

“ BETTER
ENVIRONMENT
BETTER
TOMORROW ”



SADAQAT LIMITED
INTEGRATED REPORT 2021
STRATEGIC PATH OF SUSTAINABLE GROWTH

if undelivered please return to:

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ABOUT THE COVER

The evocative color diamonds represent each aspect of the company and are embodied in this report to provide its stakeholders with accurate information they need to make more effective decisions. Company's overview is presented in dark greenish color as it symbolizes growth since Strategic path of Sadaqat Limited is to achieve sustainable growth and to achieve leadership position in textile sector. Grey color represents neutrality and balance to emphasize company's approach to make its strategies & allocate resources independently, innovatively and deliberately collaborative way to exceed shareholders expectations and maximize their value. Reddish color diamonds highlight the associated risks to company and at the same time calls for actions to be taken to capture available opportunities.

Brown diamonds are the representation of governance structure, how the company has implemented best practices of corporate governance across the organization to ensure transparency and accountability by guiding the organization through a system of sound processes and controls. Blue color diamond signifies confidence, reliability and responsibility so performance and position section are depicted in this color to highlight financial as well as non-financial performance of the company. The green color diamond demonstrates our drive on embedding sustainability in business maneuvers through investing in social initiatives and curtailing environmental impacts to provide future generations sustainable environment. The true integration of diamonds signifies how the company's backwards integration would develop stronger roots in the supply chain and bring synergies to the business.



ABOUT THIS REPORT

Sadaqat Limited is pleased to present its Integrated Report for financial year ended 30th June, 2021 which tells about holistic information about company including its overview, past performance with financial reviews and analysis, future outlook, business model, corporate strategies and resource allocations, key risks and associated opportunities, governance practices and operational performance. This report also provides information about our approach to achieving long term financial growth as well as how we add value towards social and environment aspects in pursuit of our sustainability objectives.

Scope and Boundary

Company's Integrated Report is prepared and published annually and it covers the period from July 01, 2020 to June 30, 2021 along with comparative information to provide comprehensive picture of the company's performance. The financial statements are prepared in accordance with the requirements of International Financial Reporting Standards and the requirements of Companies Act 2017 as applicable in Pakistan. This report also includes the sustainability report of the company for financial year 2021 to provide our stakeholders information about our commitment towards sustainability and contribution towards society.

Reporting Framework

This Report is mapped in compliance with the requirements and guidelines provided by the following standards and criteria:

- o Integrated Reporting Framework of International Integrated Reporting Council (IIRC)
- o Global Reporting Initiative Standards (GRI) – Core Options
- o United Nations Global Compact (UNGC) – Ten Principles
- o Sustainable Development Goals (SDGs)
- o Best Corporate Report 2021 Evaluation Criteria by ICAP and ICMAP
- o Best Sustainability Report 2021 Evaluation Criteria by ICAP and ICMAP

Materiality

We believe that this report addresses all material aspects which could substantively affect decision making of our stakeholders and presents a fair view of company. Our materiality determination process identifies and prioritize material matters to be included in this report.

External Assurance / Reviews

Independent Auditor's Report on the Audited Financial Statements FY-2021

Kreston Hyder Bhimji & Co.

Independent Assurance Report on the Sustainability Report 2021

KPMG Taseer Hadi & Co.

AWARDS & ACHIEVEMENTS

2020



WINNER
Best Corporate Report Award
in Textile Sector By ICAP & ICMAP



4th POSITION
Sustainability Report
by ICAP & ICMAP

2019



WINNER
Best Corporate Report Award
in Textile Sector By ICAP & ICMAP



3rd POSITION
Sustainability Report
by ICAP & ICMAP

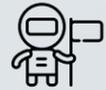


CERTIFICATE OF MERIT
Integrated Reporting 2019
by South Asian Federation
of Accountants (SAFA)



Vision

One that becomes hallmark of success for others



Mission

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.



Core Values



INTEGRITY

In our activities and relationships with all stakeholders by acting honestly and transparently.



RESPECT

Following ethical principles across the company to promote respect, fairness and openness.



INNOVATION

Through process automation and investment in the state-of-the-art technology to achieve competitive advantage.



EXCELLENCE

In high quality products to our customers to exceed expectations and provide good value for money.



DIVERSITY AND TRUST

By developing and implementing policies and principles which encourage diversity and create a culture of trust, confidence and dependability.



SUSTAINABILITY

By focusing on the economic, social and environmental impacts arising from the value creation process to create sustainable long-term value for stakeholders.



Code of Conduct and Ethics

Code of conduct of the Company is based on the principles of honesty, integrity, truthfulness, fairness and professional behavior which will be enforced at all levels. Management and employees are expected to uphold highest standards of ethical behavior in all aspects of business conduct. 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.



Business Culture

The Company has developed a strong organizational culture based on the core values and mission. The Company's culture promotes a people-oriented approach and collaborative environment for employees along with open communication which results in mutual trust and respect among employees and the management. The Company invests in human capital across the company to empower the workforce and promote diversity at the workplace.

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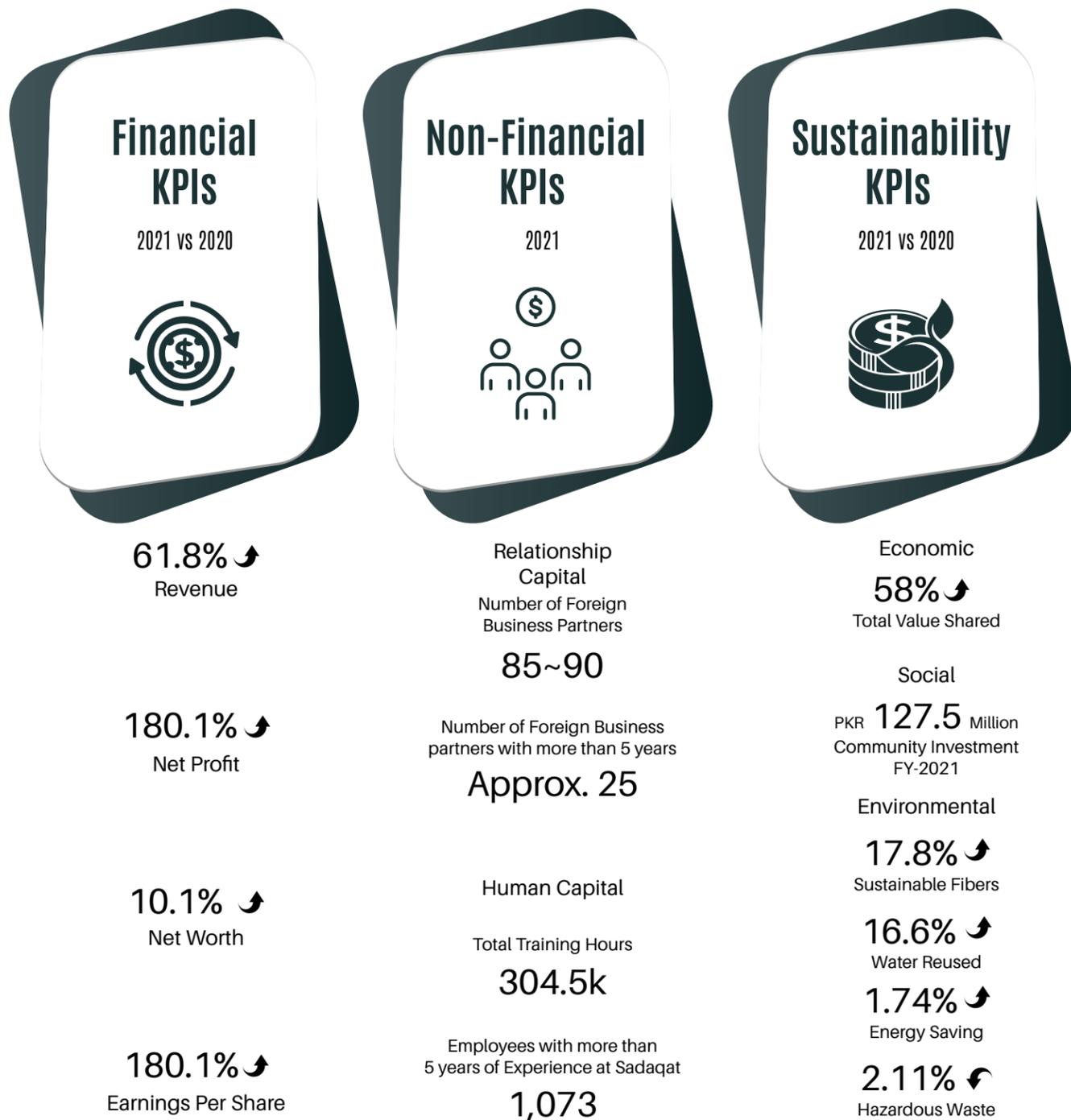
OVERVIEW

Sadaqat Limited is a progressive export-oriented home textile and apparel manufacturing unit expanding tremendously both in quantities and financial terms. The Company is now a completely vertically integrated company having its own knitting, processing and stitching facilities with new projects of spinning and weaving initiated during the financial year 2021. The Company has always opted for state-of-the-art technologies for cost efficient and quality products with minimum environmental adversities. The Company is engaged in a wide range of home textile and apparel products and aims to achieving significant levels of consumer loyalty by delivering high quality products.

The Company has now become established business in Pakistan under the visionary leadership and determination of founding family. 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.

HIGHLIGHTS OF 2021

Our Integrated Report 2021 provides information on financial, non-financial as well as sustainability performance while providing an in-depth assessment about company and its value creation for its stakeholders.



COMPANY PROFILE



The Company laid its foundation in home textile in early 90s and boasts a long history of success over the years. Moreover, the Company stepped into apparel segment in 2018 and is emerging as a premium quality exporter of knitted and woven apparel across the globe to provide one stop solution to its customers. Sadaqat Limited has been able to achieve PKR 32.9 Billion revenue and has ranked as 12th largest textile exporter during financial year 2021. The Company has global footprints with major export markets in Europe, UK, North America, Asia, UAE, Australia and New Zealand.



PRODUCT PORTFOLIO

HOME TEXTILE

Home textile products encompass all home furnishing needs and are designed to compete for the latest trends and fashion vibes. The 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 the Company to increase the exports. The garment products include the following categories:

Woven Apparel



Knitted Apparel



BUSINESS MODEL

Manufactured Capital

- Most Advance Manufacturing Facilities
- Greige / Yarn / Denim / Knitted Fabric
- Dyes and Chemicals
- Stitching / Packing Material



Human Capital

- More than 8,700 Strong Workforce
- More than 570 Experienced Managerial & Technical Team



Financial Capital

- Company's Share Capital and Accumulated Reserves
- Net Worth of PKR 15.6 Billion



Intellectual Capital

- Most Advance ERP System (SAP HANA)
- Highly Experienced Professionals
- Company's Knowledge Base
- Product Development Capacity



Social & Relationship Capital

- Extensive International and Local Footprints
- Foreign Business Relations 85 - 90



Natural Capital

- Renewable and Non-Renewable resources



Input

Output

- Bedding (Bed Sheets, Duvets, Comforters, Quilts, Pillows)
- Cushions
- Curtains
- Kitchen Accessories
- Table Linen
- Denim
- Non-Denim
- Knitwear

Outbound Logistics

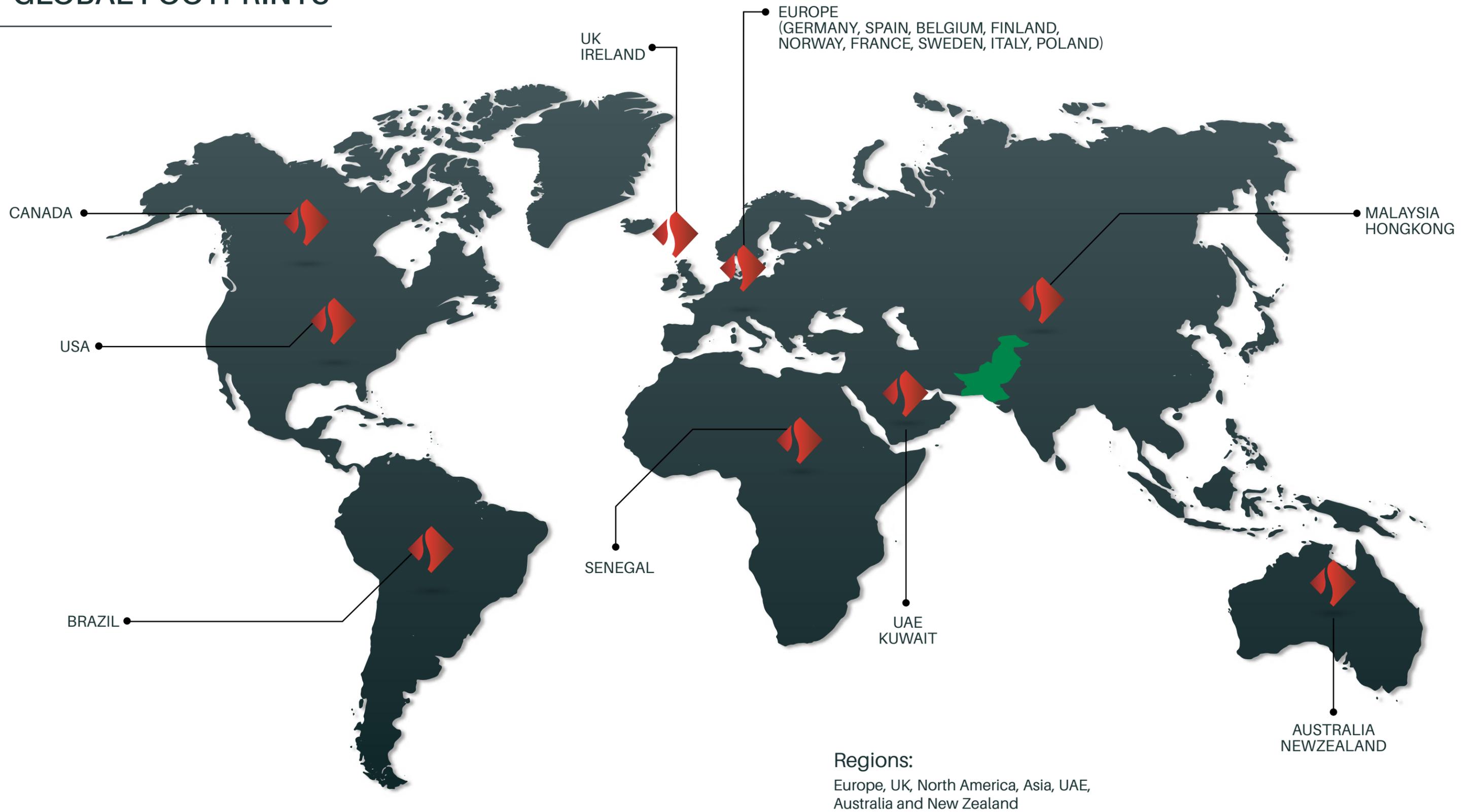
- Storage
- Transportation and Distribution

Value Distribution

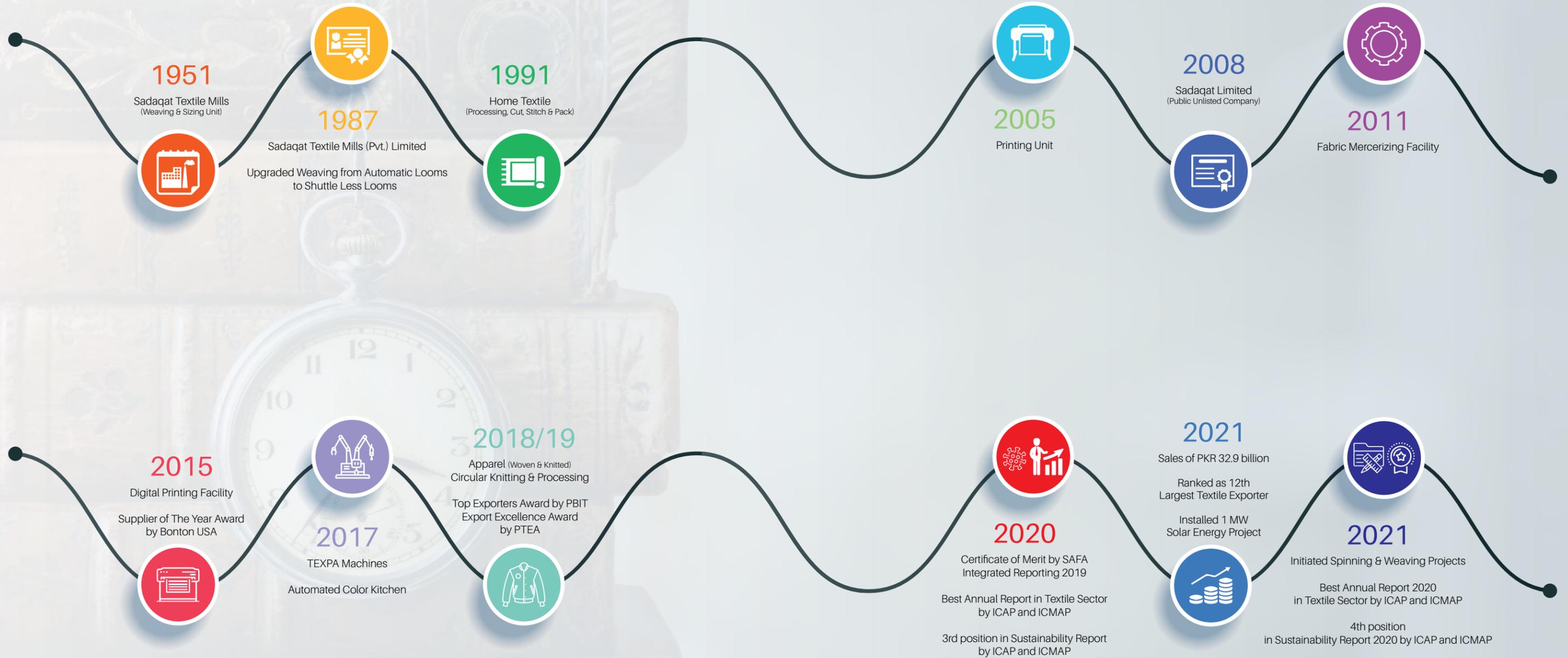
- Return to Shareholders
- Interest to finance provider
- Payment of Duties & Taxes to Government
- Payment to Suppliers
- Salaries & Wages to Employees
- Investment towards Community

* These are new backward integration projects initiated during the financial year 2021 and are expected to be operation in upcoming financial year.

