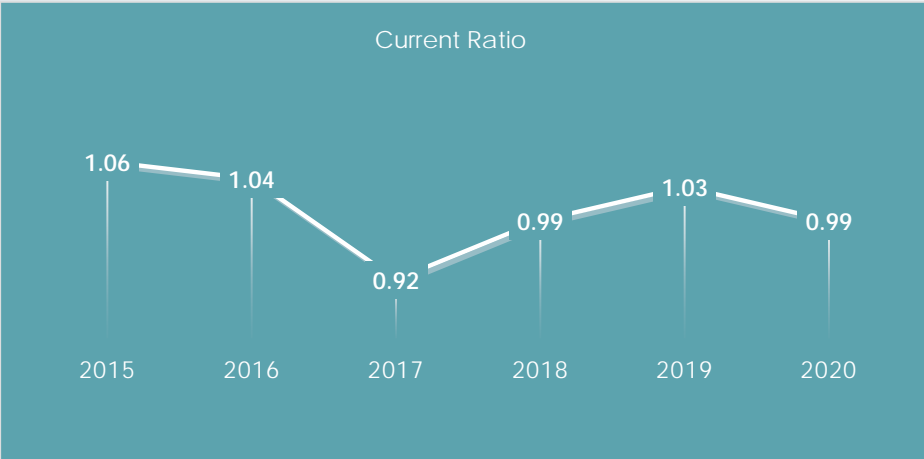
The Company has booked a positive post-tax profit of PKR 511 million during financial year 2020 despite economic lockdown in the last quarter of the year. This signifies that the Company has the capacity to generate superior returns for its shareholders. The net profit margin was on increasing trend over last many years, however, due to operational disruption the net profit margin has squeezed to 2.6% in FY 2020 as compared to 6.8% in FY 2019. Further, the management is expecting brighter future ahead which will bring sufficient business opportunities and thus significant CAPEX investments have been made to capture those.

Return on Investment

During last 5 years, there has been improvements in return on equity and return on assets ratios. During the financial year 2020, return on equity has witnessed a declined as compared to last year mainly on account of lower profit margins and recognition of significant surplus on revaluation of fixed assets to equity. Consequently, at the same time return on capital employed has also decreased from 6.2% to 1.8%. However, the company continuously monitors its capital structure including these ratios to keep them at an optimal level.

Liquidity

	2020	2019	2018	2017	2016	2015
	Ratios					
Current Ratio	0.99	1.03	0.99	0.92	1.04	1.06
Quick Ratio	0.54	0.64	0.60	0.48	0.59	0.52
Cash to Current Liabilities	0.04	0.01	0.02	0.02	0.02	0.02
Net Cash flow from operations to Sales	7.2%	-1.3%	1.3%	6.9%	2.6%	9.1%



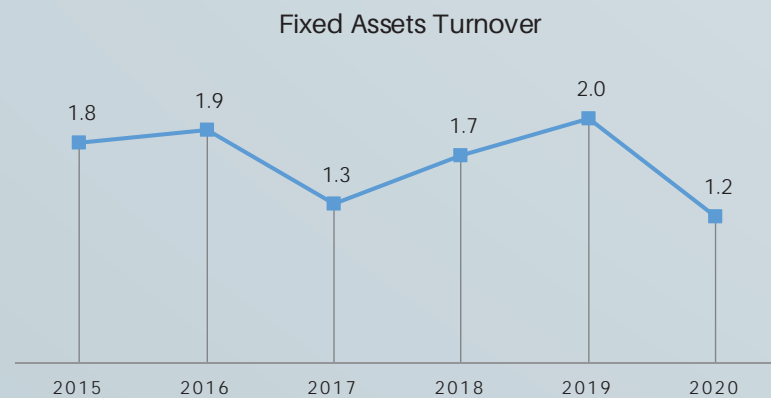
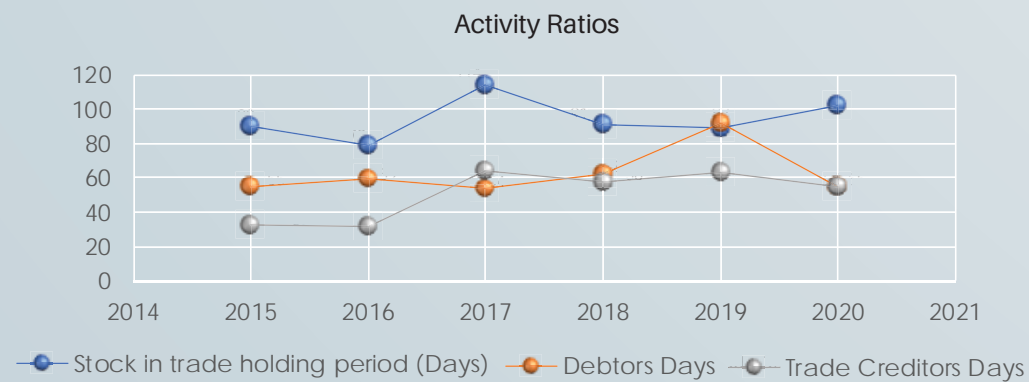
Comments

In textile sector effective management of working capital is essential for a long-term sustainable growth. Over the years, effective working capital strategies have led the Company towards improved liquidity position. Liquidity ratios are used to determine Company’s ability to meet its short-term borrowings and other short-term liabilities when they fall due. In FY-2020, despite adverse economic outlook the company has managed to keep liquidity ratios at a reasonable level through effective planning.

Current ratio and Quick ratio have decreased while cash to current liabilities and net cash flow from operations to sales has showed significant improvements in financial year as compared to last year. Net cash flow from operations to sales is positive in current year due to effective working capital management.

## Activity / Turnover Ratios

	2020	2019	2018	2017	2016	2015
	Ratios					
Stock in trade holding period (Days)	102	89	91	114	79	90
Stock in trade turnover (times)	3.6	4.1	4.0	3.2	4.6	4.0
Debtors Days	55	92	62	54	59	55
Debtors Turnover	6.7	4.0	5.9	6.8	6.1	6.6
Trade Creditors Days	55	63	58	64	32	33
Trade Creditors Turnover	6.7	5.8	6.3	5.7	11.2	11.1
Fixed Assets Turnover	1.2	2.0	1.7	1.3	1.9	1.8
Total Assets Turnover	0.7	0.9	0.9	0.7	1.0	1.0



## Comments

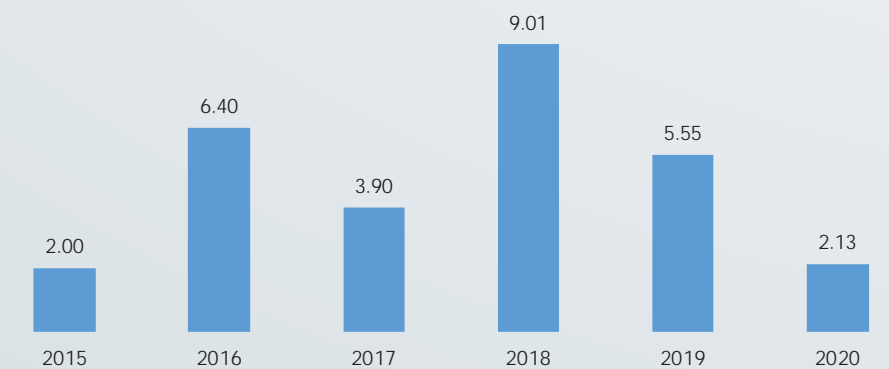
Cash cycle during the last five years has gradually shortened and improved owing to optimal inventory management. During the financial year 2020, cash cycle has also declined in comparison to last year which depicts efficient working capital management. This is due to significant improvement in debtor days and timely payments to creditors whereas inventory days has increased due to stock related to deferred orders.

Fixed and total assets turnover have reduced during the financial year 2020 owing to stagnant revenue and significant CAPEX.

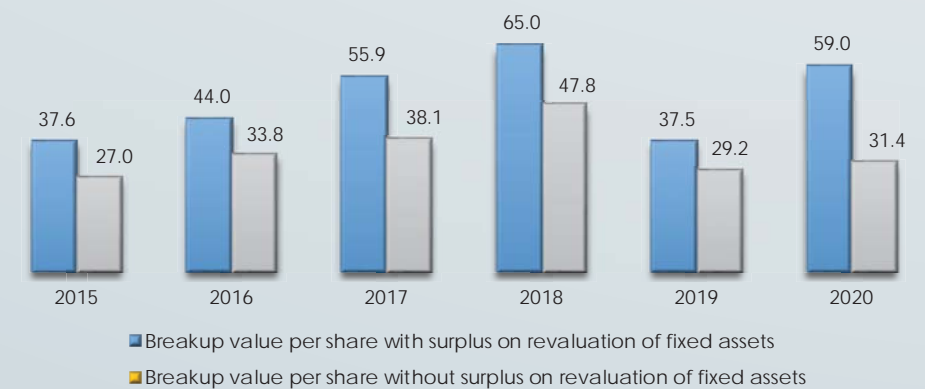
## Investment

	2020	2019	2018	2017	2016	2015
	Ratios					
Earnings per share	2.13	5.55	9.01	3.9	6.4	2.0
Break up value per share with surplus on revaluation of fixed assets	59.0	37.5	65.0	55.9	44.0	37.6
Break up value per share without surplus on revaluation of fixed assets	31.4	29.2	47.8	38.1	33.8	27.0

### Earnings Per Share



### Breakup Value



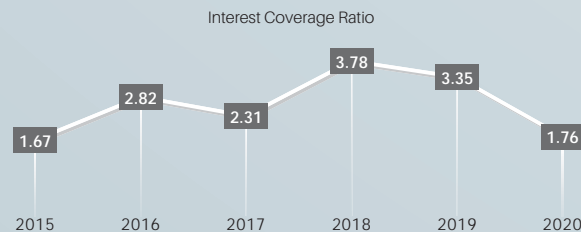
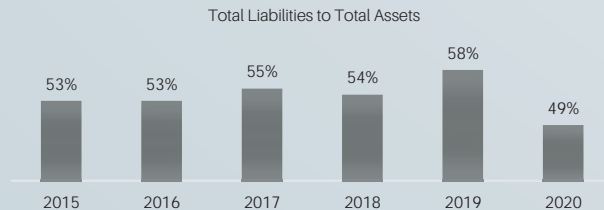
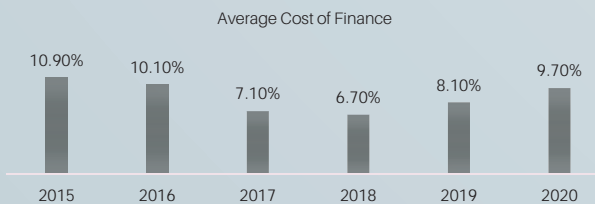
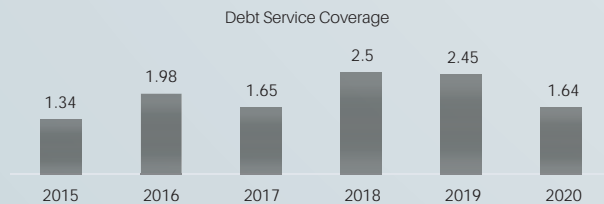
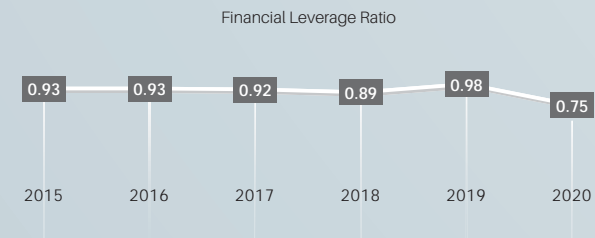
## Comments

There has been gradual improvement in EPS over last few years except for sharp increase in FY 2018 owing to exceptional profitability. The company issued 100% bonus shares to all of its existing shareholders proportionately during financial year 2019 which resulted in double share capital and diluted the EPS for the last year and current year. Further, this year the EPS has also declined due to decrease in profitability of the company.

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

## Capital Structure

	2020	2019	2018	2017	2016	2015
	Ratios					
Total Liabilities to Equity	0.97	1.39	1.18	1.20	1.13	1.11
Long Term Liabilities to Equity	0.15	0.13	0.11	0.17	0.15	0.22
Equity Multiplier	1.97	2.39	2.18	2.21	2.13	2.11
Financial Leverage ratio	0.75	0.98	0.89	0.92	0.93	0.93
Interest Coverage Ratio	1.76	3.35	3.78	2.31	2.82	1.67
Debt Service Coverage	1.64	2.45	2.50	1.65	1.98	1.34
Total Liabilities to Total Assets	49%	58%	54%	55%	53%	53%
Average cost of finance	9.7%	8.1%	6.7%	7.1%	10.1%	10.9%

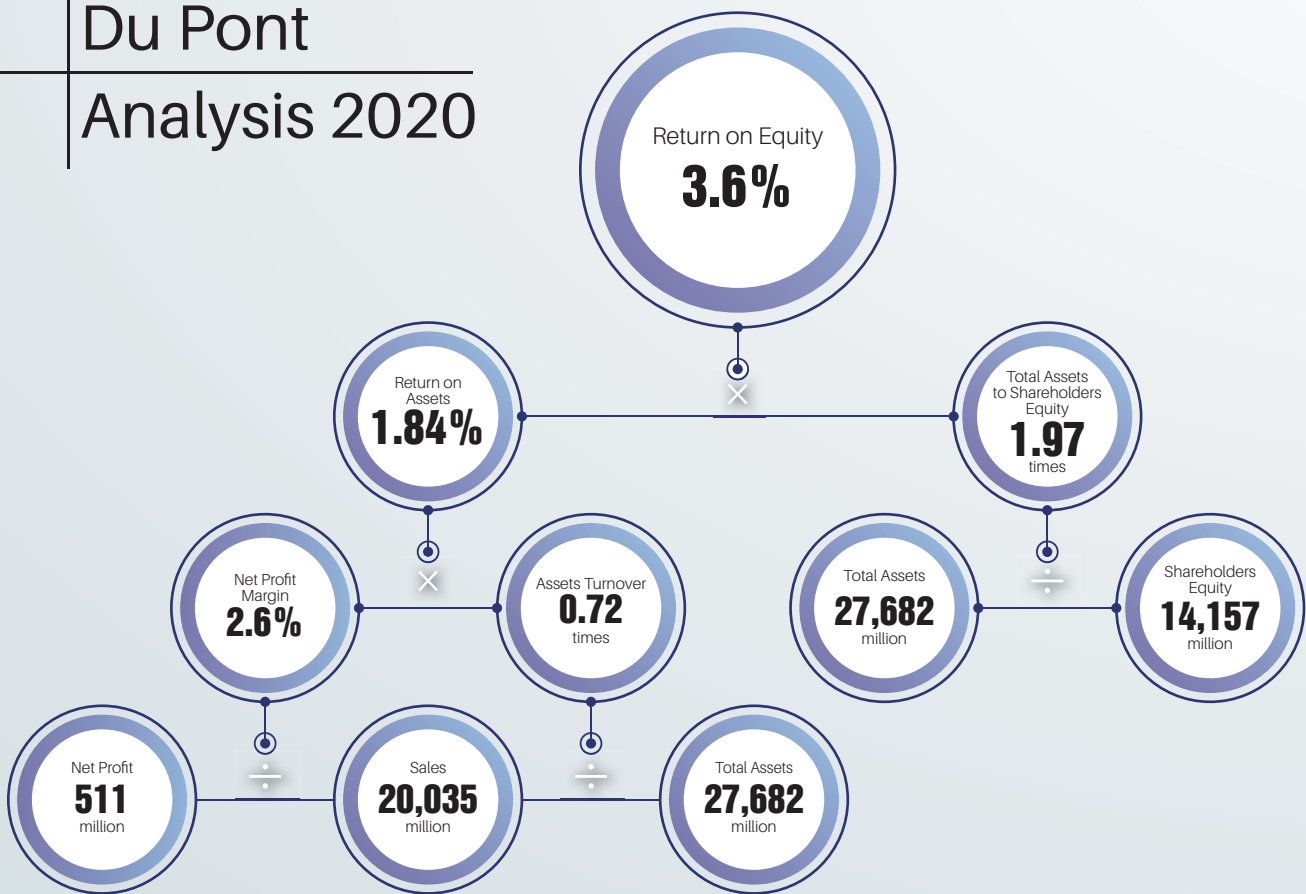


## Comments

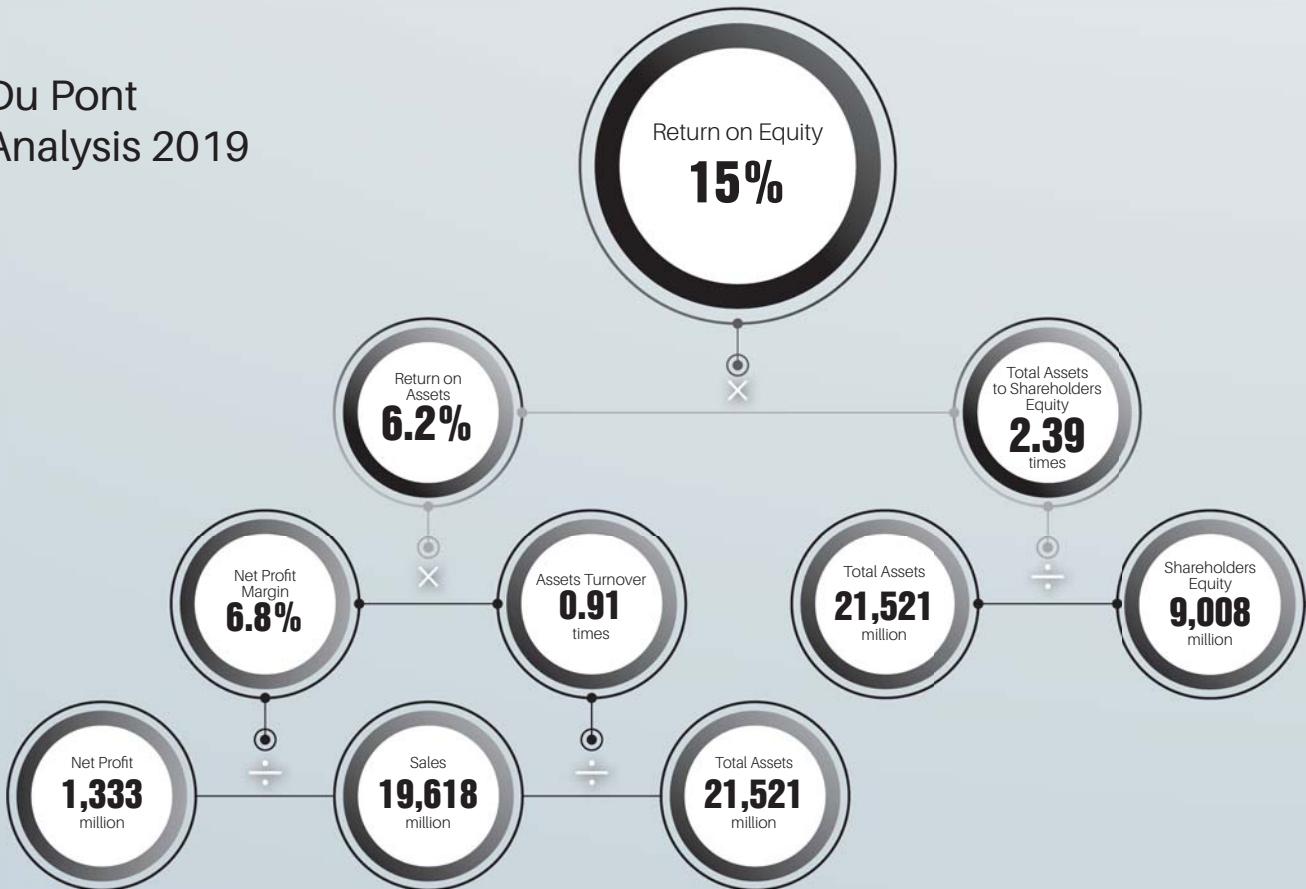
Interest cover and debt service coverage ratios have marked gradual improvement over past five years. However, during the FY-2020 interest coverage ratio and debt service coverage has decreased negligibly as compared to last year due to increased financial cost as a result of high KIBOR rate in first half of the year. Further, increased operating expenses and lower exchange gain also impacted these ratios.

During FY-2020, equity multiplier and financial leverage have declined which reflects increase in equity in the overall capital structure. Further, total liabilities as %age of total assets have almost remained steady throughout the last six years. 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 high KIBOR rate in first half of the financial year and increased borrowings to meet working capital requirements and expansion of the company.

## Du Pont Analysis 2020



## Du Pont Analysis 2019



# Horizontal Analysis

FOR THE LAST SIX FINANCIAL YEARS

Rupees in millions

## Statement of Financial Position

	2020		2019		2018		2017		2016		2015	
Property, plant and equipment	71	16,280	12	9,540	2	8,548	43	8,379	12	5,856	52	5,229
Intangibles	197	134	67	45	(22)	27	-	35	-	-	-	-
Long term advances	(84)	40	103	251	9,762	123	(22)	1	-	2	-	-
Long term deposits	(100)	-	7	25	15	23	1	20	1	20	(0)	20
Non Current Assets	67	16,454	13	9,860	3	8,722	44	8,435	12	5,878	52	5,248
Stores, spares and loose tools	25	486	83	389	10	212	(32)	193	(2)	283	3	290
Stock in trade	14	4,677	34	4,088	6	3,060	41	2,879	7	2,044	(17)	1,915
Trade debts	(39)	2,992	93	4,933	60	2,557	(14)	1,600	34	1,861	20	1,392
Loans and advances	175	621	(63)	226	29	602	1,147	469	(8)	38	(75)	41
Trade deposits and short term prepayments	(64)	22	418	63	(14)	12	(80)	14	88	70	(73)	37
Balances with statutory authorities	(51)	606	13	1,235	145	1,094	199	446	2	149	27	146
Interest accrued	(100)	-	(36)	2	27	3	-	2	-	-	(100)	-
Other receivables	1,258	275	(62)	20	(11)	53	214	59	-	19	-	19
Derivative financial assets	(100)	-	(63)	11	100	29	(100)	-	-	132	-	-
Tax refunds due from the Government	212	1,321	5	423	(34)	402	(9)	606	75	663	30	379
Short term investment	(100)	-	179	140	-	50						
Cash and bank balances	213	410	(34)	131	84	198	(3)	108	50	111	11	74
Current Assets	(2)	11,409	41	11,660	30	8,273	19	6,375	25	5,369	(5)	4,293
Total Assets	29	27,862	27	21,521	15	16,995	32	14,810	18	11,247	20	9,541
Issued, subscribed and paid up share capital	-	2,400	100	2,400	-	1,200	-	1,200	-	1,200	26	1,200
Unappropriated profit	11	5,138	2	4,615	34	4,532	18	3,371	40	2,853	15	2,035
Surplus on revaluation of fixed assets	232	6,619	(3)	1,992	(4)	2,063	75	2,143	(4)	1,227	127	1,281
Shareholders equity	57	14,157	16	9,008	16	7,795	27	6,713	17	5,280	38	4,517
Long term financing	101	2,019	29	1,005	(27)	779	53	1,061	(18)	693	(36)	844
Liabilities against assets subject to finance lease	(46)	65	264	121	(51)	33	(34)	68	(23)	104	161	135
Long term deposits	91	55	36	29	(30)	21	51	30	78	20	2,496	11
Deferred taxation	(26)	36	96	49	64	25	-	15	-	-	-	-
Non Current Liabilities	81	2,175	40	1,204	(27)	858	44	1,175	(17)	817	(28)	990
Trade and other payables	(16)	2,890	59	3,440	23	2,166	81	1,758	25	974	17	782
Interest accrued on loans	(5)	117	95	123	7	63	8	59	13	54	(29)	48
Derivative financial liability	-	-	-	-	(100)	-	-	29	-	-	-	-
Short term borrowings	10	8,003	28	7,264	22	5,678	24	4,638	30	3,734	20	2,876
Current portion of non current liabilities	8	519	11	482	(1)	435	13	437	18	388	79	329
Current Liabilities	2	11,530	36	11,310	21	8,342	34	6,922	28	5,150	22	4,035
Total equity and liabilities	29	27,862	27	21,521	15	16,995	32	14,810	18	11,247	20	9,541

## Statement of Profit or Loss

	2020		2019		2018		2017		2016		2015	
Sales - net	2	20,035	31	19,618	38	15,023	(5)	10,893	24	11,420	(10)	9,197
Cost of sales	(1)	16,728	37	16,848	33	12,288	(2)	9,210	22	9,422	(7)	7,740
Gross profit	19	3,307	1	2,769	62	2,735	(16)	1,683	37	1,998	(24)	1,457
Selling and distribution expenses	11	683	26	615	(3)	489	5	502	9	477	(9)	438
Administrative expenses	8	1,068	31	991	124	757	(2)	338	36	346	(55)	255
Other operating expenses	(64)	53	103	147	(7)	72	56	78	132	50	(21)	21
Other income	(86)	160	349	1,123	67	250	(10)	150	8,179	167	(55)	2
Operating profit	(22)	1,663	28	2,140	82	1,667	(29)	915	74	1,291	(12)	744
Finance cost	48	944	45	639	11	441	(14)	396	3	459	4	445
Profit before taxation	(52)	718	22	1,501	136	1,226	(38)	518	179	833	(28)	298
Taxation	23	207	17	168	191	144	(29)	50	9	70	(25)	64
Profit for the year	(62)	511	23	1,333	131	1,081	(39)	469	226	763	(29)	234
Other Comprehensive Income	-	-	-	-	(100)	-	-	1,075	-	-	-	-
Total Comprehensive Income	(62)	511	23	1,333	(30)	1,081	102	1,544	226	763	(29)	234

# Comments

## Non-Current Assets

Non-Current Assets of the company increased consistently in last 5 years. The reason for this increase is continuous expansion and automation of entity’s operations. There is significant increase in property, plant and equipment in past years causing company’s non-current assets to increase by 213% from 2015 to 2020.

During financial year 2020, non-current assets have increased by PKR 6,593 million (67%) from last year mainly due to investment made in expansion and significant surplus on revaluation of property, plant and equipment and recognition of right of use assets on adoption of IFRS 16 ‘Leases’.