GLOBAL FOOTPRINTS

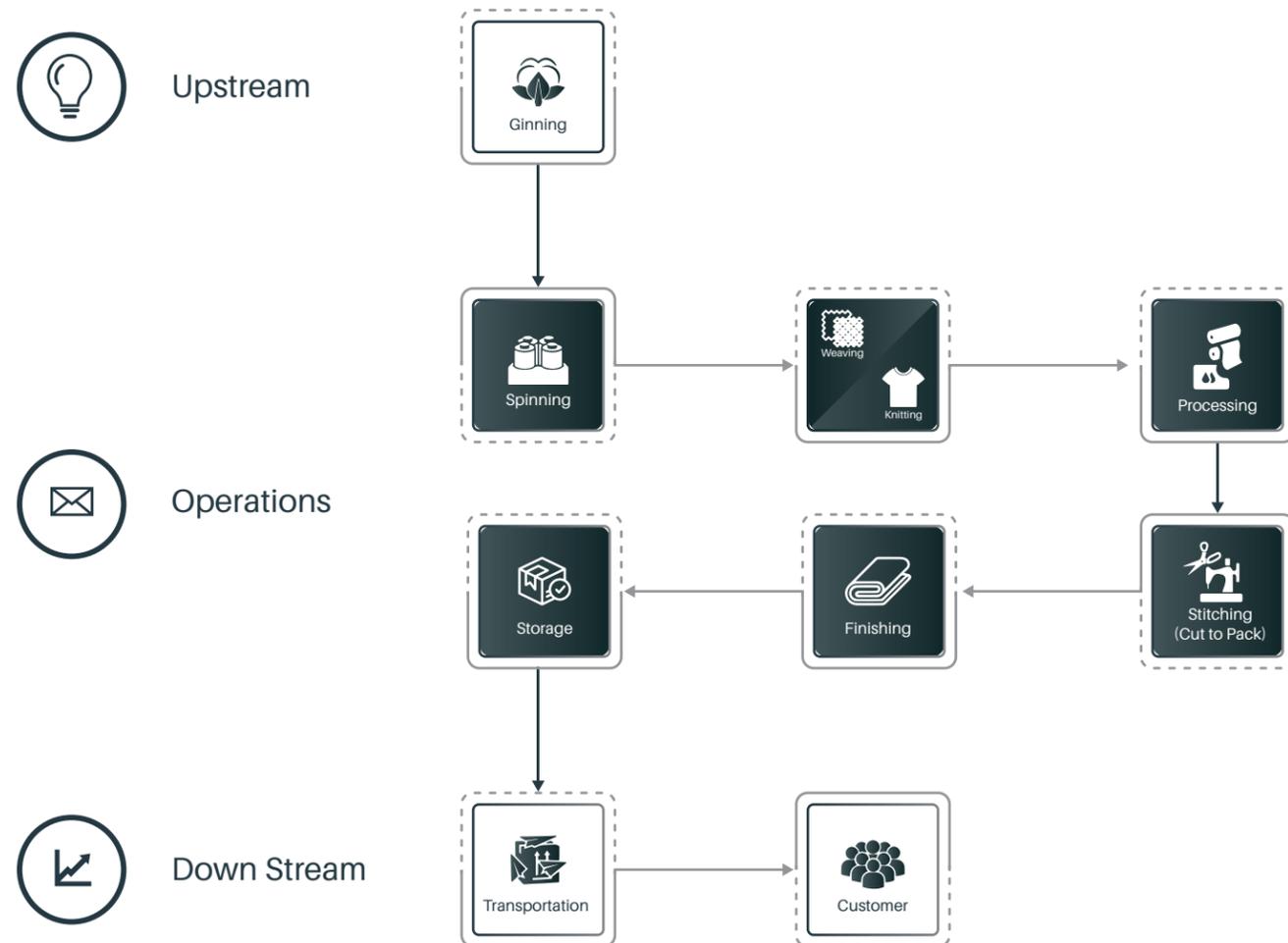


OUR HISTORY



POSITION WITHIN THE VALUE CHAIN

The Company has control over the major value addition segments of the textile supply chain especially since it has initiated backward integration projects of spinning and weaving during the financial year 2021 to achieve business synergies, corroborate 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. Below highlighted is the depiction of company's current position within the value chain.



* Since the company will also outsource its remaining spinning and weaving requirements so these supply chain processes will also be part of upstream.

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 Ghori (Advisor)
 Hummayun Shahzad (Advisor)

Director Finance & Strategy

Mohammad Iqbal Ghori (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

Company's Registered Office (Head Office)

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

Bankers

National Bank of Pakistan
 Habib Bank Limited
 United Bank Limited
 Askari Bank Limited
 Standard Chartered Bank
 The Bank of Punjab
 The Bank of Khyber
 SAMBA Bank Limited
 Pak Brunei Investment Company
 JS Bank Limited
 Pak China Investment Company Limited
 PAIR Investment Company Limited
 Pak Oman Investment Company Limited
 Pak Libya Holding Company (Pvt.) Limited
 Al Baraka Bank (Pakistan) Limited
 Dubai Islamic Bank

Sustainability Auditors

KPMG Taseer Hadi & Co.
 Chartered Accountants
 Sheikh Sultan Trust Building No. 1,
 Beaumont Road, Karachi 75530

External Auditors

Kreston Hyder Bhimji & Co.
 Office No.1, 2nd Floor, Legacy Tower,
 Kohinoor City, Faisalabad.

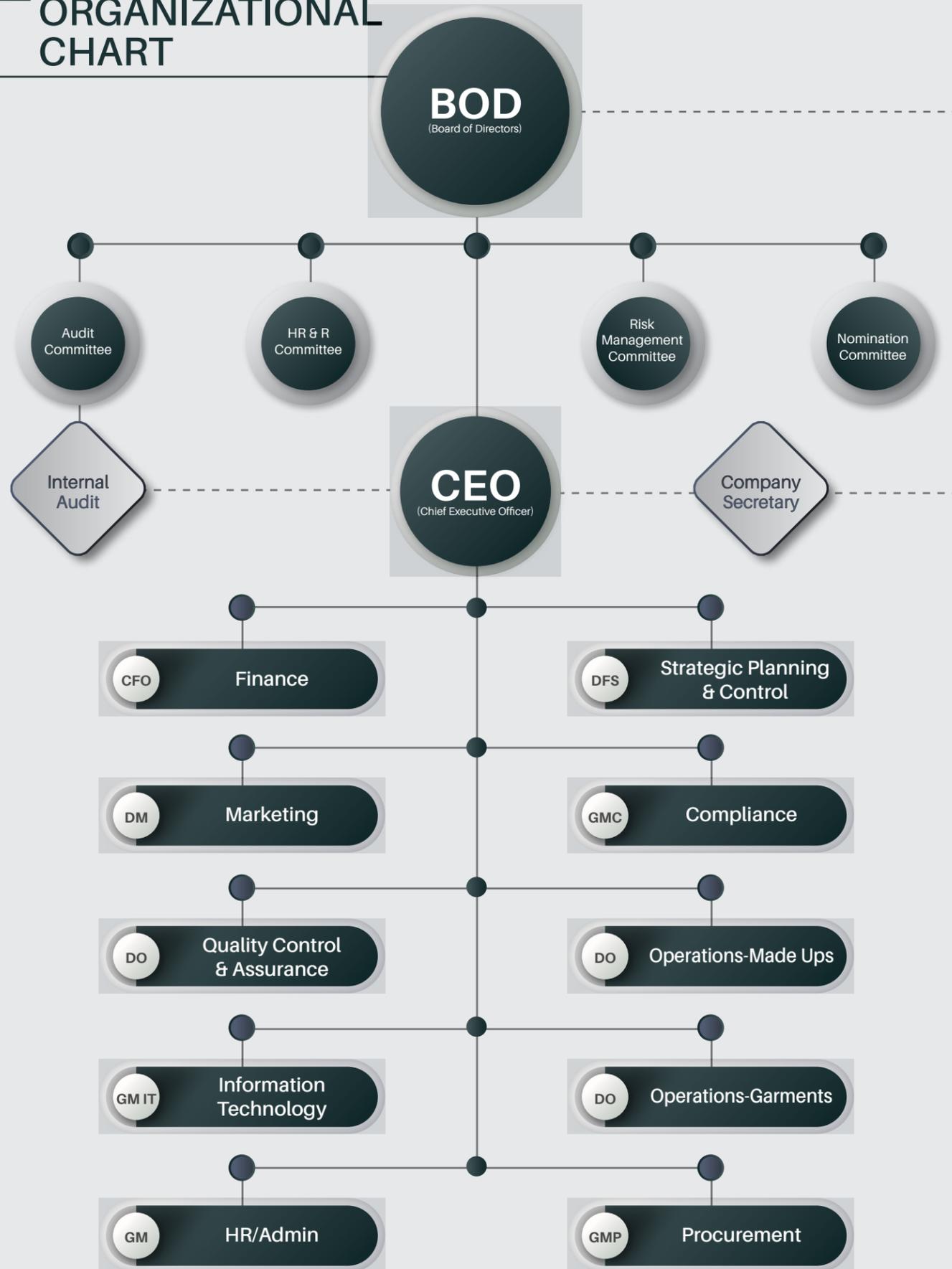
Credit Rating Company

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

Insurance Company

IGI General Insurance Ltd.
 EFU General Insurance Ltd.
 Jubilee General Insurance Co. Ltd.
 Premier Insurance Limited
 Habib Insurance Company Limited
 Atlas Insurance Limited
 UBL Insurers Ltd.
 Askari General Insurance Co. Ltd.

ORGANIZATIONAL CHART



MAJOR EVENTS 2021

August 2020

- Celebrated Independence Day of Pakistan
- Installed 1 MW Solar Project

October 2020

- Winner of Annual Report 2019 in textile sector
- 3rd Best Sustainability Report 2019

November 2020

- Inaugurated Sadaqat Model School Chiniot and Eye Hospital
- Celebrated International Children's Day
- Implemented Smart Factory System
- International Day for the Elimination of Violence against Women

December 2020

- International Day of "People with Disability"
- World Soil Day
- Celebrated International Human Rights Day
- Certificate of Merit for Integrated Reporting 2019 by SAFA

May 2021

- Celebrated Labor Day

June 2021

- COVID-19 Vaccination Camp
- World Environment Day 2021

August 2020*

- Winner of Annual Report 2020 in textile sector
- 4th Best Sustainability Report 2020

* Note: Subsequent event related to FY-2021

COMPETITIVE LANDSCAPE AND MARKET POSITIONING

Threat of Substitute Products

(Low to Medium)

Threat of substitute in textile sector is between low to medium as home textile and apparel products are essential part of customer needs. Moreover, variant types of products and materials can be seen which act as a substitute and is inclined with recent trends and fashion. However, the company heavily invests in research and development to strive for more attractive and better-quality products.

Considering the nature of products, entity's business model, low-cost producing country and ever-increasing population of the world, the company can build an enduring and implicitly competitive advantage. Company's abilities that foster rapid adaption are the reason behind business growth across the globe and cause of higher returns that boost stakeholder's wealth. Moreover, the company regularly reviews its strategies to counter this threat in the longer run.

Threat of New Entrant

(Low to Medium)

Textile industry poses high level barriers for new entrants which potentially reduces the threat of new competition for existing businesses so the risk is between low to medium. Moreover, Pakistan has a minute share in the international market hence the introduction of new competitors does not affect the textile sector majorly. Following are some barriers to entry for new potential rivals:

- Heavy capital investment required for new infrastructure and machinery
- Economies of scale that cannot be easily replicated by a potential entrant
- Government policies to support potential textile exporters
- Extensive legal and customer specific compliances
- Development of customer base and strong distribution channel
- Recognized Brands and Trademarks

Power of Customers

(Medium to High)

Bargaining power of customers in textile sector is medium to high which exaggerate the circumstances for manufacturers in the industry. Since customers have presence across the globe and can manifest multiple options to import from due to low product differentiation and low switching cost so the risk is high which creates further edge for them. Moreover, E-commerce has also strengthened customers bargaining power due to widened spectrum of choice and to indulge themselves in the most cost-effective ways.

However, the Company has invested significantly over the years in customer relationship management that goes beyond extending credit facilities, trade discounts and improvement in the quality of products. The eventual success and triumph are contingent upon the loyalty of customers hence these bargaining power of customers scales from medium to high.

Power of Suppliers

(Low)

Bargaining power of suppliers is not so significant in textile industry since the domestic market has a considerable number of suppliers with low product differentiation and switching cost is also low. Consequently, these factors allow textile manufacturers to negotiate for best terms and prices whilst maintaining a mutually profitable relationship with the supplier groups.

Continuous and sustainable growth is also attributable to engaging reputed suppliers for supply of raw material. However, since demand is gradually increasing enormously and favorably in Pakistan, and it is expected of the foreseeable future that vendor capacity will be exhausted which will eventually lead to an increase in the bargaining power of suppliers in the ensuing years.

Competition in the Industry

(High)

Competitive rivalry amongst existing manufacturers of textile products is high because of large number of organizations within sector, high fixed costs and high exit barriers. Export market of textile industry in Pakistan is facing high level of competition both from local and foreign producers. However, in order to sustain a competitiveness position within sector, textile manufacturers of the country are required to lower the prices and put forth a convalescent and superior product. The management is continuously installing advanced technology and refining products quality to expand their customer base and market share.



Seasonality of Business

Primary business of the Company is export of home textile and knitted & woven apparel. The sales get uplift during certain international events including Christmas, Easter and Halloween etc. however, the marketing team is engaged in executing regular trend analysis to pursue upcoming demand well before these international festivals. Further, there is sufficient demand throughout the year so the company utilizes its capacities efficiently.

The Company also manages seasonality through proper inventory management and production / import planning, keeping the products available according to the customers' demand. Since the company is operating lucratively and effectively across the globe and has an efficiently diversified portfolio so it remains majorly unaffected by seasonality.



Composition of Local and Imported Material

Sadaqat Limited is among leading exporter of textile products and has strong customer base spread across the globe. The company believes in supply of quality products to its customers hence it procures finest material from local markets and import high quality from foreign markets. The company passionately believes in stimulating and providing encouragement and support for the local suppliers however this commitment does not take away the company from its belief in providing its customer with the finest quality products.

The major raw material comprises of greige, yarn, dyes & chemicals, stitching and packing material. The composition of raw material procured during the financial year 2021 includes around 12% imported raw material while remaining 88% is purchased from local suppliers.



Sensitivity to Exchange Rate Fluctuation

The Company's export sales are proportionately impacted due to fluctuations in foreign currency exchange rates and during the FY-2021, the company has faced an exchange loss ~ Rs. 267 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.



Significant Change from Prior Year

The company has recuperated well since last year's pandemic outbreak and outperformed during the financial year 2021 in financial as well as expansion terms. The management was able to adeptly reassess and update its core values in order to adapt to current priorities and circumstances. Moreover, the company has initiated its own weaving and spinning projects, which are projected to yield a reasonable amount of returns for stakeholders. The Company has also changed its external auditors and appointed "Kreston Hyder Bhimji & Co." for financial year 2021.

Apart from the above, there were no significant changes which affected the information disclosed in this section.

P

Political



Rapid change in political environment and governments policies impacts the textile industry and company's operations.

The political situation of Pakistan has remained a bit uneasy during last few years which posed some adverse challenges for the textile industry and disrupted the overall growth of economy.

However, government's supportive policies to the textile sector resulted in a stable growth and fueled the economy positively by contributing towards GDP and employment.

Textile manufacturers are unable to maintain competitive prices in international market due to increase prices of energy resources and other raw material, specially imported raw material.

However, on the other hand low minimum wage rate as compared to other countries gives competitive edge in terms of lower production cost.

E

Economic



Pakistan's economic conditions have a potential impact on the company's performance. COVID-19 has turned out to be a blessing in disguise for exporters especially textile sector as the economic landscape has followed a growth pattern and exports of the country have grown with fast pace during the financial year 2021. Pakistan has been moving towards economic stability but there are many economic factors i.e. interest rates, inflation and foreign currency exchange rate etc. that can prove to be challenging and impact the profit margins.

To provide support to exporters, SBP Export Refinancing Facility (ERF) and Long-Term Finance Facility (LTFF) are in place in terms of availability of cheaper finance for growth. SBP has also provided financial easing by lowering the KIBOR rates and Temporary Economic Refinance Facility (TERF) to alleviate the strenuous impact and stretch of recession due to COVID-19. Increased inflation rates during recent years resulted in the creation of threat of increase in cost of production thus tightening the profit margins. Further, exchange rate also remained volatile as compared to preceding year which had impact on exporters and importers due to exposure of foreign currency.

S

Social



The company is directly affected by the social environment in which it operates and social responsibilities requires the company to align its business strategies. Due to increasing Corporate Social Responsibility (CSR) awareness, limited resources, increasing unemployment, wide room of improvement in healthcare & education system in the country and rapid population growth pushes the businesses to invest in CSR activities and devise an integrated CSR strategy. However, non-fulfillment of corporate social responsibilities can negatively impact brand image of the company which may eventually result in loss of potential customers and non-adherence to company's ethical principles.

A company having its foundation based on various community welfare activities such as educational funds, health care and insurance, socio economic development, reduced carbon emission and exceptional employee welfare not only result in a strong brand image but also efficacious in establishing a prodigious relationship with stakeholder for imminent future. Moreover, alignment of business environment with changing fashion trends, consumer concerns and cultures provide a unique opportunity to gain a competitive edge. CSR activities that mitigate risk, enhance reputation and contribute to the business results must be performed through formulation of a systematic process for bringing coherence and discipline.

T

Technological



Technology is one of the most important factors to step forward in global market and to achieve competitive advantage over other players. Technological advancement and innovation determine the progression of an entity. The companies are required to increase technological developments and to espouse latest advancements and new techniques of production to provide enhanced quality products. Meaningful investments have recently been seen in textile manufacturing sector towards automation and technological change to ensure a superior presence globally.

To ensure excellence support for the growth and evolution of technology is necessary because eventually replacement of traditional model is imminent. Further, the Companies under textile industry faces risk of technology obsolescence which may result in lagging behind competitors. To be able to break new grounds and become an unsurpassed competitor, the company is required to monitor cutting-edge technological innovation and development and show a keen emphasis on new methods of distribution, manufacturing and logistics. Development of highly sophisticated tools, automated machineries and innovations in textile industry is driving the production cost & lead time to historical lows.

L

Legal



There are various laws and regulations which includes statutory, corporate, legal, secretarial, taxation, export, employment, environmental, health and safety.

The company is required to ensure compliance with all these requirements due to stringent check by relevant legal authority which results in huge cost. Moreover, these legal requirements put forth a colossal challenge for the company, however are necessary for the smooth flow of operations.

The Company is also required to monitor the global legal environment and devise strategies for the management and maximization of the value of corporate legal function for the stakeholders.

Further, non-compliance of applicable laws and regulations may result in severe actions and penalties by regulators. Non-compliance of these laws and regulations also deteriorates the brand image of the company and diminishes the value for stakeholders.

E

Environmental



The Company's activities have an impact on the environment so national and international standards and regulations emphasize on manufacturing concerns to perform its operations sustainably and being environment friendly. Since sustainability consciousness has risen considerably globally during past few decades, so the customers and other stakeholders' expectations and requirements have increased and become more stringent.

This has resulted in increased environmental costs to meet the requirements of environmental, health & safety laws and regulations as well as contributing towards improving global climate.

Moreover, strict requirements are also set forth regarding treatment of wastewater, recycling of several resources and carbon emissions. However, an environmentally engaged company capable of aligning its functions that have comparatively reduced carbon emissions and contributes to improving global climate results in enhanced brand image and compliance with sustainability goals.