## Current Assets

Current assets of the company have increased by 166% over past 5 years. Main reason behind this is increase in stock in trade and trade debts as company’s operations have grown remarkably over last few years.

During financial year 2020, current assets have decreased by 251 million (2%) on an aggregate basis mainly on account of decrease in trade debts and balance with statutory authorities.

## Total Equity

Equity of the company has increased by 213% in last 5 years. Reason for this increase is retention of profit and transfer from surplus on revaluation of fixed assets to equity. Moreover, the company has also issued 100% bonus shares during financial year 2019.

Shareholder’s equity has been increased by PKR 5,150 million (57%) during financial year 2020 as compared to last year due to retention of profits for the year and transfer from surplus on revaluation of fixed assets to equity.

## Non-Current Liabilities

Non-current liabilities of company have increased by 120% during last 5 years. During financial year 2020, non-current liabilities have also increased by PKR 972 million (81%). This is mainly due to significant increase in long-term finance availed by the company for new expansion and capacity enhancements.

## Current Liabilities

Current liabilities of company increased by 186% 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. Current liabilities have increased by PKR 220 million mainly due to increase in short term borrowings of the company.

## Revenue

Net revenue of the company has grown overall by 118% in last 5 years and during financial year 2020, revenue grew by 2.1% as compared to last year despite economic slowdown coupled with COVID-19 pandemic.

## Gross Profit

Gross profit of the Company has grown in line with the sales by 127% in last 5 years. Further, gross profit has also grown during the current financial year by 19% as compared to last year due to effective cost control measures coupled with currency devaluation.

## Profit for the Year

Profit after tax has increased steadily over past 5 years mainly due to increased sales, optimal capacity utilization and continuous process reengineering measures to control costs. However, during the current financial year it has decreased by 62% as compared to last year.

## Vertical Analysis

FOR THE LAST SIX FINANCIAL YEARS

Rupees in millions

### Balance Sheet

Balance Sheet	2020		2019		2018		2017		2016		2015	
Property, plant and equipment	58	16,280	44	9,540	51	8,548	57	8,379	52	5,856	55	5,229
Intangibles	0.5	134	0	45	0	27	0	35	-	-	-	-
Long term advances	0.1	40	1	251	-	123	0	1	0	2	-	-
Long term deposits	-	-	0	25	0	23	0	20	0	20	0	20
Non Current Assets	59	16,454	46	9,860	51	8,722	57	8,435	52	5,878	55	5,248
Stores, spares and loose tools	2	486	2	389	1	212	1	193	3	283	3	290
Stock in trade	17	4,677	19	4,088	18	3,060	19	2,879	18	2,044	20	1,915
Trade debts	11	2,992	23	4,933	15	2,557	11	1,600	17	1,861	15	1,392
Loans and advances	2	621	1	226	4	602	3	469	0	38	0	41
Trade deposits and short term prepayments	0.1	22	0	63	0	12	0	14	1	70	0	37
Balances with statutory authorities	2	606	6	1,235	7	1,094	3	446	1	149	2	146
Interest accrued	-	-	0	2	0	3	0	2	-	-	-	-
Other receivables	1	275	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	5	1,321	2	423	2	402	4	606	6	663	4	379
Short term investment	-	-	1	140	0	50						
Cash and bank balances	1	410	1	131	1	198	1	108	1	111	1	74
Current Assets	41	11,409	54	11,660	49	8,273	37	6,375	32	5,369	25	4,293
Total Assets	100	27,862	100	21,521	100	16,995	100	14,810	100	11,247	100	9,541
Issued, subscribed and paid up share capital	9	2,400	11	2,400	7	1200	8	1,200	11	1,200	13	1,200
Unappropriated profit	18	5,138	21	4,615	27	4532	23	3,371	25	2,853	21	2,035
Surplus on revaluation of fixed assets	24	6,619	9	1,992	12	2,063	14	2,143	11	1,227	13	1,281
Shareholders equity	51	14,157	42	9,008	46	7,795	45	6,713	47	5,280	47	4,517
Long term financing	7	2,019	5	1,005	5	779	7	1,061	6	693	9	844
Liabilities against assets subject to finance lease	0.2	65	1	121	0	33	0	68	1	104	1	135
Long term deposits	0.2	55	0	29	0	21	0	30	0	20	0	11
Deferred taxation	0.1	36	0	49	0	25	0	15	-	-	-	-
Non Current Liabilities	8	2,175	6	1,204		858		1,175		817		990
Trade and other payables	10	2,890	16	3,440	13	2,166	12	1,758	9	974	8	782
Interest accrued on loans	0.4	117	1	123	0	63	0	59	0	54	1	48
Derivative financial liability	-	-	0	-	-	-	0	29	-	-	-	-
Short term borrowings	29	8,003	34	7,264	33	5,678	31	4,638	33	3,734	30	2,876
Current portion of non current liabilities	2	519	2	482	3	435	3	437	3	388	3	329
Current Liabilities	41	11,530	53	11,310		8,342		6,922		5,150		4,035
Total equity and liabilities	100	27,862	100	21,521	100	16,995	100	15,984	100	12,064	100	10,531

### Statement of Profit Or Loss

Statement of Profit Or Loss	2020		2019		2018		2017		2016		2015	
Sales - net	100	20,035	100	19,618	100	15,023	100	10,893	100	11,420	100	9,197
Cost of sales	83	16,728	86	16,848	82	12,288	85	9,210	83	9,422	84	7,740
Gross profit	17	3,307	14	2,769	18	2,735	15	1,683	17	1,998	16	1,457
Selling and distribution expenses	3	683	3	615	3	489	3	338	3	346	3	255
Administrative expenses	5	1,068	5	991	5	757	5	502	4	477	5	438
Other operating expenses	0.3	53	1	147	0	72	1	78	0	50	0	21
Other income	1	160	6	1,123	2	250	1	150	1	167	0	2
Operating profit	8	1,663	11	2,140	11	1,667	8	915	11	1,291	8	744
Finance cost	5	944	3	639	3	441	4	396	4	459	5	445
Profit before taxation	4	718	8	1,501	8	1,226	5	518	7	833	3	298
Taxation	1	207	1	168	1	144	0	50	1	70	1	64
Profit for the year	2.6	511	7	1,333	7	1,081	4	469	7	763	3	234
Other Comprehensive Income	-	-	-	-	1	80	10	1,075	-	-	-	-
Total Comprehensive Income	2.6	511	7	1,333	8	1,162	14	1,544	7	763	3	234

## Comments

### Total Assets

As at 30 June, 2020, non-current assets as a % of total assets have increased whereas current assets have decreased in FY 2020 as compared to last year. Significant increase in property, plant and equipment is due to investment in expansions, technological advancements and revaluation of fixed assets. Further, there is significant decrease in trade debts and balances with statutory authorities.

### Total Equity

Retained earnings has increased every year owing to re-investment of net profits for each financial year. During financial year 2020, a major increase in shareholder's equity is recorded and the primary contributor is the revaluation surplus of property, plant & equipment. This has resulted in increase of equity contribution in capital structure despite increase in long term financing and short-term borrowings.

### 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. However, due to major capital investment during this year the % of long-term loans has increased.

### Gross/ Net Profit

Gross profit ratio fluctuated approximately within the range of 15~20% during the last 6 years with highest level achieved in FY 2018. During financial year 2020, the gross profit margin has also increased as compared to last year due to effective cost control measures taken. However, net profit of the company has decreased due to negative impact of COVID-19 and increase in periodic cost related to deferred orders and on the other hand decrease in other income on account of less volatility in currency fluctuation.

# Cash Flow Statement

## Direct Method Cash Flow

### Cash flows from operating activities

	2020	2019
Rupees in millions		
Cash receipts from customers	21,977	17,242
Cash paid to suppliers, employees and for expenses	(19,271)	(16,593)
Cash generated from operations	2,706	649
Interest paid	(922)	(579)
Income taxes paid	(212)	(162)
Dividend Paid	(60)	(120)
Settlement of derivative financial Asset	-	0.23
WPPF	(81)	(65.85)
Long term security deposits received	13	16.12
<b>Net cash from operating activities</b>	<b>1,443</b>	<b>(262)</b>

### Cash Flows From Investing Activities

Purchase of property, plant and equipment	(2,081)	(1,129)
Addition in capital work in progress	(682)	(464)
Intangible assets	(89)	(25)
Sale proceeds from disposal of property, plant and equipment	35	45
Interest on loan to associated undertaking	-	4
Profit on bank deposits	0	5
<b>Net cash used in investing activities</b>	<b>(2,816)</b>	<b>(1,564)</b>

### Cash Flows From Financing Activities

Long term financing - net	1,042	240
Repayment of liabilities against assets subject to finance lease	(130)	(67)
Short term borrowings - net	739	1,587
<b>Net cash generated from / (used in) financing activities</b>	<b>1,652</b>	<b>1,759</b>
<b>Net decrease in cash and cash equivalents</b>	<b>279</b>	<b>(67)</b>
Cash and cash equivalents at the beginning of the year	131	198
<b>Cash and cash equivalents at the end of the year</b>	<b>409.5</b>	<b>131</b>

## Summary of Cash Flows

	2020	2019	2018	2017	2016	2015
Rupees in millions						
Cash Flow from Operating Activities	1,443	(262)	192	748	292	836
Cash Flow from Investing Activities	(2,816)	(1,564)	(805)	(2,031)	(1,008)	(1,139)
Cash Flow from Financing Activities	1,652	1,759	703	1,280	753	310
Changes in Cash & Cash Equivalents	279	(67)	90	(3)	37	7
Cash & Cash Equivalents - Year end	410	131	198	108	111	74

## 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. This year the company has generated net cash from operating activities of PKR 1,443 million. During financial year, the company witnessed positive increase in net cash generated from operating activities in comparison to last year mainly due to reduction in trade debts of the company and effective working capital management.

### 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-2020, the company has also invested an aggregate of approx. Rs. 2.8 billion on land, building, technology upgradation and investment into flat knitting, knit processing plant, table printing, BMR of home textile and expansion of knitted apparel segment.

### Financing Activities

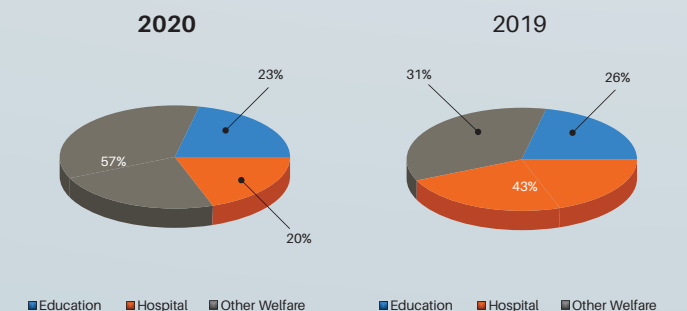
Cash from financing activities fluctuates significantly due to long term loans and short-term borrowings. There has been an increasing yet fluctuating trend over the last 6 years. Net increase in long and short term borrowing each year is tagged with investment made in plant & machinery funded through long term loan as well as the increasing working capital requirements owing to increase in business volume each year respectively. During FY-2020, net increase in short term borrowings reflect arrangement of finance for working capital.

### Cash and Cash Equivalents

Cash and cash equivalents are increased 278.7 million as compared to last year mainly on account of positive net cash flow generated from operating activities.

## Statement of Charity Account

	2020	2019
<b>Description</b>		
Education	1,970,000	1,944,288
Hospital	1,750,000	3,293,000
Other Welfare	5,006,167	2,343,563
	<b>8,726,167</b>	<b>7,580,851</b>



## Free Cash Flow

Rupees in millions

Particulars	2020	2019
Profit before Tax	718	1,501
Add: Non-Cash Items	1,568	783
	2,287	2,284
Working Capital Changes	419	(1,635)
Capital Expenditure	(2,852)	(1,619)
Taxes Paid	(212)	(162)
<b>Free Cash Flows</b>	<b>(358)</b>	<b>(1,133)</b>

## Comments

There are negative free cash flows for the last two years owing to significant investment in technological upgradation and expansion in production capacities. However, free cash flow has improved as compared to last year due to effective working capital management.

## Economic Value Added (EVA)

Rupees in millions

Particulars	2020
Net Operating Profit After Tax	1,456
Cost of Capital	2,077
<b>Economic Value Added</b>	<b>(621)</b>
Cost of Capital	
Total Assets	27,862
Current Liabilites	11,530
<b>Invested Capital</b>	<b>16,332</b>
WACC	12.7%
<b>Cost of Capital</b>	<b>2,077</b>

### Formula

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

Cost of Capital = Invested Capital \* WACC %

# Segmental & Quarterly Analysis



## Segmental Analysis

The Company's major operational segments include processing, stitching, quilting, wadding and embroidery; however, the company has recently invested into its own circular knitting & processing plant 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 operated in garments segment (processing & stitching) which produces knitted and woven apparel. 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-2020. The company has made investment for routine balancing, modernization and replacement targeted towards improvement of efficiency of processes. In order to ensure the transparency and integration of reporting related to processing segment, the company has 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 86% capacity utilization which has resulted in satisfactory 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-2020, 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. The company has in place pin-sonic quilting and embroidery quilting which helped the Company to provide variety of options to its customers. Further, the company has also 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.

### Knitting

The Company is continuously growing its business operations by adopting concentric diversification strategy. The company has installed around 27 circular knit machines range from 18 gauge to 28 gauge with capacity of 3,640,000 kgs per annum. The company has invested in Flat Knitting machinery to add diversification in its product range and fulfill the demand of Knitted apparel during the financial year. During FY-2020, the company has also made major investments in its own Knit Processing Plant through installation of HT dyeing machines, thermal oil heater, coal fired steam boiler, compact machine, 8 chambers Poslu stenter and waste heat recovery boiler. Knit processing plant has installed capacity of 3,640,000 kgs per annum.

Garments (Knitted and Woven Apparel)

The company has also diversified its business into garments segment (Knitted and Woven apparel) during last years. During the FY-2020, the company has enhanced the capacity of Knitted apparel segment. The current installed capacity of this garments segment is approx. 46,000 pcs per day (10,000 pcs per day for woven apparel and 36,000 pcs per day for knitted apparel). The company has also made investment in table printing machinery during the 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, automatic pocket setter, EIM (Environment Impact Measurement Software) and Jeanologia washing machines which shows the commitment to preserve the environment.

Quarterly Analysis

Quarters Individual

Amount in PKR

Quarters	Sales	Profit
Q1	6,152,012,548	265,459,105
Q2	5,019,136,799	183,890,210
Q3	4,868,465,264	102,716,013
Q4	3,995,812,498	(40,565,864)
Total	20,035,427,109	511,499,464

Quarters Consolidated

Amount in PKR

Sales	Profit
6,152,012,548	265,459,105
11,171,149,347	449,349,315
16,039,614,611	552,065,328
20,035,427,109	511,499,464

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, the first two quarters showed strong performance and the company was on track to achieve its targets. Further, the first quarter of the financial year 2020 also showed significant increase in revenue as compared to last quarter of the financial year 2019. However, the revenue showed a downward trend during last two quarters and the last quarter was an exception which resulted in loss. The reason behind was the spread of COVID-19 pandemic having adverse effects on Pakistan’s economy as well as significant impact on the financial performance of the company due to country wide lockdown. Somehow, ongoing trade war among world economies and increased competition at international level also negatively impacted the revenue growth.

Market Share

The Company is now a leading export-oriented textile manufacturing unit bearing annual exports of around PKR 20 billion in financial year 2020 and rapidly progressing each year. The Company markets its products to its customers located in Europe, UK, USA, Canada, South America, Asia, UAE, Africa, Australia and New Zealand. The Company earns valuable foreign exchange for the country and contributed approx. 6 percent share of annual textile (bed wear) exports of Pakistan.



CEO’s Video Presentation

Video presentation of Chief Executive Officer (CEO) briefing about the business overview, performance, strategy and outlook for FY-2020 has been uploaded on the website of the Company and can be viewed at [www.sadaqatgroup.com](http://www.sadaqatgroup.com).

Presentations not Applicable

The financial statements for the year ended June 30,2020 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 the Company is not involved in Conventional or Islamic banking operations, therefore following are not relevant and applicable to the Company;

- a. Sector wise analysis of deposits and advances
- b. Segment analysis of gross income and profit before tax
- c. Complete set of financial statements (Income Statement, Balance sheet & Cash flow)
- d. Sharia advisor/ Sharia advisory report

# outlook



## Outlook

Challenges and uncertainties at global and domestic fronts require the management to embed in the business philosophy a sense of responsibility to conduct fair business activities with ethical attitude, whilst being a strategic partner in sustainable growth. The management is persistent in continuing to enhance shareholders value by setting targets to achieve obvious growth in revenue and profitability. The team have determinedly looked towards economic, social and environmental change that shall inspire others.

# Forward Looking Statement



Amidst the economic recession around the world due to the spread of COVID-19 pandemic, the future outlook is encouraged as the economy is returning to routine and looking forward to achieving outstanding performance in forthcoming years. The objectives are to continue the journey towards sustainability, customer satisfaction, market leadership, operational efficiency and maximizing shareholders' value through holistic management of the resources and by capitalizing the available opportunities and managing the risks in the external environment.

The outbreak of COVID-19 pandemic has caused economic crises worldwide, and Pakistan is no exception; hence, the country's economic environment has been challenging and stimulating overall for the business sector. The Company's operations and performance were also affected due to countrywide lockdown imposed by the government in the last quarter of the financial year. However, the economic activities have gained some momentum post relaxation of lockdown. The company's management is optimistic about the future and is continuously focusing on the expansion of business and adopting diversification within the textile sector to maximize stakeholders' value. Continuous growth is the way forward, so the Company has planned investments to expand its existing setup of home textile and routine balancing, modernization and replacement, and the expansion of its garments segment and knit processing unit in the coming year.

Sadaqat Limited is considering multiple opportunities in the coming years. The fundamental emphasis would be to gain more control over the textile value chain through backwards integration and maintain consistency in the finished product. The Company is also committed to increasing profitability by focusing on volumetric growth, cost efficiencies and product mix management. To achieve these objectives, the Board is actively planning to set up its weaving and spinning units to provide business synergies due to expansion within the value chain. The entity is also considering to raise funds through initial public offer (IPO) as required for business expansion.

The Company has rearticulated a comprehensive business plan for the upcoming financial years. The plan shows the future strategic directions and planned projects to add new product lines, penetrate new markets and regions to achieve optimal benefits of its investments incurred and goodwill earned through the performance of past many years. Further, the Company has signed an agreement to install a 1 MW solar energy project in 2021 to manage its power needs and reduce the energy cost.

Given the country's political and economic stability in the upcoming years. The Company is also hoping that the government will continue its practice to release tax and duty drawback refunds. There would be no significant increase in interest rates in the next year. The Company has defined its corporate objective's, which includes producing optimum quality products and innovation continuously. At the latest stage of implementation of SAP HANA, the company is to streamline and integrate the processes. The Company is progressively expanding its operations and building its human, financial, manufactured, intellectual and social capitals to fuel and sustain its growth in the coming years.

The Company is a socially responsible and eco-friendly company, so it is dedicated to providing a safe, healthy and collaborative work environment. The COVID-19 presents a significant challenge; therefore, the Company has taken appropriate measures and implemented strict protocols on health and safety of employee safety, bearing in mind the outbreak pandemic. Refinements in the workforce are an ongoing process, so the Company provides regular in-house and external training to its existing and newly appointed employees to enable them to play a vital role in the company's future growth.

## Financial Projections



Management is optimistic about the prospects and firmly committed to grasp more significant markets globally in the ensuing years. The company strives for prosperous future growth and improved profitability through its efficient processes and efficient management team. The Company has projected average revenue growth by 25 ~ 30% p.a. in the next three years. The profitability is expected to be maintained in line with an increase in export numbers. Management has updated and finalized the following projections related to the company's revenue and net profits for the upcoming three years after due consultation with the Board. However, any changes in plans for investment or new projects may have an impact on below projected numbers:

PKR (Billions)	FY-2021	FY-2022	FY-2023
<b>Revenue</b>	<b>31 ~ 32</b>	<b>36 ~ 37</b>	<b>42 ~ 43</b>
<b>Net Profit</b>	<b>1.9 ~ 2.0</b>	<b>2.1 ~ 2.2</b>	<b>2.6 ~ 2.7</b>

### Sources of Information and Assumptions Used for Projections / Forecasts

Projections for the upcoming financial years are prepared based on historical trends, current performance and future outlook in the light of potential expansion plans, macro and micro indicators, market conditions, seasonal variations, country's economic and political challenges and are in line with the Company's vision, mission and objectives. The projections are compiled after due research and after taking on board all stakeholders.

The Company has a dedicated Cost Control Department which carefully conceives the budgets and forecasts after conducting meetings and liaising with top management and all relevant departments including the 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 obtained the expert opinion of consultants, where required, to test the assumptions and finalize the Company's feasibility studies and financial budgets. The management has also performed a sensitivity analysis to determine the significant impact of changes in assumptions on the Company's financial performance.

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

The Company had made significant capital expenditures exceeding Rs. One thousand five hundred million in FY 2019 towards expansion and innovation while expecting that it would reap results in the upcoming year. The Company's performance was in line with its targets until the outbreak of COVID-19 which has reduced the company's revenue and profitability during this financial year as against the projected numbers in last year's future outlook. 2019-20 was a challenging year for the overall economy, mainly due to pandemic outbreaks globally, which resulted in cross-border restrictions. However, the Company has managed to maintain its revenue through effective strategic planning and strong customer relationships. Through staunch planning, sincere cooperation, and a firm commitment by the team have empowered the company to strive through every uphill battle.

Moreover, different measures were taken by the Government and SBP to support business sectors in the country also benefited the Company including reduced interest rates as well as loan offered by SBP for the payment of salaries and wages. During the FY-2020, the Company has also recovered a substantial amount of funds locked with the government in the shape of textile refunds and duty drawbacks as anticipated in the last year's forward-looking statement which provided potential support to meet the working capital requirements.

The Company majorly installed Knit Processing Unit including HT dyeing machines, eight chambers poslu stenter, oil heater, compact machine and Flat knitting unit during the financial year 2020. The Company has successfully made operational its circular knitting and processing plant to take benefit of business synergies. The Company has also enhanced its garments segment's capacity and invested the stitching of home textile setup along with routine balancing, modernization, and replacement. These initiatives not only extended the production capacity but also created a competitive edge in cost control.

The Company has taken great care of its operations' economic, environmental and social impact by voluntarily adhering to applicable laws and regulations. The Company has increased its focus on statutory, legal and ecological compliances, including voluntary and imposed by law and individual customer-specific requirements. The Company is firmly committed to creating value for its stakeholders through sustainable business performance.

## Organization's Response to Critical Challenges and Uncertainties

The Company is well equipped and has a robust Business Continuity Plan, which can help the management respond to critical challenges and uncertainties that are likely to arise shortly. The Company regularly reviews its risk matrix to update the risk mitigation strategies to respond to any delays effectively. The Company has placed an effective Pandemic Recovery Plan.

Finally, I take this opportunity to thank Board members for their admirable guidance, employees for their dedicated efforts and customers for placing trust in the Company. Going forward, the Company to achieve substantial performance in the coming financial year to maintain its velocity of sustainable growth and create value for its shareholders.

Mohammad Iqbal Ghori FCMA, PURC (US), MS  
Director of Finance and Strategy

## Excellence in Corporate Reporting

The Company is continuously striving for excellence in corporate and sustainability reporting and has adopted Integrated Reporting Framework of IIRC for Corporate Reporting 2020 as well as reported its Sustainability Report as per GRI standards to provide detailed insight and disclosure of organization's activities and their impact on the economy, society and environment. The company 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.



Statement of Unreserved Compliance with IFRS

The financial statements of the company for FY 2020 have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for financial reporting. The management of the company strongly believes in adherence to unreserved compliance with all applicable 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, amendments and interpretation of IFRS 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 16 Leases
- 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 16 which are discussed in note 4.2 of financial statements.

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

The Company maintains a complete and updated list of all related parties. As required under fourth schedule of the Companies Act 2017 and applicable IFRS, related party transactions have been disclosed in note 42 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. The purpose of this policy is to ensure the proper approval and reporting of transactions between the company and its related parties is based on the applicable laws and regulations.

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. Further, any transactions with related parties where majority of directors of the Company are interested, shall be referred to the shareholders for approval in a general meeting.

Shariah Advisor Report

The Company is not required to have a sharia advisory Board hence there is no sharia advisory report during the FY-2020.

Disclosures Beyond BCR Criteria

The Company has also mapped its report with additional disclosures which are beyond the criteria of BCR by ICAP and ICMAP to ensure further transparency, consistency, comparability and presentation of information for its stakeholders. The details are as follow:

- Integrated Reporting Framework issued by International Integrated Reporting Council (IIRC)
- GRI-Standards: Core Options
- United Nation SDGs
- The ten principles of UNGC

# Integrated Reporting

## Statement of Adherence with Integrated Reporting Framework

An integrated report is a concise and coherent communication about how company's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value for the company and its stakeholders 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 to provide additional disclosures beyond the compulsory requirements in order to enhance the value of its corporate reporting. The company shall further refine and precise the presented information which needs to be presented under integrated reporting framework in upcoming years after getting feedback from stakeholders.

The Company's primary objective is to enhance stakeholders' awareness for better understanding and valued decision making through excellence in corporate reporting. The Management has always worked towards transparency, integrity and authenticity of information presented to its stakeholders which includes shareholders, customers, suppliers, employees, bankers, regulators, and society. The company remain committed to strong corporate governance and leadership as well as transparency in the disclosures.

Since the global trend in corporate reporting is changing, so the integrated report has been mapped with Integrated Reporting framework of International Integrated Reporting Council (IIRC) which provided a platform to present the performance and information in a more holistic manner and enabled to communicate the value created and shared during the financial year.

## 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:



## Content Elements for Integrating Reporting

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



# Awards and Achievements



Certificate of Merit for Integrated Reporting 2019 by SAFA



Best Annual Report 2019 in textile sector by ICAP & ICMA



3rd best Sustainability Report 2019 by ICAP & ICMA



## Financial Statements

This section presents the financial statements of the company for the year ended June 30, 2020 along with Independent External Auditor's Report. 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.



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## 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 2020 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 2020 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.

When we read the Directors' report, if we conclude that there is a material misstatement therein, we are required to communicate the matters to 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 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: 06 November 2020

#### SADAQAT LIMITED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 Rupees	2019 Rupees
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	5	16,279,819,947	9,540,051,795
Intangible assets	6	133,845,912	45,067,989
Long term deposits	7	39,876,367	24,666,367
Long term advances	8	-	250,680,796
		<b>16,453,542,226</b>	<b>9,860,466,947</b>
<b>Current assets</b>			
Stores, spares and loose tools	9	485,687,346	388,888,584
Stock in trade	10	4,676,636,482	4,087,740,801
Trade debts	11	2,991,704,306	4,932,826,404
Advances	12	621,354,151	225,881,776
Trade deposits and short term prepayments	13	22,418,985	63,091,295
Balances with statutory authorities	14	605,513,819	1,235,318,311
Interest accrued	15	-	1,620,371
Other receivables	16	274,960,943	20,244,380
Derivative financial assets		-	10,843,478
Tax refunds due from the Government	17	1,321,149,499	423,412,975
Short term investments	18	-	139,500,000
Cash and bank balances	19	409,511,730	130,854,664
		<b>11,408,937,261</b>	<b>11,660,223,039</b>
<b>TOTAL ASSETS</b>		<b>27,862,479,487</b>	<b>21,520,689,986</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid up share capital	20	2,400,000,000	2,400,000,000
Capital reserve - surplus on revaluation of property, plant and equipment	21	6,619,166,463	1,992,209,904
Revenue reserve - unappropriated profit		<b>5,138,126,044</b>	<b>4,615,317,056</b>
		<b>14,157,292,507</b>	<b>9,007,526,960</b>
<b>Non-current liabilities</b>			
Long term financing	22	2,019,376,542	1,004,853,674
Lease liabilities	23	64,749,427	120,877,760
Long term deposits	24	55,009,935	28,851,907
Deferred liabilities	25	36,049,040	48,934,149
		<b>2,175,184,944</b>	<b>1,203,517,490</b>
<b>Current liabilities</b>			
Trade and other payables	26	2,812,392,519	3,437,378,355
Contract liabilities	27	77,769,100	2,421,003
Interest accrued on loans	28	117,309,878	123,177,415
Short term borrowings	29	8,003,197,451	7,264,305,893
Current portion of non current liabilities	30	519,333,088	482,362,870
		<b>11,530,002,036</b>	<b>11,309,645,536</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27,862,479,487</b>	<b>21,520,689,986</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	31		

The annexed notes from 1 to 51 form an integral part of these financial statements.




CHIEF EXECUTIVE OFFICER



DIRECTOR

**SADAQAT LIMITED**  
**STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2020 Rupees	2019 Rupees
Revenue from contract with customers - net	32	20,035,427,109	19,617,578,636
Cost of revenue	33	16,727,942,221	16,848,242,930
Gross profit		3,307,484,888	2,769,335,706
Selling and distribution expenses	34	683,453,747	615,415,789
Administrative expenses	35	1,068,109,136	990,813,723
Other operating expenses	36	52,690,827	146,682,872
		1,804,253,710	1,752,912,384
Other income	37	159,574,290	1,123,438,031
Operating profit		1,662,805,468	2,139,861,353
Finance costs	38	944,334,184	638,879,951
Profit before taxation		718,471,284	1,500,981,402
Taxation	39	206,971,820	168,340,618
Profit for the year		511,499,464	1,332,640,784
Earnings per share - basic and diluted	40	2.13	5.55

The annexed notes from 1 to 51 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 2020**

	2020 Rupees	2019 Rupees
Profit for the year	511,499,464	1,332,640,784
Other comprehensive income:		
Items to be reclassified to profit or loss in subsequent periods	-	-
Items not to be reclassified to profit or loss in subsequent periods	-	-
Total other comprehensive income for the year	-	-
Total comprehensive income for the year	511,499,464	1,332,640,784

The annexed notes from 1 to 51 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 2020

	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 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)
Profit for the year	-	-	1,332,640,784	1,332,640,784
Other comprehensive income	-	-	-	-
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
Revaluation surplus during the year	-	4,698,266,083	-	4,698,266,083
Transferred from surplus on revaluation of operating fixed assets	-	(71,309,524)	71,309,524	-
Dividend (Rs. 0.25 per share)	-	-	(60,000,000)	(60,000,000)
Profit for the year	-	-	511,499,464	511,499,464
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	511,499,464	511,499,464
Balance as at 30 June 2020	2,400,000,000	6,619,166,463	5,138,126,044	14,157,292,507

The annexed notes from 1 to 51 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

  
DIRECTOR

SADAQAT LIMITED  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020

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 generated / (used in) 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 51 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

  
DIRECTOR

Note	2020 Rupees	2019 Rupees
	718,471,284	1,500,981,402
(5)	743,896,034	611,328,421
(6)	-	7,272,977
(37)	(157,815)	(5,374,926)
(37)	-	(3,948,904)
(37)	(1,585,506)	(3,777,032)
(38)	944,334,184	638,879,951
(37)	(157,830,969)	(717,542,567)
(36)	10,843,478	18,055,656
(36)	-	16,090,085
(36)	5,436,856	14,013,234
(26)	-	128,197,016
(26)	23,122,772	79,736,560
	1,568,059,034	782,930,471
	2,286,530,318	2,283,911,873
(9)	(96,798,762)	(176,394,920)
(10)	(588,895,681)	(1,027,821,214)
(11)	2,098,953,067	(1,662,169,936)
(12)	(393,852,004)	377,522,863
(13)	40,672,310	(50,920,669)
(14)	629,804,492	(141,170,206)
(16)	(9,472,623)	6,572,792
(18)	139,500,000	(89,500,000)
(17)	(905,713,318)	(3,013,679)
	(495,047,513)	1,131,647,791
	419,149,968	(1,635,247,178)
	2,705,680,286	648,664,695
	(922,142,115)	(578,912,836)
	(211,880,135)	(162,337,096)
	(60,000,000)	(120,000,000)
	-	233,158
	(81,299,999)	(65,846,844)
	13,010,763	16,116,302
	(1,262,311,486)	(910,747,316)
	1,443,368,800	(262,082,621)
	(2,080,979,698)	(1,129,366,171)
	(682,005,037)	(464,425,192)
	(88,777,923)	(25,378,546)
	35,321,990	45,417,188
	-	3,948,904
	157,815	5,374,926
	(2,816,282,853)	(1,564,428,891)
(22)	1,042,270,154	239,841,770
(23)	(129,590,593)	(67,209,054)
(29)	738,891,558	1,586,631,182
	1,651,571,119	1,759,263,898
	278,657,066	(67,247,614)
	130,854,664	198,102,278
(19)	409,511,730	130,854,664

**SADAQAT LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

**1. LEGAL STATUS AND OPERATIONS**

Sadaqat Limited (the Company) is registered under Companies Act 2017 as a public limited by shares in the name and style "Sadaqat Textile Mills (Private) Limited" on November 01, 1987. 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:

- 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.

**1.2 Impact of COVID-19 on the financial statements**

The World Health Organization declared COVID-19 a global pandemic on March 11, 2020. Accordingly, on March 20, 2020, the Government of Pakistan announced temporary lock down as a measure to reduce the spread of COVID-19. The outbreak of COVID-19 has had a distressing impact on overall demand in the global economy with notable downgrade in growth forecasts.

The Company's management is fully cognizant of the business challenges posed by the COVID-19 outbreak and closely monitoring the possible impacts on the Company's operations and liquidity positions and believes that its current policies for managing credit, liquidity and market risk are adequate in response to current situation.

The Governemnt's anti-covid measures to prevent the further spread of the disease has resulted into decline in sales by monthly average of 26% during the last four months of the current financial year as compared to first eight months. Accordingly, inventory balances has increased as at reporting date.

Further, subsequent to year end, the situation has improved with the easing of lock down and re-opening of the businesses accordingly, the Company has regained its sales level .

**2. STATEMENT OF COMPLIANCE**

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 Derivative financial assets as referred in Note 4.14 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 4.3)**

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 4.12)**

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

**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 16 Leases
- 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 16 which introduce the following changes.

**4.2 IFRS 16 Leases**

From 01 January 2019, the Company has adopted IFRS 16 as issued by the International Accounting Standards Board using modified retrospective restatement approach, as permitted under the specific transitional provision in the standard and has not restated comparatives for the corresponding figures of 2019.

IFRS 16 supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions involving the legal form of a lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

Upon adoption of IFRS 16, the Company initially recognized a lease liability for the obligation to make lease payments and a right-of-use (RoU) asset for the right to use the underlying asset for the lease term against a consideration. The lease liability is measured at the present value of the consideration (lease payments) to be made over the lease term. The lease payments are discounted using the interest rate implicit in the lease, unless it is not readily determinable, in which case the lessee may use the incremental rate of borrowing. The right-of-use asset is initially measured at the present value of lease liability, adjusted for lease prepayments and borrowing costs.

The Company has adopted IFRS 16 using the modified retrospective restatement approach and measured the right of use asset equal to the present value of lease liabilities. The impact is insignificant for the Company's financial statements of prior year and accordingly no adjustment has been made to the figures reported in previous year.

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**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:

<b>Standard or Interpretation</b>		<b>Effective Date (Annual periods beginning on or after)</b>
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:

<b>Standard</b>		<b>IASB effective date (Annual periods beginning on or after)</b>
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.

**4.3 Property, plant and equipment****4.3.1 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.

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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 as revaluation reserve and presented as a separate part of 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 revaluation reserve 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 retained earnings.

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.

**Right of use assets**

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.

**4.3.2 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.

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4.3.3 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 at rate stated in Note 6.

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 of.

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.

4.4 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.

4.5 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.

4.6 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.

4.7 Cash and cash equivalents

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

4.8 Leases

4.8.1 Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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4.8.2 Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

4.8.3 Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

4.9 Staff retirement benefits

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

4.10 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.

4.11 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.

4.12 Contingencies

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

4.13 Revenue Recognition

The Company recognizes 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** Recognize revenue when (or as) the Company satisfies a performance obligation

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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SADAQAT LIMITED

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.

4.14 IFRS 9 Financial Instruments

a) Classification

The Classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company measures 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. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments:

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost:

Financial assets that are held for collection of contractual cash flows whose cash represents solely payment of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on the derecognition is recognized directly in profit or loss and presented in other income / (other expense) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the unconsolidated statement of profit or loss.

Fair value through other comprehensive income (FVTOCI):

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other income / (other expense). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other income / (other expense) and impairment losses are presented as separate line item in the unconsolidated statement of profit or loss.

Fair value through profit or loss (FVTPL):

Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognized in profit or loss and presented net within other income / (other expense) in the period in which it arises.

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c) Impairment of financial assets

In relation to the impairment of financial assets, the Company applies the Expected Credit Loss ("ECL") model as opposed to an incurred credit loss model. Under the expected credit loss model, the Company accounts for expected credit losses and changes in those expected credit losses at the end of each reporting period to reflect changes in credit risk since initial recognition of the financial assets. It is not necessary for a credit event to have occurred before credit losses are recognized. The Company has adopted the simplified approach for measuring the impairment on its financial assets. Under the simplified approach, the Company measures the loss allowance at an amount equal to lifetime ECL for its financial instruments.

A loss allowance for expected credit losses is recognized on all classes of financial assets, other than those that are measured as fair value through profit or loss and equity instruments classified and measured at fair value through other comprehensive income. The financial assets subject to impairment requirements of IFRS 9, include:

- debt investments subsequently measured at amortised cost or at fair value through other comprehensive income;
- lease receivables;
- contract asset; and
- loan commitments and financial guarantee contracts.

d) Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

4.15 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 the 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%.

4.16 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."

4.17 Borrowing costs

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

4.18 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.

4.19 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.

4.20 Related party transactions

All transactions with related parties are carried out at mutual agreed prices.

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## 5. PROPERTY, PLANT AND EQUIPMENT

Note	2020 Rupees	2019 Rupees
(5.1)	14,829,575,614	8,647,100,575
(5.1)	228,306,279	353,018,203
(5.2)	1,221,938,054	539,933,017
	<u>16,279,819,947</u>	<u>9,540,051,795</u>

### 5.1 Operating fixed assets - tangible

PARTICULARS	COST / REVALUED AMOUNT					Rate (%)	DEPRECIATION				Net book value as at 30 June 2020
	As at 01 July 2019	Revaluation adjustment	Elimination due to revaluation*	Additions / Transfers	(Disposal)/ Transfer		As at 30 June 2020	For the year	Elimination due to revaluation*	Transfer / (Disposal)	
----- Rupees -----											
Owned:											
Freehold land											
Cost	542,796,203	-	-	21,635,444	-	564,431,647	-	-	-	-	564,431,647
Revaluation surplus	985,146,322	56,615,631	-	-	-	1,041,761,953	-	-	-	-	1,041,761,953
	1,527,942,525	56,615,631	-	21,635,444	-	1,606,193,600	-	-	-	-	1,606,193,600
----- Rupees -----											
Buildings on freehold land - factory											
Cost	3,354,425,687	-	(898,063,659)	-	-	2,456,362,028	-	-	-	-	2,456,362,028
Revaluation surplus	759,850,907	2,181,164,149	(146,782,888)	-	-	2,794,232,168	-	-	-	-	2,794,232,168
	4,114,276,594	2,181,164,149	(1,044,846,547)	-	-	5,250,594,196	-	-	-	-	5,250,594,196
Plant and machinery											
Cost	4,289,996,293	-	(1,835,749,954)	1,498,220,901	-	3,952,467,240	-	-	-	-	3,952,467,240
Revaluation surplus	841,301,125	2,384,995,695	(552,888,382)	-	-	2,673,408,438	-	-	-	-	2,673,408,438
Transfer from RoU	-	-	(61,633,786)	147,677,032 **	-	86,043,246	-	-	61,633,786	-	86,043,246
	5,131,297,418	2,384,995,695	(2,450,272,122)	1,645,897,933	-	6,711,918,924	-	-	61,633,786	-	6,711,918,924
Generators											
Cost	181,970,893	-	(98,780,642)	155,032,034	-	238,222,285	-	-	-	-	238,222,285
Revaluation surplus	48,465,616	75,490,608	(14,192,320)	-	-	109,763,904	-	-	(14,192,320)	-	109,763,904
Transfer from RoU	-	-	(18,911,852)	32,825,663 **	-	13,913,811	-	-	(18,911,852)	-	13,913,811
	230,436,509	75,490,608	(131,884,814)	187,857,697	-	361,900,000	-	-	(131,884,814)	-	361,900,000
Electric installations	400,370,308	-	236,993,976	-	-	637,364,284	-	-	21,748,621	-	457,872,330
Furniture and fixtures	114,710,556	31,326,330	-	-	-	146,036,886	-	-	37,077,047	-	179,491,954
Office equipments	247,467,527	-	80,512,281	-	-	327,979,808	-	-	9,313,943	-	55,440,192
Sui gas installations	2,066,066	-	-	-	-	2,066,066	-	-	15,788,418	-	206,439,342
Work shop equipments	15,629,627	-	15,885	-	-	15,788,492	-	-	64,897	-	584,077
Vehicles	230,263,529	-	51,739,087	(47,782,684)	-	234,219,932	-	-	502,810	-	4,604,726
Transfer from RoU	-	-	46,804,237 **	-	-	46,804,237	-	-	11,183,766	-	87,067,488
	12,014,460,659	4,698,266,083	(3,627,003,483)	2,302,925,850	(47,782,684)	15,340,866,425	-	-	147,152,444	-	46,804,237
							-	-	23,448,077	-	511,290,811
							-	-	85,672,135	-	14,829,575,614
Right-of-use assets (RoU):											
Plant and machinery	158,269,614	-	-	20,331,648	-	178,601,262	-	-	-	-	63,086,542
Generators	32,825,663	-	-	32,825,663	-	65,651,326	-	-	-	-	18,911,852
Vehicles	323,725,377	-	(6,313,442)	358,590,919	-	675,996,654	-	-	(2,038,062)	-	136,399,954
Transfer from RoU	-	-	(227,306,932)	(227,306,932)	-	-	-	-	(103,993,715)	-	222,190,965
	514,820,654	-	-	61,510,632	(233,620,374)	342,710,912	-	-	(106,031,777)	-	(123,313,217)
							-	-	114,404,633	-	228,306,279
Total	12,529,281,131	4,698,266,083	(3,627,003,483)	2,364,436,482	(281,403,058)	15,683,577,337	-	-	625,696,444	-	15,057,881,893

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## 5.1 - continued

PARTICULARS	COST				Rate (%)	DEPRECIATION				Net book value as at 30 June 2019
	As at 01 July 2018	Revaluation adjustment	Elimination due to revaluation	Additions / Transfers		(Disposal)	As at 30 June 2019	Transfer / (Disposal)	As at 30 June 2019	
----- Rupees -----										
Owned:										
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	-	-	-	2,585,644,240
Revaluation surplus	759,850,907	-	-	-	-	759,850,907	-	-	-	645,334,757
	3,440,042,038	-	-	-	-	4,114,276,594	-	-	-	3,230,978,997
Plant and machinery										
Cost	3,418,044,977	-	-	871,951,316	-	4,289,996,293	-	-	-	2,822,372,809,938
Revaluation surplus	841,301,125	-	-	-	-	841,301,125	-	-	-	320,458,603
	4,259,346,102	-	-	871,951,316	-	5,131,297,418	-	-	-	3,142,831,412
Generators										
Cost	181,970,893	-	-	-	-	181,970,893	-	-	-	101,130,728
Revaluation surplus	48,465,616	-	-	-	-	48,465,616	-	-	-	39,081,440
	230,436,509	-	-	-	-	230,436,509	-	-	-	139,212,168
Electric installations	337,097,426	-	-	63,272,882	-	400,370,308	-	-	-	257,955,401
Furniture and fixtures	86,324,258	-	-	28,386,298	-	114,710,556	-	-	-	73,584,307
Office equipments	190,310,191	-	-	247,467,527	-	437,777,718	-	-	-	141,715,479
Sui gas installations	2,066,066	-	-	57,157,426	-	59,223,492	-	-	-	648,974
Work shop equipments	15,629,827	-	-	47,213,933	-	62,843,760	-	-	-	4,948,671
Vehicles	198,756,731	-	-	48,567,636 **	-	247,324,367	-	-	-	87,371,736
Transfer from RoU	-	-	-	-	-	-	-	-	-	39,910,905
	10,274,642,383	-	-	1,129,858,491	-	11,404,500,874	-	-	-	8,647,100,575
Right-of-use assets (RoU):										
Plant and machinery	158,269,614	-	-	-	-	158,269,614	-	-	-	103,524,504
Generators	32,825,663	-	-	-	-	32,825,663	-	-	-	14,775,729
Vehicles	160,463,104	-	-	226,805,921	-	387,269,025	-	-	-	283,285,606
Transfer from RoU	-	-	-	(48,567,636)**	-	(48,567,636)	-	-	-	(48,567,636)
	351,558,381	-	-	178,238,285	-	529,796,666	-	-	-	353,018,203
Total	10,626,200,764	-	-	1,308,096,776	-	11,934,307,540	-	-	-	9,000,116,778

#### 5.1.1.1 Depreciation charge for the year has been allocated as under:

Administrative expenses

**5.1.2 Forced sale value of freehold land, buildings, plant and machinery as per the last revaluation report as of June 30, 2020 was Rs. 12,828.47 million.**

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5.1.3 Details of disposals having book value more than Rs. 500,000 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 :								
Suzuki Cultus (LEF-12-2747)	G.M Mustafa	Employee	Company Policy	1,965,400	1,302,596	662,804	639,132	(23,672)
Toyota Altis Grande (FDA-14-671)	Naeem Haider	Employee	Company Policy	2,467,960	1,329,591	1,138,369	1,097,713	(40,656)
Toyota Corolla GLI (ABA-259)	Tariq Azhar	Employee	Company Policy	1,895,000	244,244	1,650,756	1,591,800	(58,956)
Toyota Corolla GLI (LEB-16-1543)	Mushtaq	Employee	Company Policy	1,925,000	936,913	988,087	1,006,730	18,643
Suzuki Mehran (LEA-16A-8710)	Sadiq	Employee	Company Policy	759,374	75,937	683,437	620,155	(63,282)
Suzuki Cultus (LE-16-5094)	Ghafoor	Employee	Company Policy	1,089,140	225,089	864,051	914,878	50,827
Suzuki Mehran (FD-16-836)	Touqeer Rao	Employee	Company Policy	747,150	99,620	647,530	610,173	(37,358)
Suzuki Mehran (FDA-16-376)	Adnan	Employee	Company Policy	734,132	36,707	697,425	672,954	(24,471)
Toyota Altis Grande (LEA-17-5661)	Iqbal Ghauri	Employee	Company Policy	2,568,525	385,279	2,183,246	2,097,629	(85,617)
Suzuki Cultus (FD-16-727)	Mr. Shahid	Employee	Company Policy	1,166,271	194,379	971,892	952,455	(19,437)
Toyota Corolla Altis (LEC-13-6904)	DGM Compliance	Employee	Company Policy	2,178,940	1,529,865	649,075	635,829	(13,246)
Land Crusier (AF-004)	Mian Shoalib Mukhtar	Director	Company Policy	16,342,606	5,301,530	11,041,076	10,815,749	(225,327)
Suzuki Wagonr (FD-17-56)	Nadeem Baig	Employee	Company Policy	1,179,740	620,372	559,368	547,952	(11,416)
For the year ended 30 June 2020				35,019,238	12,282,121	22,737,116	22,203,149	(533,968)

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5.2 Capital work in progress

Electric Installation Building and civil works Plant and machinery	Note	2020	2019
		Rupees	Rupees
	(5.2.1)	869,400	869,400
	(5.2.1)	1,220,710,654	538,705,617
	(5.2.1)	358,000	358,000
		1,221,938,054	539,933,017

5.2.1 Movement in capital work in progress

Electric Installation Building and civil works Plant and machinery	Rupees			
	2020	2019	2020	2019
	869,400	-	538,705,617	877,498,484
	-	1,361,720	682,005,037	335,441,689
	-	(482,320)	-	(674,234,556)
	869,400	869,400	1,220,710,654	538,705,617
			358,000	358,000
			1,221,938,054	539,933,017

6. INTANGIBLE ASSETS

PARTICULARS	BALANCE AS AT 01 JULY 2019			FOR THE YEAR		BALANCE AS AT 30 JUNE 2020			Rate (%)
	Cost	Accumulated amortization	Net Book Value	Additions at cost	Amortization	Cost	Accumulated amortization	Net Book Value	
----- Rupees -----									
Softwares under development	68,639,322	23,571,333	45,067,989	88,777,923	-	157,417,245	23,571,333	133,845,912	20
----- Rupees -----									
PARTICULARS	BALANCE AS AT 01 JULY 2018			FOR THE YEAR		BALANCE AS AT 30 JUNE 2019			Rate (%)
	Cost	Accumulated amortization	Net Book Value	Additions at cost	Amortization	Cost	Accumulated amortization	Net Book Value	
----- Rupees -----									
Softwares under development	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

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

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**SADAQAT LIMITED**

	Note	2020 Rupees	2019 Rupees
<b>7. LONG TERM DEPOSITS</b>			
Margin against letter of guarantee		32,406,630	17,814,630
Security deposits		4,187,792	4,187,792
Other security deposits		3,281,945	2,663,945
		<u>39,876,367</u>	<u>24,666,367</u>
<b>8. LONG TERM ADVANCES</b>			
Advance for capital work in progress	(8.1)	-	68,955,261
Advance for land purchase	(8.2)	-	181,725,535
		<u>-</u>	<u>250,680,796</u>
<b>8.1</b>	This represents advance provided to M/s Haroon Ali (contractor) for the construction of building.		
<b>8.2</b>	This represents advance given to Faisalabad Industrial Estate Development Management Company (FIEDMC) for the acquisition of land.		
	Note	2020 Rupees	2019 Rupees
<b>9. STORES, SPARES AND LOOSE TOOLS</b>			
Stores		327,935,900	320,537,830
Spares		84,345,322	65,136,056
Loose tools		5,650,005	3,214,698
		<u>417,931,227</u>	<u>388,888,584</u>
Stores, spares and loose tools in transit		67,756,119	-
		<u>485,687,346</u>	<u>388,888,584</u>
<b>10. STOCK IN TRADE</b>			
Raw material			
- in hand		960,850,152	1,414,355,284
- held by third parties		84,488,164	179,816,021
		<u>1,045,338,316</u>	<u>1,594,171,305</u>
Work in process		1,910,967,440	1,494,303,938
Finished goods	(10.1)	1,671,392,457	965,981,328
Waste		48,938,269	33,284,230
		<u>3,631,298,166</u>	<u>2,493,569,496</u>
		<u>4,676,636,482</u>	<u>4,087,740,801</u>
<b>10.1</b>	It includes stocks amounting Rs. 967 million (2019: 599 million) in transit to port for shipment to customers.		
	Note	2020 Rupees	2019 Rupees
<b>11. TRADE DEBTS - considered good</b>			
Foreign	(11.1)	2,935,487,434	4,897,620,152
Local		60,422,121	39,411,501
		<u>2,995,909,555</u>	<u>4,937,031,653</u>
Less: Allowance for expected credit losses		(4,205,249)	(4,205,249)
		<u>2,991,704,306</u>	<u>4,932,826,404</u>

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**SADAQAT LIMITED**

11.1 Foreign debts include following balances from related parties:

Related party name	Maximum Balance		Closing balance	
	Month	Amount	2020	2019
----- Rupees -----				
Sadaqat Global Limited - UK	Jul-19	3,433,853,884	1,902,235,577	3,308,697,348
KHAS Holding Private Limited	Jun-20	-	-	12,386,222
Jay Franco Europe Limited - UK	Sep-19	94,650,136	484,175	92,769,513
Sleepworld Australia (PTY) Limited	Oct-19	190,460,322	8,628,952	32,225,998
Sleepworld International LLC	May-20	36,193,535	113,427,296	103,571,656

11.2 The customers have no history of default. Aging analysis of the trade debts is given in Note 44.

	Note	2020 Rupees	2019 Rupees
<b>12. ADVANCES - unsecured</b>			
Advances to employees against salaries:			
- Executives (other than CEO and Directors)		18,309,698	9,127,203
- Other employees		5,620,077	10,175,521
		<u>23,929,775</u>	<u>19,302,724</u>
Advances to suppliers		420,602,360	206,579,052
Advance to related party	(12.2)	173,963,816	-
Others		2,858,200	-
		<u>621,354,151</u>	<u>225,881,776</u>

12.2 This represents advance given to Sadaqat Global against research and development for designing of the Company's products.