DESCRIPTION AND IMPACT

P Political	E Economic	S Social
		
<p>The management through proactive planning keeps a watchful eye on new challenges and opportunities arising from change in political developments and government's regulatory policies.</p> <p>The management is assiduously following up exports packages and reliefs offered to sector and availed the different benefits provided to exporters including SBP TERF facility and subsidized electricity and gas facility.</p> <p>The company also regularly participates in business discussion forums and provides valuable inputs to regulatory bodies. Organization's capabilities of adaption, shaping the business environment and ambidexterity allows for timely decision making and circumvention of any unfavorable outcomes.</p> <p>The company is complying with relevant laws and regulations for smooth and unperturbed operations and enhanced business growth.</p>	<p>Sadaqat Limited actively monitors the economic factors for timely strategic management to take advantage of available opportunities while minimizing negative impacts of risks. During the financial year 2021, the company has availed the opportunity of increasing textile demand to strengthen its position in the industry. The company keeps an optimal mix of debt-equity and has obtained maximum borrowings under SBP schemes to reduce its interest cost along with capitalization of SBP TERF facility to initiate new backward integration projects of spinning and weaving.</p> <p>Company constantly strives and make potent endeavors to ensure efficiencies in its manufacturing process which supports in mitigating adverse effect of increase in production cost. Further, a dedicated treasury team monitors the changes in exchange rates in foreign currencies and devises a risk management strategy. The management continuously monitors foreign currency fluctuations to hedge the exchange rate as well as also factor its some receivable as a counter strategy.</p>	<p>Being a socially responsible organization is an important success factor so the Company assiduously participates in multiple social initiatives including investment in education programs, healthcare and provision of safe workplace environment etc. The Company also encourages its employees to devote their time towards the well-being of the society. The company also engages local community by providing them employment opportunity especially to those who have encountered severe social and economic impact.</p> <p>The company had a significant reputation for being responsible business through embedding and disseminating conscientious business practices and standards that show support for various social causes. The company has also attained certifications in compliance with various health and safety regulations along with maintaining 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>

T Technological	L Legal	E Environmental
		
<p>The Company see the technology advancement as an opportunity to be capitalized and prioritizes the adoption of latest technology to enhance its operations and to attain an incomparable competitive edge. The Company invests significant amount on advanced technology machineries on regular basis reflecting its commitment to harnessing innovation and improve production outcomes. The Company also ensures that its top management is well acquaint with the latest technology and innovations.</p> <p>The Company has also been able to overcome regulatory logistical and social barriers in adopting novel products and services. Company's technology does not outrun society's ability to deal with it hence the technological advancement of company works to the benefit of all stakeholders. The Entity has modern machinery at its production facility and in addition to that, organization also has SAP HANA in place to allow real time environment. The Company has also a dedicated team of IT professionals who are responsible for maintaining and providing state of-the-art software technologies for optimization of operations.</p>	<p>Management makes consistently cognizant efforts to ensure adherence with all applicable law and regulations. The Company has dedicated compliance and legal departments which under the supervision of the BOD closely monitor any regulatory changes advised by SECP, excise & taxation, federal board of revenue, customs, and labor department and take appropriate measures accordingly.</p> <p>The management also tries in engaging its employees and helping their understanding of why certain laws and policies are implemented and so that the compliance is more honest and earnest.</p> <p>The company has developed policies and procedures according to applicable laws and also hire the services of lawyer / expert (s) when required. Further, the company keeps open and transparent interactions with regulators to carry out participatory role in strategy making.</p> <p>Moreover, the company has no history of any material fines due to non-compliance with any applicable laws and regulations.</p>	<p>The Company adheres to all applicable standards and regulations as well as voluntarily takes environment conscious initiatives to create long-term value for society and environment. Additionally, the company is quite eco-friendly as it proactively involved in green living practices which includes tree plantations and reduction of carbon footprints generated by its operations along with utilization of sustainable material including BCI, organic cotton and recycled polyester etc. The Company has taken various initiatives as well as formed strategies for the effective management of water re-usage, reducing carbon emissions and proper handling of waste and effluents.</p> <p>In the recent era climate change is one of the biggest threats, however, on the other hand climate change is also resulting in opportunities in the form of adoption of greener technologies, research and development and offer products to customer with minimal environmental impacts. 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

Sadaqat Limited is committed towards strategic expansion within its core competencies and growth of revenue. The Company preserves its competitive stance in its core business as it strives for earning strategic features such as brand image, strong leadership, unique organizational culture, professional excellence and financial strength to optimize value for its shareholders. The management has set desired objectives and outcomes of these objectives can further strengthen the quality of strategical moves clouding over each department. The objectives and strategies of the company are carefully planned and are aligned to cope with the challenges of ever-changing business circumstances. Sadaqat Limited has an independently innovative, deliberately collaborative and strategically result-oriented presence which through disciplined effort helps to achieve its objectives.

OBJECTIVES, STRATEGIES AND RESOURCE ALLOCATION

The Management has carefully planned its short, medium- and long-term objectives which are aligned with Company's mission and vision. Management has also devised the strategies and allocated optimal resources to achieve those objectives. These objectives are meticulously controlled and monitored by setting key performance indicators (KPI's) to measure the performance against defined strategies.

	01	02	03	04	05	06
Objective	Strive for leadership position in textile sector.	Achieve sustainable growth to exceed shareholders expectations and maximize their value.	Provide outstanding quality products to set standards of excellence and to gain customers satisfaction.	Cost economization and enhanced business synergies to improve operational efficiency.	Build a portfolio of skilled & innovative workforce along with interactive, ethical and transparent working environment.	Contribute towards sustainable environment and society.
Timeline	Long Term	Short to Medium Term	Short to Medium Term	Short to Medium Term	Medium to Long Term	Medium to Long Term
Strategy	Smartly planned and well-timed investments in the state-of-the-art technology; enabling machinery upgradation, enhancing technological advancements through latest ERP and adopting modern manufacturing techniques.	Maximize global footprint by entering into untapped market and customers to enhance sales and appraise performance of existing setup to enhance profitability.	Implementation of strict quality assurance policies along with securing international quality related certifications and invest in R&D as per evolving needs of customers.	Alignment of business processes for optimal utilization of capacity and achieving efficiencies available in different divisions. Moreover, implementation of policies & procedures for cost optimization and backward integration projects to reduce risk of dependency.	Build skilled & innovative workforce through training and skills development programs and promote encouraging & enjoyable working environment along with incentivization to enhance the motivation of hardworking employees.	Reducing carbon footprints, maximum procurement of sustainable materials and implementing alternative source of energy projects with engagement in planation activities to compensate carbon emissions. 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 Financial Capital Intellectual Capital Social & Relationship 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 Return on Invested Capital (ROIC)	Percentage of Rejection Product Quality Survey Customer Retention Rate (CRR) Customer Satisfaction Score (CSAT)	Operating Income Growth Net Profit Margin Production efficiency ratio Reduction in Costs	Internal & External Trainings Employee Turnover Rate Employee Satisfaction Diversity Ratio	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 reflect performance of the company and its objectives are aptly espoused.	The KPIs will continue to be relevant in foreseeable future to reflect performance of the company and its objectives are aptly espoused.	The KPIs will continue to be relevant in foreseeable future to reflect performance of the company and its objectives are aptly espoused.	The KPIs will continue to be relevant in foreseeable future to reflect performance of the company and its objectives are aptly espoused.	The KPIs will continue to be relevant in foreseeable future to reflect performance of the company and its objectives are aptly espoused.	The KPIs will continue to be relevant in foreseeable future to reflect performance of the company and its objectives are aptly espoused.
Status	Ongoing Process - However, the Company has invested PKR 3.2 billion in respect of Capex targeted toward automation, expansion, technology advancement and BMR. Further, the company has risen to 12th position in exports from Pakistan during the financial year.	Ongoing Process - However, the company has been able to achieve its sales targets as well as also achieved profitability targets during the year.	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 304,539 training hours during the year.	Ongoing Process - However, the company has increased water reused by 16.6%, energy saving by 1.74% and installed 1MW solar energy project during the year. The company also incurred approx. PKR 3.8 million on education, health and other social welfare activities.

RESOURCE ALLOCATION PLAN

The strategic objectives set by the management are planned to be accomplished by execution of strategies which are based on effective and efficient utilization of available resources. The formulation of resource allocation plan is reviewed and updated in line with the corporate vision. Industrial Engineering, Production Planning & Control (PPC) and Cost Control (CCD) departments synergies their forces in order to optimize production capacity utilization, minimize wastages, adopt lean production techniques, introduce process engineering and undertake other measure in order to meet corporate objectives, effective development and implementation of resource allocation plan. Furthermore, the entity is looking forward to managing its financial, manufactured, human, natural and social & relationship capital with the perpetual succor of equalized resource allocation plan.

 **Financial Capital**

Sadaqat Limited utilizes the optimal mix of corporate debt and equity to minimize its cost of capital as well as to maintain its current and liquid ratio customized to its business model and risk profile. The financial trends of past 6 years are identified with quantitative and numeric growth in business evidently showing the increase in working capital requirement each year. Furthermore, the Company being export oriented entity is maneuvering subsidized long- and short-term financing facilities resulting in ameliorated financing cost.

 **Manufactured Capital**

The company is committedly investing and has planned investments in infrastructure development in terms of land, building, plant and machinery to augment production capacities and addition of new segments within the sector. The entity is keen to invest in automation to eliminate redundant production process and wastage of time while driving towards lean manufacturing. The PPC and CCD departments keep an eye on capacity utilization and addresses concerns to ensure that resource are effectively utilized.

 **Human Capital**

The organization has developed its HR policies and procedures to keep the motivation level on higher side which in turns results into optimal production as well as product quality. The entity assigns due value to its human capital and utilizes punctiliously designed methods to improve the capacity of its employees which in turn proves beneficial to the employees as well as the organization along with its contribution towards enabling economy in shape of skilled resource. Moreover, the incentives in form of bonuses and health facilities are provided to all employees of company.

 **Social & Relationship and Natural Capital**

Sadaqat Limited strives to maintain a socially responsible presence and engages itself through plentiful undertakings and interactions with the local community in form of donation to different institutes, support funds and packages to its employees, training of employee, and jobs for community and infrastructural development. The entity also takes an active care of natural resources by investing in energy and water conservation by maximum recycling and through reusing consumed water. The overall management of social, natural and relationship capital keeps the organization socially responsible and sustainable in the long run.

Effect of Factors on the Company Strategy and Resource Allocation

The Company has set strategies and allocated resources after carefully planning which are aligned to cope with the challenges of ever-changing business circumstances. Moreover, some factors might affect company's strategies and resource allocation which are explained below:

Effect of technological change

Technological advancements directly affect the production processes ultimately impacting cost of production and sales of the products. The Company needs to develop strategies with flexibility to make any possible change in technology in order to cope with the technological changes. The Company substantially invests in 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.

Effect of societal issues

The company is directly affected by the social environment in which it operates and social responsibilities requires the company to align its business strategies. Due to increasing Corporate Social Responsibility (CSR) awareness, limited resources, increasing unemployment, wide room of improvement in healthcare & education system in the country and rapid population growth pushes the company to invest in CSR activities and devise an integrated CSR strategy.

Effect of environmental issues

The Company's activities have an impact on the environment so national and international standards and regulations emphasize on manufacturing concerns to perform its operations sustainably and being environment friendly. The Company adheres to all applicable standards and regulations as well as voluntarily takes environment conscious initiatives to create long-term value for society and environment.

Specific processes in making strategic decisions and monitoring the culture of organization

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. 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 well established mechanism to make strategic decisions and monitoring the culture of the organization. Regular reviews and surveys are used to monitor and assess the culture of the organization as well as other measures such as the whistleblower policy are mechanisms for addressing integrity and ethical issues.

Significant Changes in Objectives & Strategies

There have not been any significant changes in company's strategic objective and their strategies as these are carefully designed, vigilantly foreseen and are based on dynamic business environment. Further, KPIs are set to achieve those objectives which are regularly reviewed by the management.

Liquidity Position of the Company

The liquidity position of Sadaqat Limited is sound as both the current ratio (FY 2021 = 1.05:1; FY 2020 = 0.99:1) and the liquidity ratio (FY 2021 = 0.60:1; FY 2020 = 0.54:1) have improved as compared to last financial year reflecting the Company has enough current assets available to satisfy its total current liabilities even if they get due at once.

Further, the entity's revenues and profits have gone up by 61.8% and 180.1% respectively in financial year 2021 as compared to last financial year and the entity projects to close financial year 2022 with a significant upward push in revenues and profitability with support of new projects initiated by the Company. Furthermore, there are no operational losses to the Company.

As the Company has maintained strong business relationship with all its banks and investment companies so the management is confident that the Company would not face any liquidity issues in future. Further, it has a practice of continuously monitoring cash flows on a daily basis through suitably qualified professionals and increasing the short-term financing facilities from time to time in line with working capital requirements for optimized Company's operations. The company has PKR 103 million in form of Cash and Bank balances as at 30th June 2021. In addition to finance from banks, the entity is also evaluating other options to raise funds including initial public offer through listing on stock exchange in upcoming financial years.

Significant Plans and Decision

The Company has a long history of growth through expansion of its existing business and diversification into new business segments. 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 has also initiated backward integration projects through investment in weaving and spinning unit so that it can take benefit of reduced cost and improved quality. The management regularly reviews its plans and strategies so as to keep them aligned with the mission and vision of the Company.

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.

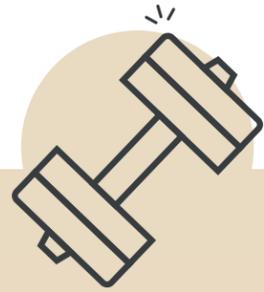
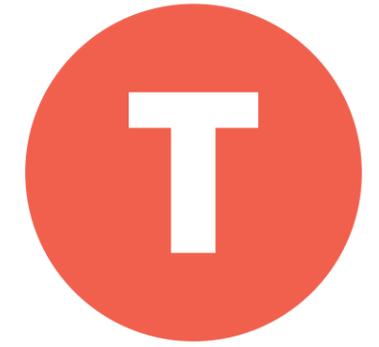


RISKS & OPPORTUNITIES

Risk management and capitalization of opportunities provides a distinct competitive advantage to an organization. Sadaqat Limited being major exporter of diversified textile products is exposed to a wide spectrum of risks so the company has in place a robust risk management system to identify and mitigate these risks. Sadaqat Limited's custom developed models, analytical capabilities and understanding of industry gives them an unparalleled ability to identify factors that drive revenues and opportunities for growth. The management also devises optimal strategies to materialize the gain from potential opportunities in the long run. The objective of risk management framework is to continually assess and appraise the intricate control environment and build resilience against any internal or external shocks, both anticipated and unforeseen.

The Board of Directors principally assumes the responsibility to manage all possible risks and maneuver the strategies to keep the company within its risk appetite. Risk Management Committee analyses and ensures the efficiency and efficacy of risk management procedures and is responsible to justly present report to Board. The risk management procedures are enforced to demonstrate commitment with best practices of corporate governance and to entrench integrity in business procedures. The Management understands that risk management is a continual process and is firmly integrated as a regular step in the operating practices.





STRENGTHS

WEAKNESSES

OPPORTUNITIES

THREATS

- Focused vision of consistent growth and market leadership
- State-of-the-art production facilities
- Advanced Enterprise Resource Planning (ERP) System
- Strong Financial Position
- Global presence & well-established distribution network
- Established relationship with global customers (70+ blue chip customers)
- Diversified range of optimal quality products
- Dedicated, proficient & innovatively contributive work force
- Perspicacious and astute management
- High barriers to entry in the industry
- In-house power generation capacity
- Clean energy paralleled with international standards
- Transparent and unmatched corporate & sustainability reporting

- Shortage of skilled labor at production facility
- Labor intensive operations
- Competitor's strong distribution network hampering market share enhancement
- Strong competition constraining pricing strategies
- Slow release of textile policies and taxation refunds to textile industry

- Access new foreign markets to raise exports
- Capture market share in new segments (Denim / Knitwear)
- Backward integration within the supply chain
- Diversification of product range by targeting niche market
- Explore rapidly growing E-Commerce market
- Low cost financing arrangements by SBP
- Government support for export-oriented sectors
- Incentives on import of new machinery
- 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 textile exports of Pakistan
- Hiring of qualified staff to change business environment

- Fluctuation in exchange and interest rates
- Significant competition from nimble and agile textile manufactures
- Rising inflation leading to increase in cost of production
- Continuous increase in energy cost (WAPDA / RLNG / Diesel)
- Inconsistent government policies for textile sector
- Imposition of new taxes/duties and withdrawal of incentives to exporters
- Natural disaster e.g. spread of COVID-19 internationally

RISK MANAGEMENT POLICY

The Company believes in managing risk and creating value from opportunities to remain competitive and ensure sustainable success in dynamic environment. The purpose of the risk management policy is to identify the risks and provide effective controls to mitigate the identified risks. The Company follows a rigorous approach to risk management and the Board has overall responsibility for the establishment & oversight of an effective risk management framework along with developing and monitoring risk management policy to determine the Company's level of risk tolerance. A strong monitoring practice is observed around risk tolerance to ensure that the Company is operating within the risk appetite.

Risk management policy of the company provides a mechanism for identification of risks and mitigating strategies to minimize the negative impacts of key risks areas including market, operational, financial, strategic, commercial, political and other risks along with the nature of their impact and likelihood of occurrence. On the other hand, opportunities are grabbed at the right time through effective utilization of human resources, deployment of technical expertise, financial soundness, efficient manufacturing, relationship management and intellectual capital in alignment with designed policies and targets.

Strategic Risk: Strategic risks arise from the formation of company's strategic objectives and business strategy decisions which may impact the execution of implemented plans.

Commercial Risk: Commercial risks are associated with the commercial substance of an organization which may result in reduction of entity's market share and reduction of profitability.

Operational Risk: Operational risks are caused by internal operational and administrative factors adversely impacting the organization.

Financial Risk: Financial risk generally relates to the liquidity and credit position of the company.

Risk Governance

The Board through its committees performs the oversight function and has delegated the responsibility to monitor and control the risks to the management. The Board members have diversified skills, knowledge, and experience, which enable them to identify and manage the key risks that are likely to arise. BOD has also implemented an effective ongoing process to identify & assess business risk that could threaten the business model, future performance, solvency or liquidity of the company.

Risk management committee plays its important role by reviewing and supervising the risk identification process, risk exposure and risk appetite of the Company and recommends risk mitigation strategies. Human resource & remuneration committee focuses on the risks related to compensation programs and succession planning to ensure availability of competent resources at all time.

The audit committee monitors the company's overall risk management, primarily focusing on financial and regulatory compliance risks and continuously seeks to refine 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.

The board identifies key risks, their tolerance level and their influences on organization's value creation in short, medium and long term to achieve goals that are directly associated with overall performance of the company. The management has designed risk matrix that highlights the impact, likelihood and magnitude of each risk along with the formulation of risk mitigation strategies which is reviewed and updated regularly.

Key Elements of Risk Management Framework

Risk management framework enable the organization to report and manage the risks that could affect performance and future prospects. So, 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.
- To protect and enhance company's reputation, the behavior must be in line with the code of conduct of business.
- The businesses should be operated within the set-out capital allocation framework.
- The entity must ensure that the potential risks are effectively managed.



Initiatives in promoting and enabling innovation

The Company continuously invests significant amount in the state-of-the-art technology reflecting its commitment to harnessing innovation and improve production outcomes. The Company also ensures that its top management is well acquaint with the latest technology and innovations. The Company has also SAP HANA in place to allow real time environment. Moreover, the Company has also a dedicated team of IT professionals who are responsible for maintaining and providing state-of-the-art software technologies for optimization of operations.

Business Continuity Planning

Business continuity planning (BCP) serves as preventive as well as corrective measure to protect the organization and its resources to make sure that the functions are dynamic enough to take a hit in the event of incident and challenging times. The management prioritizes critical business functions; allocates resources for monitoring those functions and security measures that need to be taken to address emergency situations. The Company is inclined to adopt preventive measures and considered a comprehensive plan at all factory sites for disaster recovery and business continuity.

The company has insured all its physical assets including building, plant & machinery, vehicles and inventory to cope with any unforeseen risks along with installation of top-notch firefighting system. The company has also managed its information security risk through documented SOP's conglomerate with international standards according to which monitoring of system is ensured and appropriate back up of important data along with IT servers are established to prevent data loss. The board ensures that BCP is kept up to date and employees are trained and well aware of their roles in its implementation.

The management also recognize its responsibility towards adherence with the precautionary principles of Articles 15 of RIO declaration.