	Note	2020 Rupees	2019 Rupees
<b>13. TRADE DEPOSITS AND SHORT TERM PREPAYMENTS</b>			
Trade deposits:			
- Deposit under collection account		117,851	167,095
- Deposit under debt repayment account		52,515	1,414,160
- Deposit under letters of credit		10,665,022	42,308,127
		<u>10,835,388</u>	<u>43,889,382</u>
Prepayments		11,583,597	19,201,913
		<u>22,418,985</u>	<u>63,091,295</u>

**14. BALANCES WITH STATUTORY AUTHORITIES**

Gas Infrastructure Development Cess (GIDC)		-	5,436,856
Special excise duty		12,442,697	12,442,697
Drawback of customs - duty	(14.1)	123,162,818	191,173,936
Duty drawback on taxes	(14.2)	440,993,441	997,349,959
Rebate on mark-up on financing		28,914,863	28,914,863
		<u>605,513,819</u>	<u>1,235,318,311</u>

**14.1 Drawback of customs-duty**

Balance at the beginning of the year		191,173,936	144,536,670
Claimed during the year		148,250,611	172,611,703
Received during the year		(216,261,729)	(125,974,437)
		<u>123,162,818</u>	<u>191,173,936</u>

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**SADAQAT LIMITED**

	Note	2020 Rupees	2019 Rupees
<b>14.2 Duty drawback on taxes</b>			
Balance at the beginning of the year		997,349,959	874,296,557
Claimed during the year		320,009,367	625,894,772
Received during the year		(876,365,885)	(502,841,370)
		<u>440,993,441</u>	<u>997,349,959</u>
<b>15. INTEREST ACCRUED</b>		<u>-</u>	<u>1,620,371</u>
This represented interest accrued on Term Deposit Receipts (TDRs) and Investment in Government Bonds - Refund Payment Orders			
	Note	2020 Rupees	2019 Rupees
<b>16. OTHER RECEIVABLES</b>			
Mark up support	(16.1)	55,092,499	18,846,951
Faisalabad Electric Supply Company (FESCO)	(16.2)	-	-
Punjab Revenue Authority (PRA)	(16.3)	-	-
Faisalabad Industrial Estate Development and Management Company (FIEDMC)	(16.4)	217,470,045	-
Others		2,398,399	1,397,429
		<u>274,960,943</u>	<u>20,244,380</u>
<b>16.1</b>	This represents mark up support under Technology Upgradation Fund scheme of the State Bank of Pakistan.		
	Note	2020 Rupees	2019 Rupees
<b>16.2 Faisalabad Electric Supply Company (FESCO)</b>			
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>
<b>16.2.1</b>	This represents receivable from FESCO against ownership transferred for electric lines installed by the Company.		
	Note	2020 Rupees	2019 Rupees
<b>16.3 Punjab Revenue Authority (PRA)</b>			
Balance at the beginning of the year	(16.3.1)	-	14,706,787
Less: Written - off		-	(14,706,787)
		<u>-</u>	<u>-</u>
<b>16.3.1</b>	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.		
<b>16.4</b>	This represents advance given to Faisalabad Industrial Estate Development Management Company (FIEDMC) for the acquisition of land. The Company has entered into sale agreement for sales of this land and accordingly this advance has been classified as other receivable.		
<b>17. TAX REFUNDS DUE FROM THE GOVERNMENT</b>			
Income tax		215,695,370	223,672,164
Sales tax		1,105,454,129	199,740,811
		<u>1,321,149,499</u>	<u>423,412,975</u>

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**SADAQAT LIMITED**

	Note	2020 Rupees	2019 Rupees
<b>18. SHORT TERM INVESTMENTS</b>			
<b>At amortised cost:</b>			
Term deposit receipts (TDRs)	(18.1)	-	50,000,000
<b>FVTPL:</b>			
Investment in Government Bonds - Refund Payment Orders	(18.2)	-	89,500,000
		<u>-</u>	<u>139,500,000</u>
<b>18.1</b>	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% (2019: 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.		
<b>18.2</b>	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.		
<b>19. CASH AND BANK BALANCES</b>			
Cash in hand		3,701,420	14,288,347
Balance with banks in current accounts		405,810,310	116,566,317
		<u>409,511,730</u>	<u>130,854,664</u>
<b>20. SHARE CAPITAL</b>			
<b>20.1 Authorized share capital</b>			
350,000,000 (2019: 350,000,000) ordinary shares of Rs. 10/- each		<u>3,500,000,000</u>	<u>3,500,000,000</u>
<b>20.2 Issued, subscribed and paid up share capital</b>			
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
166,278,309 ordinary shares of Rs. 10/- each issued as fully paid bonus shares		1,662,783,090	1,662,783,090
		<u>2,400,000,000</u>	<u>2,400,000,000</u>
<b>21. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT</b>			
Surplus on revaluation of assets at the beginning of year		1,992,209,904	2,062,823,891
Surplus on revaluation of assets during the year		4,698,266,083	-
		<u>6,690,475,987</u>	<u>2,062,823,891</u>
Less : Surplus relating to incremental depreciation charged on -related assets transferred to unappropriated profit		(71,309,524)	(70,613,987)
		<u>6,619,166,463</u>	<u>1,992,209,904</u>

The most recent revaluation was carried out on June 30, 2020 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

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22.

LONG TERM FINANCING

SADAQAT LIMITED

Note	2020		2019	
	Rupees		Rupees	
Long term financing - export oriented projects (LTF-EOP)				
Demand finance		1,895,180,824		857,357,513
Syndicated term finance		171,228,713		354,441,823
Financing under sale and lease back		-		150,000,000
Diminishing musharakah		108,883,907		-
SBP- Refinance scheme for salary payments		52,018,234		-
		166,829,739		-
		2,394,141,417		1,361,799,336
Less: Current portion shown under current liabilities		(374,764,875)		(356,945,662)
		2,019,376,542		1,004,853,674
	(30)			

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 + 2.50%	3,411,009	6	13-Dec-2021
Askari Bank Limited - Tranche 2	SBP Rate + 2.50%	1,718,539	4	21-May-2021
Askari Bank Limited - Tranche 3	SBP Rate + 2.50%	1,508,000	4	27-Mar-2021
Askari Bank Limited - Tranche 4	SBP Rate + 2.50%	855,000	20	16-Oct-2025
Askari Bank Limited - Tranche 5	SBP Rate + 2.50%	1,590,000	20	24-Oct-2025
Askari Bank Limited - Tranche 6	SBP Rate + 2.50%	1,715,000	20	20-Nov-2025
Askari Bank Limited - Tranche 7	SBP Rate + 2.50%	448,017	20	13-May-2026
Askari Bank Limited - Tranche 8	SBP Rate + 2.50%	317,092	20	16-Apr-2026
Askari Bank Limited - Tranche 9	SBP Rate + 2.50%	561,638	20	29-May-2026
Askari Bank Limited - Tranche 10	SBP Rate + 2.50%	861,638	20	29-May-2026
Askari Bank Limited - Tranche 11	SBP Rate + 2.50%	5,232,825	20	11-Jul-2026
Askari Bank Limited - Tranche 12	SBP Rate + 2.50%	3,184,220	20	2-Sep-2026
The Bank of Khyber - Tranche 1	SBP Rate + 1.75%	996,325	15	28-Jan-2024
The Bank of Khyber - Tranche 2	SBP Rate + 1.75%	1,531,095	15	2-Feb-2024
The Bank of Khyber - Tranche 3	SBP Rate + 1.75%	2,180,780	16	22-May-2024
The Bank of Khyber - Tranche 4	SBP Rate + 1.75%	751,790	15	5-Feb-2024
MCB Bank Limited - Tranche 1	SBP Rate + 2.00%	2,375,224	4	2-Jun-2021
MCB Bank Limited - Tranche 2	SBP Rate + 2.00%	1,494,600	6	17-Oct-2021
MCB Bank Limited - Tranche 3	SBP Rate + 2.00%	1,111,500	6	4-Dec-2021
MCB Bank Limited - Tranche 4	SBP Rate + 2.00%	667,860	7	13-Jan-2022
Pak Brunei Investment Company Limited - Tranche 1	SBP Rate + 2.50%	3,174,000	3	28-Jun-2021
Pak Brunei Investment Company Limited - Tranche 2	SBP Rate + 2.50%	8,740,000	3	3-Nov-2021
Pak Brunei Investment Company Limited - Tranche 3	SBP Rate + 2.50%	1,177,000	3	16-Sep-2021

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Lender	Mark-up / Profit rate per annum (%)	Installment amount	No. of installment outstanding	Date of final repayment
Pak Brunei Investment Company Limited - Tranche 4	SBP Rate + 2.50%	3,198,000	16	13-Jun-2024
Pak Brunei Investment Company Limited - Tranche 5	SBP Rate + 2.50%	2,361,563	16	30-Aug-2024
Pak Brunei Investment Company Limited - Tranche 6	SBP Rate + 2.50%	1,377,563	16	16-Sep-2024
Pak Brunei Investment Company Limited - Tranche 7	SBP Rate + 2.50%	1,033,125	16	4-Nov-2024
United Bank Limited - Tranche 1	SBP Rate + 2.00%	1,150,000	14	31-Dec-2023
United Bank Limited - Tranche 2	SBP Rate + 2.00%	1,277,706	13	20-Sep-2023
United Bank Limited - Tranche 3	SBP Rate + 2.00%	2,572,019	13	20-Sep-2023
United Bank Limited - Tranche 4	SBP Rate + 2.00%	1,013,733	12	30-Jun-2023
United Bank Limited - Tranche 5	SBP Rate + 2.00%	3,280,734	13	30-Sep-2023
The Bank of Punjab - Tranche 1	SBP Rate + 2.50%	1,645,000	11	7-Feb-2023
The Bank of Punjab - Tranche 2	SBP Rate + 2.50%	737,222	12	25-Apr-2023
The Bank of Punjab - Tranche 3	SBP Rate + 2.50%	955,556	11	23-May-2023
The Bank of Punjab - Tranche 4	SBP Rate + 2.50%	2,217,300	14	4-Dec-2023
The Bank of Punjab - Tranche 5	SBP Rate + 2.50%	2,388,051	20	21-Jan-2026
The Bank of Punjab - Tranche 6	SBP Rate + 2.50%	464,146	20	21-Jan-2026
The Bank of Punjab - Tranche 7	SBP Rate + 2.50%	2,217,300	16	9-Dec-2025
The Bank of Punjab - Tranche 8	SBP Rate + 2.00%	1,179,000	20	22-Mar-2026
The Bank of Punjab - Tranche 9	SBP Rate + 2.00%	1,336,200	20	22-Mar-2026
National Bank of Pakistan - Tranche 1	SBP Rate + 2.00%	2,244,000	20	15-Apr-2026
National Bank of Pakistan - Tranche 2	SBP Rate + 2.00%	1,820,450	20	28-Feb-2026
National Bank of Pakistan - Tranche 3	SBP Rate + 2.00%	895,500	20	23-Apr-2026
National Bank of Pakistan - Tranche 4	SBP Rate + 2.00%	843,428	20	26-Apr-2026
National Bank of Pakistan - Tranche 5	SBP Rate + 2.00%	6,320,394	20	14-May-2026
National Bank of Pakistan - Tranche 6	SBP Rate + 2.00%	570,860	20	27-May-2026
National Bank of Pakistan - Tranche 7	SBP Rate + 2.00%	174,889	20	14-May-2026
National Bank of Pakistan - Tranche 8	SBP Rate + 2.00%	8,607,225	16	6-Jan-2024
National Bank of Pakistan - Tranche 9	SBP Rate + 2.00%	390,902	20	20-Apr-2026
National Bank of Pakistan - Tranche 10	SBP Rate + 2.00%	940,298	20	7-Apr-2026
National Bank of Pakistan - Tranche 11	SBP Rate + 2.00%	1,725,381	20	14-Apr-2026
National Bank of Pakistan - Tranche 12	SBP Rate + 2.00%	2,209,173	20	2-Jan-2026
National Bank of Pakistan - Tranche 13	SBP Rate + 2.00%	308,160	20	3-Feb-2027
National Bank of Pakistan - Tranche 14	SBP Rate + 2.00%	2,850,552	20	21-Aug-2026
National Bank of Pakistan - Tranche 15	SBP Rate + 2.00%	371,616	20	15-Jan-2026
National Bank of Pakistan - Tranche 16	SBP Rate + 2.00%	215,188	20	10-Jan-2026
National Bank of Pakistan - Tranche 17	SBP Rate + 2.00%	905,527	20	27-Dec-2025
National Bank of Pakistan - Tranche 18	SBP Rate + 2.00%	349,538	20	27-Dec-2025
National Bank of Pakistan - Tranche 19	SBP Rate + 2.00%	789,820	20	10-Dec-2025
National Bank of Pakistan - Tranche 20	SBP Rate + 2.00%	155,484	20	29-Nov-2025

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Lender	Mark-up / Profit rate per annum (%)	Installment amount	No. of installment outstanding	Date of final repayment
National Bank of Pakistan - Tranche 20	SBP Rate + 2.00%	98,027	20	29-Nov-2025
National Bank of Pakistan - Tranche 20	SBP Rate + 2.00%	931,196	20	18-Nov-2025
National Bank of Pakistan - Tranche 20	SBP Rate + 2.00%	1,278,437	20	18-Nov-2025
National Bank of Pakistan - Tranche 20	SBP Rate + 2.00%	1,379,498	20	5-Nov-2025
National Bank of Pakistan - Tranche 20	SBP Rate + 2.00%	1,232,477	20	5-Nov-2025
National Bank of Pakistan - Tranche 20	SBP Rate + 2.00%	902,381	20	28-Feb-2026
Habib Bank Limited - Tranche 1	SBP Rate + 3.00%	7,287,346	20	1-Jan-2026
Habib Bank Limited - Tranche 1	SBP Rate + 1.50%	1,540,814	20	15-Oct-2025
Habib Bank Limited - Tranche 2	SBP Rate + 1.50%	857,827	20	13-Nov-2025
Habib Bank Limited - Tranche 3	SBP Rate + 1.50%	1,253,820	20	13-Nov-2025
<b>Demand Finance:</b>				
National Bank of Pakistan - Tranche 1	3 Month kibar + 1.5%	744,990	42	23-Nov-2023
National Bank of Pakistan - Tranche 2	3 Month kibar + 2%	2,286,700	20	19-May-2026
National Bank of Pakistan - Tranche 3	3 Month kibar + 2%	105,910	20	17-Jun-2026
National Bank of Pakistan - Tranche 4	3 Month kibar + 2%	2,189,266	20	17-Jun-2026
The Bank of Punjab - Tranche 1	3 Month kibar + 2.5%	333,270	20	30-Mar-2025
The Bank of Punjab - Tranche 2	3 Month kibar + 2.5%	1,131,810	20	13-Apr-2025
The Bank of Punjab - Tranche 3	3 Month kibar + 2.5%	950,000	20	30-Apr-2025
<b>Diminishing musharakah:</b>				
ORIX Mudaraba	6 Month kibar + 3.70%	2,167,426	24	20-Feb-2023

**22.2** These loans are secured against first exclusive charge of Rs. 1,852 million over specific fixed assets, first joint pari passu charge of Rs.1,526 million over fixed asset and personal guarantees of all sponsoring Directors of Company. Payments are to be made in monthly and quarterly equal installments.

**22.3** This finance was obtained for support of working capital requirements. The facility was 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 were payable on quarterly basis.

**22.4** This facility is obtained to finance the permanent working capital requirements of the Company through sale & lease back of assets already procured by the Company. These loans are secured against specific charge on assets, personal guarantees of the sponsoring Directors of the Company and post dated cheques in favour of the leasing companies.

**22.5** This loan is secured against specific charge on diminishing musharakah assets and personal guarantees of the sponsoring Directors of the Company.

**22.6** This represents loan of Rs. 183.07 million obtained under Refinance Scheme for Payment of Wages and Salaries to Workers and Employees of Business Concerns (the Scheme) offered by State Bank of Pakistan to mitigate the effect of COVID-19 on employment in Pakistan. The facility has an aggregate sanctioned limit of Rs. 273.6 million. It carries mark-up at SBP rate plus 1% per annum and is secured against first joint pari passu charge of Rs. 365 million over the fixed assets of the Company. The loan is repayable in equal quarterly installments commencing January 01, 2021 and ending October 01, 2022. The two tranches of loan were initially recognized at amortized cost using effective interest rate of 8.32% and 8.14% (3-month KIBOR) respectively. The difference between cash received and present value of cash outflows upon initial recognition has been recognized as deferred grant.

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**23. LEASE LIABILITIES**

Present value of lease payments  
Less: Current portion shown under current liabilities

Note	2020 Rupees	2019 Rupees
(30)	162,917,469 (98,168,042) <b>64,749,427</b>	211,885,605 (91,007,845) <b>120,877,760</b>

Lease payments	Finance cost for future years	Present value of lease payments
-----Rupees-----		
2020		
Not later than one year	114,136,958	15,968,916
Later than one year but not later than five years	69,914,729	5,165,302
	<b>184,051,687</b>	<b>21,134,218</b>

2019  
Not later than one year  
Later than one year but not later than five years

111,632,935	20,625,090	91,007,845
133,214,697	12,336,937	120,877,760
<b>244,847,632</b>	<b>32,962,027</b>	<b>211,885,605</b>

Set out below are the carrying amounts of lease liabilities and the movements during the year:

Note	2020 Rupees	2019 Rupees
As at 01 July	211,885,605	100,856,374
Additions	56,149,852	268,483,010
Accretion of interest	24,472,605	17,859,263
Payments	(129,590,593)	(175,313,042)
<b>As at 30 June</b>	<b>162,917,469</b>	<b>211,885,605</b>

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.140 million (2019: 40 million) over plant and machinery of the 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 2.4% to 4% per annum (2019: 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.

**24. LONG TERM DEPOSITS**

Long term deposits  
Less: Current portion shown under current liabilities

Note	2020 Rupees	2019 Rupees
	91,482,033	63,261,270
	(36,472,098)	(34,409,363)
	<b>55,009,935</b>	<b>28,851,907</b>

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.

**25. DEFERRED LIABILITIES**

Deferred tax liabilities  
Deferred grant

Note	2020 Rupees	2019 Rupees
(25.1)	29,224,271	48,934,149
	6,824,769	-
	<b>36,049,040</b>	<b>48,934,149</b>

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## SADAQAT LIMITED

25.1	Deferred tax liabilities		2020 Rupees	2019 Rupees
	The liability for deferred taxation comprises temporary differences relating to:			
	Taxable temporary differences on unrealized export debtors		<u>29,224,271</u>	<u>48,934,149</u>
26.	TRADE AND OTHER PAYABLES	Note	2020 Rupees	2019 Rupees
	Trade creditors		2,498,416,510	2,909,931,657
	Accrued liabilities		211,099,680	162,297,776
	Commission payable		29,071,239	19,341,843
	Provision for 10-C bonus		-	128,197,016
	Payable to Provident Fund	(26.1)	42,856,977	126,111,122
	Workers' Profit Participation Fund	(26.2)	26,709,773	81,299,999
	Withholding tax payable		<u>4,238,340</u>	<u>10,198,942</u>
			<u>2,812,392,519</u>	<u>3,437,378,355</u>
26.1	This carries markup at 3 months KIBOR plus 4% (2019: 3 months KIBOR plus 4%).			
26.2	Workers profit participation fund (WPPF)	Note	2020 Rupees	2019 Rupees
	Opening balance		81,299,999	65,846,844
	Allocation for the year		23,122,772	79,736,560
	Interest on WPPF		<u>3,587,001</u>	<u>1,563,439</u>
			108,009,772	147,146,843
	Less: Payments during the year		<u>(81,299,999)</u>	<u>(65,846,844)</u>
			<u>26,709,773</u>	<u>81,299,999</u>
27.	CONTRACT LIABILITIES		<u>77,769,100</u>	<u>2,421,003</u>
	These represent advances from customers against which the Company has performance obligation to provide goods and services in future. This include advance received from KHAS Holding Private Limited amounting to Rs. 27.70 million (2019: Nil).			
28.	INTEREST ACCRUED ON LOANS - secured	Note	2020 Rupees	2019 Rupees
	Long term financing		34,076,904	29,288,889
	Short term borrowings		<u>83,232,974</u>	<u>93,888,526</u>
			<u>117,309,878</u>	<u>123,177,415</u>
29.	SHORT TERM BORROWINGS			
	Financial institutions - secured			
	Export refinance facilities	(29.2)	5,049,500,005	4,232,700,006
	Short term running finance	(29.3)	62,664,807	62,628,711
	Other short term finance	(29.4)	<u>2,891,032,639</u>	<u>2,968,977,176</u>
			<u>8,003,197,451</u>	<u>7,264,305,893</u>
29.1	These loans are secured against first Joint Pari Passu charge of PKR 8,938 million over fixed assets and PKR 5,276 million over current assets of the Company. The ranking charge over current assets PKR 369 million and ranking charge over fixed assets of the Company PKR 456 million will be converted into first 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:			
29.2	Export refinance facilities			
			Limit	Pricing
	Sanctioned limit amounting to Rs. 5,433 million and available limit is Rs. 383 million.			At the rate of SBP tariff plus 1% p.a. (2019: SBP tariff plus 1% p.a.)

## SADAQAT LIMITED

29.3	Short term running finance		Limit	Pricing
	Sanctioned limit amounting to Rs. 65 million and available limit is Rs. 2.3 million.			At the rate of 3 months KIBOR plus 1.5% to 1.75% (2019: 1 month KIBOR to 3 months plus 1.25% to 2.5%) p.a.
29.4	Other short term finance		Limit	Pricing
	Sanctioned limit amounting to Rs. 4,357 million and available limit is Rs. 1,466 million.			At the rate of 1 month KIBOR to 3 months plus 1.25% to 2.5% (2019: 1 month KIBOR to 3 months plus 1.25% to 1.75%) p.a.
30.	CURRENT PORTION OF NON CURRENT LIABILITIES	Note	2020 Rupees	2019 Rupees
	Long term financing	(22)	374,764,875	356,945,662
	Liabilities against assets subject to finance lease	(23)	98,168,042	91,007,845
	Long term deposits	(24)	36,472,098	34,409,363
	Deferred grant	(25)	<u>9,928,073</u>	<u>-</u>
			<u>519,333,088</u>	<u>482,362,870</u>
31.	CONTINGENCIES AND COMMITMENTS			
31.1	Contingencies			
31.1.1	The Honorable Supreme Court of Pakistan passed an order on 13 August 2020 relating to GIDC and ordered that levy of GIDC was duly levied by the Government and is payable by the consumers in 24 equal monthly installments starting from August 2020. The Honorable Supreme Court also restrained the Federal Government from charging GIDC from August 2020. The Company has provided the provision of GIDC amounting to Rs. 14,905,008 in these financial statements. However, SNGPL has charged and claimed the GIDC of amounting to Rs. 51,626,112 (Rs. 2,151,088 first installment in August 2020) from the Company. The Company has not recorded the provision of Rs. 36,721,104 in these financial statements as the matter of applicable tariff and recovery relating prior to the enactment of GIDC Act, 2015 has been challenged in September 2020 before Honorable Lahore High Court, which is pending adjudication. The management of the Company expects favorable outcome in this regard.			
31.1.2	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, Honourable 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 Honourable 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.			
31.2	Commitments		2020 Rupees	2019 Rupees
31.2.1	Under letters of credit for			
	-Raw material		95,201,196	223,882,553
	-Stores and spares		93,128,129	253,878,648
	-Capital expenditure		<u>6,444,124</u>	<u>150,545,817</u>
			<u>194,773,449</u>	<u>628,307,018</u>
31.2.2	Against purchase of land			
	-Within one year		-	47,659,344
	-After one year but not more than five years		-	95,318,688
			-	<u>142,978,032</u>
31.2.3	Against civil contracts			
	-Capital work in progress		<u>860,666,460</u>	<u>450,251,450</u>
31.2.4	Forward exchange contracts			
	-Sale		-	523,035,787
31.2.5	Bank guarantees issued by banks on behalf of the Company in favor of:			
	- Sui Northern Gas Pipelines Limited for supply of gas		159,639,400	39,639,400
	- Faisalabad Electricity Supply Company for supply of electricity		9,286,300	9,286,300
	- Collector of customs Karachi for infrastructure cess		<u>993,500</u>	<u>993,500</u>

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	Note	2020 Rupees	2019 Rupees
31.2.6 Post dated cheques issued in favor of custom authorities for release of goods imported for re-export		1,429,477,786	1,767,349,087
<b>32. REVENUE FROM CONTRACTS WITH CUSTOMERS - NET</b>			
Export sales		20,193,808,796	20,117,829,700
Local sales:			
Processing Receipts		86,965,763	49,465,563
Waste sale		255,733,746	135,980,088
		342,699,509	185,445,651
Gross sales	(32.1)	20,536,508,305	20,303,275,351
Less:			
Foreign commission and discount	(32.2)	(451,288,044)	(673,326,479)
Sales tax		(49,793,152)	(12,370,236)
		(501,081,196)	(685,696,715)
		20,035,427,109	19,617,578,636
<b>32.1 Disaggregation of the Company's revenue from contracts with customer is as follows.</b>			
<b>Segments</b>		2020	2019
<b>Export Sales:</b>		Rupees	Rupees
Sale of made-ups		19,218,509,697	19,895,342,489
Sale of fabric		129,653,174	122,812,318
Sale of garments		845,645,925	99,674,893
		20,193,808,796	20,117,829,700
<b>Local Sales:</b>			
Processing services		86,965,763	49,465,563
Waste sales		255,733,746	135,980,088
		342,699,509	185,445,651
<b>Total revenue from contracts with customers</b>		20,536,508,305	20,303,275,351
<b>Geographic markets</b>			
United Kingdom		13,240,002,889	11,658,111,465
Australia		1,945,253,291	1,068,903,340
Spain		727,824,513	1,790,615,472
Belgium		672,407,044	677,595,456
U.S.A		671,916,096	473,888,370
France		591,842,866	574,106,941
New Zealand		510,666,195	406,825,188
Sweden		482,329,566	312,210,980
Germany		423,240,505	899,100,261
Italy		333,567,139	190,008,866
Netherlands		154,721,715	661,929,853
Hong Kong		141,503,170	-
Dominican Republic		71,689,424	43,948,757
Malaysia		52,815,894	510,422,732
Kuwait		31,824,822	14,621,645
Brazil		30,145,543	44,531,621
Ireland		22,209,051	681,878,823
Poland		21,146,118	9,637,576
Bangladesh		17,540,337	-
United Arab Emirates		14,459,284	36,410,205
Turkey		9,038,511	11,730,514
Senegal		7,428,224	-
Mexico		5,974,142	-
China		5,264,166	11,106,723
Libya		4,104,549	-
Japan		2,838,303	-
Korea		1,891,190	566,181
Uruguay		164,249	-
Canada		-	23,819,431
Finland		-	9,391,515
Singapore		-	6,467,785
<b>Total revenue from contracts with customers</b>		20,193,808,796	20,117,829,700

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		2020 Rupees	2019 Rupees
<b>32.2</b>	This includes commission and discount to following related parties:		
	Sadaqat Global Limited - UK	186,533,302	475,951,900
	Sleepworld Australia	106,948	3,886,750
	Sleepworld International Limited	5,220,528	26,600,000
		191,860,778	506,438,650
<b>32.3 Performance obligation</b>			
	The performance obligation is satisfied at a point in time for sale of goods and rendering of services. The Company makes sales against advances as well as on credit terms. In case of credit sales, payment is generally due within 30 to 180 days from the date of delivery.		
<b>33. COST OF REVENUE</b>			
		Note	
	Raw material consumed	(33.1)	11,740,785,588
	Stores and spares consumed	(33.2)	2,586,270,910
	Salaries, wages and benefits	(33.3)	1,546,559,533
	Fuel and power		887,183,777
	Conversion and processing charges		647,886,289
	Folding and packing		710,036
	Freight		68,632,458
	Loading and handling charges		80,300,841
	Insurance		36,416,523
	Repairs and maintenance		96,772,166
	Depreciation	(5.1.1)	642,412,748
			18,333,930,869
	Work in process		
	Opening balance		1,494,303,938
	Closing balance	(10)	1,910,967,440
			(416,663,502)
	Cost of goods manufactured		17,917,267,367
	Finished goods		
	Opening balance		999,265,558
	Closing balance	(10)	1,720,330,726
			(721,065,168)
			17,196,202,199
	Less: duty drawback		(468,259,978)
			16,727,942,221
<b>33.1 Raw material consumed</b>			
	Raw material opening inventory		1,594,171,305
	Add: Purchases during the year		11,191,952,599
	Raw material available for consumption		12,786,123,904
	Raw material closing inventory	(10)	(1,045,338,316)
			11,740,785,588
<b>33.2 Stores and spares consumed</b>			
	Opening inventory		388,888,584
	Add: Purchases during the year		2,683,069,672
			3,071,958,256
	Closing inventory	(9)	(485,687,346)
			2,586,270,910
<b>33.3</b>	This include Rs. 69.7 million (2019: Rs. 40 million) in respect of provident fund contribution.		

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**SADAQAT LIMITED**

	Note	2020 Rupees	2019 Rupees
<b>34. SELLING AND DISTRIBUTION EXPENSES</b>			
Staff salaries and benefits	(34.1)	121,707,940	80,667,193
Sea and air freight		77,518,568	70,745,706
Clearing and forwarding		237,998,484	237,134,258
Freight and octroi		60,515,929	81,599,273
Advertisement		416,010	676,300
Sales promotion expenses		77,913,294	74,639,681
Export development surcharge		56,083,076	46,563,944
Claims and damages		51,300,446	23,389,434
		<b>683,453,747</b>	<b>615,415,789</b>

**34.1** This includes Rs. 5.8 million (2019: Rs. 3.67 million) in respect of provident fund contribution.

	Note	2020 Rupees	2019 Rupees
<b>35. ADMINISTRATIVE EXPENSES</b>			
Directors' remuneration		104,085,344	80,100,000
Staff salaries and benefits	(35.1)	348,431,520	340,230,845
Postage and telecommunication		118,553,653	98,012,063
Utilities		163,496,327	103,602,173
Printing and stationery		14,724,011	12,632,421
Vehicle running and maintenance		43,497,937	47,332,007
Travelling and conveyance		57,646,428	81,280,396
Fee and subscription		14,597,618	26,591,930
Legal and professional		6,915,517	3,468,544
Entertainment		21,726,722	29,524,090
Repairs and maintenance		11,764,608	14,198,261
Auditors' remuneration	(35.2)	3,200,000	2,900,000
Insurance		14,419,070	9,017,104
Depreciation	(5.1.1)	101,483,286	108,668,039
Amortization	(6.1)	-	7,272,977
Zakat		6,534,500	4,153,100
Others		37,032,595	21,829,773
		<b>1,068,109,136</b>	<b>990,813,723</b>

**35.1** This include Rs. 12.6 million (2019: Rs. 8.67 million) in respect of provident fund contribution.

	Note	2020 Rupees	2019 Rupees
<b>35.2 Auditors' remuneration</b>			
Statutory audit fee		2,100,000	1,800,000
Half year audit fee		825,000	750,000
Out of pocket expenses		275,000	350,000
		<b>3,200,000</b>	<b>2,900,000</b>

<b>36. OTHER OPERATING EXPENSES</b>			
Provision for Workers' Profit Participation Fund		23,122,772	79,736,560
Charity and donations	(36.1)	8,726,167	7,580,851
Unrealized exchange loss on derivative financial instrument		10,843,478	18,055,656
Social compliance expenses		4,561,554	11,206,486
Allowance for expected credit losses		-	16,090,085
Provision for doubtful recoveries		5,436,856	14,013,234
		<b>52,690,827</b>	<b>146,682,872</b>

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**SADAQAT LIMITED**

	2020 Rupees	2019 Rupees
<b>36.1</b> Name of donees to which donation has been made:		
<b>Name of Donee:</b>		
Anjuman-E-Islamia (Regd.) Faisalabad	150,000	275,000
Chiniot Blood Bank and Dialysis Centre	1,110,000	1,040,000
The Patient Behbud Society	180,000	700,000
Diamer & Basha Mohmand Dam Fund	-	560,000
Divisional Sports Committee	-	500,000
The Indus Hospital	-	500,000
Pakistan Textile Expoters Association (PTEA)	500,000	-
Lahore University of Management Science (LUMS)	820,000	-
Quaid -e -Azam International Hospital	460,000	-
Lahore Institute of Health Science (LIHS)	1,000,000	-
Others	4,506,167	4,005,851
	<b>8,726,167</b>	<b>7,580,851</b>

**36.2** No Directors or their spouses have any interest in the donee.

<b>37. OTHER INCOME</b>		
<b>Income from financial assets:</b>		
Exchange gain - net	157,830,969	1,110,337,169
Profit on saving accounts	157,815	5,374,926
Interest on loan to associated undertaking	-	3,948,904
	<b>157,988,784</b>	<b>1,119,660,999</b>
<b>Income from non-financial assets:</b>		
Gain on disposal of operating fixed assets	1,585,506	3,777,032
	<b>159,574,290</b>	<b>1,123,438,031</b>

<b>38. FINANCE COSTS</b>		
Mark up on:		
- Long term financing	104,347,178	80,166,506
- Short term borrowings	618,691,595	395,150,453
	<b>723,038,773</b>	<b>475,316,959</b>
Interest on workers' Profit Participation Fund	3,587,001	1,563,439
Interest on loan from Employees' Provident Fund Trust	28,813,116	12,237,955
Lease finance charges	24,472,605	17,859,263
Bank charges and commission	164,422,689	131,902,335
	<b>221,295,411</b>	<b>163,562,992</b>
	<b>944,334,184</b>	<b>638,879,951</b>

<b>39. TAXATION</b>		
Current tax		
-for the year	227,185,322	148,203,233
-prior year	(503,624)	(3,819,150)
	<b>226,681,698</b>	<b>144,384,083</b>
Deferred tax	(19,709,878)	23,956,535
	<b>206,971,820</b>	<b>168,340,618</b>

**39.1** 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.

	2020 Rupees	2019 Rupees
<b>40. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit for the year (Rupees)	<b>511,499,464</b>	<b>1,332,640,784</b>
Weighted average number of ordinary shares (Numbers)	<b>240,000,000</b>	<b>240,000,000</b>
Earnings per share (Rupees)	<b>2.13</b>	<b>5.55</b>

**40.1 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.

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## 41. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2020			2019		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	-----Rupees-----					
Managerial remuneration	15,332,490	53,997,030	131,587,922	15,999,120	37,331,280	173,699,134
Provident fund	-	-	8,329,895	-	-	5,595,196
House rent allowance	6,134,100	21,688,044	52,379,848	6,400,800	14,935,200	69,492,160
Utilities	1,533,410	5,400,270	12,432,113	1,600,080	3,733,520	17,371,737
Total	23,000,000	81,085,344	204,729,778	24,000,000	56,000,000	266,158,227
Number of persons	1	5	133	1	5	102

41.1 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.

## 42. 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	2020	2019
			-----Rupees-----	
Sadaqat Global Limited - UK	Common Directorship	Sales	4,274,803,386	5,045,381,781
		Commission and discount expense	186,533,302	475,951,900
KHAS Holding	Director's Spouse	Sales	69,030,300	53,703,525
Jay Franco Europe	Common Directorship	Sales	30,516,256	145,750,338
Sleepworld Australia	Common Directorship	Sales	28,761,692	30,300,254
		Commission expense	106,948	3,886,750
Sleepworld International Limited	Common Directorship	Sales	138,714,993	106,345,514
		Commission expense	5,220,528	26,600,000
Provident Fund	Employee's Fund Scheme	Amount contributed	-	52,849,853
C 100 Think Tank	Director's membership	Membership	-	400,000
			4,733,687,405	5,941,169,915

42.1 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.

42.2 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.

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

42.4 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.

## 43. 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:

	2020	2019
	Rupees	Rupees
	Un-audited	Audited
Size of the fund (net assets)	332,222,268	234,099,715
Cost of investment made (actual investments made)	217,363,425	215,797,751
Percentage of investments made (cost of investments)	65%	92%
Fair value of investments	(43.1) 221,196,142	215,797,751

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## 43.1 Breakup of investment (actual):

	2020		2019	
	Investments	% of fund	Investments	% of fund
UBL Asset Allocation Fund	380,940	0%	342,863	0%
Faysal savings growth fund	365,936	0%	454,092	0%
NAFA Income opportunity Fund	819,829	0%	723,351	0%
NBP Profit and Loss A/C	-	0%	35,839,417	15%
Alfalah GHP Money Market Fund.	41,021,328	12%	937,094	0%
UBL Liquidity Plus Fund	21,074,437	6%	684,082	0%
UBL Growth Fund	441,414	0%	231,204	0%
HBL Term Finance (Tier 1)	50,000,000	15%	50,000,000	21%
Due from the Company	42,856,977	13%	126,111,122	54%
Faysal Income and growth fund	55,011	0%	50,339	0%
NAFA Govt Securities Liquid fund	212,115	0%	188,539	0%
HBL Govt Securities fund	273,323	0%	235,648	0%
HBL Cash Fund	15,935,186	5%	-	0%
Meezan Rozana Amdani Fund	11,341,637	3%	-	0%
JS Cash Fund(JS Investment)	11,035,677	3%	-	0%
NBP Islamic Daily Dividend Fund-NIDDF	25,382,332	8%	-	0%
	221,196,142	67%	215,797,751	92%

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

## 44. 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

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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	2020 Rupees	2019 Rupees
Foreign debtors/ (Foreign creditors) - USD	+1	15,241,032	17,500,294
	-1	(15,241,032)	(17,500,294)
Foreign debtors/ (Foreign creditors) - EURO	+1	284,736	2,225,250
	-1	(284,736)	(2,225,250)
Foreign debtors/ (Foreign creditors) - GBP	+1	1,112,490	7,152,889
	-1	(1,112,490)	(7,152,889)
Foreign debtors/ (Foreign creditors) - Yuan	+1	(324,592)	(7,372,773)
	-1	324,592	7,372,773

The following significant exchange rates were applied during the year:

Currency	2020		2019	
	Average Rate	Reporting Date Rate	Average Rate	Reporting Date Rate
	-----Rupees-----		-----Rupees-----	
US Dollar	164.28	168.05	140.98	160.50
Euro	185.56	188.61	161.94	182.50
Great British Pound	204.95	206.50	181.32	203.40
Chinese Yuan	23.81	23.76	21.12	23.85

## 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:

	2020 Rupees	2019 Rupees
<b>Floating rate instruments:</b>		
<b>Financial Liabilities</b>		
Lease liabilities	162,917,469	211,885,605
Short term borrowings	8,003,197,451	7,264,305,893
	<u>8,166,114,920</u>	<u>7,476,191,498</u>
<b>Financial Assets</b>		
Short term investment - TDRs	-	50,000,000
<b>Fixed rate instruments:</b>		
<b>Financial Liabilities</b>		
Long term financing	<u>2,394,141,417</u>	<u>1,361,799,336</u>
<b>Financial Assets</b>		
Short term investment - Government bonds	<u>-</u>	<u>89,500,000</u>

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## 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
<b>Floating interest rates:</b>			
<b>Financial Liabilities</b>	2020	+1	81,661,149
		-1	(81,661,149)
	2019	+1	74,761,915
		-1	(74,761,915)
<b>Financial Assets</b>	2020	+1	-
		-1	-
	2019	+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:

	2020 Rupees	2019 Rupees
Long term deposits	39,876,367	24,666,367
Trade debts	2,935,487,434	4,897,620,152
Trade deposits	10,835,388	43,889,382
Interest accrued	-	1,620,371
Derivative financial asset	-	10,843,478
Other receivables	274,960,943	20,244,380
Short term investment	-	139,500,000
Bank balances	405,810,310	116,566,317
	<u>3,666,970,442</u>	<u>5,254,950,447</u>

## The aging of trade debts at reporting date is:

## Age analysis of trade

0 to 3 Months (0 - 90 days)	2,077,160,870	2,938,950,049
4 to 6 Months (91 - 180 days)	599,072,954	1,210,582,906
7-12 Months	174,936,729	766,414,537
Over 12 Months	144,739,002	21,084,161
	<u>2,995,909,555</u>	<u>4,937,031,653</u>

## Aging analysis of trade c from associated undertakings:

	2020	2019
0 - 90 days	1,208,768,747	1,612,270,707
91 - 180 days	548,797,088	1,180,000,044
7-12 Months	152,740,030	751,387,265
Over 12 Months	114,470,135	5,992,721
	<u>2,024,776,000</u>	<u>3,549,650,737</u>

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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			2020	2019
	Short term	Long term	Agency	Rupees	Rupees
<b>Banks:</b>					
Bank Alfalah Limited	A-1+	AA+	JCR-VIS	498,393	498,392
The Bank of Khyber	A-1	A	JCR-VIS	37,702,136	41,038,281
Bank of Punjab	A1+	AA	PACRA	879,378	938,104
Dubai Islamic Bank	A-1+	AA	JCR-VIS	5,696	5,696
First Women Bank Limited	A2	A-	PACRA	228,601	249,023
Bank Islami Pakistan Limited	A1+	A+	JCR-VIS	4,354,327	15,000,007
Habib Bank Limited	A-1+	AAA	JCR-VIS	84,691,838	22,193,797
MCB Bank Limited	A-1+	AAA	PACRA	16,329,664	3,767,734
Meezan Bank Limited	A-1+	AA+	JCR-VIS	6,100,055	4,277,401
National Bank Of Pakistan	A-1+	AAA	JCR-VIS	69,383,840	11,418,797
Silk Bank Limited	A-2	A-	JCR-VIS	2,434,165	50,000
Standard Chartered Bank	A-1+	AAA	PACRA	6,705,931	13,861,118
United Bank Limited	A-1+	AAA	JCR-VIS	165,647,687	1,327,562
Waseela Microfinance Bank	A-1	A	PACRA	1,553,125	1,164,417
Samba Bank Limited	A-1	AA	JCR-VIS	7,692,807	775,988
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	1,602,667	-
<b>Term Deposit Receipts (TDRs)</b>					
National Bank Of Pakistan	A-1+	AAA	JCR-VIS	-	50,000,000
				<b>405,810,310</b>	<b>166,566,317</b>

### 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 29. 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
<b>2020</b>	(Rupees)			
Long term financing	2,394,141,417	2,498,488,595	479,112,053	2,019,376,542
Lease liabilities	184,051,687	184,051,687	114,136,958	69,914,729
Trade deposits	91,482,033	91,482,033	36,472,098	55,009,935
Trade and other payables	2,709,516,190	2,709,516,190	2,709,516,190	-
Interest accrued on loans	117,309,878	117,309,878	117,309,878	-
Short term bank borrowings	8,003,197,451	8,621,889,046	8,621,889,046	-
<b>Total financial liabilities</b>	<b>13,499,698,656</b>	<b>14,222,737,429</b>	<b>12,078,436,223</b>	<b>2,144,301,206</b>
<b>2019</b>	(Rupees)			
Long term financing	1,361,799,336	1,441,965,842	437,112,168	1,004,853,674
Lease liabilities	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	-
<b>Total financial liabilities</b>	<b>12,129,620,979</b>	<b>12,604,937,938</b>	<b>11,438,017,660</b>	<b>1,166,920,278</b>

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### 45. 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.

#### 45.1 Financial instruments by categories

##### Assets as per statement of financial position:

	2020		
	FVTPL	Cash and cash equivalents	Amortized cost
	-----Rupees-----		
Long term deposits	-	-	39,876,367
Trade debts	-	-	2,991,704,306
Loans	-	-	-
Short term deposits	-	-	10,835,388
Interest accrued	-	-	-
Derivative financial asset	-	-	-
Other receivables	-	-	274,960,943
Short term investment	-	-	-
Cash and bank balances	-	409,511,730	-
	-	<b>409,511,730</b>	<b>3,317,377,004</b>

##### Assets as per statement of financial position:

	2019		
	FVTPL	Cash and cash equivalents	Amortized cost
	-----Rupees-----		
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	-
	<b>100,343,478</b>	<b>130,854,664</b>	<b>5,073,246,904</b>

##### Liabilities as per statement of financial position:

	Financial liabilities at amortized cost	
	2020	2019
	-----Rupees-----	
Long term financing	2,394,141,417	1,361,799,336
Liabilities against assets subject to finance lease	184,051,687	244,847,632
Trade deposits	91,482,033	63,261,270
Trade and other payables	2,709,516,190	3,072,229,433
Interest accrued on loans	117,309,878	123,177,415
Short term bank borrowings	8,003,197,451	7,264,305,893
	<b>13,499,698,656</b>	<b>12,129,620,979</b>

#### 45.3 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.

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# SADAQAT LIMITED

As at 30 June 2020, the Company held the following financial instruments measured at fair value:

	Jun-20	Level 1	Level 2	Level 3
<b>Financial Assets measured at fair value</b>	<b>Rupees</b>			
Derivative financial asset	-	-	-	-

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

	Jun-19	Level 1	Level 2	Level 3
<b>Financial liabilities measured at fair value</b>	<b>Rupees</b>			
Derivative financial asset	10,843,478	-	10,843,478	-

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

## 45.5 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 2020 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 2020 is as follows:

	Note	2020 Rupees	2019 Rupees
Long term financing	22	2,394,141,417	1,361,799,336
Short term borrowings	29	8,003,197,451	7,264,305,893
Total debt		10,397,338,868	8,626,105,229
Cash and bank balances		(409,511,730)	(130,854,664)
Net debt		9,987,827,138	8,495,250,565
Total equity		14,157,292,507	9,007,526,960
Total capital employed		24,554,631,375	17,633,632,189
Gearing ratio		40.7%	48.2%

## 46. PLANT CAPACITY AND ACTUAL PRODUCTION

Processing	2020	2019
Installed capacity for the year (in meters)	78,500,000	78,500,000
Capacity utilized for the year (in meters)	67,735,237	73,034,753
Number of shifts worked per day	3	3

### Knitting Conversion

Installed capacity for the year (in kgs)	3,640,000	-
Capacity utilized for the year (in kgs)	764,777	-
Number of shifts worked per day	3	-

### Knitting Processing

Installed capacity for the year (in kgs)	3,640,000	-
Capacity utilized for the year (in kgs)	1,022,492	-
Number of shifts worked per day	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.

# SADAQAT LIMITED

## 47. NUMBER OF EMPLOYEES

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

	2020	2019
Total number of employees as at the reporting date	6,910	6,605
Average number of employees during the year	6,525	6,105

## 48. NON ADJUSTING EVENT AFTER REPORTING PERIOD

The Board of Directors of the Company has proposed a cash dividend for the year ended 30 June 2020 of Rs. 0.25 per share (30 June 2019: Rs. 0.25 per share) and bonus shares in the propotion of 2.5 new shars for every 100 shares at their meeting held on 06 November 2020. 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.

## 49. 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.

## 50. GENERAL

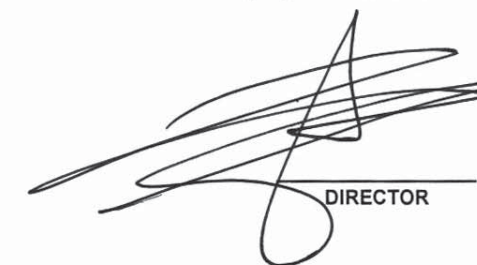
Figures have been rounded off to the nearest rupee, unless otherwise stated.

## 51. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 06 November 2020.

E,

  
CHIEF EXECUTIVE OFFICER

  
DIRECTOR

# Notice of Annual General Meeting

Notice is hereby given that Annual General Meeting of Members of Sadaqat Limited will be held on November 27, 2020 at 11:00 A.M at the Registered Office of the Company at 2 KM Sahianwala road Khurrainwala Faisalabad to transact the following business.

## A) ORDINARY BUSINESS

1. To confirm the minutes of last Annual General Meeting held on November 12, 2019.
2. To receive, consider and adopt the audited Financial Statements together with the Directors and Auditors' Report thereon for the year ended June 30, 2020.
3. To appoint External Auditors of the Company for the ensuing year, and to fix their remuneration. The Board of Directors, on the recommendation of Audit Committee, has proposed re-appointment of M/s EY Ford Rhodes Chartered Accountants as external auditors, for the year ending June 30, 2021.
4. To approve as recommended by Directors, the payment of Cash Dividend @ 2.5% i.e. Rs. 0.25 per share and Bonus shares @ 2.5% for the year ended June 30, 2020.
5. To transact any other business with the permission of the Chair

## B) SPECIAL BUSINESS

1. To consider and, if thought fit, to pass with or without modification(s), the resolutions appearing for the capitalization of free reserves to issue bonus shares as recommended by the Directors.

**RESOLVED THAT** a sum of Rs. 60,000,000 be capitalized out of the free reserves of the Company and applied towards issue of 6,000,000 ordinary shares of Rs. 10 each, as 2.5% fully paid bonus shares i.e. in the proportion of 2.5 ordinary share for every 100 ordinary shares held by the members of the Company whose names appear in the Members' Register as at the close of the business on November 20, 2020.

**FURTHER RESOLVED THAT** the bonus shares shall rank pari passu in all respects with the existing shares of the Company as regards the future entitlements, however, these shares shall not be eligible for final cash dividend declared by the Company for the year ended June 30, 2020.

**RESOLVED THAT** member's fractional entitlement, as a result of their entitlement to a fraction of a bonus share due to their respective shareholdings shall be disposed-off as per approval of the Shareholders in the Annual General Meeting held on November 27, 2020.

**FURTHER RESOLVED THAT** the Chief Executive be and is hereby singly authorized to give effect to these resolutions and to do and cause to be done all acts, deeds and things that may be necessary or required for issue, allotment and distribution of the said bonus shares and the disposal of the fractions shares into concerned folios.

By Order of the Board

  
**Basharat Hashmi**  
Company Secretary

Faisalabad  
November 6, 2020

## NOTES

### 1. Book Closure

The share transfer books of the Company will remain closed from November 21, 2020 to November 27, 2020 (both days inclusive). Transfers received, in order, at the office of our Share Registrar M/s. CDC Share Registrar Services Limited, CDC House, 99-B, S.M.C.H. Society, Main Shahrah-e-Faisal, Karachi at the close of business on November 20, 2020 will be treated in time for the purposes of Annual General Meeting and entitlement to the transferees.

### 2. Appointment of Proxy and Participation in the AGM

A member entitled to attend and vote at the Meeting may appoint another member as his/her Proxy to attend, speak and vote at the Meeting on his/her behalf. The instrument appointing Proxy must be deposited at the Office of the Share Registrar of the Company duly stamped and signed, not later than 48 hours before the time for holding the meeting. A member cannot appoint more than one proxy. Attested copy of the shareholder's Computerized National Identity Card (CNIC) must be attached with the Form.

### 3. Deduction of Tax on Dividend Income – Finance Act, 2020

It is hereby informed that pursuant to the Finance Act, 2020, the rate of withholding tax under Section 150 of the Income Tax Ordinance, 2001 on dividend income has been segregated as follows:

- i. Rate of tax deduction on dividend income for filer of income tax return is 15%
- ii. Rate of tax deduction on dividend income for non-filer of income tax return is 30%

### 4. Change of Registered mailing address

Shareholders are requested to notify the Company's Share Registrar if there is any change in their registered addresses.