Capital Structure

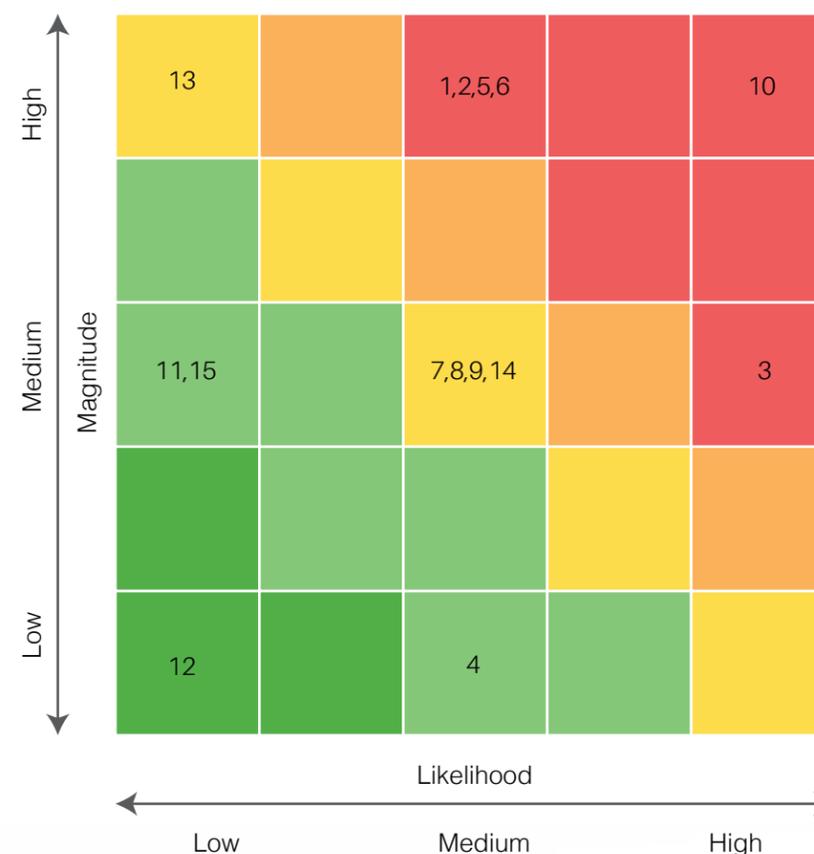
Sadaqat Limited has an adequate capital structure and any deficiency in the capital structure are proactively addressed. The Board with the support of planning & finance team keeps close eye to explore new investment opportunities and maintain adequate capital structure after analyzing all available financing arrangements. To maintain strong capital base envisaging the sustainable development, the Company managed its capital structure in line with economic conditions and overall risk appetite.

The Company monitors its capital structure through few tools including gearing ratio, financial leverage, equity multiplier, DuPont analysis, debt to asset ratio, markup cost and return on assets. During financial year 2021, the company has been able to maintain its balanced capital structure with 43.2% of the total assets funded through equity investment, 46.1% through current liabilities whereas long-term liabilities comprise only 10.7% on total assets base.

Payments of Debts

The Company recognizes its responsibility to meet all its debts obligation well on time accordingly there is no instance of default in repayment of any debt obligation during financial year 2021.

RISK MATRIX



Risks:

1. Competitive environment in global textile market
2. Rising cost of raw materials and other operating costs
3. Rising energy and fuel costs
4. High employee turnover
5. Outbreak of COVID-19
6. Information technology risk (cyber security)
7. Technological obsolescence risk
8. Risk of increase in Kibor rates
9. Liquidity risk
10. Fluctuations in foreign exchange rates
11. Credit risk
12. Inadequate management expertise for expansion
13. Natural disaster resulting in disrupt operations
14. Political uncertainty & inconsistent government policies
15. Non-compliance with applicable laws & regulations

PRINCIPAL RISKS

Type	Risk	Source	Risk Rating	Magnitude / Likelihood	Nature	Impact Area	Possible Impact	Mitigating Strategy
Market / Commercial Risk	Competitive environment 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	Building closer relationship with customers by analyzing the market needs and implementing aggressive marketing strategies to achieve customer loyalty. Investment into state-of-the-art machinery and innovative technology to achieve cost competitiveness and higher profit margins even at competitive price. Implementing procedures to produce utmost quality products aligned with latest international trends. Company's expansion plans are in line with increasing market growth. Pursuing government to improve international ties with countries of export.
Operational Risk	Rising cost of raw materials and other operating costs	External	High	High / Medium	Short / Medium Term	Financial Capital Manufactured Capital	Raw materials such as greige fabric, dyes & chemicals form substantial part of cost of goods sold so increase prices of raw material directly impacts profitability, price compatibility and shareholders value. Hence, higher rate of inflation and currency devaluation against foreign currency squeeze the profit margins due to increase in production cost and negatively impact competitive position.	Monitoring raw material prices and less dependency on any particular supplier is essential to ensure 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.
Operational Risk	Rising 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 which may not be possible to pass on to the customers in at least short run.	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, RLNG, diesel 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.
Operational Risk	High 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 which may result in increase of salaries and additional cost related to onboarding and training of employees.	Alignment of remuneration and other benefits with market competitive packages along with continuous growth opportunities to keep the competent and skilled workforce with the company. The company has detailed succession plan and 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.

Type	Risk	Source	Risk Rating	Magnitude / Likelihood	Nature	Impact Area	Possible Impact	Mitigating Strategy
Operational Risk	Outbreak of COVID-19	External/ Internal	High	High / Medium	Ongoing	Financial capital Human capital	<p>Outbreak of COVID-19 around the globe may result in decline in overall sales resultingly reduced profitability.</p> <p>Failure in providing a safe working environment may lead to illness of employees which may impact the operations of the company.</p>	<p>Strong relationship with the customers and geographically diversified customer base has helped the company to maintain and even enhance its sales.</p> <p>The management has implemented strong health & safety measures within organization to ensure safety and wellbeing of the workforce and customers</p> <p>Further, the company continuously monitoring events closely in evaluating the impacts and designing appropriate response strategies.</p>
Operational Risk	Information technology risk (cyber security)	External / Internal	High	High / Medium	Long term / Ongoing	Manufactured capital Financial capital Intellectual capital	<p>Information system breakdown may result in delayed operations and loss of company's important data.</p> <p>Theft of company's confidential and sensitive information.</p>	<p>The Company has developed advanced IT controls, malware protection and firewalls to safeguard confidential information.</p> <p>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.</p> <p>The company also ensures that systems are regularly updated, performs IT audits and vulnerability trainings are conducted to monitor and minimize the risk.</p>
Operational Risk	Technological obsolescence risk	External / Internal	Medium	Medium / Medium	Long term / Ongoing	Manufactured capital Financial capital Intellectual capital	<p>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.</p>	<p>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.</p> <p>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.</p>
Financial Risk	Risk of increase in KIBOR rates	External	Medium	Medium / Medium	Medium term	Financial Capital	<p>Rising interest rate could impede the financial health by way of higher borrowing cost and low profitability.</p>	<p>The company being an export-oriented entity enjoys the benefit of low-cost debt financing from SBP.</p> <p>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. Further, the company also availed SBP TERF financing facility during the financial year for its new projects.</p> <p>The Company also monitors its financial ratios such as interest cover ratio to ensure that the company is within appropriate percentage.</p>

Type	Risk	Source	Risk Rating	Magnitude / Likelihood	Nature	Impact Area	Possible Impact	Mitigating Strategy
Financial Risk	Liquidity risk	External / Internal	High	Medium / Medium	Medium Term	Financial Capital	<p>The company may face liquidity issues due to poor working capital management.</p> <p>The company may be unable to meet its financial and operational obligations due to non-availability of sufficient funds.</p>	<p>The company manages the funds proactively and ensures the availability of required financial resources by availing the sufficient credit lines from the different financial institutions</p> <p>The management also ensures optimum utilization of cash generated from operations.</p> <p>The management plans the working capital requirements beforehand and enough flexibility is already incorporated in the cash flow projections to avoid any major hit.</p>
Financial Risk	Fluctuations in foreign exchange rates	External	High	High / High	Short term	Financial capital	<p>The company is exposed to foreign exchange risk due to import and export-oriented business.</p> <p>High volatility in exchange rate possess challenges to absorb the fluctuations and in decision making.</p>	<p>A dedicated treasury department is established to monitor the forex market and capitalize the fluctuations in the market on regular basis.</p> <p>The Company obtain the solution by continuously monitoring, predicting and hedging the risk through financial derivatives (forward contracts) booking at the right window.</p>
Financial Risk	Credit risk	External	Low	Medium / Low	Medium Term / Ongoing	Financial capital	<p>The company may face cash flow challenges due to slow recoveries from customers.</p> <p>There is a risk of financial loss to the company if customer fails to discharge its obligations.</p>	<p>The company has long relations with its major blue-chip customers and credit limits have been assigned keeping in view the risk level and after due diligence.</p> <p>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>
Strategic Risk	Inadequate management expertise for expansion	Internal	Low	Low / Low	Medium term / Ongoing	Human capital Intellectual Capital	<p>The company may not have adequate management expertise for expansion projects which may result in financial loss to the company.</p>	<p>The company has initiated expansion and backward integration projects after comprehensive due diligence and reviewing return on investment & payback period.</p> <p>The management has relevant expertise for the expansion projects and brings onboard relevant experts.</p> <p>The company has a dedicated team who continuously looks after the implementation of the new projects.</p>

Type	Risk	Source	Risk Rating	Magnitude / Likelihood	Nature	Impact Area	Possible Impact	Mitigating Strategy
Natural Risk	Natural disaster resulting in disrupt operations	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.	<p>The company has implemented appropriate security management system, disaster recovery plan and business continuity plan to counter the natural disasters / pandemic and to ensure minimum disruption.</p> <p>The company has taken all preventive & safety measures during the construction and erection of building.</p> <p>The Company has also complete insurance cover to enable company to resume its operations and to safeguard against monetary losses.</p>
Political Risk	Political uncertainty & inconsistent government policies	External	High	Medium / Medium	Medium term	Manufactured capital Financial capital Social & Relationship capital	<p>Stable law and order situation in the country improves the overall business performance, investor confidence, and also encourages export.</p> <p>Inconsistent laws and regulations may affect strategic objective and may have unpleasant impact on business sustainability.</p>	<p>The Company maintains an open and transparent relationship with government and regulators.</p> <p>The management also through proper channel provides its feedback and suggestions to government and regulators.</p> <p>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.</p>
Compliance Risk	Non-compliance with applicable laws & regulations	Internal	Medium	Medium / Low	Short term	Financial capital Relationship capital	<p>The company may expose itself to fines, penalties, and litigations due to non-compliance with laws and regulations.</p> <p>This may adversely impact the reputation and result in financial loss to the entity.</p>	<p>The management closely monitor changes in the laws & regulations to make appropriate planning in a timely manner.</p> <p>The Company has a dedicated department to ensure compliance with all legal and regulatory requirements to avoid any legal consequences.</p>

KEY OPPORTUNITIES

The Company has a pool of significant opportunities which it strategizes to capitalize in future. The Company's commitment to quality, sound relationship with its customers and other stakeholders, proactive market trends analysis and careful monitoring of available opportunities, is what fuels the growth. To ensure a sustainable growth, opportunities across all the capitals are identified and resources are strategically allocated to capitalize on each front. The company always has a keen eye on investment opportunities and increasing the productivity of existing setup to provide attractive returns to its shareholders.

Type	Opportunity	Source	Impact on Capitals	Key source of opportunity	Capitalization Strategy
Market Opportunities	Increasing demand of home textile and apparel in international markets	External	Social & Relationship capital Financial capital	Exponential growth in population of the world and overall increase in exports of Pakistan has resulted in increasing demand of home textile and garments products. This reflects a huge opportunity for the Company and it intends to capture major market share.	The Company has a robust network of vigilant marketing teams around the globe which keeps a close eye on market trends and growing demands to materialize the growth opportunities to provide a sustainable growth of exports and profitability in long term.
Human Resource Opportunities	Availability of cheaper labor	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.	Strategies are formed to utilize labor force in optimal way 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.
Technological Opportunities	Inclination to adopt rising Ecommerce opportunities	Internal/ External	Financial Capital	During the recent years, businesses are going digital due to wide availability of internet connectivity and increasing trend among people towards online purchases. This is creating opportunity for companies including Sadaqat Limited to expand its sales through online segment	The Company is also directing its efforts towards expanding its sales through top online platforms to sell throughout the world.
Economic Opportunities	Government incentives offered to exporters	External	Financial Capital	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 which is an opportunity for the Company.	The Company has a dedicated team which continuously analyses the change in policies and emerging policies to fully capitalize the incentives available to the company.
Operational Opportunities	Access to stat of art technology and machinery	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 is investing into backwards integration projects to have more control over production lead time and quality. The management is also making significant investments in technological advancement and facility upgradation.

CORE MANAGEMENT'S PROFILE



Mukhtar Ahmed
Chairman

Mr. Mukhtar Ahmed is the 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 are 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, far sighted leadership and iron clad command over the textile dynamics has enabled him to take significant strategic decisions for the Company in consultation with Directors. His awe-inspiring and reverant leadership is not only looked at as inspirational but also as directive to rise up to whilst his presence continues to inspire innovative and entrepreneurial spirit among the workforce. He is a transformational leader who has himself worthy of emulation leading the team and achieving success for the last 45 years.

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 Dry port Trust and Chamber of Faisalabad Garment City Company (FGCC).



Khurram Mukhtar
Chief Executive Officer

Mr. Khurram Mukhtar exemplifies the mission of Sadaqat limited with his unfathomable proficiency and deeply invested career in textile and governance affairs. As Chief Executive Officer, he has been able to nurture a diverse and inclusive community committed to alleviating unemployment, poverty and improving living standards for all. His incomparable spirit of drive and collaborations encourages innovative and creative approaches to production and textile sector. As an innovative leader, Mr. Khurram Mukhtar never stops looking for opportunities to expand and enhance the business and the manufacturing. He continually looks for new and unique ways to create value for the stakeholders of the company.

He is leading the organization as Chief Executive Officer with deep interest and competency in textile and governance affairs. 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 patron in Chief of Pakistan Textile Exporters Association (PTEA). He has also served as Chairman Faisalabad Electric Supply Company (FESCO) and 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. His contributions to the organization are unparalleled and are emulated by many professionals all over the industry. He plays a great role in helping the team to understand their organizational goals and always engages significantly in bringing the organization to greater height collaboratively.

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. Undoubtedly an asset to the organization, he continues to play a role in a manner untouched by others. A modern-day exemplary leader who has allowed the organization a strong standing as a global enterprise.

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 embodies the transformative spirit of the company as the organization steps into a new age of advancement. Through his motivational and devoted efforts, he has helped the entire workforce to be unified over the vision of other company leading to maximized utilization of employees' potential.

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. His support provides the organization with orderliness, conformity, and general respect for an extrinsic point of view. His personal beliefs and values also reflect his strong sense of duty and service for community.

He has a strong and 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. Her work and accomplishments are reflective of her involvement and support for the organization that is dedicated to ensuring and improving the current level of success in organization.

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.



Hamza Mukhtar
Director Apparel

Mr. Hamza Mukhtar is a director apparel at Sadaqat Limited. He is a versatile professional with exceptional talent in multiple domain of business and has built strong business relationships and strategic alliances. As a thorough professional, he believes in time management, creativity and team building as pillar of individual as well as team success. He is a passion driven professional and emphasizes more in team development and mentoring as key attributes for a leader to inspire people and remain successful. His contributions to the organization are unparalleled and plays a great role in helping the team to understand their organizational goals and always engages significantly in bringing the organization to greater heights.

He continually looks for new and unique ways to create value for the stakeholders of the company. Mr. Hamza Mukhtar graduated in Business Management from Case Business School. He not only holds a prestigious position but her educational background brings the values of business focus, corporate governance, and social responsibility to the organization.



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. His pivotal stance on transparency allows the organization a true image of translucent honesty and ensures an accurate representation of organizations financial operation. By his prioritization of innovation and operation excellence, he has geared the organization towards an exceptional future.

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 also continues to play a vigorous and dynamic 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

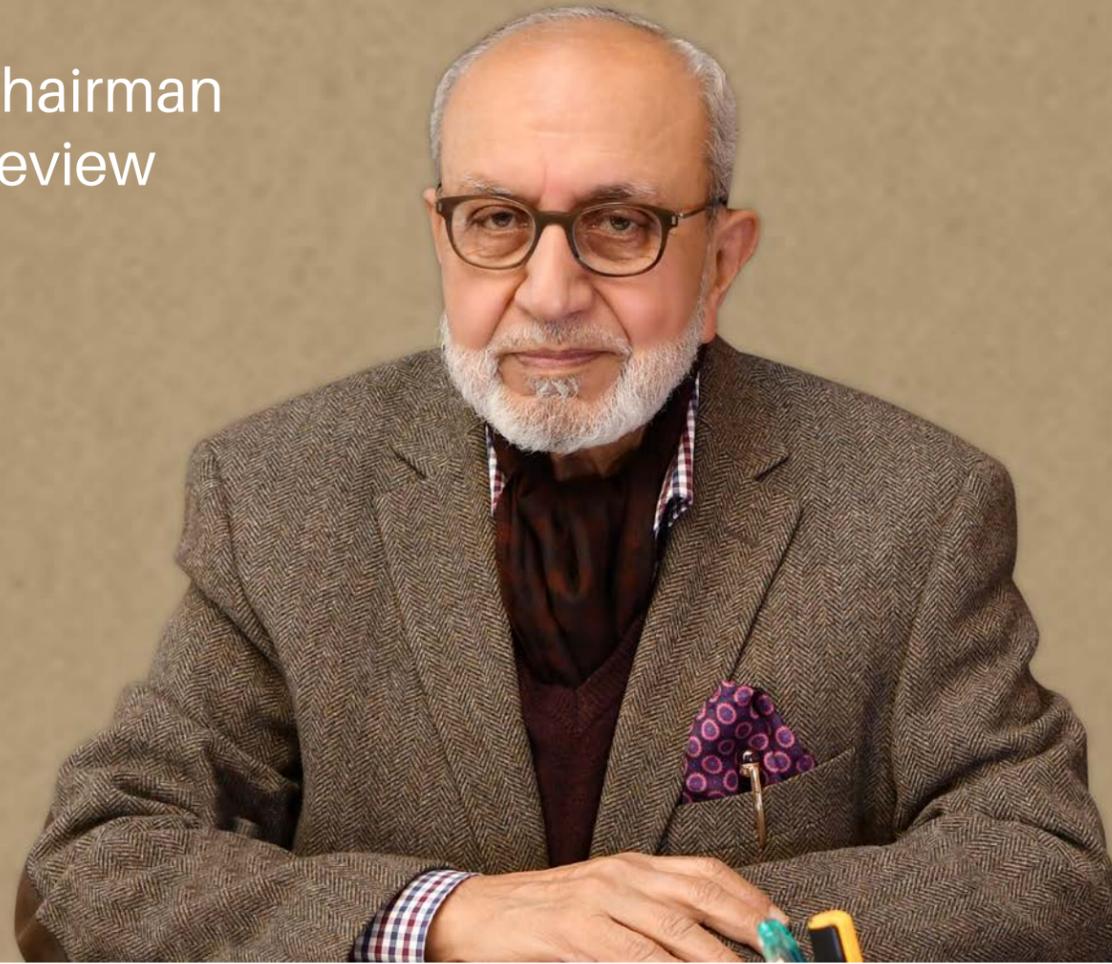
Hummayun Shahzad as Chief Financial Officer at Sadaqat Limited is responsible for leading financial activities involving planning and operations of the company. His exuberant and devoted contributions in financial management, operational management, capital restructuring, corporate and legal affairs as well as taxation have 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 has revitalized the organization with his innovative ideas and enthusiastic commitment to the advancement of organization. He has helped the organization to overcome several obstacles. 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).