### Statement under Section 134(3) of the Companies Act, 2017 for the Issuance of Bonus Shares

The Directors are of the view that the Company's financial position justifies capitalization of Rs. 60,000,000/- out of the Company's reserves and applied towards the issue of 6,000,000 ordinary shares of Rs.10/- each and allotted as fully paid bonus shares in the proportion of one 2.5 bonus share for every 100 ordinary shares held. The Directors of the Company, directly or indirectly, are not personally interested in this issue, except to the extent of their shareholding in the Company.

# 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) \_\_\_\_\_

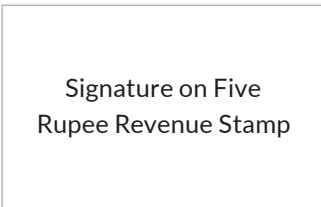
who is also a member of Sadaqat Limited, as my/our proxy in my/our absence to attend and to vote and act for me/us and on my/our behalf at the 33<sup>rd</sup> Annual General Meeting of the Company to be held on Friday, November 27, 2020 at 11:00 am and at any adjournment thereof.

Signature this \_\_\_\_\_ day of \_\_\_\_\_, 2020

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، بے مطابق 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 جمعہ المبارک 27 نومبر 2020، بوقت 11 بجے صبح منعقد یا ملتوی ہونے والے کمپنی کے 33 سالانہ اجلاس عام میں رائے دہندگی کے لئے اپنا نمائندہ (پراسی) مقرر کرتا / کرتی ہوں۔

مورخہ \_\_\_\_\_ 2020

دستخط گواہ نمبر 1 \_\_\_\_\_  
نام \_\_\_\_\_  
پتہ \_\_\_\_\_  
شناختی کارڈ نمبر \_\_\_\_\_

دستخط گواہ نمبر 2 \_\_\_\_\_  
نام \_\_\_\_\_  
پتہ \_\_\_\_\_  
شناختی کارڈ نمبر \_\_\_\_\_

## نوٹ:

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



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\*Mobile apps are also available for download for android and ios devices

## 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

At Sadaqat Ltd, sustainability is one of our core principles. That's why the Company take action every day by empowering our people, reducing our impact on the planet and consistently innovating to deliver sustainable solutions to our customers. It's about focusing on the things the Company can truly influence. It's our down-to-earth approach to sustainability, which will help us deliver tangible benefits for our customers, society, the environment and our business. It is how the Company is making sustainability a daily priority, which we believe is the best commitment the Company can make if we're serious about being sustainable in the long term. This report is prepared in accordance with International Integrated Reporting Council (IIRC) Integrated Reporting (IR) framework and Global Reporting Initiative (GRI) GRI Standards: core option. Building on our strong legacy, The Company has further developed our all-inclusive, holistic sustainability approach. It highlights how sustainability is mirrored in our product innovations with customer benefits, our supply chain, and the way the Company operate and how entity behave as an employer and member of society.

## Scope

### Report Boundary

The report covers our core business and corporate function at Sadaqat Limited. The economic and social data presented in the report includes data of Sadaqat Limited's production site and head office, while the environmental data relates to plant sites and does include the environmental impacts of fuel and electricity used at head office, operational site, and fuel used in company vehicles.

### Reporting Period

The report is produced and published annually. The 2020 report covers the period 1st July 2019 to 30th June 2020. Additional prior-year data is supplemented to FY-2020 information where applicable to provide a more complete picture of progress to date.

### Reporting Cycle

This is the fifth annual Sustainability Report of Sadaqat Limited and the Company aim to achieve sustainable development by adopting the business strategies that protects, sustains and enhance the human and natural resources that will be needed in the future.

### Most Recent Report

Most recent report issued by Sadaqat Limited was the Sustainability Report of FY-2019.

### Restatements/ Changes from Prior Period

There are no changes that can significantly affect the comparability of data from period to period. Previous years' figures have been regrouped/rearranged wherever found necessary to conform to this year's classification.

## Report methodology

The compilation of data has been done on the basic scientific measurement and mathematical calculus methods on actual basis, but in some cases where actual data is unavailable due to some reasons, different logical methodologies are used for calculations.

## Content

The contents are based on the results of our engagement with stakeholders, (IIRC) Framework and GRI Sustainability Reporting Standards. All material topics, which are of interest to different stakeholders and which reflect significant impact of our activities on economy, environment, and society are included in this report.

## 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.

## External Assurance

Independent review of this report was conducted by EY Ford Rhodes, in accordance with GRI Standards requirements and principles of inclusivity, materiality and responsiveness. A statement from the independent external reviewer is included at the end of this sustainability report, and outlines the scope of the assurance, activities carried out and opinion.



# Value Through Supply Chain

Robust sourcing strategies and interdepartmental collaboration have strengthened our value chain while increasing the reliability of our supplies at an optimal cost. Entity align its procurement and supplier management processes to ambitious ethical, social and environment-related principles. The Company expect its suppliers to also observe these principles and support them in doing so. Through this approach organization help to improve the sustainability of its supply chain.

Entity exert influence on society and the environment through our procurement activities and supplier relationships. Not only economic, but also ethical, social and ecological principles are therefore anchored in our procurement practices, which is binding for all of our employees. The Supply Chain function continued to be a steady source of fuel for commercial growth by optimizing operations and also augmenting capital efficiency.

Procurement is an enabling function that acts centrally on behalf of all divisions and enabling functions and leverages synergies by bundling know-how and procurement spend. Our value creation business model is hub of everything we do. It defines inputs we consume, activities we perform, the outputs and outcomes we aim to achieve and the relationships we subject to while generating sustainable value for our stakeholders in short, medium and long term. It 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.

Clear, sustainability-oriented criteria and standards apply to our supply chain. Sustainable supply chain is centrally steered by the Sustainability unit in Procurement. The process is implemented through cross-functional cooperation between the Procurement and the Health, Safety & Environment enabling functions.

The Company has continued to improve our consumer health supply chain, in quality, safety, service standards. Our supply chain has successfully supported strong growth of our higher-margin brands through improvements across productivity, procurement and systems, ensuring robust and reliable supply. Entity also acknowledge that total conformity across our supply chain is a long-term aspiration. The Company continue to strive for higher targets for product supply, while upholding our quality and safety principles.

Sadaqat Limited makes the part of supply chain across the globe. The Company target to work with its vendors, suppliers, and contractors to attain continual enhancement in its performance. Sadaqat Ltd purchases locally wherever possible in order to respond promptly to the requirements and simultaneously strengthen local economies. The Company’s purchases comprise of 88% from local and 12% from foreign suppliers. The Company imports machinery and equipment from international suppliers. Sadaqat Limited has paid 16.4 million to its suppliers in the financial year 2020.

Business models, products, and materials requirements are changing across markets worldwide and new supply chains are being established. At Sadaqat Ltd, we address these challenges together with all parties involved – through close and concerted collaboration beyond company boundaries and national borders. The Company believe that trust-based partnerships with our suppliers within the framework permitted by law are a basic prerequisite for supply chain excellence.

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

Sadaqat Limited has well diverse product range comprising the segments of garments and knitting. Entity’s products are well 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. The company is also planning to vertically integrate its supply chain by expanding its business into Spinning and Weaving segments.

As a part of our corporate responsibility strategy, entity will be requesting more information from its 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.

Sadaqat Ltd systematically selects suppliers whose observance of the code requirements needs to be reviewed. The Company has 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 priority issues related to many stakeholders remained the same as the previous year which were identified by Environment, Health and Safety Committee. Priority issues are as:

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

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

# External Initiatives & Membership of Association

With respect to creating sustainable community, our organization has taken a number of external initiatives dedicated to social justice, product quality, health and safety and environmental sustainability. Apart from membership and certification fees, entity does not have any other payment related to these organizations. However, Sadaqat Limited incurs expenditures on environmental and social fronts.

## Product Stewardship



Better Cotton Initiative (BCI)



Organic 100 Content & Blended Content Std



Egyptian Cotton



GOTS



Supima Cotton



Pakistan National Accreditation Council



OEKO-TEX (Standard 100)



OEKO-TEX (STeP)



OEKO-TEX (Made in Green)



QMS ISO 9001:2015



Tencel Lenzing



SANFOR

## Ecological Stewardship



WWF Green Office



Business Environmental Performance Initiative BEPI



Higg Index



Global Recycled Standard



Global Reporting Initiative



United Nations Global Compact



Compliance Certificate ISO-14001:2015



British Retail Consortium

## Social Stewardship



Occupational Health and Safety (OSHAS) 18001:2007



Ethical Trading Initiative SMETA 04 Pillars



Association of Chartered Certified Accountants



Institute of Chartered Accountants of England and Wales



Institute of Cost and Management Accountants of Pakistan



C100 Think Tank



Custom Trader Partnership Against Terrorism



Social Accountability Accreditation Service



Supplier Compliance Audit Network



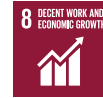
WRAP



FLOCERT (Fair Trade)

\* SCAN was renewed subsequent to financial year 2020.

# Economic Performance



## Management Approach

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

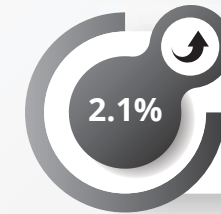
Continuous stakeholder engagement and in depth materiality analysis has contributed towards the identification of topics which are material for the organization in term of severity of impacts and the influence on stakeholder's decisions. The indirect economic impacts are economic development around factory site, skill enhancement in textile industry, investment in infrastructure projects, and provision of support for health and education. The Company aims to increase positive impacts and work for inclusive growth by engaging local suppliers, and employing local workforce. Hence, the Company is well aware of direct and indirect impact generated through its operations towards the economy.

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

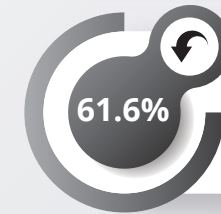
The Chief Executive is the highest officer responsible for economic impacts of the company. The economic objectives and policies are formulated and approved by the Board of Directors. The day to day affairs and implementation of policy is delegated to Chief Executive. The management approach and the performance is reviewed quarterly and actions taken according to the requirement.



# Key Performance Indicators



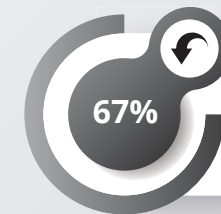
**NET SALES**  
2020 VS 2019



**NET PROFIT**  
2020 VS 2019



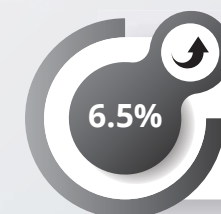
**PROVIDENT FUNDS**  
2020 VS 2019



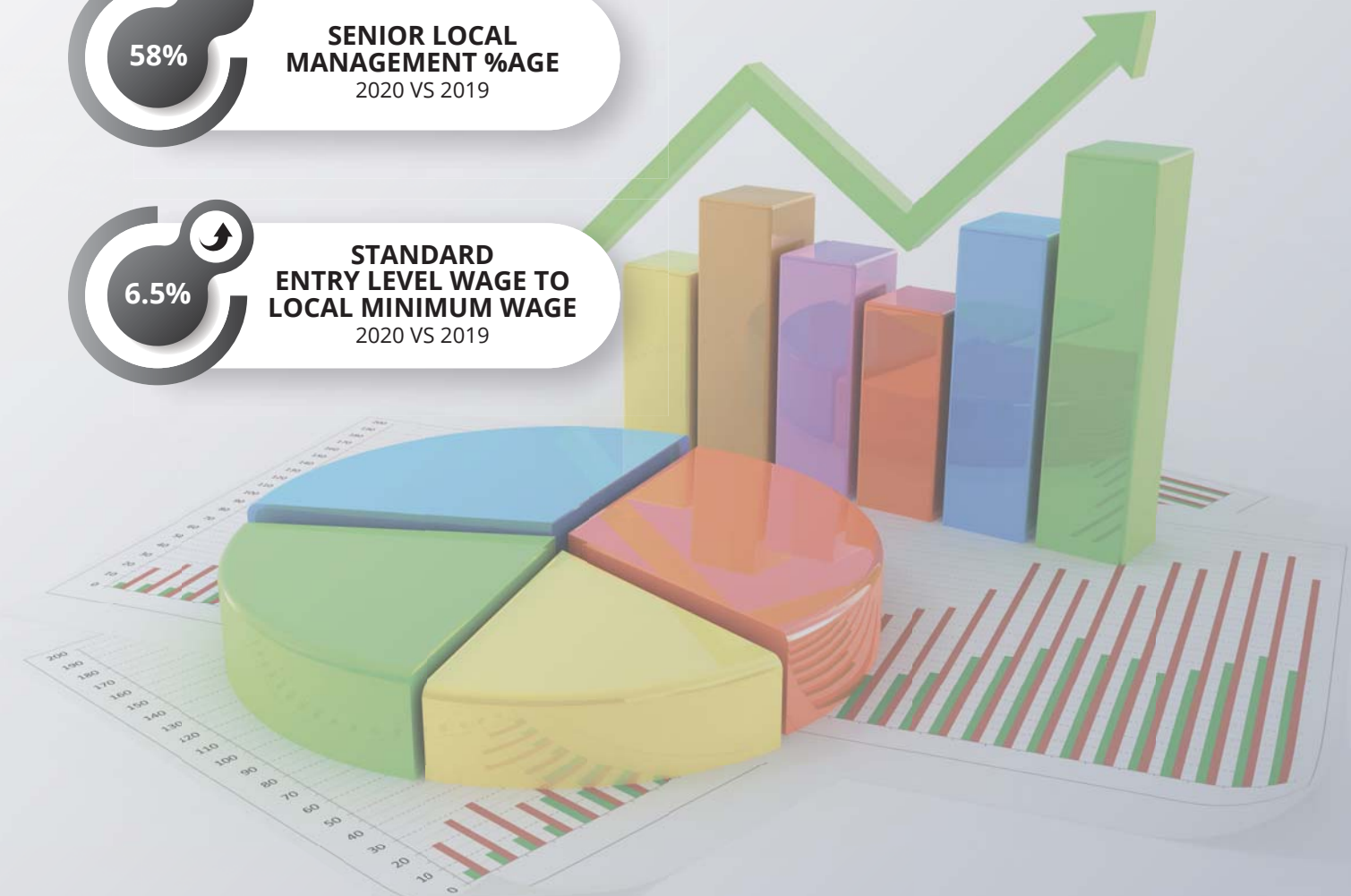
**CONTRIBUTION  
IN WPPF**  
2020 VS 2019



**SENIOR LOCAL  
MANAGEMENT %AGE**  
2020 VS 2019



**STANDARD  
ENTRY LEVEL WAGE TO  
LOCAL MINIMUM WAGE**  
2020 VS 2019



# Economic Performance

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 89 million to provident fund plan during the year FY2020. 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. 26.8 million funds for WPPF purpose .

Sadaqat Limited being part of textile industry is entitled to certain benefits including drawback of local taxes and levies, duty drawback on exports, LTFF/ ERF loans at subsidized rates and tax credits on balancing and modernization of machinery. At the end of FY 2019-20 1.926 million is payable by government and statutory authorities.

Description	2020	2019	2018	2017
Value Received	20,245	20,753	15,280	11,047
Value Shared				
Suppliers	16,380	16,729	11,979	8,921
Employees	2,121	1,785	1,555	1,173
Providers of Capital	944	639	441	396
Government	257	181	151	55
Community	32	87	72	34
TOTAL	19,733	19,421	14,198	10,579
Value Retained	511	1,333	1,081	469



# Market Presence

Value creation and growth of the entity is directly linked with these aspects and management has devised stringent policies to never let this aspect unaddressed. Moreover, this aspect can also increase the economic benefit to the local community, and improve an organization’s ability to understand local needs .

The Company strictly complies with applicable regulations for minimum wage however the ratio of average minimum entry level wages compared to local minimum wages is well above of the minimum wage level. During the FY 2020, the ratio of standard entry level wage to local minimum wage was 1.17 across all significant locations of operations. During the FY 2020, the ratio of standard entry level wage to local minimum wage was 1.19:1 for male and 1.03:1 for female employees across all significant locations of operations. Khurrianwala Faisalabad is the only location of operation hence management has taken it as significant location of operation while calculating the ratio . In the Company, all employment is strictly done on merit and no preference whatsoever is granted. Approximately 58% senior management is hired from Faisalabad which the Company considers as its local community . The Company categorize Senior Manager and above ranked employees as its senior management.

# Procurement Practices

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

Geographically, management considers Pakistan as its local place of procurement hence approximately 88% of its purchases were made from local vendors while 12% purchases from international suppliers during FY-2020.

# Anti-Corruption

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

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

All operations were assessed for the risks related to corruption. Moreover, Sadaqat Limited has not provided any formal training on anti-corruption during the FY 2020. 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

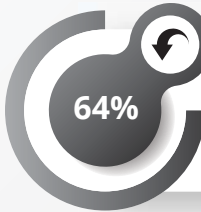
Sadaqat Limited is dedicated to ensure compliance with responsible production, human rights, marketing practices and prevalent labor laws in order to align its strategic decisions and business activities with the sustainability of its stakeholders. The Company has identified material aspects on social fronts after having regular consultation sessions with stakeholders. Along with this, severity and influence of social impacts on stakeholder’s decision is also duly considered.

The Company operations are mainly labor intensive and Company employs more than 4,200 workers at its factory in Faisalabad. The labor intensive operations require good human resource policies, safe working conditions, ongoing training, and education for better productivity. The highest officer responsible for labor practices is General Manager Human Resources/Admin and Compliance. The Company has well defined policies and procedure in place to ensure productive ad safe workplace for its workforce. The Company regularly evaluates labor practices to take corrective actions, if required. Our commitment to adopt socially sustainable policies and procedures has helped us to stay socially responsible over the years. The Company values its employees as human capital and views them as an intellectual asset. The Company is committed to honor human rights within domain of its influence and has explicitly stated no tolerance towards child labor, forced and compulsory labor.

Consultation with local community is conducted before development and implementation of different social programs. Progress on social initiative is analyzed by sustainability committee and reported to higher governing body on continuous basis. Sadaqat Limited has acquired the status of numerous certification including WRAP and SA8000 for the development and maintenance of socially acceptable practices at the work place.



# Key Performance Indicators



**COMMUNITY INVESTMENT IN**  
2020 VS 2019



**TOTAL TRAINING HOURS IN**  
2020 VS 2019



**HEALTH & SAFETY REPRESENTATION**  
2020 VS 2019



**CHILD OR FORCED LABOR**  
2020 VS 2019





## Human and Work Place Rights

Sadaqat Limited considers well-being of human at large as an important matter. Entity believes that a human right ranges beyond the basic rights of employees in the workstation and if they are treated with due care better efficiency standards can be achieved. Management has included rigorous policies in its code of conduct while implanting guiding principle of local and international standards associated to Human and Work Place rights. Entity’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 Nation.

Managerial teams within the organization ensure their adherence towards the Company’s code of conduct by actively observing activities in their respective span of control. Breach of ethical codes can be brought to consideration of Compliance and HR by emailing the event at official designated e-mail address.

## Non-Discrimination

The Company has defined clear non-discrimination policy that has been communicated to all employees through different communication channels like electronic media, display at prominent places and through orientation training sessions. The policy clearly states zero tolerance on any discrimination case that is subject to disciplinary action. No case was reported regarding breach of policy was reported with-in the entity.

## Freedom of Association and Collective Bargaining

The Company supports workers right to form unions as per applicable laws and international conventions. All eligible workers were covered under the collective bargaining agreement. 100% of employees are covered by Workers Management Committee (WMC). No operations identified where worker’s right to exercise freedom of association and collective bargaining may be violated or at risks. 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 2020. The Company encourages its suppliers to follow the applicable laws regarding workers’ rights.

## Child, Forced and Compulsory Labor

The entity strictly adheres to the local and international laws and regulations related to child labor and has formulated and implemented strict policies to address the violation of these rules . Management feels pride in stating that it has also successfully maintained material compliance towards applicable laws and entity’s internal policies related to forced and compulsory labor. During the year, no cases of child labor or forced and compulsory labor reported in Company operations.



## Supplier Social Assessment

Sadaqat Limited believe that its long term sustainable success is associated with alignment of all business partners comprising suppliers and customers. Quality measures and implementation of social criteria by suppliers has direct impact on our operations as well as the brand image of Sadaqat Limited as being socially responsible organization. The Company put every new supplier through screening gauge to assess its quality standards and social criteria including human rights, health and safety practices, employment practices and industrial relations which allow us to rule out suppliers with standards below our satisfaction levels. A supplier that passes initial screening is then evaluated upon sustainability grounds guided by UNGC and SDG’s of United Nation including Human rights, Health and safety, environmental protection etc.



## Social Performance Team

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

As guided by its approved CSR policy, the Company engages community on a ongoing basis to obtain insights and suggestions for better community service. The Company pay emphasis to work in local communities to achieve 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 level and has affiliations with international learning partners to achieve the training and education needs of community. Furthermore, Sadaqat Limited also takes part in capacity building programs aimed towards developing and establishing the skills and capabilities of interested individuals.

## Local Communities

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



Following are few social initiatives taken / continued by the Company during FY-2020



### Ali Zaib Foundation and Sundas Foundation

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



### LUMS

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



### NTU

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



### Employee's Support Package

Sadaqat Limited has always valued its employees as an important asset and has always cared for their needs. In pursuit of its corporate social responsibility, this year the Company initiated to provide monthly ration package to its workers of certain deserving cadre in order to support their household expenses. During the period, the Company has distributed 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 2020. No such event came to organization's attention causing any minor or major negative impacts on local communities.



## Product Stewardship

Assuming responsibility for our products, they should be of the highest quality and contribute to a better life. This means that neither their development and manufacture nor their disposal should cause damage to people and the environment. For this reason the Company strictly submit ourselves to regulations and laws applicable to us.

For us, product stewardship means that our products satisfy the highest quality standards and are safe for people, animals and the environment when properly used. Not only do the desired properties of substances and products need to be taken into consideration but also the possible risks for people and the environment. Entity respect legal requirements, and our voluntary commitment and internal standards go beyond these in a variety of areas.



# Customers’ Health and Safety

Our quality strategy is focused on ensuring that we maintain a reliable, compliant supply of products to our customers and that the Company has an engaged and capable workforce ready to deliver and sustain success.

The Company operate in a highly complex and ever-changing regulatory landscape driven by many different factors, including, technological advancements, natural disasters, global pandemics and cybersecurity events. However, entity strive to ensure the overall quality and continuous supply of products by aiming for two simple objectives: zero market actions and zero unsatisfactory inspection outcomes. The Company apply and adhere to a strict set of quality standards, and entity has policies and procedures in place to identify, measure, control and sustain product-quality excellence. Our company believes product stewardship as an integrated process that depends on the proficiency and commitment of various divisions, acting towards common goal of identification and minimization of health and safety risks at every stage of product’s lifecycle. Due to efficient processes and with combined efforts of all the divisions, no event occurred which indicate any non-compliance with customer health and safety policies while adhering to several international regulations.



# Socioeconomic Compliance

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

# Marketing and Labeling

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

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 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

At Sadaqat Ltd, we lead with culture. The Company want its employees to focus on making an impact on the world and feel empowered to bring innovation into their work. Sadaqat Limited regards development, non-discrimination and growth opportunities of its employees as matter of utmost importance not just to become finest employer but also to emerge as socially responsible organization. Entity recognizes that engaged employees are more satisfied with their work, tend to stay longer, and are more productive and committed. The Company foster and reinforce behaviors that support engagement on many levels, including networking, collaboration, diversity, and inclusion. The workforce is updated about occupational health and safety concerns through a continuous process of training and coaching at different levels. An atmosphere conducive to growth, a learning centric approach and prospects for self-actualization set Sadaqat limited apart from its peers.

Employment

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

Type					
	Full Time	6,489	421	6,910	
	Part Time	-	-	-	
	Total	6,489	421	6,910	
Category	Management	362	7	369	
	Staff	6,127	414	6,541	
	Total	6,489	421	6,910	
Contract	Permanent	6,489	421	6,910	
	Temporary	-	-	-	
	Total	6,489	421	6,910	
Region	Faisalabad	4,044	208	4,252	
	Other	2,445	213	2,658	
	Total	6,489	421	6,910	
Hiring	Below 30	1,207	86	1,293	
	30 to 50	436	86	522	
	Above 50	20	4	24	
	Total	1,663	176	1,839	
Attrition	Below 30	1,292	75	1,367	
	30 to 50	617	100	717	
	Above 50	30	11	41	
	Total	1,939	186	2,125	
Organization	Rate of injury	NIL	NIL	NIL	
	Occupation Disease rate	NIL	NIL	NIL	
	Lost Days rate	NIL	NIL	NIL	
	Total	NIL	NIL	NIL	
Contractor	Full Time	NIL	NIL	NIL	
	Part Time	NIL	NIL	NIL	
	Total	NIL	NIL	NIL	

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



Labor/management relations

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

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

Occupational Health and Safety

As a leading textile exporter, Sadaqat Ltd strive to provide a safe and healthy workplace. The Company seek to eliminate work-related injuries, illnesses and unplanned events from our operations through comprehensive safety programs that are part of our environmental, health and safety (EHS) management system .

Each year the Company set targets for leading and lagging safety metrics, including safety observations, near-miss reporting, peer safety audits, recordable injury rates and days away. Everyone who works at our sites (i.e., all employees and non-employees) must follow the standards and requirements of our EHS management system. Compliance with these requirements is measured through the site audit processes for employees and non-employees, and through peer reviews for construction.

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

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

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

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

The Company also adhere to the following key operating principles:

- Maintain a safe and healthy working environment for all employees, contractors and guests.
- Foster a culture of EHS excellence that is built on science, integrity, accountability, personal responsibility, collaboration and active employee participation.
- Seek to continuously improve our EHS systems, processes and standards.
- Minimize our impact on the environment by identifying and implementing approaches to reduce the resources the Company use during the design, development and manufacture of its products.
- Understand the potential hazards associated with our products and take action to minimize any potential risks or adverse impacts.
- Promote EHS excellence in our supply chain by entering into business relationships with partners that share our commitment to responsible EHS stewardship.

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

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

Entity conducted 3 fire-fighting training sessions to provide guidance about basic skills regarding operation and usage of fire equipment by its employees. It was intended to create awareness about evacuation plan in emergency fire situation.