Basharat Hashmi
Company Secretary

Mr. Basharat Hashmi serving as Company Secretary in Sadaqat Limited from 2019. He holds Master Degrees in Business Administration & Economics along with post-graduation degree in Law (LLB) having vast experience of 23 years in dealing with Central Depository Company (CDC), Securities and Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange, (PSX) for Shares and Corporate affairs of Listed, Non-Listed & other companies. He has in-depth knowledge of a wide range of subjects and has extensively diversified experience and exposure in senior positions. He started his career from a Listed Company named Al-Azhar Textile Mills Limited and later on he joined Fatima Group where he managed Corporate Affairs of Reliance Weaving Mills, Ltd, Fatima Sugar Mills Ltd, Fatima Holding Limited, Fatima Trade Company Limited, Reliance Commodities (Pvt) Ltd and Air One (Pvt) Limited.

Chairman Review



On behalf of the Board of Directors, I am pleased to present the review report before you that exhibits the overall performance of the company for the year ended June 30, 2021, and performance of the board members. The company has been able to enhance their value proposition by following a growth-oriented strategy and through significant expansions ensuring 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 holds a sanguine outlook for the future and envisions for itself an exceptional future in terms of performance made possible by the strategic administrations and guidance of the board.

Company's Performance Overview

During the financial year 2021, the company has been able to emerge positively and is striving persistently to be a market leader through volumetric increase in sale, enhanced profitability achieved through synergies and optimum utilization of capacity. The Company utilized a prudently planned strategy to ensure the robustness and economic feasibility of the organization. The Company managed to achieve a positive direction towards growth by effective resource mobilization. During the financial year, the Company was able to achieve gross revenue of PKR 32.9 billion (a 61.8% growth in net numbers as compared to last financial year).

Although during the financial year 2020 the company faced unprecedented challenges in the face of a global pandemic, however, the company has been able to not only recuperate from it since then but has also been able to venture into new markets and unlock for itself a new customer base. The pandemic recovery plan which is effectively in place since last year has ensured uninterrupted operations for the organization.

The rise in company's net profitability as compared to last year can be credited to portfolio enhancement made possible through the investment and expansion of the garment sector, and reduced cost. Moreover, the company is also expecting imminent raised in profitability through its backward integration projects of spinning and weaving which were initiated during the year and these initiatives shall enhance shareholders' value as well as satisfying customers by producing better quality products.

The company was able to solidify its reputation as a preeminent home textile brand by establishing and sustaining good rapport with the stakeholders, customer markets and community whilst simultaneously providing improved results. The Company's robust commitment to its customers and well-established brand name has allowed it to capture new customers and introduce itself to potential markets. The company has been continually investing in development and upgradation of its production facilities, workforce, and technologies both in home textile and apparel segments.

Board's Performance Review

The Board of directors and committees have vigilantly performed their duties as per required under the Companies Act, 2017 and approved TORs respectively. The Board has devised all significant strategies, policies, and procedures for the company leading company's financial performance. Chairman has carried out annual performance evaluation of the board members and the results presented that all board members have exercised their duties diligently and accomplished the affairs of the Company in an effective and efficient manner.

Board has formed four significant 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, reflecting 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 2021, Board has consistently appraised the company's growth, expansion projects, BMR, quarterly and annual financial statements, findings, and recommendations of internal audit department. The Company has also successfully integrated corporate social responsibility (CSR) into its business model and remained focused in investing in communities and environment. The Company has also followed its tradition of addressing social, economic, and environmental needs by contributing to education, economic development, increased diversity and reducing environmental footprints to ensure optimal standards of health and safety.

On behalf of the executive management team and Board members, I would like to extend my appreciation to our global customers for placing their continued confidence and conviction in the Company and its products. I would also like to acknowledge my employees, associates, bankers, and other stakeholders for their unwavering commitment and devotion in executing the affairs of the company.

Mr. Mukhtar Ahmed
Chairman

CEO's Message



Dear Stakeholders,

I feel privileged to share Company's annual results for the financial year 2021. During the year, the company has managed to formulate wide ranging strategic targets involving expansion plans and delivering premier quality products. The company has solidified its reputation in the market and sustained their leadership presence through robust customer relations and successful marketing strategies whilst maintaining its market share. The Company retains its presence as a highly diversified organization by means of geography, product segment, customer and currency, the widely diversified portfolio being an important driver for sustainable long-term growth.

The company has been able to achieve outstanding growth and performance as it emerged from the aftereffects of COVID-19 with newer opportunities. The revenue and profitability of the Company has been raised to the predicted level due to timely capitalization of opportunities. With the benevolence of Allah Almighty, the Company has achieved net revenue of PKR 32.9 billion (2020: PKR 20.3 billion) and net profitability of PKR 1.4 billion during the financial year 2021. The Management's initiative to examine overall cost structure and constant management attentiveness towards ensuring continuing productivity gains and cost reductions has led to maximum utilization of resources. Looking forward, the Company is planning to surpass revenue mark of ~ PKR 41 billion in financial year 2022 and is confident about optimistic results in ensuing years.

In a short period of time, the company has been able to establish for itself a comprehensive framework of success. The consistent level of success is maintained through continuous expansion of business and diversification within supply chain by establishing the company as a One Stop Solution for all the textile needs augmenting customer satisfaction and experience. The company has retained its emphasis on building innovation into the development process, fostering manufacturing brilliance and investing into the state-of-the-art technology and plans to continue so for many years to come. Furthermore, the management has also been rigorously working on entity's listing on stock exchange in ensuing year.

Management's focus is to safeguard the well-being of everyone including its associates and those within the supply chain network. The Company has a pandemic recovery plan in place that mitigates the adverse aftereffects and provides support to employees.

The company has developed a business model that maximizes return at an appropriate risk level. The company has been fully committed to the business model whilst also ensuring customer satisfaction with enhanced services, creating eminent value for shareholders, providing the employees with an extensive development platform. The company has maintained its endeavor for a better future and has significantly focused on environmental needs contributing heavily towards plantation. Being socially responsible company, the Company has remained devoted to the community and society and has continually contributed to areas of health, safety, environment, education, and security evident from the CSR activities.

The Company has robust governance in place ensuring that objectives of the organization are aligned with the interests of the stakeholders. The company also holds itself to higher standard as it pertains to the same regulatory framework as essential for a public listed company. The company has consistently developed a ubiquitous environment for its dedicated workforce to develop itself and enhance its skills. For training and development, the company provides stimulation thereby leading to realization of potential and innovation. Toastmasters program has led to discovery of many leaders who are then polished as they regularly contribute to the club through their speeches and feedback.

In closing, I would like to thank every member of our workforce for their understanding, contribution, and excellence towards company as brilliance is made possible through their efforts. I also want to thank the board members and executive management for their valuable direction, encouragement, and confidence throughout the year. I would also like to express my gratefulness to the shareholders, bankers and other stakeholders for their contribution and efforts since they have always acted as a driving force behind the company's achievements.


Mr. Khurram Mukhtar
Chief Executive Officer

DIRECTORS' REPORT

We are pleased to present, on behalf of the Board of Directors, the annual report of Sadaqat Limited and the audited Financial Statements for the year ended June 30, 2021.

Review of Operating and Financial Performance

During financial year 2021, Sadaqat Limited has achieved a substantial growth with a revenue mark of PKR 32.9 billion mainly on account of boost in textile sector's exports coupled with spilled over orders of approx. PKR 4 billion from last year due to pandemic as the company had target of PKR 24 billion revenue and been able to achieve PKR 20.3 billion revenue during last financial year. Sadaqat Limited has achieved a prominent financial performance and ranked as 12th largest textile exporter as well as been able to meet its profitability targets. The management has availed the growth opportunity and ensure maximum utilization of its resources to allow a steadfast acceleration in growth momentum. The company has been able to enhance their value proposition by following a growth-oriented strategy and through significant expansions ensuring capacity enhancements during the financial year to capitalize on long term opportunities. The Company is further looking forward to maintain sustainable performance and is confident about optimistic results in ensuing years by stringently focusing on enhancement of its customer base and increasing its footprints globally.

The Board of Directors and executive management have adopted strategies that assisted the company to capture opportunities, avoidance of threats, managing risks and augmenting its strength. The company enhanced its product portfolio whilst simultaneously implementing stringent credit controls policies and significantly investing in production, infrastructure, and human resource development, leading to enhancement of its existing capacity and shareholder's wealth.

Financial Performance

A summary of the Company's performance for the financial year ended June 30, 2021, in comparison to last year.

Particulars	2021	2020	Favorable / (Unfavorable) %
	Rs. in Millions	Rs. in Millions	
Revenue - net	32,969	20,375	61.8%
Gross Profit	6,585	3,647	80.6%
Other Income	3	160	(98.1) %
Finance Costs	786	944	16.7 %
Profit before taxation	1,762	718	145.3 %
Profit after taxation	1,433	511	180.1 %
EPS (Rs.)	5.82	2.08	180.1 %

During financial year 2021, net revenue and gross profit increased by 61.8% and 80.6% respectively in comparison to last year. The Company was able to enhance its profitability owing to effective cost control measures taken during the year resulting in net profit of PKR 1,433 million. This led to increase in basic and diluted EPS to PKR 5.82 (2020: PKR 2.13/share) and a further increase is subsequently expected for ensuing years considering the Company's financial stability and profitability in current and previous years.

Working capital ratios improved comparatively in FY-2021 due to increase in business activity level. Inventory holding period decreased from 102 days to 91 days in financial year 2021, receivable days increased from 54 days to 62 days in financial year 2021 due to increase in sales and likewise creditor days increased from 55 days to 60 days due to a significant rise in business activity level.

Liquidity ratios improved mainly due to healthy profits earned by the Company in financial year 2021 taking the current and liquidity ratios to a considerably secure level to above 1.05:1 and 0.60:1 respectively. The liquidity outlook appears quite adequate as the Company has PKR 103 million Cash and Bank balances on June 30, 2021. Furthermore, the Company managed to settle all its debt obligations on timely basis which were due for repayment during the year and there has been no single occasion or point in time when the Company failed to meet its debt obligations within the stipulated time period or defaulted on any of its payments which rose to maturity.

Operating Performance

The company has maintained its commitment towards the achievement of company's strategic objectives and continual expansion of its business through diversification and backward integration. The goal of diversification within the textile umbrella is to achieve a strategic fit by diversifying the risk portfolio and exploration of new business avenues. The Company pulls significant emphasis on increasing value for the stakeholders by converting the strategic expansion into business opportunities that fall in line with the core competencies and ensuring its presence in new geographical areas and market. During the financial year, the Company has continued to enhance production capacity of its garments (knitted and woven) segment and its capacity utilization.

Moreover, the company is contemplating other possibilities of backward integration which will be followed by managerial, operational, and marketing synergies due to expansion within the textile umbrella. The company would be empowered to accomplish its objectives of reducing risk, gaining competitive advantage, establishing reputational capital, and ensuring the best outcomes through collaborative value creation. Whilst conveying financial results, the Company has also focused on embedded sustainability in its corporate culture to manage the economic, environmental, and social impact of its operations.

The company has strongly committed itself to the creation of value for stakeholders made possible through capacity utilization, innovation, and productivity, improved real time environment, enhanced infrastructure, quality of financial reporting, compliance with the regulatory framework including social and environmental laws and regulations. The implementation of ethical practices across these functions have notably advanced the company over its peers and equipped the company with a competitive edge.

The company foresees a renewed post pandemic industry, paired with substantial business opportunities for ensuing years therefore, the production facility and the workforce are all wholly prepared in its anticipation. The growth business plan, formulated by the Company for upcoming financial years includes significant investment in new projects including backward integration in planned spinning and weaving units and penetration into new market regions. The Board of Directors are considering to make an initial public offer (IPO) in the coming year to achieve the desired equity financing in their capital structure mix to ensure smooth execution of planned projects.

Best Corporate and Sustainability Report Award

The Board of Directors are becoming increasingly concerned and have placed significant emphasis on the quality, accuracy, and completeness of Company's financial statements and other information published by the Company in its Annual Report to achieve professional excellency in its reporting. The Company's Annual report secured the First Position in the Textile Sector and was declared "Winner of the Best Annual Report 2020" in the textile sector. The company was ranked and awarded 4th position all over Pakistan in Sustainability Report 2020 by ICAP and ICMA Pakistan.

Adequacy of Internal Controls

The Company has remained committed to its values of good governance and have devoted substantial resources to internal sound control and have firmly integrated it across all functions. The Audit Committee reviews 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 Company has issued bonus shares @ 100%, that is 100 new shares for every 100 shares held, for the year ended June 30, 2021 as recommended by the Board of Directors.

Contribution to National Exchequer and Economy of Pakistan

During the year ended 2021, the Company paid approximately Rs. 425.6 million (2020: 256.8 million) to the Government treasury on account of income tax and sales tax. The Company contributed to the development of economy by earning an equivalent foreign currency revenue of 209.22 million USD approx. and by providing employment opportunities to more than 8,700 employees, along with compensation and benefits of approximately Rs. 3,179 million during the year.

Financial Statements

The Chief Executive Officer and a Director have endorsed the financial statements of the Company for the financial year 2021 after approval of the Board. The auditors, Kreston Hyder Bhimji & Co., audited the financial statements and have expressed an unmodified opinion on the financial statements.

Auditors

The present auditor's Kreston Hyder Bhimji & Co, Chartered Accountants, shall stand retired on the conclusion of the 34th 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 for the year ending June 30, 2022, 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

The Company has clearly identified the role and responsibilities of CEO and Chairman and both these positions are held by separate individuals in compliance with best practices defined in Codes of Corporate Governance.

Roles and Responsibilities of Chairman

Chairman of the Company represents the non-executive director of the Board being responsible for providing effective leadership and directions to the Board during their proceedings. He is responsible for ensuring that the Board plays a substantial 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, building a corporate culture and ethical working environment, implementation of policies and strategies approved by the Board, periodic monitoring of 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 effectiveness of implementation of projects approved by the Board.

Governments policies related to Company's business

The Government of Pakistan has taken several policies to support its export-oriented sector including reducing interest rates, introduction of reduced rate long term financing facilities i.e. Temporary Economic Relief Facility (TERF) to encourage expansion plans, subsidized electricity & gas facility and robust processing of sales tax refunds etc. The favorable measures taken by government has resulted in increase of overall exports of the Country especially, the increase in overall exports is contributed mainly by the growth in exports of textile sector i.e. the value-added products.

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 encompass 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, 2021, 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 devise 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. Moreover, the committee 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 adequately positioned 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 constitute 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 for regularly reviewing the structure, size and composition of the Board and recommend to the Board concerning any necessitous changes. The nomination committee performs its functions according to the terms of reference duly permitted 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, executes the review of the effectiveness of risk management procedures and present a report to the Board. The company carries out deals in several currencies and multiple geographical locations; therefore, risk identification and mitigation are essential 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 has ardently devoted itself to act ethically and aims to embed sustainability in its business operations by ensuring compliance of significant environmental standards at the production facility. The Company has ensured, a premier culture of health and safety, is prevalent among its employees, customers, suppliers, and other stakeholders. The employees have been trained and made proficient to perform exposure assessments and monitor the organizational environmental setting to develop and analytically review the environmental assessment. The company is able to monitor and analyze hazards to integrate health protection strategies within the workplace and to promote and advance the goal of a comprehensive work environment. The EHS Committee has been proactively working towards ensuring that company's Health and Safety activities are compliant with the direction and guidelines the board has specified for us. The committee ascertains implementation of standard policies and procedures so that greenhouse gas emissions across all operations are constrained. Moreover, the committee provides recommendations for improvement which are subsequently approved by the management. In addition to the financial benefits that the company has accrued from increased competitive advantage and innovation, company has been able to make significant cost savings through environmental sustainability related operational efficiencies

Company's products and related supply chain are assiduously reviewed by company's committed team to assure health and safety across the life cycle of a product. Staunch product and quality standards, identified, developed, and maintained by the committee to ensure premier quality, are followed. Sustainability driven measures are meticulously put in place by the committee to ensure the health and safety of the organizational ecosystem. The company has been endeavoring to meet environmental, health and safety practices, implementing various energy conservation measures including improved operational strategies, commencing products with low emissions, installing 1MW solar grid and installing state of the art equipment for the protection of the environment. Significant water recycling and other initiatives have also been introduced to move closer to zero waste objective. The Company gets its facility certified on its protocols which provides the Company with absolute exaltation regarding standards of health and safety conditions at the facility. The Company has installed a wastewater treatment plant at its premises to alleviate 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. The company has also been gearing up to contribute towards slowing down climatic change. The Company has successfully aligned its strategic objectives with the best local and international standards to ensure a sustainable and prosperous future. 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. In addition, the Company has taken copious measures and achieved multiple certifications under the umbrella of Environment, Health & Safety, which are reported in detail in the Company's sustainability report.

Corporate Social Responsibility (CSR)

The Company has adhered significant attention towards investing in corporate social responsibility initiatives which include education, healthcare, social welfare, women empowerment, climate change, ecological balance, social diversity, social consciousness, corporate governance, and environmental protection in line with its corporate social responsibility policies. The Company has formed a Sustainability Committee to oversee the planning and implementation of CSR activities as the best interest of its stakeholders is prioritized. The Company deems returning to the community an essential operation and does so by actively participating in various social initiatives.

During the financial year 2021, while facing the aftereffects of a pandemic crisis, a climate crisis, and weakened social cohesion, the company has renewed its commitment to various corporate social responsibility causes. The company has introduced collective action to ensure a thriving and inclusive society while pursuing green and digital transition. The company has directed its resources and efforts to undertake preventive action against environmental deterioration within the organization operations across all functions. The Company has maintained its strong commitment to work in the best interest of all the stakeholders, specifically keeping in view the needs of community where it operates and creates a progressive impact for the people. The company has a proven history of aiming for an inclusive economic system, providing a sustainable and circular economy, and endeavoring to make sustainability driven investments. A meaningful share of CSR funds goes to education and health sector. Furthermore, 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 246 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, 2021, is tabularized below:

Number of Shareholders	Shareholding		Total Shares held
	From	To	
2	1	500	4
1	501	1,500	1,022
1	1,788,241	1,788,300	1,788,243
1	1,931,001	1,931,100	1,931,001
1	24,601,001	24,601,100	24,601,022
1	35,969,601	35,969,700	35,969,677
3	60,569,601	60,569,700	181,709,031
10			246,000,000

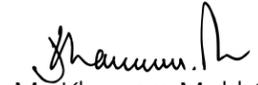
Shareholder's Category	Number of Shareholders	Number of Shares	Percentage %
Directors, Chief Executive Officer, Director's relatives including their Children and Spouse	10	246,000,000	100%
TOTAL	10	246,000,000	100%

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

فیصد	شیئر کی کل تعداد	شیئر ہولڈرز کی کل تعداد	شیئر ہولڈرز کیٹیگری
100%	246,000,000	10	ڈائریکٹرز، چیف ایگزیکٹو آفیسر، ڈائریکٹر کے رشتہ دار بشمول ان کے بچے اور شریک حیات
100%	246,000,000	10	مجموعہ

اعتراف

ہم اس موقع پر کمپنی کے ملازمین کی خدمات، وفاداری، وعدوں اور انتھک محنت پر خراج تحسین پیش کرتے ہیں اور مستقبل میں بھی ایسے ہی جذبے کی توقع رکھتے ہیں۔

بورڈ آف ڈائریکٹرز صارفین، سپلائرز، بینکوں، مالیاتی اداروں، ریگولیٹرز اور شیئر ہولڈرز کے مسلسل تعاون کو سراہتا ہے اور امید کرتا ہے کہ یہ تعاون مستقبل میں بھی بڑھتا رہے گا۔

بورڈ آف ڈائریکٹرز کے ایما پر


جناب شعیب مختار
ڈائریکٹر


جناب خرم مختار
چیف ایگزیکٹو آفیسر

نمایاں خصوصیات

کامیابی سے ہم آہنگ کیا ہے۔ آگ بجھانے کا موثر نظام بھی پوری مینوفیکچرنگ سہولیات میں نصب ہے، اور کسی بھی ہنگامی صورتحال سے نمٹنے کے لیے ملازمین اور عملے کی ٹیم کی تربیت کے لیے اکثر فائر ڈرلز کا انعقاد کیا جاتا ہے۔ اس کے علاوہ، کمپنی نے ماحولیات، صحت اور حفاظت کے تحت بہت سے اقدامات کیے ہیں اور متعدد سرٹیفیکیشن حاصل کیے ہیں، جن کی تفصیل کمپنی کی sustainability رپورٹ میں دی گئی ہے۔

کارپوریٹ سماجی ذمہ داری (CSR)

کمپنی نے کارپوریٹ سماجی ذمہ داری کے اقدامات کی طرف خاص توجہ دی ہے جس میں تعلیم، صحت کی دیکھ بھال، سماجی بہبود، خواتین کو بااختیار بنانا، موسمیاتی تبدیلی، ماحولیاتی توازن، سماجی تنوع، سماجی شعور، کارپوریٹ گورننس، اور ماحولیاتی تحفظ کی پالیسیاں شامل ہیں۔ کمپنی نے CSR سرگرمیوں کی منصوبہ بندی اور نفاذ کی نگرانی کے لیے ایک کمیٹی تشکیل دی ہے جس میں اسٹیک ہولڈرز کے بہترین مفاد کو ترجیح دی گئی ہے۔ کمپنی کمیونٹی میں واپسی کو ایک اہم قدم سمجھتی ہے اور ایسا مختلف سماجی اقدار میں فعال طور پر حصہ لے کر کرتی ہے۔ مالی سال 2021 کے دوران کمپنی نے وبائی اور آب و ہوا کے بحران کے علاوہ کمزور سماجی ہم آہنگی کے اثرات کا سامنا کرتے ہوئے مختلف سماجی ذمہ داریوں کے لیے اپنے عزم کی تجدید کا اعادہ کیا ہے۔ کمپنی نے سبز اور ڈیجیٹل نظام کی پیروی کرتے ہوئے فروغ پزیر اور جامع معاشرے کو یقینی بنا نے کے لیے اجتماعی کارروائی کا طریقہ متعارف کرایا ہے۔ کمپنی نے اپنے وسائل کو برواے کار لائے ہوئے ماحولیاتی خرابی/بگاڑ کے خلاف موثر کارروائیوں کی ہدایت بھی کی ہے۔ کمپنی تمام اسٹیک ہولڈرز خاص طور پر جس کمیونٹی میں یہ کام کرتی ہے، ان لوگوں کے لیے ایک ترقی پسند ماحول پیدا کرنے اور انکے بہترین مفاد میں کام کرنے کے لیے پرعزم رہتی ہے۔ کمپنی کی تاریخ گواہ ہے کہ اس کا مقصد ایک جامع اقتصادی نظام، پائیدار سرکر معیشت کی فراہمی اور پائیدار سرمایہ کاری کی کوشش کرنا ہے۔ CSR فنڈز کا ایک بڑا حصہ تعلیم اور صحت کے شعبے میں جاتا ہے۔ مزید برآں، CSR سرگرمیوں کا تفصیلی تجزیہ کمپنی کی sustainability رپورٹ میں پیش کیا گیا ہے۔

اسپانسرز/ڈائریکٹرز/ایگزیکٹیوز کے حصص

مالی سال کے آخر تک، اسپانسرز/ڈائریکٹرز کے پاس حصص کی کل تعداد 246 ملین شیئرز ہیں جو جاری کردہ، سبسکرائب شدہ اور ادا شدہ حصص کیپٹل کا 100% بنتے ہیں۔ مزید یہ کہ کمپنی کے کسی ایگزیکٹو کے پاس کوئی شیئرز نہیں ہیں۔

30 جون 2021 تک شیئر ہولڈنگ کا پیٹرن ذیل میں دیا گیا ہے:

شیئر ہولڈر کی کل تعداد	شیئر ہولڈنگ از	شیئر ہولڈنگ تا	شیئر کی کل تعداد
2	1	500	4
1	501	1,500	1,022
1	1,788,241	1,788,300	1,788,243
1	1,931,001	1,931,100	1,931,001
1	24,601,001	24,601,100	24,601,022
1	35,969,601	35,969,700	35,969,677
3	60,569,601	60,569,700	181,709,031
10			246,000,000

- ☒ تمام کنٹرولز بشمول مالیاتی کنٹرول، آپریشنل کنٹرول اور تعمیل کنٹرول کا جائزہ و نگرانی۔
- ☒ مالیاتی معلومات کی سالمیت کو یقینی بنانا اور خطرے میں کمی کے مضبوط اقدامات کو نافذ کرنا۔
- ☒ اس بات کو یقینی بنانا کہ کمپنی کے رسک فریم ورک اور اندرونی کنٹرول کے نظام کو ڈائریکٹر رپورٹ میں مناسب طور پر ظاہر کیا گیا ہے۔
- ☒ خطرے کا جائزہ لے کر ممکنہ خطرات اور ان کے اثرات کی نشاندہی کرنے کے عمل کی نگرانی اور ان خطرات کو کم کرنے کے لیے مناسب طریقہ کار کو نافذ کرنے کے لیے بورڈ کی منظوری کی سفارش۔
- ☒ بورڈ کے ڈیزائن اور رسک مینجمنٹ کی حکمت عملیوں کے نفاذ کے ساتھ ان حکمت عملیوں کی مناسبت کی نگرانی کے طریقہ کار کا جائزہ اور بورڈ کو تجاویز دینا۔
- ☒ بورڈ آف ڈائریکٹرز کی منظوری کے لیے رسک مینجمنٹ پالیسی کی سفارش۔

ماحولیات ، صحت اور حفاظت (EHS)

کمپنی اخلاقیات کے اصولوں پر کام کرنے کے لئے وقف ہے اور اس کا مقصد اپنے کاروباری و پیداواری عمل پر تمام ماحولیاتی معیارات کی تعمیل کے ذریعہ استحکام حاصل کرنا ہے۔ کمپنی نے اس بات کو یقینی بنایا ہے کہ صحت اور حفاظت کا ایک اعلیٰ کلچر اس کے ملازمین، صارفین، سپلائرز اور دیگر اسٹیک ہولڈرز میں رائج ہے۔ ملازمین کو تربیت دی گئی ہے اور انہیں ایکسپوزر اسیسمنٹ انجام دینے کے لیے ماہر بنایا گیا ہے اور ماحولیاتی تشخیص کو تیار کرنے اور تجزیاتی طور پر جائزہ لینے کے لیے تنظیمی ماحولیاتی ترتیب کی نگرانی کی گئی ہے۔ کمپنی کام کی جگہ کے اندر صحت کے تحفظ کی حکمت عملیوں کو مربوط کرنے اور کام کے جامع ماحول کے مقصد کو فروغ دینے اور آگے بڑھانے کے لیے خطرات کی نگرانی اور تجزیہ کرنے کے قابل ہے۔ EHS کمیٹی اس بات کو یقینی بنا نے کے لیے فعال طور پر کام کر رہی ہے کہ کمپنی کی صحت اور حفاظت کی سرگرمیاں بورڈ کی طرف سے ہمارے لیے مخصوص کردہ سمت اور رہنما خطوط سے مطمئن ہوں۔ کمیٹی معیاری پالیسیوں اور طریقہ کار کے نفاذ کو یقینی بناتی ہے تاکہ تمام کارروائیوں میں گرین ہاؤس گیسوں کے اخراج کو روکا جا سکے۔ مزید برآں، کمیٹی بہتری کے لیے سفارشات فراہم کرتی ہے جو بعد میں انتظامیہ کے ذریعہ منظور کی جاتی ہیں۔ مالی فوائد کے علاوہ جو کمپنی نے مسابقتی فائدہ اور جدت طرازی سے حاصل کی ہے، کمپنی ماحولیاتی پائیداری سے متعلق آپریشنل افادیت کے ذریعے لاگت میں نمایاں بچت کرنے میں کامیاب رہی ہے۔

کمپنی کی پراڈکٹس اور متعلقہ سپلائی چین کا باریک بینی سے جائزہ لیا جاتا ہے تاکہ پروڈکٹ کے لائف سائیکل میں صحت و حفاظت کو یقینی بنایا جا سکے۔ مصنوعات کی پرمیئر کوالٹی اور تنظیمی ماحولیاتی نظام کی صحت اور حفاظت کو یقینی بنا نے کے لیے کمیٹی کے بنا ئے گئے پائیداری پر مبنی اقدامات و اصولوں کی پیروی کی جاتی۔ کمپنی ماحولیاتی، صحت اور حفاظت کے طریقوں کا نفاذ کر رہی ہے، توانائی کے تحفظ کے مختلف اقدامات جس میں بہتر آپریشنل حکمت عملی، کم ماحولیاتی اخراج کی مصنوعات پر توجہ، ایک میگا واٹ کے شمسی گرڈ کی تنصیب اور ماحول کے تحفظ کے لیے جدید ترین آلات کی تنصیب شامل ہیں۔ زیرو ویسٹ کے مقصد کے حصول کے لیے ہم نے پانی کی ری سائیکلنگ اور دیگر اقدامات بھی متعارف کرائے ہیں۔ کمپنی صحت اور حفاظت کے حالات کے معیارات کے حوالے سے پروٹوکول پر مکمل عملدرآمد کی سند ہے۔ کمپنی نے قومی ماحولیاتی معیار (NEQS) کی حدود کو پورا کرنے کے لیے گندے پانی سے نقصان دہ عناصر کو ختم کرنے کے لیے گندے پانی کی صفائی کا پلانٹ نصب کیا ہے۔ کمپنی نے ورلڈ وائیڈ فنڈ (WWF) کے ساتھ سبز اقدامات پر شراکت کی ہے اور ماحولیاتی اثرات کو کم کر کے ماحول کی حفاظت کے لیے سبز توانائی کے منصوبوں میں سرمایہ کاری کی ہے۔ کمپنی موسمیاتی تبدیلی کے اثرات کو کم کرنے کے حوالے سے اپنا کردار کرنے کو بھی تیار ہے۔ کمپنی نے ایک پائیدار اور خوشحال مستقبل کو یقینی بنا نے کے لیے اپنے اسٹریٹجک مقاصد کو بہترین مقامی اور بین الاقوامی معیارات کے ساتھ

30 جون 2021 کو بورڈ آف ڈائریکٹرز کی تشکیل حسب ذیل ہے:

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

بورڈ اور اس کی کمیٹیاں

بورڈ آف ڈائریکٹرز نامزد کمیٹیوں کے ذریعے کارپوریٹ گورننس کی نگرانی کا کام سر انجام دیتا ہے جو ڈائریکٹرز اور سینئر مینجمنٹ کی مہارت سے فائدہ اٹھاتے ہیں۔ بورڈ اور اس کی کمیٹیوں کی طرف سے پالیسیوں اور طریقہ کار وضع کر کہ کمپنی کی کارپوریٹ گورننس میں ضم کر دیئے گئے ہیں۔ بورڈ اور اس کی کمیٹیاں رسک مینجمنٹ، اسٹریٹجک منصوبہ بندی، کارپوریٹ پالیسیوں اور طریقہ کار کا وقتاً فوقتاً جائزہ لینے، کاروباری خطرات کا جائزہ لینے کے لیے ان خطرات سے مناسب طریقے سے نمٹنے کے لیے حکمت عملی وضع کرنے میں اہم کردار ادا کرتی ہیں۔ کمپنی نے بورڈ کی مدد کرنے اور کوڈ آف کارپوریٹ گورننس کے بہترین طریقوں کی رضاکارانہ طور پر تعمیل کرنے کے لیے درج ذیل کمیٹیاں تشکیل دی ہیں:

✘ آڈٹ کمیٹی

✘ انسانی وسائل اور معاوضہ (HR&R) کمیٹی

✘ رسک مینجمنٹ کمیٹی

✘ نامزدگی کمیٹی

آڈٹ کمیٹی

آڈٹ کمیٹی بورڈ آف ڈائریکٹرز کی نمائندگی کرتی ہے اور کارپوریٹ گورننس کا مرکزی حصہ ہے۔ کمپنی کی آڈٹ کمیٹی تین اراکین پر مشتمل ہے، اور کمیٹی کا چیئرمین ایک آزاد ڈائریکٹر ہے۔ آڈٹ کمیٹی کمپنی کے اسٹریٹجک، مالیاتی، ریگولیٹری اور تعمیل کے خطرات کی نشاندہی کرنے والے رسک میٹریکس پر توجہ مرکوز کر کے شفافیت کو یقینی بناتی ہے۔ رسک میٹریکس کو وقتاً فوقتاً اپ ڈیٹ کیا جاتا ہے اور ان خطرات کو کم کرنے کے لیے آڈٹ کی حکمت عملی کو استعمال کیا جاتا ہے جبکہ ان سے منسلک اندرونی کنٹرولز کارکردگی اور اثرات پر غور کیا جاتا ہے۔ کمیٹی سہ ماہی یا حسب ضرورت اپنے اجلاس منعقد کرتی ہے۔

بنیادی طور پر آڈٹ کمیٹی مالیاتی رپورٹنگ کے عمل، آڈٹ کے عمل، کمپنی کے اندرونی کنٹرول کے نظام اور قوانین و ضوابط کی تعمیل کا انتظام فراہم کرتی ہے۔ مزید برآں، کمیٹی مالیاتی بیانات پر ممکنہ اثرات کو سمجھنے کے لیے اکاؤنٹنگ اور رپورٹنگ کے اہم مسائل اور رائج پیشہ ورانہ اور ریگولیٹری ضوابط کا جائزہ لیتی ہے۔ آڈٹ کمیٹی اس بات کو یقینی بناتی ہے کہ مالی اور آپریشنل کنٹرول کا ایک مضبوط نظام موجود ہے۔ اندرونی مالیاتی کنٹرول مناسب طور پر لاگو ہیں اور مناسب طریقے سے کام کر رہے ہیں۔ آڈٹ ڈیپارٹمنٹ اپنے آڈٹ پلان میں خطرے پر مبنی امور کی پیروی کرتا ہے۔ آڈٹ ڈیپارٹمنٹ ان قانونی معاملات کا جائزہ لیتا ہے جو متعلقہ فریقین کے لین دین، کارپوریٹ گورننس کے بہترین طریقوں کی تعمیل کی نگرانی، کسی بھی خلاف ورزی کی تحقیقات اور مالیاتی بیانات سے متعلق ہوتے ہیں۔

بورڈ کی منظوری سے پہلے آڈٹ کمیٹی نے کمپنی کے عبوری اور سالانہ مالیاتی گوشواروں کا جائزہ لے کر بورڈ کوان کی منظوری کی سفارشات مرتب کی ہیں۔ کمیٹی کے اجلاس بورڈ کے منظور شدہ ٹرمز آف ریفرنس کے مطابق منعقد کیے گئے اور تمام میٹنگز کے مناسب منٹس کمپنی کے ریکارڈ میں رکھے گئے۔ کمیٹی کے ٹرمز آف ریفرنس کی نمایاں خصوصیات آڈٹ کمیٹی کی رپورٹ میں شامل ہیں۔

انسانی وسائل اور معاوضہ کمیٹی

ہیومن ریسورس اینڈ ریمونریشن (HR&R) کمیٹی بورڈ آف ڈائریکٹرز کی طرف سے مقرر کردہ شرائط کے مطابق اپنے کام انجام دیتی ہے۔ HR&R کمیٹی تین اراکین پر مشتمل ہوتی ہے، اور کمیٹی کا چیئرمین ایک آزاد ڈائریکٹر ہوتا ہے۔ کمیٹی سال میں کم از کم ایک بار یا بضرورت اپنے اجلاس چیئرمین کی اجازت کے ساتھ منعقد کرتی ہے۔ کمیٹی کے اجلاس کے مناسب منٹس ریکارڈ اور محفوظ کئے جاتے ہیں۔ نمایاں خصوصیات

- ✘ یقینی بنانا کہ HR مینجمنٹ سے متعلق مناسب پالیسیاں اور طریقہ کار ملکی قوانین اور ضوابط کے مطابق مؤثر طریقے سے لاگو ہیں۔
- ✘ ڈائریکٹرز اور سینئر مینجمنٹ کے معاوضہ جات کے تعین کے لیے پالیسی فریم ورک پر غور اور منظوری کے لیے بورڈ کو سفارش۔
- ✘ اہم عہدوں بشمول چیف ایگزیکٹو آفیسر کے لیے تربیت ترقی اور جانیشینی کی منصوبہ بندی کا جائزہ اور تجویز۔
- ✘ کمپنی کے انسانی وسائل سے متعلق مقاصد کا جائزہ اور سفارش۔
- ✘ ہیومن ریسورس مینجمنٹ بشمول چیف ایگزیکٹو آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری، اور ہیڈ آف انٹرنل آڈٹ کا انتخاب، تشخیص، اور معاوضہ جات (بشمول ریٹائرمنٹ فوائد) کی بورڈ کو سفارش۔
- ✘ بورڈ اور اس کی کمیٹیوں کی سالانہ کارکردگی کا براہ راست یا کسی آزاد بیرونی ذرائع کی مدد سے جائزہ لینے کا رسمی عمل شروع کرنا۔
- ✘ اگر اندرونی/بیرونی آڈیٹرز نے ہیومن ریسورس مینجمنٹ سے متعلق کوئی مشاہدات انتظامیہ کے نوٹس میں لائے ہیں انکا جائزہ لینا۔
- ✘ انسانی وسائل کی حکمت عملی، بشمول کلیدی HR مقاصد، منصوبے، افرادی قوت کی ضروریات اور اس کے نفاذ کی نگرانی کا جائزہ اور بورڈ کی منظوری کے لیے سفارشات/تجاویز۔
- ✘ نئے یا نظرثانی شدہ تنخواہ کے ڈھانچے اور ترغیبی منصوبوں کی منظوری کے لیے بورڈ کو سفارشات مرتب کرنا۔
- ✘ انسانی وسائل کی ترقی، تنظیمی ڈھانچے اور ضابطہ اخلاق کا جائزہ لے کر بورڈ کو اہم تبدیلیوں کی سفارش کرنا اگر کوئی ہو۔

نامزدگی کمیٹی

کمپنی کے بورڈ نے ایک نامزدگی کمیٹی تشکیل دی ہے جس میں چیئرمین سمیت چار (04) ممبران ہیں۔ نامزدگی کمیٹی بورڈ کمیٹیوں اور متعلقہ کمیٹیوں کی چیئرمین شپ کے سلسلے میں بورڈ کو غور کرنے اور سفارشات دینے کی ذمہ دار ہے۔ نامزدگی کمیٹی بورڈ کے ڈھانچے، سائز اور ساخت کا باقاعدگی سے جائزہ لینے اور کسی بھی ضروری تبدیلی کے بارے میں بورڈ کو سفارش کرنے کی بھی ذمہ دار ہے۔ نامزدگی کمیٹی بورڈ آف ڈائریکٹرز کی طرف سے اجازت دی گئی شرائط کے مطابق اپنے کام انجام دیتی ہے۔