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

100% of the workforce is represented in formal joint management-worker health and safety committee which is active at department level. Entity has agreements in 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 instill these protective measures. Moreover, the Company also provides group life insurance to all of its employees as per applicable laws and total amount of premium is borne by the Company. Sadaqat Limited also provides health insurance facility, retirement provision and maternity leaves to its employees.

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

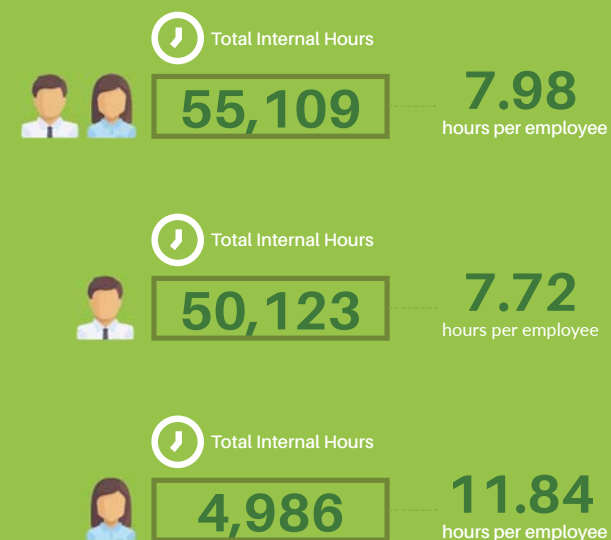
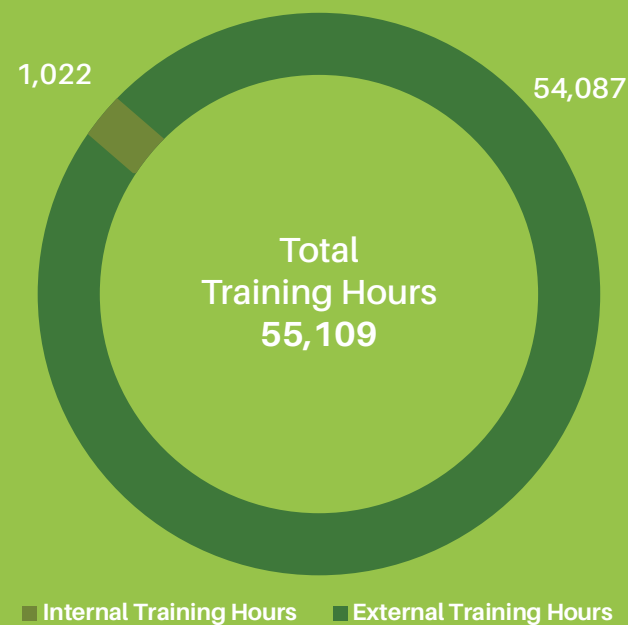


Sadaqat Limited has been awarded compliance certificate for complying with 18001:2007 standard on Occupational Health and Safety Assessment Specification (OHSAS) certified by BUREAU VERITAS. This initiative demonstrates commitment of the Company to maintain an effective health and safety management system and a safe working environment throughout the company's premises



## Training and Education

Whether it's helping invent the next breakthrough treatment or simply challenging and supporting one another for ongoing development, our culture is about applied curiosity. The organization drives business performance by preparing our workforce to find ways to help the company serve the customers. The primary focus is boosting our employee's ability to accelerate growth, reimagining ways of working and improving operating model economic s. The Company has covered this area by organizing formal trainings and providing growth opportunities to its employees. HR and Organization Development (OD) department frequently evaluates the training need of employees to develop and update the training calendar. Management acknowledges that employees who are regularly trained and appraised for their performance create the short, medium and long term value for the organization.



Peak Performance Training



Drive Safety Training

## Skills Enhancement Training Exercise

The company has continued to conduct Skills Enhancement Training exercises across the fiscal year. The company has conducted various internal and external training exercises to enhance the skills of the employees.



Effective Communication Training



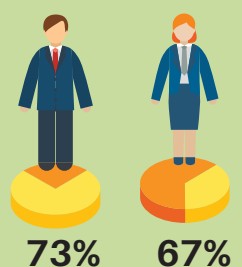
TQM Training

## 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.



Career development and performance appraisal reviews during the reporting period (as % of total male / female at the end of reporting period.)



3.11% of total employees who received appraisals are managers and above.

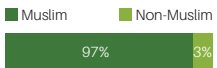
## Diversity and Equal Opportunity

Mutual understanding and a company culture that leverages talented employees of various backgrounds and perspectives is an important success factor for the Sadaqat Ltd. At the same time, it helps us gain a better understanding of changing markets and consumer groups. In our employee structure management promote inclusion and diversity. The Company has its inclusion and diversity strategy. Our focus is on the integrative behavior of all managerial and non- managerial employees within the company. It is supported by adjusted HR processes for areas such as recruitment and employee promotion.

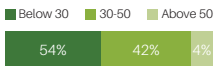
Our business values and code of conduct embrace the principles of diversity and offers employment on the merit basis without any discriminating on gender, disability, race or religion. The Company believe that empowerment of women can have replicating effects over the society and it is a part of its approach to see women as pillars of community by empowering them at the workplace.

### Workforce Diversity (Religion / Age)

CADRE	Muslim	Non-Muslim
Management	366	3
Staff	6382	159
Total	6748	162

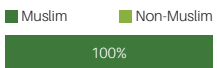


CADRE	<30	30-50	>50
Management	68	287	14
Staff	3990	2340	211
Total	4058	2627	225

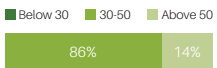


### Board of Directors (Religion / Age)

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.



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.



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.

## Events

Sadaqat Limited has celebrated  
“Independence Day of Pakistan”



Sadaqat Limited has conducted  
“Plantation Activity”



Sadaqat Limited has celebrated  
“World Soil Day”



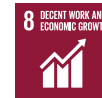
Sadaqat Limited has celebrated  
“Air Pollution Day”



Sadaqat Limited has celebrated  
“International Day of Persons With Disability”



Sadaqat Limited has celebrated International  
“Human Rights Day”



Sadaqat Limited has celebrated  
“World Social Justice Day”



# Environmental Performance

## Management Approach

For Sadaqat Ltd, protecting the basis of our existence is an obligation to future generations and an act of common business sense. After all, an intact environment is essential to remain successful in business in the long term. Among our highest priorities are protecting the environment and ensuring the safety of our employees and the people who live near our sites. The Company work continuously to reduce the environmental impact of its business activities and develop product solutions that benefit the environment

Sadaqat Ltd.'s focus is on taking consistent precautions – to ensure safety in day-to-day work, in the operation of production facilities, and on work-related travel and transportation routes. The Company has been consistently investing in the development of sustainable processes and adoption of updated technologies with minimal environmental impacts.

Responsibility for steering and monitoring health, safety and environmental protection across the company lies with Sustainability Committee. The committee is also responsible to evaluate the management approach to gauge its effectiveness to produce better results towards sustainable growth of the entity.

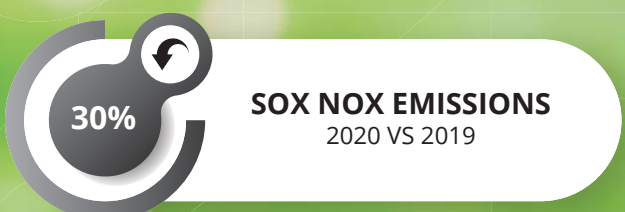
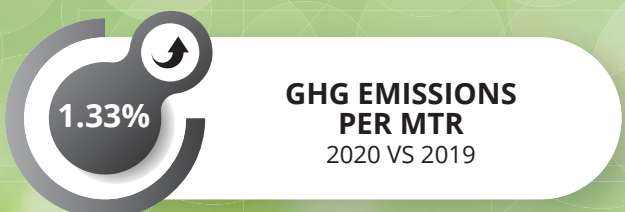
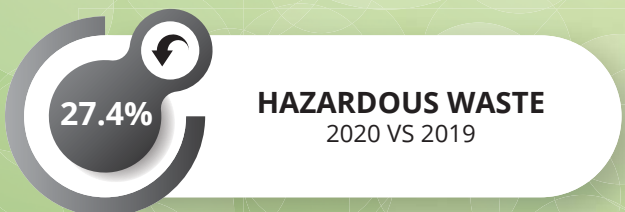
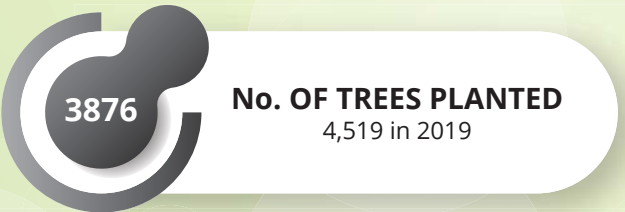
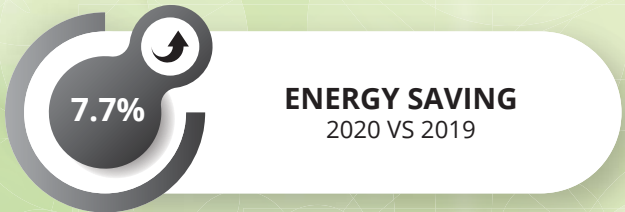
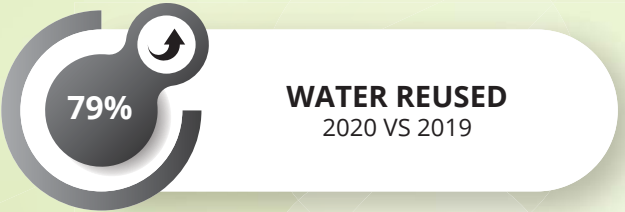
Since then, our environmental management programs have continued to evolve. Entity work to identify potential risks to the environment, the health and safety of its employees, and communities, and we take steps to modify processes, product design, and standards to address these risks. The Company leverage information and technology to assess the risks and drive compliance through data systems and technical analysis.

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.

Our strategies for sustainable development encompass the pursuit of customer satisfaction and commercial success within a framework of environmental, social, and economic values. The Company is committed to complying with all applicable environmental requirements worldwide. 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 key importance of environmental protection for our future success is also reflected in our target vision for sustainability: five of the five issues – water, emissions, waste & effluents, energy, and environmental compliance – are directly related to the protection of our livelihoods and the conservation of natural resources. The Company has been working to reduce its ecological footprint for many years. Our environmental management ensures that we consistently pursue the goals we set ourselves. These efforts are coordinated by the EHS (Environment, Health, and Safety) and Sustainability Committee. 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

Water is an important material supporting our product manufacturing processes as textile and garments production requires abundant supply of clean water. The Company respect its ecological and ethical responsibility and have a vested interest in preserving the water in the communities it serve and beyond. Sadaqat Limited keenly focus on using water responsibly across its supply chain.

Sadaqat Ltd put extra care by treating 100% water before disposing it into the surroundings. Our Company has again maintained 100% efficiency in treatment of waste water through EPA approved waste water treatment plant.

TYPE	UOM	2020	2019	2018	2017
Water Withdrawal/year	M <sup>3</sup>	1,044,769	1,027,622	977,776	881,530
Water Consumption/kg Fabric	Kgs	46.27	50.01	50.999	51.304
% of water re-used	%	60.6%	34.48%	10.24%	10%
Water Reused (Volume)	M <sup>3</sup>	633,160	354,346	100,095	87,840

## Emissions

The Company consider climate protection and the related reduction of greenhouse gas emissions to be a top priority. Our management is concerned about the impact on society and global environment through GHG emissions. Entity is committed to minimize the carbon footprint through effective measures. The Company report its GHG emissions as required by regulations and tries our best to curtail the negative environmental impact. Sadaqat Limited has engaged third party to record its emissions. The Company is endeavoring to achieve carbon-neutral production and will take several measures to reach this goal .

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. Total GHG emissions were used to calculate emissions intensity.

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. Pak Green lab 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	2020	2019	2018	2017
Direct Emission (Scope I)	MT	96,526	98,834	89,245	87,861
Indirect Emission (Scope II)	MT	807	2,285	2,489	782
Other Indirect emissions (Scope III)	MT	733	734	734	734
Emission/unit of production	MT/Meter	0.00152	0.0015	0.00139	0.00159
Emission of Ozone-Depleting Substance	Ton	-	-	-	-
Emission of NOx, SOx	Mg/NM <sup>3</sup>	121	173	194	205



## Environmental Protection Program

Sadaqat Limited has planted 3,876 trees during FY-2020 in continuation of green initiatives of the organization and betterment of environment. The company also has 501,500 Square feet of grass land across its premises.

These initiatives will result in 85,272 kg sequester of Carbon Dioxide annually upon their maturity.

## Environmental Compliance

Protecting our people, our communities and the environment is fundamentally important to the way our company operates. Our company strives every day to conduct business in a safe and environmentally responsible manner. The Company is committed to providing a safe and healthy workplace for our employees and to reducing the environmental impact of our operations around the working site. The Company also conduct multifaceted environmental audits to ensure full compliance with environmental requirements throughout the entity and to strive to attain even higher standards.

Sadaqat Limited has invested around PKR 382 Million during the past seven years. The company has collaboration with World Wide Fund for Nature (WWF) on green office initiatives which promotes the reduction in environmental impact through business operations and minimizes the carbon footprints.

TYPE	UOM	2020	2019	2018	2017
Waste disposal and remediation costs	Million	21.97	22.37	22.2	21.7
Environmental management costs	Million	37.89	21.29	56.6	52.8

Corrective actions and continuous-improvement initiatives are established to resolve environmental concerns that have surfaced during periodic assessments, audits and routine surveillance of the regulatory landscape. Sadaqat Limited has maintained a clean record of compliance with laws, regulations and voluntary codes concerning nature and environment during the financial year. The company has not subjected to any material penalties or fines nor exposed to non-monetary sanctions for non-compliance with environmental laws and regulations during the financial year.



## Waste and Effluents

The proper management of waste from our facilities is important for the communities where we operate and is the focus of our environmental permits and other regulatory requirements. To minimize our environmental footprint, and align with the U.N. Sustainable Development Goals (SDGs), the Company look for opportunities to avoid the use of hazardous materials, to reuse or recycle materials, and to prevent the generation of waste. When prevention, reuse and recycling are not practical, the Company apply controls and treatment technologies to prevent human health impacts and minimize environmental impacts. The amount of waste the Company generate reflects the efficiency of our manufacturing processes. Our facilities track and report the amount of operational waste they generate and how it is managed.

The Company continuously strive to reduce the amount of operational waste it generate and to maximize the use of environmentally beneficial disposal methods such as recycling, composting and waste-to-energy. The waste water is discharged in drain and 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.

Sadaqat limited takes due care while discharging wastewater to nearby surroundings. It has successfully achieved 100% efficiency in treatment of wastewater through EPA approved wastewater treatment plant of 120m3/hr. Now, Sadaqat limited is installing the tertiary treatment plant for the purpose of recycling of wastewater by treating the wastewater through sand filter, activated carbon filter, disk filter, bag filter, cartridge filter and at the end water will pass through the RO Plant, the permeated water will be recycled to conserve the water of the earth. Continuing the good practices, no incident of non-compliance was reported related disposing waste water. There was no negative impact came to our attention regarding the biodiversity and habitats around plant sites.

The Company is moving towards more sustainable production by working with DYESTAR and ARCHROMA and replacing synthetic dyes with natural dyes. The natural dyes are better products, simply because they do not contain chemicals harmful to health. As such products are healthier and more reliable than the chemical synthetic dyes. By contrast, synthetic dyes are very hazardous to health and are banned in countries with advanced environmental and public health laws, as the European Community. Ecotintes does not use toxic mordents such as chromium, copper and tin, plus ancillary uses natural or low / no impact. The natural dyes are more aesthetic, unique hues. Annually more than 500 million plastic bags are produced worldwide. Plastic bags can take from 10 to 1000 years to decompose. Their production has big carbon footprint. They are polluting our land and sea, affecting lives both on ground and in sea. Fabric bags are more environmentally friendly than plastic bags because they are made from a renewable resource, can biodegrade, are Durable and recyclable. They have no negative impact on our health and environment. The Sadaqat Limited have removed 54 Ton of plastic packing by using fabric bags.

TYPE	UOM	2020	2019	2018	2017
Water Discharge	M <sup>3</sup>	940,294	924,862	879,999	837,454
Reuse	Ton	77.87	219.76	79.5	6.9
Incineration	Ton	3.58	2.90	1.061	1.950
Landfill	Ton	-	-	-	-
Onsite Storage	Ton	99.18	67.42	31.6	32
Hazardous waste (weight)	Ton	104.53	143.92	3.2	6.6



## Energy

As leading textile exporter, the Company recognize the important role it play in identifying, adapting and responding to the risks associated with climate change, such as threats to clean air and water. Energy demand reduction and efficiency will always be part of our energy management strategy and will positively impact our efforts to reduce our carbon footprint. The Company has made it a priority to reduce our demand for energy and have established internal policies and practices focused on reducing energy use at all our sites, and minimizing GHG generation throughout the company.

Considering the energy intensive operations of the company, energy requirements are satisfied through non-renewable sources. Consumption of non-renewable fuels contributes towards direct (Scope -1) and indirect (scope-2) GHG emissions. By taking these steps, entity is not only minimizing GHG emissions, but also reducing our operating costs and mitigating the business impacts expected to be associated with future climate change requirements.

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	2020	2019	2018	2017
Energy Consumed (W-I O)	GJ	878,037	889,460	1,099,343	1,090,386
Consumed / Mtr fabric	GJ/Meter	0.013	0.013	0.0165	0.0194
Energy Saving Per Year	GJ	70,580	65,511	30,063	27,546
Energy Saving (Cumulative)	GJ	241,147	170,567	105,123	75,060

## ENERGY Conservation Initiatives

96GJs



### Heat Exchanger

The company has installed 20 heat exchangers in mercerizing and pad steam. This has saved the entity approximately 96 GJs of energy in FY 2020.

6.4GJs



### Wet Scrubber

Entity has 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 6.4 GJs of energy from these in this year.

281GJs



### RO Plant

Entity has 3 RO Plants in its premises and 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 281 GJs of energy approximately in FY 2020 from installation of RO plant.

439GJs



### Caustic Recovery Plant

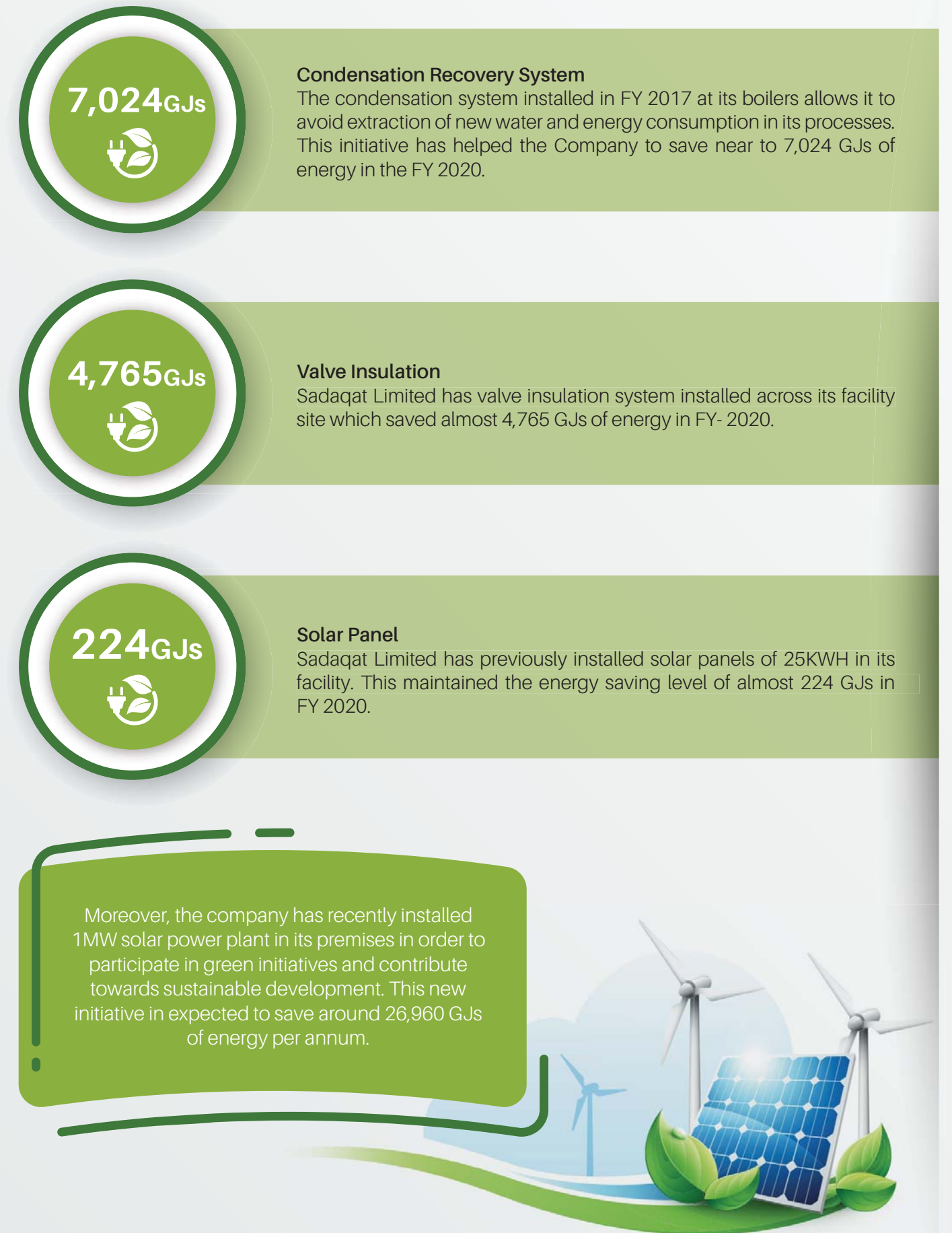
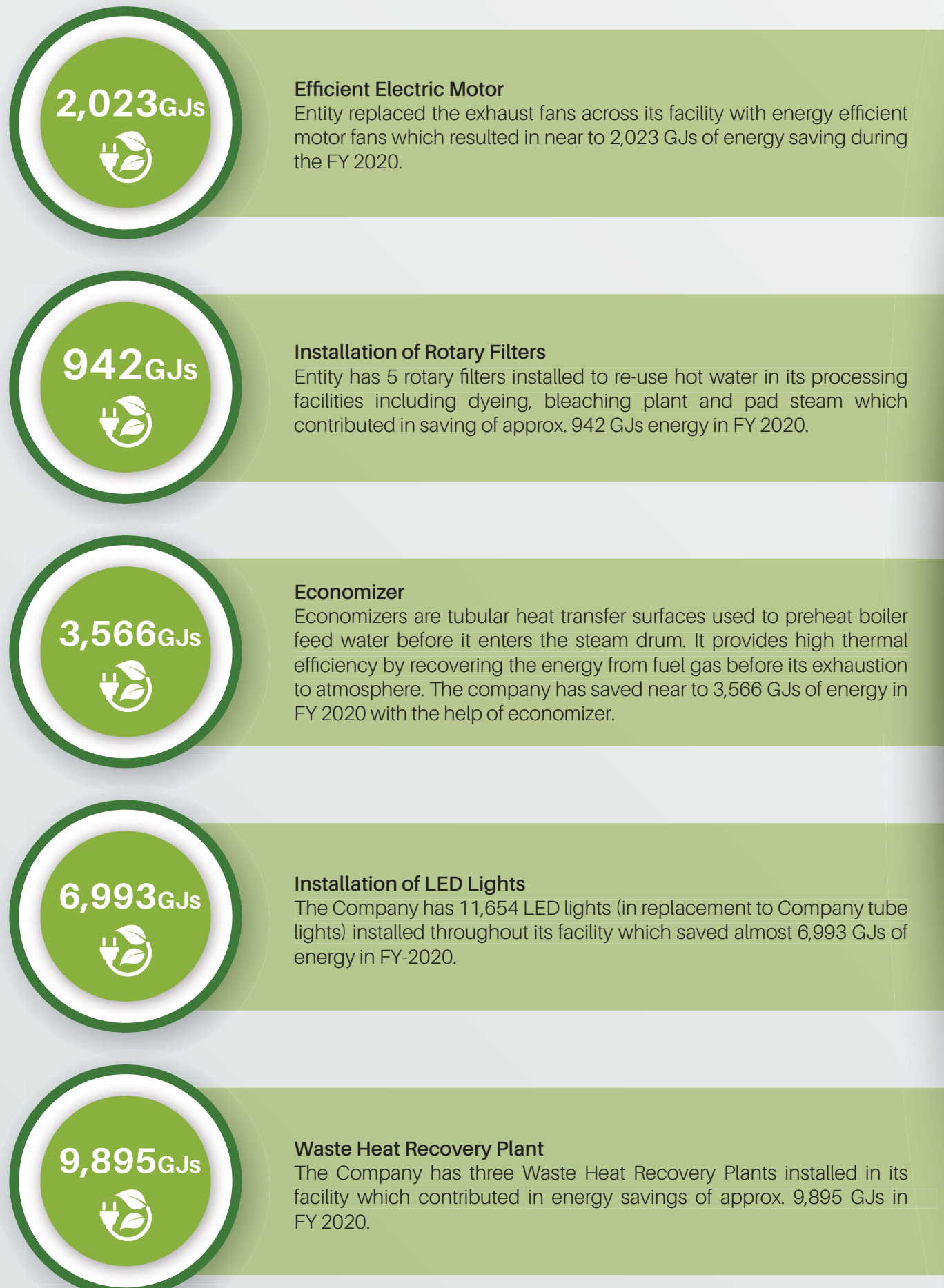
Entity installed Caustic Recovery Plant in its premises during the FY 2018. This plant processes the diluted caustic soda produced in mercerization to create concentrated caustic soda. This process generates hot water which can be used in other processes which make CRP energy efficient. Sadaqat Limited saved 439 GJs of energy approximately in FY 2020 from CRP initiative.

32,755GJs



### 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 2020.



# Certifications

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



Sadaqat Limited has been awarded compliance certificate for abiding by International Standards Organization (ISO) 4001:2015 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 reponsi- ble 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 imple- mentation. 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 diplo- ma certificate as well as rights to use and display the Green office logo.



Sadaqat Limited is preparing its sustainability reprot 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.