رسک مینجمنٹ کمیٹی

بورڈ آف ڈائریکٹرز کے ذریعہ رسک مینجمنٹ کمیٹی بنائی گئی ہے جس میں تین (03) ممبران شامل ہیں جو کارپوریٹ گورننس کے ضابطہ کی تعمیل کرتی ہے۔ کمیٹی خطرے کے انتظام کے ایک منظم طریقہ کار کے مطابق خطرات کو کم کرنے کے لیے حکمت عملیوں کی نشاندہی کرتی ہے، رسک مینجمنٹ کے طریقہ کار کا جائزہ لیتی ہے اور بورڈ کو ایک رپورٹ پیش کرتی ہے۔ کمپنی کئی کرنسیوں اور متعدد جغرافیائی مقامات پر سودیے کرتی ہے۔ لہذا، طویل مدتی پائیداری کے لیے خطرے کی شناخت اور تخفیف ضروری ہے۔ مالی سال کے دوران، کمیٹی نے COVID-19 کی وجہ سے پیدا ہونے والے خطرات کی نشاندہی کر کے اور بروقت حکمت عملی بنا کر اپنے کاموں کو غیر معمولی طور پر انجام دیا۔

مناسب اندرونی کنٹرول

کمپنی اپنی گڈ گورننس کی اقدار کے لیے پرعزم ہے اور اس نے مناسب اندرونی کنٹرول کے لیے خاطر خواہ وسائل وقف کیے ہیں اور اسے تمام افعال کو مضبوطی سے مربوط کیا ہے۔ آڈٹ کمیٹی کمپنی کے اندرونی کنٹرول کے نظام کا جائزہ لیتی ہے تاکہ یقینی بنایا جا سکے کہ سسٹم اپنی جگہ پرصیح کام کر رہا ہے اور کمپنی کے اثاثوں کی حفاظت، غلطی یا دھوکہ دہی کی روک تھام اور قوانین پر عمل درآمد اور مالیاتی گوشواروں کی بروقت تعمیل/تکمیل یقینی بنا نے کے لیے کافی ہے۔ انٹرنل آڈٹ ڈیپارٹمنٹ آڈٹ کمیٹی کو براہ راست رپورٹ کرتے ہوئے کارپوریٹ گورننس، رسک مینجمنٹ اور مؤثر کنٹرولز پر اپنا آزادانہ جائزہ فراہم کرتا ہے۔ کمپنی نے اپنے کارپوریٹ گورننس کے نظام کو منطقی اور مضبوط بنا رکھا ہے، جو کہ اندرونی طور پر تیار کردہ ضابطہ اخلاق، پالیسیوں و طریقہ کار پر مشتمل ہے، اور صنعت کے بہترین دستیاب گورننس کے طریقوں سے ہم آہنگ ہیں۔

ڈیویڈنڈ

کمپنی نے 30 جون 2021 کو ختم ہونے والے سال کے لیے پہلے سے 100% بونس شیئرز جاری کر دیا ہے، یعنی ہر 100 شیئرز کے لیے 100 نئے شیئرز۔

پاکستان کے قومی خزانے اور معیشت میں شراکت

2021 کو ختم ہونے والے سال کے دوران، کمپنی نے تقریباً 425.6 ملین روپے (سال 2020 میں: 256.8 ملین روپے) انکم ٹیکس اور سیلز ٹیکس کی مد میں قومی خزانے میں جمع کر کے ائے۔ کمپنی نے تقریباً 209.22 ملین امریکی ڈالر کے مساوی غیر ملکی زر مبادلہ حاصل کر کے معیشت کی ترقی میں اپنا حصہ ڈالا۔ اور سال کے دوران 8,700 سے زائد ملازمین کو تقریباً 3,179 ملین روپے کے معاوضے اور فوائد کے ساتھ روزگار کے مواقع فراہم کئے۔

مالیاتی گوشوارے

چیف ایگزیکٹو آفیسر اور ایک ڈائریکٹر نے بورڈ کی منظوری کے بعد مالی سال 2021 کے لیے کمپنی کے مالی بیانات کی توثیق کی ہے۔ آڈیٹرز، کرسٹن حیدر بھیم جی اینڈ کمپنی، نے مالیاتی گوشواروں کا آڈٹ کیا اور مالی بیانات پر غیر ترمیم شدہ رائے کا اظہار کیا۔

آڈیٹرز

موجودہ آڈیٹر کرسٹن حیدر بھیم جی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس، 34ویں سالانہ جنرل میٹنگ کے اختتام پر ریٹائر ہو جائیں گے۔ اہل ہونے کے ناطے، انہوں نے خود کو دوبارہ تقرری کے لیے پیش کیا اور بورڈ آف ڈائریکٹرز نے 30 جون 2022 کو ختم ہونے والے سال کے لیے کمپنی کے آڈیٹر کے طور پر ان کی تقرری کی سفارش باہمی رضامندی فیس پر کی ہے۔

متعلقہ پارٹی لین دین

سال کے دوران، متعلقہ فریقوں کے ساتھ تمام لین دین کو مکمل طور پر arm's length پر انجام دیا گیا ہے، اور ان لین دین کی تفصیل کمپنی کے مالی بیانات میں نوٹ 42 میں ظاہر کی گئی ہے۔

چیئرمین اور چیف ایگزیکٹو آفیسر کے عہدے

کمپنی نے واضح طور پر CEO اور چیئرمین کے کردار اور ذمہ داریوں کی نشاندہی کی ہے اور یہ دونوں عہدہ کارپوریٹ گورننس کے ضابطوں میں بیان کردہ بہترین طریقوں کی تعمیل میں الگ الگ افراد کے پاس ہے۔

چیئرمین کی ذمہ داریاں

کمپنی کا چیئرمین بورڈ کانا ایگزیکٹو ڈائریکٹر ہے جو اپنی کارروائی کے دوران بورڈ کو موثر قیادت اور ہدایات فراہم کرنے اور اس بات کو یقینی بنانے کا ذمہ دار ہے کہ بورڈ اپنی ذمہ داریوں کو باحسن طریقہ ادا کر رہا ہے۔ چیئرمین کو ایجنڈا طے کرنے، بورڈ کے اجلاسوں کے منٹس پر دستخط کرنے، ہر AGM میں چیئرمین کی حیثیت سے صدارت کرنے، انتظامیہ اور بورڈ کے درمیان رابطے کے طور پر کام کرنے، کمیٹیوں کے ساتھ رابطہ قائم کرنے کا اختیار حاصل ہے تاکہ انتظام موثر طریقہ سے چلایا جا سکے۔ اسے مفادات کے تصادم سے بچنے، کمپنی میں حصص یافتگان کے مفادات کا تحفظ کرنے کا مکمل اختیار حاصل ہے۔ وہ چیف ایگزیکٹو آفیسر کے ساتھ مل کر کام کرتا ہے اور بڑے مسائل پر انتظامیہ کو مدد فراہم بھی کرتا ہے۔

چیف ایگزیکٹو آفیسر کی ذمہ داریاں

چیف ایگزیکٹو آفیسر کمپنی میں بورڈ کے ایگزیکٹو ڈائریکٹر کی نمائندگی کرتا ہے اور اسے تمام قانونی ذمہ داریوں کے تحت کمپنی کے معاملات کو سنبھالنے کا اختیار حاصل ہے۔ وہ کمپنی کے روزمرہ معاملات و انتظام اور حصص یافتگان کی قدر بڑھانے کے لیے طویل اور مختصر مدت کے منصوبوں پر عمل درآمد کا ذمہ دار ہے۔ ان ذمہ داریوں میں کاروباری امور کی نگرانی، کارپوریٹ اور اخلاقیاتی کلچر کا نفاذ، بورڈ کی منظور شدہ پالیسیوں اور حکمت عملیوں کا نفاذ، منصوبوں، بجٹ اور مالیاتی نتائج کی متواتر نگرانی کے لیے ضروری اقدامات، اصول و ضوابط کی تعمیل، موثر اندرونی کنٹرول کو یقینی بنانا، کمپنی کے اثاثوں اور وسائل کی حفاظت کرنا۔ کاروباری ترقی، سرمایہ کاری کے ممکنہ مواقع کی نشاندہی اور بورڈ کے منظور شدہ منصوبوں کے نفاذ کو یقینی بنانے کے لیے بھی ذمہ دار ہے۔

کمپنی کے کاروبار سے متعلق حکومتی پالیسیاں

حکومت پاکستان نے اپنے برآمدی شعبے کو سپورٹ کرنے کے لیے متعدد اصلاحاتی پالیسیاں اختیار کی ہیں جن میں شرح سود میں کمی، سیلز ٹیکس کی واپسی اور طویل مدتی مالیاتی سہولیات یعنی عارضی اقتصادی ریلیف سہولت (TERF) کو متعارف کرانا شامل ہے تاکہ توسیعی منصوبوں کی حوصلہ افزائی کی جا سکے۔ حکومت کی طرف سے اٹھائے گئے سازگار اقدامات کے نتیجے میں ملک کی مجموعی برآمدات میں اضافہ ہوا ہے جو کہ خاص طور پر ٹیکسٹائل سیکٹر کے ویلیو ایڈڈ مصنوعات کی برآمدات میں اضافے کی وجہ سے ممکن ہوا ہے

بورڈ آف ڈائریکٹرز کی تشکیل

کمپنی کا بورڈ آف ڈائریکٹرز سات (7) ڈائریکٹرز پر مشتمل ہے جو اس کے بورڈ میں ایگزیکٹو، غیر ایگزیکٹو اور آزاد ڈائریکٹرز کے ساتھ ساتھ صنفی تنوع کی نمائندگی کی حوصلہ افزائی کرتے ہیں۔ بورڈ دو آزاد ڈائریکٹرز (بشمول ایک خاتون ڈائریکٹر) پر مشتمل ہے جو HR&R کمیٹی اور آڈٹ کمیٹی کے بھی سربراہ بھی ہیں۔ آزاد ڈائریکٹرز نے چیئرمین کو تحریری طور پر آگاہ کیا ہے کہ وہ کمپنیز ایکٹ 2017 میں بیان کردہ آزاد ڈائریکٹرز کے معیار پر پورا اترتے ہیں۔ بورڈ کے اراکین مناسب قابلیت، مطلوبہ مہارت، علم اور تجربہ کے بلبوطے پر کاروباری سرگرمیاں باحسن طریقہ ادا کرتے ہیں

ڈائریکٹرز رپورٹ

صداقت لمیٹڈ کے ڈائریکٹرز 30 جون 2021 کو ختم ہونے والے مالی سال کے لئے کمپنی کی آڈٹ شدہ سالانہ رپورٹ و گوشوارہ پیش کرنے پر خوشی محسوس کرتے ہیں۔

آپریشن اور مالیاتی کارکردگی کا جائزہ

مالی سال 2021 کے دوران، صداقت لمیٹڈ نے 32.9 بلین روپے کے ریونیو حاصل کیے ہیں جو بنیادی طور پر برآمدات میں اضافے کے ساتھ ساتھ بین الاقوامی منڈیوں میں ہماری مصنوعات کی مانگ میں اضافے کی وجہ سے ہے۔ صداقت لمیٹڈ نمایاں مالیاتی کارکردگی کے ساتھ ٹیکسٹائل برآمد میں 12ویں پوزیشن حاصل کرنے کے علاوہ اپنے منافع کے اہداف کو پورا کرنے میں بھی کامیاب رہی ہے۔ انتظامیہ نے اپنے وسائل کا بھرپور استعمال اور مواقع سے استفادہ حاصل کرتے ہوئے مستحکم و تیز رفتار ترقی حاصل کی ہے۔ مالی سال کے دوران کمپنی نے توسیع کے ذریعے نا صرف پیداواری صلاحیت میں اضافہ کیا بلکہ ترقی پر مبنی حکمت عملی پر عمل پیرا ہو کر اپنی قدر بڑھانے میں بھی کامیاب رہی ہے۔ کمپنی دیر پا کارکردگی کو برقرار رکھنے، اپنے کسٹمر بیس کو اور عالمی سطح پر اپنی قدر کو بڑھانے اور آنے والے سالوں میں بہترین نتائج دینے کے بارے میں پراعتماد ہے۔

بورڈ آف ڈائریکٹرز اور ایگزیکٹو مینجمنٹ نے ایسی حکمت عملی اپنائی ہے جس سے کمپنی کو یہ مواقع حاصل کرنے، خطرات سے بچنے، نمٹنے اور اس کی طاقت کو بڑھانے میں مدد ملی۔ کمپنی نے ناصرف اپنے پروڈکٹ پورٹ فولیو کو بڑھایا بلکہ سخت کریڈٹ کنٹرول پالیسیوں کو لاگو کیا اور پیداوار، بنیادی ڈھانچے اور انسانی وسائل کی ترقی میں نمایاں سرمایہ کاری بھی کی ہے، جس سے اس کی موجودہ صلاحیت اور شیئر ہولڈر کی اٹائوں میں اضافہ ہوا۔

مالیاتی کارکردگی

گزشتہ سال کے مقابلے میں 30 جون 2021 کو ختم ہونے والے مالی سال کے لیے کمپنی کی کارکردگی کا خلاصہ۔

سازگار (نا موافق)	روپے ملین میں 2020	روپے ملین میں 2021	تفصیلات
61.8%	20,375	32,969	Revenue – net وصولی- خالص
80.6%	3,647	6,585	Gross Profit کل منافع
(98.1) %	160	3	Other Income دیگرآمدنی
16.7%	944	786	Finance Costs لاگت فنانس
145.3 %	718	1,762	Profit before Taxation ٹیکس سے پہلے منافع
180.1 %	511	1,433	Profit after Taxation بعد آڈٹ ٹیکس منافع
180.1 %	2.08	5.82	EPS (Rs.) فی حصص آمدنی

مالی سال 2021 کے دوران گزشتہ سال کے مقابلے میں خالص آمدنی اور مجموعی منافع میں بالترتیب 61.8 فیصد اور 80.6 فیصد کا اضافہ ہوا۔ دوران سال کمپنی لاگت پر قابو پانے کے موثر اقدامات کی وجہ سے اپنے منافع میں اضافہ کرنے میں کامیاب رہی جس کے نتیجے میں 1,433 PKR ملین کا خالص منافع ہوا۔ جس کی وجہ سے EPS میں 5.82 PKR (2020: 2.08 PKR/حصص) تک اضافہ ہوا موجودہ اور پچھلے سالوں میں کمپنی کے مالی استحکام اور منافع کو مدنظر رکھتے ہوئے آنے والے سالوں میں مزید اضافہ کی توقع کی جاتی ہے۔ کاروباری سرگرمیوں میں اضافے

کی وجہ سے مالی سال 2021 میں ورکنگ کیپیٹل کا تناسب بہتر ہوا۔ مالی سال 2021 میں انونٹری رکھنے کا دورانیہ 102 دن سے کم ہو کر 91 دن ہو گیا، فروخت میں اضافے کی وجہ سے مالی سال 2021 میں وصولی کے ایام 54 دن سے بڑھ کر 62 دن ہو گئے اور اسی طرح قرض دہندگان کے دن 55 دن سے بڑھ کر 60 دن ہو گئے۔ مالیاتی سال 2021 میں کمپنی کی طرف سے کمائے گئے منافع کی وجہ سے لیکویڈٹی کے تناسب میں بہتری آئی ہے اور موجودہ اور لیکویڈٹی کے تناسب کو بالترتیب 1.05:1 اور 0.60:1 سے اوپر کی محفوظ سطح پر لے جانا ہے۔ لیکویڈٹی آؤٹ لک کافی مناسب دکھائی دیتا ہے کیونکہ کمپنی کے پاس 30 جون 2021 کو 103 PKR ملین کیش اور بینک بیلنس ہیں۔ مزید برآں، کمپنی اپنی تمام قرض کی ذمہ جو سال کے دوران ادائیگی کے لیے واجب الادا تھیں ان کو بروقت ادا کرنے میں کامیاب رہی اور ایسا کوئی موقع نہیں آیا جب کمپنی ادائیگیوں کے معاملات میں ڈیفالٹ کر گئی ہو۔

آپریٹنگ کارکردگی

کمپنی نے اسٹریٹجک مقاصد کے حصول، تنوع اور جدیدانضمام کے ذریعے اپنے کاروبار کی مسلسل توسیع کو برقرار رکھا ہے۔ کمپنی ٹیکسٹائل پلیٹ فارم کے اندر رہتے ہوئے رسک پورٹ فولیو کو متنوع بنا کر نئے کاروباری مواقع کی تلاش کر کے ایک اسٹریٹجک بنیاد حاصل کرنا چاہتی ہے۔ اور اسکے علاوہ اسٹریٹجک توسیع کو کاروباری مواقع میں تبدیل کر کے اور نئے منڈیوں میں اپنی موجودگی کو یقینی بنا کر اسٹیک ہولڈرز کی قدر میں اضافے پر خاصی زور دیتی ہے۔ مالی سال کے دوران، کمپنی نے اپنے گارمنٹس (knitted and woven) کی پیداواری صلاحیت اور استعمال کو بڑھانا جاری رکھا ہے۔ مزید برآں، کمپنی جدت انضمام کے دیگر امکانات پر غور کر رہی ہے جس کے بعد ٹیکسٹائل سیکٹر میں توسیع کی وجہ سے نا صرف انتظامی، آپریشنل اور مارکیٹنگ کی ہم آہنگی پیدا ہوگی بلکہ کمپنی کے خطرے کو کم کرنے، مسابقتی فائدہ حاصل کرنے، شہرت قائم رکھنے، اور باہمی تعاون سے قدر کی تخلیق کے ذریعے بہترین نتائج کو یقینی بنانے کے لیے بااختیار ہوگی۔ مالیاتی نتائج کی اطلاع کے علاوہ کمپنی نے اپنے کارپوریٹ کلچر کی پائیداری پر بھی توجہ مرکوز کی ہے تاکہ مجموعی طور پر اقتصادی، ماحولیاتی اور سماجی اثرات کو منظم کیا جا سکے۔ کمپنی نے اسٹیک ہولڈرز کی تخلیق اور ان کے بلند اقدار کا پختہ عزم کیا ہے۔ جو کہ صلاحیت کے بہتر استعمال، اختراعات، اور پیداواری صلاحیت، بہتر ماحول، بہتر انفراسٹرکچر، مالیاتی رپورٹنگ کے معیار، سماجی اور ماحولیاتی قوانین اور ضوابط سمیت ریگولیٹری فریم ورک کی تعمیل کے ذریعے ممکن ہے۔ ان سب افعال میں اخلاقی اقدار کے نفاذ نے خاص طور پر کمپنی کو اپنے ہم عصروں سے آگے بڑھایا ہے اور کمپنی کو مسابقتی برتری سے لیس کیا ہے۔

کمپنی نے وبائی امراض کے بعد کی صورت حال کو مدنظر رکھ کر، آنے والے سالوں کے لیے خاطر خواہ کاروباری مواقع، پیداواری صلاحیتیں اور افرادی قوت جیسی ضروریات سے نبرد آزما ہونے کے لئے خود کو پوری طرح تیار کر رکھا ہے۔ کمپنی کی طرف سے آئندہ مالی سال کے لیے تیار کردہ ترقی کے ماڈل میں نئے منصوبوں میں اہم سرمایہ کاری، اسپننگ اور ویونگ یونٹس میں جدیدانضمام اور نئے منڈیوں تک رسائی شامل ہے۔ بورڈ آف ڈائریکٹرز آنے والے سال میں ایک (IPO) کرنے کی تجویز پر غور کر رہا ہے تاکہ اپنے کیپٹل سٹرکچر میں مطلوبہ ایکویٹی فنانسنگ حاصل کر سکے تاکہ منصوبوں پر آسانی سے عمل درآمد یقینی بنایا جا سکے۔

بہترین کارپوریٹ اور Sustainability رپورٹ ایوارڈ

بورڈ آف ڈائریکٹرز نے اپنی رپورٹنگ میں پیشہ ورانہ فضیلت حاصل کرنے کے لیے کمپنی کے مالیاتی بیانات اور کمپنی کی طرف سے شائع کردہ مکمل معلومات کے معیار اور درستگی پر بہت زیادہ زور دیا ہے۔ کمپنی کی سالانہ رپورٹ نے ٹیکسٹائل سیکٹر میں پہلی پوزیشن اور ICMA/ ICAP پاکستان کی طرف سے کمپنی کی Sustainability رپورٹ 2020 کو پورے پاکستان میں چوتھی پوزیشن حاصل رہی اور اسکے علاوہ کمپنی کی سالانہ رپورٹ 2020 کو ٹیکسٹائل سیکٹر میں "بہترین سالانہ رپورٹ 2020 کا فاتح" قرار دیا گیا۔

old-age benefits, bonus, annual leaves, and maternity leaves. The company's brilliant talent development programs that are custom devised for the employees helped them become future ready to advance their own careers and the evolving mission of the company. 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 the organizational structure with health, safety and environmental policies led by Environment, Health, and Safety Committee which is working under the supervision of Board. The policy is situated to confirm business operations of the company do not lead to any adverse impacts 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 regularly contributes to wide ranging social and charitable causes including health and education. The company has formulated and designed policies that encourage and address important social dilemmas such as economic inequality, poverty, race and ethnicity, educational access and quality, political inequalities, and participation. The Head of HR & Compliance is responsible for regulatory affairs and monitors the compliance for environment, health, and safety. The Company consistently sends its key staff for trainings on health, safety, and environment to ensure that they are equipped with the latest knowledge on the subject. The company has aligned its strategic objectives, policies and procedures in line with its EHS policy to entrench sustainability in the business operations and to ensure thriving future.