# 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-2020	Target FY-2021
Business & Social Performance	<ul style="list-style-type: none"> <li>Export Revenue earned 20.1 Billion Pkr</li> <li>Income tax paid 211.8 Million Pkr</li> <li>Charity and Donations 8.7 Million Pkr</li> </ul>	<ul style="list-style-type: none"> <li>Export Revenue 31~32 Billion Pkr</li> <li>Income tax payment of ~300 Million Pkr</li> <li>Charity and Donations 10~12 Million Pkr</li> </ul>
Energy & Climate Change	<ul style="list-style-type: none"> <li>NOX, SOX Emissions decreased by 30%</li> </ul>	<ul style="list-style-type: none"> <li>Plan to further reduce it by 10%</li> </ul>
Water	<ul style="list-style-type: none"> <li>79% increase in water re-use</li> </ul>	<ul style="list-style-type: none"> <li>Plan to increase re-use of water by 10~ 15% as compared to F Y-2020</li> </ul>
Waste	<ul style="list-style-type: none"> <li>Hazardous waste decreased by 27% during the year from FY-2019</li> </ul>	<ul style="list-style-type: none"> <li>Plan to further reduce it by 10%</li> </ul>
Environmental Protection	<ul style="list-style-type: none"> <li>Environmental Protection cost increased by 37% from previous year.</li> <li>Increased energy saving by 7.7%</li> </ul>	<ul style="list-style-type: none"> <li>Targeted to increase environmental protection cost by 10~ 15% during FY-2021</li> <li>Targeted to energy savings p.a. by further 10% as compared to FY-2020</li> </ul>
Training	<ul style="list-style-type: none"> <li>Training Hours decreased by 56%</li> </ul>	<ul style="list-style-type: none"> <li>Targeted to increase training hours by 15~20% as compared to FY-2020.</li> </ul>

## Way Forward

Sustainability is hardwired into all the decisions, policies and venture planning of the Company at Sadaqat limited. The management is determined to transform the business, governance and organizational culture to embed sustainability and social responsibility. The long-term strategy is to bring a positive impact by transforming the textile industry to make it sustainable and beneficial for the society.

The Company voluntarily complies with UNGC 10 principles and UNDP SDSs. Further the management is aiming to address maximum UN Sustainable Development Goals and increase focus on UNGC 10 principles so both the organization and the community may benefit from it.

The management aims to minimize overall environmental impact, by integrating sustainable thinking and following international guidelines. In accordance with this, reductions in GHG emissions, lower water consumption and lesser energy conservation was ensured throughout the financial year. Sadaqat Limited is trying to become more energy efficient at the same time decreasing its reliance on non-renewable energy sources. Thus, installation of solar energy units is in its final stages.

Additionally, textile industry is undergoing a transformational time. COVID 19 is having a huge impact on both the people and the industries around the globe. As the awareness around social issues increase the roles and responsibilities concerning these has also evolved. All the companies need to make profit but beyond that they must also connect with and contribute to the society more than ever. Therefore, during the crisis, the company has ensured safety of all its workers and collaborated with the government to dampen the impact on society.

The company is committed to eradicate all forms of child labor or forced labor. Further employee skill development is what has enabled the company to grow at an unprecedented pace, therefore continuous skills upgradation trainings are provided keeping in view the organizational goals and long-term employee career goals.

The Company aims to continue being a partner in people's lives. The challenges of sustainability and its remedy can only be achieved by sound commitment and cohesive efforts across the board. Therefore, it is important to engage community on a wider and deeper level to reach global sustainability goals. The aim is to bring together external stakeholders into the process of building sustainable business and inject cutting edge insights to achieve sustainability goals.

Looking forward the company would enhance its social investment, reduce its environmental footprint and become a model for sustainable practices for the corporate community. Further the Company will also remain committed to human resource development and community engagement to develop a sustainable society.

## 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



Asim Ali  
Manager CPC



Rao. Tahmoor  
Asst. Manager CPC

## INDEPENDENT ASSURANCE REPORT ON THE SUSTAINABILITY REPORT 2020 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 2020 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 2019 to 30 June 2020).
- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim or future intention and national or global socio-economic and environmental aspects.
- Data and information on economic and financial performance of the company, which, we are informed, are from the company's audited financial records.

### Our independence and quality control

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

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

### Our responsibility and summary of work performed

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

A limited assurance engagement involves assessing the suitability in the circumstances of Company's use of the Criteria as the basis for the preparation of the Sustainability Report, assessing the risks of material misstatement of the Report whether due to fraud or error, responding to the assessed risks

as necessary in the circumstances, and evaluating the overall presentation of the Report. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

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

- Interviewed selected key personnel of the Company to understand the current processes in place for capturing sustainability performance data, the Company's sustainability goals and the progress made during the reporting period,
- Review the Company's approach to stakeholder engagement and processes for determining material issues through interviews and review of associated documents,
- Review relevant documents and systems for gathering, analyzing and aggregating sustainability performance data in the reporting period, 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: 27 January 2021

# 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.

## Stakeholder's Engagement

The development of sustained stakeholder relationships is paramount to the performance of any company. From short term assessments to longer term strategic relationship building, 'Stakeholders' Engagement' lies at the core of our business practices to promote improved risk management, compliance with regulatory and lender requirements in addition to overall growth of the Company.

Management recognizes the fact that the dispute with the stakeholders can have hindrance in day to day business operations, and therefore give due importance to their feedback / suggestion. Accordingly, stakeholders are allowed to have direct access to Company secretary in case of any grievance.

Sadaqat Limited is fully committed to developing an effective working relationship with all its stakeholders. The objective of this policy is to lay down key principles of engagement with stakeholders.

Frequency of engagements is based on the corporate and business requirements as laid down by the corporate laws, contractual obligations or as and when required. Employee communication is undertaken through internal announcements, intranet updates, and emails.

### Identification of Stakeholder

The Company has very prominent and good relationships with all stakeholders. We maintain collaborative relations with our stakeholders, good harmony, effective communication and customer focused approach because without doing this, we may affect our Company's performance and values of our entity. We follow the best policy to maintain the relationship with our stakeholders which includes satisfaction of customers by providing quality products and timely payments to all creditors. Moreover, the Company maintains good relationship with its Bankers and also arranges conferences periodically to discuss business prospects and financial management plans with the lenders which also enhances their confidence in the Company.

### Stakeholder Engagement Approach

Employee engagement is driven across the Company at a corporate level. The Company's annual employee engagement survey, as well as performance appraisal and management systems, serve as vital channels for feedback and monitoring of progress against the set engagement targets. In each area of stakeholder engagement, concerns and suggestions are registered and actions outlined accordingly.

### Issue Identification and Management

Our stakeholder extends valuable contribution towards our growth and existence. The Company understands the importance of continuous collaboration with all its stakeholders. By engaging key stakeholders from internal and external to the company and understanding their expectations regarding sustainability issues, we have identified and prioritized the issues most significant for Sadaqat Limited.

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

Materiality Process

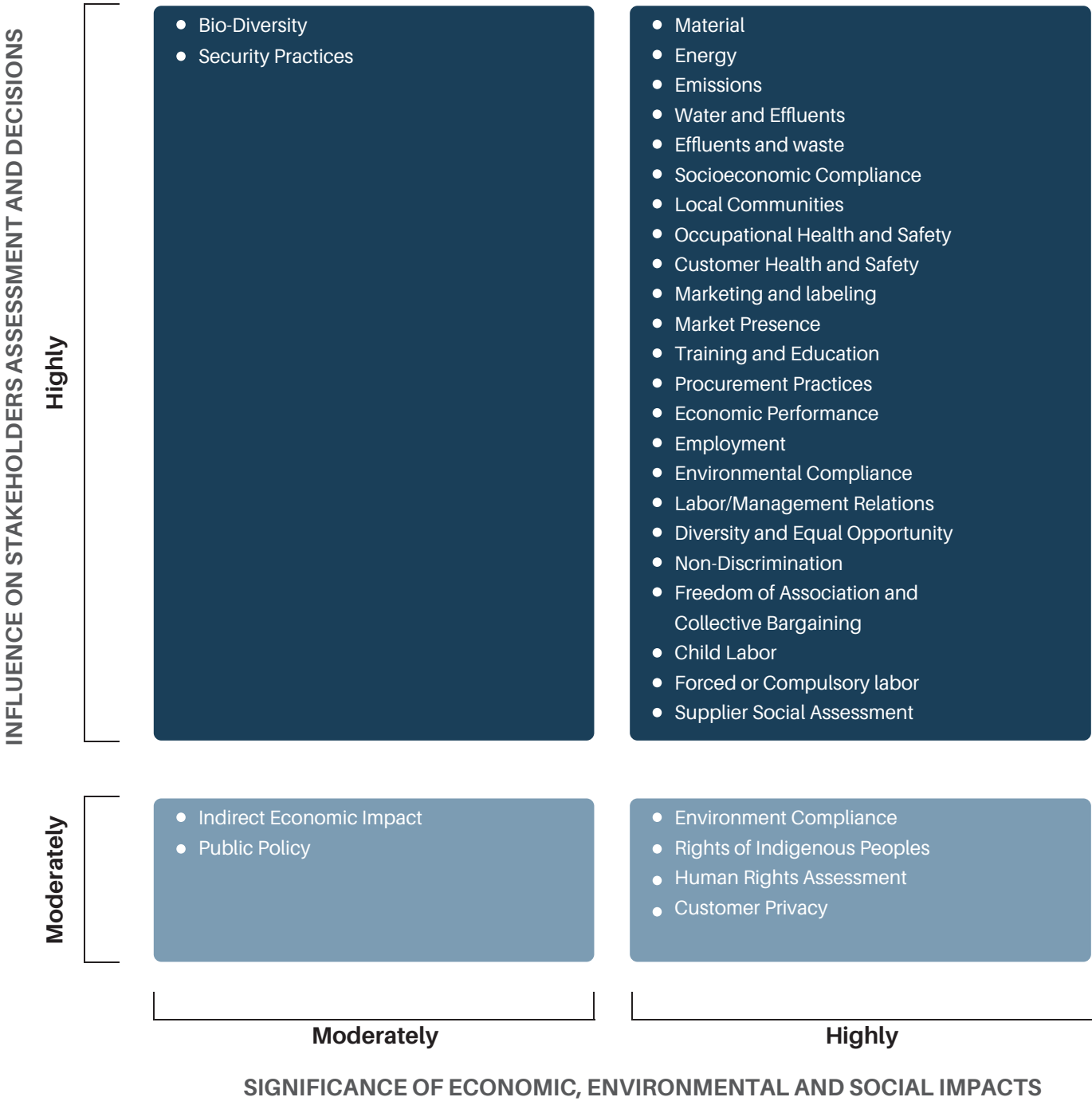
Matters are considered to be material, if they, individually or in aggregate, are expected to significantly affect the performance and profitability of the Company. Materiality concept includes both qualitative and quantitative aspects. Assessing their importance provides a guide to strategically manage the risks and opportunities they represent. In addition to disclosure of all events/transactions required by law, the management has adopted materiality approach for effective communication with all stakeholders.

For these reasons, we undertake an annual materiality assessment process. This involves looking beyond our own footprint and considering all of the environmental, social, economic and financial topics that could affect – negatively or positively – our ability to create value over the short, medium and long term.

The specific materiality thresholds are defined and approved by the Board, and as part of the Company’s policy, the management discloses the transaction and events falling in this materiality threshold to the Board of Directors. In addition to it, the management of Sadaqat Limited is also responsible for apprising the board members with all unusual items or events.

To support our annual materiality assessment, we conduct ongoing dialogue with our stakeholders, including suppliers, consumers and regulators. We also assess material issues based on their relevance to our strategic plans and objectives.

Matrix



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
	Labor/Management Relations	Sadaqat Limited
	Occupational health and safety	Sadaqat Limited
	Training and Education	Sadaqat Limited
Social	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 2020 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	11,15
102-3	Location of headquarters	11
102-4	Location of operations	11
102-5	Ownership and legal form	11
102-6	Markets served	11,18,19
102-7	Scale of the organization	11,14,15,21
102-8	Information on employees and other workers	202
102-9	Supply chain	15,184,185
102-10	Significant changes to the organization and its supply chain	184
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102-13	Membership of associations	186-187

STRATEGY		
102-14	Statement from senior decision-maker	57
102-15	Key Impacts , risks and opportunities	36-47
ETHICS AND INTEGRITY		
102-16	Values, principles, standards, and norms of behavior	2,3,76-79
GOVERNANCE		
102-18	Governance structure	10,20,90,227
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	234
102-41	Collective bargaining agreements	194
102-42	Identifying and selecting stakeholders	233
102-43	Approach to stakeholder engagement	233
102-44	Key topics and concerns raised	234
REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	182
102-46	Defining report content and topic Boundaries	183
102-47	List of material topics	234-235
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102-50	Reporting period	182
102-51	Date of most recent report	182
102-52	Reporting cycle	182
102-53	Contact point for questions regarding the report	254
102-54	Claims of reporting in accordance with the GRI Standards	182
102-55	GRI content index	237-246
102-56	External assurance	228-229

## Material Topics

Category : Economic			
ECONOMIC PERFORMANCE			
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103-2	The management approach and its Components	188,190	<div></div>
103-3	Evaluation of management approach	188,190	<div></div>
201 - Economic Performance			
201-1	Direct economic value generated and distributed	190	<div></div>
201-3	Defined benefit plan obligations and other retirement plans	190	<div></div>
201-4	Financial assistance received from government	190	<div></div>
MARKET PRESENCE			
103 - Management Approach			
103-1	Explanation of the material topic and its Boundary	188,191	<div></div>
103-2	The management approach and its Components	188,191	<div></div>
103-3	Evaluation of management approach	188	<div></div>
202 - Market Presence			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	191	<div></div>
202-2	Proportion of senior management hired from the local community	191	<div></div>
PROCUREMENT PRACTICES			
103 - Management Approach			
103-1	Explanation of the material topic and its Boundary	188,191	<div></div>
103-2	The management approach and its Components	188,191	<div></div>
103-3	Evaluation of management approach	188	<div></div>
204 - Procurement Practices			
204-1	Proportion of spending on local suppliers	191	<div></div>

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### 103 - Management Approach

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103-2	The management approach and its Components	188,191	<div></div>
103-3	Evaluation of management approach	188	<div></div>

### 205 - Anti-Corruption

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205-2	Communication and training about anti-corruption policies and procedures	191	<div></div>
205-3	Confirmed incidents of corruption and actions taken	191	<div></div>

## Category : Environmental

## ENERGY

### 103 - Management Approach

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103-2	The management approach and its Components	214,220	<div></div>
103-3	Evaluation of management approach	214	<div></div>

### 302 - Energy

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302-3	Energy intensity	220	<div></div>
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### 103 - Management Approach

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103-3	Evaluation of management approach	214	<div></div>

### 303 - Water and Effluents

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## EMISSIONS

### 103 - Management Approach

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103-2	The management approach and its Components	214,217	<div></div>
103-3	Evaluation of management approach	214	<div></div>

### 305 - Emissions

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305-2	Energy indirect (Scope 2) GHG emissions	217	<div></div>
305-3	Other indirect (Scope 3) GHG emissions	217	<div></div>
305-4	GHG emissions intensity	217	<div></div>
305-5	Reduction of GHG emissions	217	<div></div>
305-6	Emissions of ozone-depleting substances (ODS)	217	<div></div>
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	217	<div></div>

## EFFLUENTS AND WASTE

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103-3	Evaluation of management approach	214	<div></div>

### 306 - Effluents and Waste

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## COMPLIANCE

### 103 - Management Approach

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103-2	The management approach and its Components	214,218	<div></div>
103-3	Evaluation of management approach	214	<div></div>

### 307 - Compliance

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### EMPLOYEMENT

#### 103 - Management Approach

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103-2	The management approach and its Components	192,202	<div><div></div></div>
103-3	Evaluation of management approach	192	<div><div></div></div>

#### 401 - Employment

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401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	190,202	<div><div></div></div>

### OCCUPATIONAL HEALTH AND SAFETY

#### 103 - Management Approach

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103-2	The management approach and its Components	192,203	<div><div></div></div>
103-3	Evaluation of management approach	192	<div><div></div></div>
403-1	Occupational health and safety management system	203-204	<div><div></div></div>
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403-3	Occupational health services	203-204	<div><div></div></div>
403-4	Worker participation, consultation, and communication on occupational health and safety	203-204	<div><div></div></div>
403-5	Worker training on occupational health and safety	203-204	<div><div></div></div>
403-6	Promotion of worker health	203-204	<div><div></div></div>
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	203-204	<div><div></div></div>

#### 403 - Occupational Health and Safety

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## TRAINING AND EDUCATION

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#### 404 - Training and Education

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404-2	Programs for upgrading employee skills and transition assistance programs	206-207	<div><div></div></div>
404-3	Percentage of employees receiving regular performance and career development reviews	207	<div><div></div></div>

### DIVERSITY AND EQUAL OPPORTUNITY

#### 103 - Management Approach

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#### 405 - Diversity and Equal Opportunity

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### NON-DISCRIMINATION

#### 103 - Management Approach

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103-2	The management approach and its Components	192,194	<div><div></div></div>
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#### 406 - Non-Discrimination

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## FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

### 103 - Management Approach

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103-2	The management approach and its Components	192,194	<div></div>
103-3	Evaluation of management approach	192	<div></div>

### 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	194	<div></div>
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## CHILD LABOR

### 103 - Management Approach

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103-2	The management approach and its Components	192,194	<div></div>
103-3	Evaluation of management approach	192	<div></div>

### 408 - Child Labor

408-1	Operations and suppliers at significant risk for incidents of child labor	194	<div></div>
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## FORCED OR COMPULSORY LABOR

### 103 - Management Approach

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103-2	The management approach and its Components	192,194	<div></div>
103-3	Evaluation of management approach	192	<div></div>

### 409 - Forced or Compulsory Labor

409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	194	<div></div>
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## LOCAL COMMUNITIES

### 103 - Management Approach

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103-2	The management approach and its Components	192,195	<div></div>
103-3	Evaluation of management approach	192	<div></div>

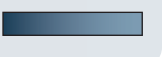
### 413 - Local Communities

413-1	Operations with local community engagement, impact assessments, and development programs	195-196	<div></div>
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413-2

Operations with significant actual and potential negative impacts on local communities.

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## SUPPLIER SOCIAL ASSESSMENT

### 103 - Management Approach

103-1	Explanation of the material topic and its Boundary	192,194	<div></div>
103-2	The management approach and its Components	192,194	<div></div>
103-3	Evaluation of management approach	192	<div></div>

### 414 - Supplier Social Assessment

414-1	New suppliers that were screened using social criteria	194	<div></div>
414-2	Negative social impacts in the supply chain and actions taken	194	<div></div>

## CUSTOMER HEALTH AND SAFETY

### 103 - Management Approach

103-1	Explanation of the material topic and its Boundary	192,198	<div></div>
103-2	The management approach and its Components	192,198	<div></div>
103-3	Evaluation of management approach	192	<div></div>

### 416 - Customer Health and Safety

416-1	Assessment of the health and safety impacts of product and services categories	198	<div></div>
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	198	<div></div>

## MARKETING AND LABELING

### 103 - Management Approach

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103-2	The management approach and its Components	192,198	<div></div>
103-3	Evaluation of management approach	192	<div></div>

### 417 - Marketing and Labeling

417-1	Requirements for product and service information and labeling	198	<div></div>
417-2	Incidents of non-compliance concerning product and service information and labeling	198	<div></div>
417-3	Incidents of non-compliance concerning marketing communications	198	<div></div>

SOCIOECONOMIC COMPLIANCE

103 – Management Approach

103-1	Explanation of the material topic and its Boundary	192,198	<div></div>
103-2	The management approach and its Components	192,198	<div></div>
103-3	Evaluation of management approach	192	<div></div>
419 - Socioeconomic Compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	198	<div></div>



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.	192-196
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	192-196
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	194
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor.	194
Principle 5	Businesses should uphold the effective abolition of child labor.	194
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	191-202
Principle 7	Businesses should support a precautionary approach to environmental challenges.	214-224
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	214-224
Principle 9	Businesses should encourage the development and diffusion of environmentally friendly technologies.	214-227
Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.	76-79,191

# SDG Index

Sustainable Development Goals	Sustainable Development Goals	Page Ref #
	Initiatives and activities conducted to eradicate poverty Building capacity especially in youth to enhance their livelihood	192-196 206-207
	Continued Employee Support/ Ration Package	196
	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	192-201 203-207
	Providing scholarships to community and employees Instilling practical knowledge in associates through skills development programs	195-196 206-207
	Ensuring diversity through clear nondiscrimination policies Empowering women through skills development exercises	206-207
	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	216,219
	Adopting and enhancing more energy-efficient technologies at production site Enhancing energy derived from renewable sources	220-223
	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	188-191 194,203-204, 206-207, 212

Sustainable Development Goals	Sustainable Development Goals	Page Ref #
	Investing in resource-efficient and state-of-the-art technology for production	57 115-116 220-223
	Majorly providing jobs and training opportunities to nearby residence Zero tolerance for discrimination enforced through the Code of Conduct	191,194
	Continued plantation movement	218
	Driving initiative towards optimal utilization of resources consumption in operations in forthcoming years	121-123 220-223
	Driving initiative towards adopting newer technologies in manufacturing to further improve environmental impact	216-223
	Ensuring effective and approved treatment and proper discharge of wastewater	216,219
	Promoting healthy environment through planting trees to cope with GHG emissions	217-219
	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	20,76-79 191,227
	Achieved status of different product, ecological and social stewardship initiatives Youth capacity building through partnerships with professional institutions	186-187, 195-196, 198-201, 206-207, 209,224

# 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	2,3
ii	ownership and operating structure including size of the organization, location of its operations	11,140
iii	principal activities and markets	15,18,19
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	21,184,185
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	11,14,18,19,189 202
c	Significant factors affecting the external environment and the organization's response.	24-25,80-83
	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	24-25,194
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	10,20,50-53
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	26-31
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	36-39,62,76-79, 86-89
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	95-99,189,193, 215,233-234
e	Whether the organization is implementing governance practices that exceed legal requirements / Key Policies	76-79,85,128
f	The responsibility those charged with governance take for promoting and enabling innovation	58-59,84-85,192
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.	94-99
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	14-15,22-25, 233-236
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).	14-15,34-35

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.	32-47
	This can include identifying:	
a	The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two.	32-47
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.	32-47
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.	32-47
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.	32-47
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	94-97
b	The organization's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain	98-99,184-185
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.	100-117,118-123
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).	4,189,193,215
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.	34-35, 226
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	24-25,118-123
b	How that will affect the organization	24-25,118-123
c	How the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise.	24-25,118-123, 36-39,80-83
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	22-25,118-123, 40-47
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.	118-123
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.	118-123,189, 193,215
5	Disclosures about an organization's outlook in an integrated report should consider the legal or regulatory requirements to which the organization is subject.	118-123,126-128
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	233-235
b	A description of the reporting boundary and how it has been determined	182-183,236
c	A summary of the significant frameworks and methods used to quantify or evaluate material matters	126-128, 182-183,232

# Feedback Form

## Integrated Report 2020

### 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

AGM	Annual General Meeting
ATE	Approved Training Employer
BMR	Balancing, Moderanization & Replacement
BCR	Best Corporate Report
BCI	Better Cotton Initiative
BCP	Business Continuity Plan
BEPI	Business Environmental Performance Initiative
CRP	Caustic Recovery Plant
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operating Officer
CPEC	China Pakistan Economic Corridor
CCG	Code of Corporate Governance
COVID	Corona Virus Disease
CSR	Corporate Social Responsibility
CCD	Cost Control Department
C-TPAT	Customs-Trade Partnership Against Terrorism
DFS	Director Finance & Strategy
DM	Director Marketing
DO	Director Operations
DP	Director Procurement
EPS	Earnings Per Share
EFP	Employee Federation Of Pakistan

EOBI	Employees Old Age Benefits Institution
ERP	Enterprise Resource Planning
EO	Entrpreneuships Organization
EMS	Environmental Management System
EPA	Environmental Protection Authority
ERF	Export Refinance
FGCC	Faisalabad Garment City Company
GMC	General Manager Compliance
GMHR&A	General Manager Human Resource & Administration
GMIT	General Manager Information & Technology
GSP	General System Of Preference
GJ	Giga Joules
GOTS	Global Organic Textile Standard
GRS	Global Recycled Standards
GRI	Global Reporting Initiative
GHG	Green House Gases
HSE	Health Safety & Environment
HR&R	Human Resource & Renumeration
IPO	Initial Public Offer
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost Management Accountants of Pakistan
IR	Integrated Report
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
ISO	International Standards Organization

KPI	Key Performance Indicator
KIEA	Khurrian Wala Industrial Estate Organization
KWH	Kilo Watt Hour
LC	Letter of Credit
LTFF	Long Term Finance Facility
MW	Mega Watt
MOU	Memorandum of Understanding
MMSCF	Million Standard Cubic Feet
NEQS	National Environmental Quality Standards
NTU	National Textile Univeristy
OHSAS	Occupational Health & Safety Assesment Specification
OCS	Organic Content Standard
PBIT	Pakistan Board of Information & Technology
PNAC	Pakistan National Accreditation Council
PTEA	Pakistan Textile Exporters Association
PPE	Personal Protective Equipment
PSDF	Punjab Skills Development Funds
PPC	Purchase Planning Department
QMS	Quality Management System
RLNG	Regasified Liquefied Natural Gas
RCM	Risk Control Matrix
SEMTA	Sedex Members Ethical Trade Audit
SA8000	Social Accountability 8000
SPT	Social Performance Team
SAFA	South Asian Federation of Accountants

SEZ	Special Economic Zone
SOP	Standard Operating Procedure
SBO	Strategic Business Objectives
SCAN	Supplier Compliance Audit Network
SDG	Sustainability Development Goals
UOM	Unit of Measurement
UNEP	United National Environment Programme
UNGC	United Nations Global Compact
WAPDA	Water & Power Development Authority
WMC	Workers Management Committee
WPPF	Worker's Profit Participation Fund
WWF	World Wild Fund
WRAP	Worldwide Responsible Accredited Production