Corporate Social Responsibility (CSR) Policy

Management acknowledges the significance of integrating its values and business operations to make sure that 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 are satisfied. The CSR policy of the company is developed and updated keeping in view the CSR Voluntary Guidelines 2013 & Companies Act 2017 to ensure establishment of the company's position as a sustainable and a 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

At the workplace any person below the age of eighteen years is not employed by the Company. 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 commitment a business must make to the public and community.

Diversity Policy

The Company resolutely deems that diversity within an organization delivers invaluable insights to the human capital of its organization leading to operational efficiencies and innovation. To ensure diversification of its employees based on age, region, gender, ethnicity, religion, and race etc. the company has employed this policy. The company emphasizes that employment decisions are stringently taken on the basis of business needs, knowledge, skills, experience, and relative work performance whilst ensuring promotion of equal and equitable opportunities for candidates based on merit. The policy ensures fair and equal treatment of employees, free of biasness and discrimination and availability of equitable prospects for advancement. The company purposely promotes women empowerment at workplace and firmly believes that it has enhanced optimistic 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.

Essential security arrangements for the factory site have been put in place by the Company as well as retention of 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 policy is supported by requisites that are already in place and ensure that compliance is made.

The Company has insured all its physical assets including building, machinery, vehicles, and inventory to mitigate the impact of any unforeseen risks and damages. Effective firefighting system is installed throughout the manufacturing facilities as well as the head office and is reviewed on daily basis while 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, furthermore, they are entitled to reimbursement of expenses including travelling and lodging expenses incurred. The Board of Directors have approved the policy for remuneration of non-executive and independent directors to ensure adherence of relevant legal requirements. In addition, the board has authorized the Human Resource and Remuneration Committee 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 2021, 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

Being an employee-oriented entity, Sadaqat limited has always given primacy to the safety of its employees reflected through their response to pandemic. The Company contributed to the prevention of the spread of COVID-19 by keeping an earnest oversight of its head office and production facility in compliance with government's SOPs and requirements of international bodies. The primary objective is to ensure the health and safety of its employees as well as the society. As a leading organization, the Company has been proactive in assuming its responsibilities and spared no effort in enhancing its preparedness, response, and recovery plan to ensure the continuity of its business during the global crisis.

Pandemic Recovery Plan and Implementation

Although the industry and the company has now become acclimated to the pandemic and has recuperated since then from its associated affects. The company still has in place a carefully formulated and periodically updated Pandemic Recovery Plan along with a dedicated Pandemic Response Team.

The plan was developed by emphasizing preemptive measures against the virus whilst focusing on the response and strategy to deal with this arduous crisis. The management is dedicated in its following of government's measures thus controlling the spread of COVID-19.

Awareness

The Management timely introduced basic preemptive measures and policies essential to overcome the pandemic and to safeguard and protect its employees and other stakeholders while actively creating awareness against the coronavirus. Awareness messages were circulated through emails, cell phone SMS and are consistently displayed at workplace to ensure that the employees are thoroughly 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. Sadaqat tackled the difficult task of preserving employee's health in stride and ensured that morale stayed high.

Resource Allocation

A Pandemic Response Team was formulated by the company as a response to COVID-19 to ensure integration of a well-developed plan across all functions. A holistic approach was carried on by the team to ensure the alignment of all resources with the plan and implementation of control measures in a veritable manner. Being a socially responsible, the Company contributed towards communities by ensuring vaccination of all employees across the organization and carrying out vaccination camp for several weeks.

Specific Control Measures

Occupational health and safety guidelines are strictly followed by the company to ensure provision of safe working environment is accessible to all employees. The company continually develops and stringently adheres to comprehensive SOPs in the light of the guidelines issued by World Health Organization and the government of Pakistan. The following protective measures were implemented by the company during the COVID-19 outbreak at Head Office and factory site:

- Aided in helping employees become more aware about vaccines and encouraged vaccination.
- Vaccination camps were set up inside the company for easy accessibility of employees and vaccinations were carried out company wide.
- Increased virtual meetings were conducted at office to ensure minimum physical interaction among employees.
- Regular temperature check through thermal scanner was permitted at all entry points of the company.
- Use of protective gloves and face mask was made compulsory, in addition the company ensured the distribution of the precautionary necessities among employees.
- 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 while preventing unnecessary gatherings and discouraging physical interaction like handshake etc.
- All office rooms, meeting rooms, corridors, surfaces, and factory areas were regularly disinfected.
- 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.
- Display of visually engaging guidelines for employees encouraging them for the continual use of masks and adherence of specific control measures.

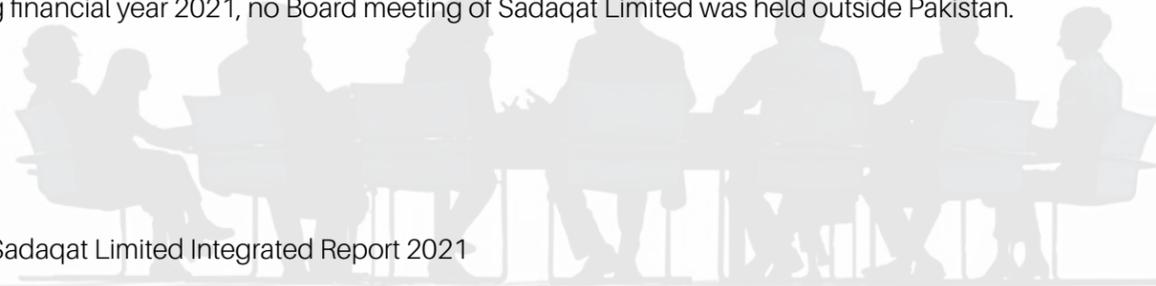
COMMITTEE MEETINGS AND ATTENDANCE

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	4	N/M	N/M	N/M	1
Hamid Mukhtar	4	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	2	2	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 2021, no Board meeting of Sadaqat Limited was held outside Pakistan.



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. In pursuant to the requirements of Code of Corporate Governance, a carefully developed mechanism is in place for the annual evaluation of Board's performance including individual evaluation of Board Members, Board as a whole and its committees to ensure effective and efficient performance of Board members. These evaluations ensure board's performance is directed towards organizational success and implementation of best practices of corporate governance. A self-evaluation checklist has been voluntarily created by the Board of Directors to evaluate its own performance and to carry out evaluation of its committees as it addresses 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;
- Maintain 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
- Ensure communication of 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 and has ensured excellent strategic management to recuperate from the after effects of the pandemic while consistently making efforts towards objectives 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 2021. 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 the CEO was esteemed for leading business efficaciously and taking initiatives for continuous growth related to diversification. Moreover, the CEO was appreciated for having command over all functions such as leadership, strategy, people management, operating metrics, and relationship with external constituencies across the organization. The CEO was appraised for keeping entity on track for sustainable growth and ensuring the utilization of opportunities arisen because of the after-effects of the global 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. The values of the company, opportunities and responsibilities associated with being a member are conveyed to the director equipping them with the opportunity to learn about it. Directors of the Company are well experienced and have diverse background, however, in house training sessions for directors are carried out by the company to enhance the skills and knowledge of directors and the sessions 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.

Decisions taken by the Board and delegated to management

The Board of Directors performs the oversight function of corporate governance through well-structured and designated committees. The BOD places more attention on strategic investments, business expansion, internal control & risk management, governance, review, and approval of policies. The Board has delegated authorities to its Committees having 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 Chief Executive Officer is entrusted with 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 with the support of executive management.

Governance Practices Exceeding Legal Requirements

The Company seeks to constantly rationalize and strengthen its system of robust corporate governance, 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. A robust corporate strategy has been established and executed by the company enabling the management in leading the company's business under the board's oversight with the aim of generating sustainable long-term value creation for stakeholders. Management's commitment to good governance and their adherence of the highest levels of moral and ethical values is demonstrated by voluntary adoption and implementation of numerous best practices of Listed Companies (Code of Corporate Governance) Regulations, 2019 which were not mandatory on the Company during FY-2021. 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

Audit Committee of the Company comprises of three members including chairman and the chairman of the committee is an Independent Director ensuring compliance with Code of Corporate Governance. Committee comprises of financially literate directors possessing an exceptional coalescence of skills and experience in the field of accounting, financial reporting, internal controls, governance, and compliance areas.

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. Adequate resources and authority are provided by the board 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 2020-21, 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 minutes of meetings were circulated by the secretary of the committee to all members, directors, chief financial officer, and head of internal audit. Additionally, 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, 2021, 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 2021

The Committee reviewed and read the Company's audited financial statements for the year ended June 30, 2021 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 2020 in textile sector at the "Best Corporate and Sustainability Report 2020 Awards" jointly organized by ICAP and ICMA Pakistan.

Annual Report's placement on website

The Annual Report for the FY-2021 would be placed on the Company's website for stakeholders and can be viewed on www.sadaqatgroup.com

Review of Related Party Transactions

The Company has entered into certain related party transactions during the financial year 2021 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

To achieve strategic objectives and to safeguard assets of the Company, the Committee ensured implementation of effective controls and risk management system at all levels within 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 Kreston Hyder Bhimji & Co. were engaged as external auditors of Sadaqat Limited for the year ended June 30, 2021. 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 Kreston Hyder Bhimji & Co. as External Auditors of the Company for the year ending June 30, 2022.

Self-Evaluation of Audit Committee

The Audit Committee regularly assess its own performance, the adequacy of its terms of reference and work plans to recognize any opportunity 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

PERFORMANCE AND POSITION

Performance and position section highlight the extent to which organization has been able to achieve its strategic objectives on way towards its mission & vision. This section provides transparent and detailed analysis of the company's financial as well as non-financial performance to its stakeholders. 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 is an effective portrayal of the strategic execution for the period and organizations standing in terms of the objective achievement. 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

Integrated Reporting framework of International Integrated Reporting Council and Best Corporate Report Criteria by ICAP & ICMAP has been adopted by the Company to prepare this report. To enrich and enhance stake holder's decision-making process, the management is unceasingly involved with its efforts to advance the reporting framework with each passing year so that optimal level of transparency, objectivity, accuracy, integrity and quality can be achieved that would elevate the performance of company. 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 an innovatively advanced and fast-paced organization with continuous expansion and integration so it would be elusive to understand the trajectory 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 Company has been able to achieve hefty revenue of PKR 32.9 billion during financial year 2021 as compared to last year revenue of PKR 20.3 billion with an increase of 61.8% mainly due to overall uplift of exports of the country. Since the Company remained focused towards delivering objective of sustainable growth thus it has been able to achieve its targeted revenue. Looking forward, the management is solidifying the financial position, continuing to strengthen the business and driving long-term profitable growth. The Management is also committed to ensure the entity's future stability and smooth running of operations.

Methods & Assumptions Used in Compiling the Indicators

Key Performance Indicators (KPIs) meritoriously 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. Benchmarks or targets against each key performance indicator have been set by management 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 2021 has been a successful year for overall export sectors and the Company has been able to increase its revenue by 61.8% as compared to last year.

During the year, the management continued to focus on reducing operational costs by installing latest technology and also installed 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. The primary factor which increased the revenue in the financial year was the capitalization of new opportunities introduced post pandemic which also impacted the company's performance and resulted in increase in profitability.

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 boost the growth momentum and achieve even higher growth in financial year 2022.

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 company has performed well in each aspect and the appropriate explanation pertaining to 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 2021.

Dividend

The Board of Directors have recommended bonus shares @ 100% that is 100 new shares for every 100 shares held.

Payment of Duties, Taxes and Levies

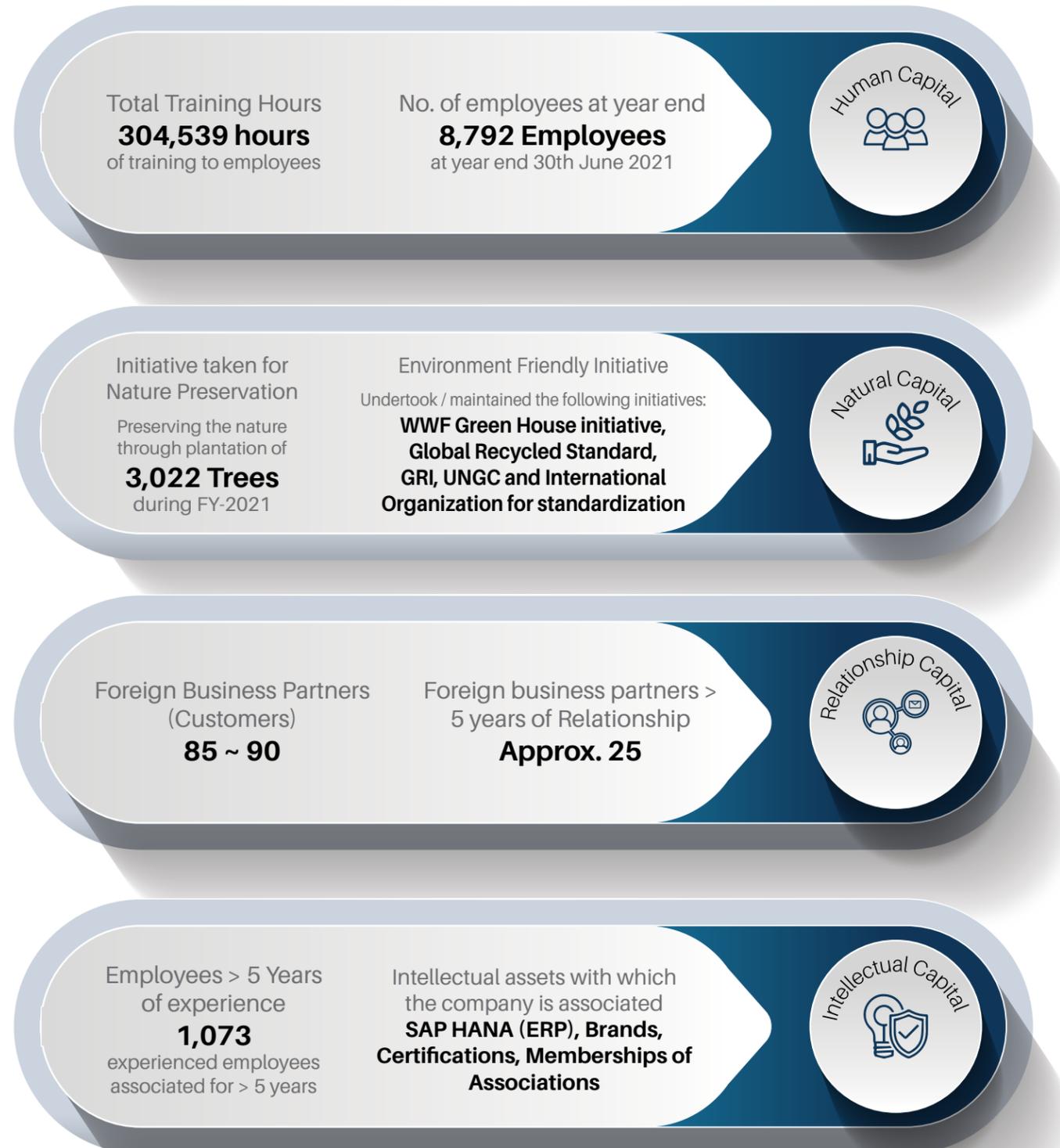
The Company fulfills all its obligations well in time and hence there has been no outstanding or overdue balance in respect of duties, taxes or levies during the financial year.



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 take 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

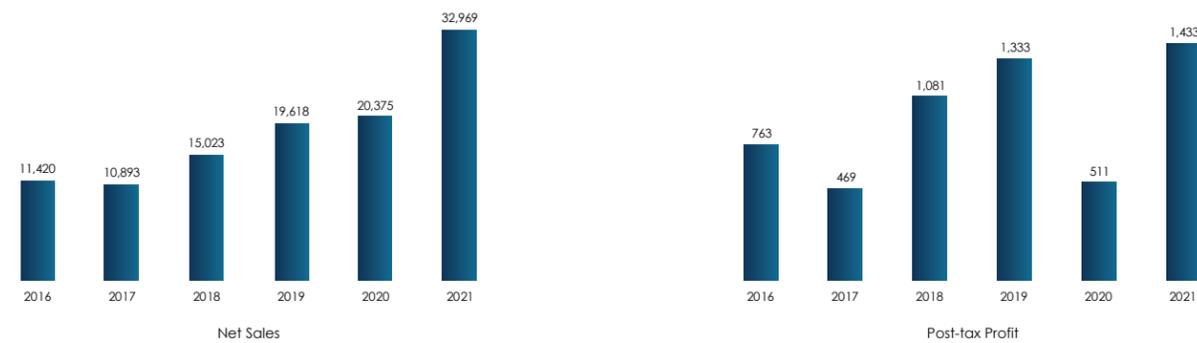
Intellectual capital tends to be an important resource and a key contributor to the economic success and value creation in a business. It is an intangible value driver in an organization that brings about future benefits. The Company values its experienced employees and focuses on retention and motivation 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

Rupees in millions

	2021	2020	2019	2018	2017	2016
	Rupees in millions					
Net Sales	32,969	20,375	19,618	15,023	10,893	11,420
Gross Profit	6,585	3,647	2,769	2,735	1,683	1,998
EBIT	2,549	1,663	2,140	1,667	915	1,291
Finance Cost	786	944	639	441	396	459
Pre-tax Profit	1,762	718	1,501	1,226	518	833
Post-tax Profit	1,433	511	1,333	1,081	469	763
Net Assets	15,588	14,157	9,008	7,795	6,713	5,280



COMMENTS

The financial year 2021 has been proved as a remarkable year for Pakistan's textile industry as a whole and in particular for Sadaqat Limited. The Company managed to achieve a tremendous growth in revenue by 61.8% and in profitability by 180.1% as compared to last year. The entity was able to enhance its profitability owing to effective cost control measures, controls over wastages achieved through automation and investments in state of art technology. Since the textile industry is gaining momentum, so the Company is targeting to enhance its volume of exports in the coming years.

Moreover, the Company is determined to achieve exceptional financial results in ensuing years as the Company is entirely focused on its newly initiated spinning and weaving projects which will not only reduce Company's dependence on external suppliers but will also make Sadaqat one of the largest full integrated textile Company in Pakistan.

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 2021

	Actual	Budget
Sales	32,969	32,358
Cost of Sales	26,384	26,541
Gross Profit	6,585	5,818
Net Expense	4,823	3,491
Taxes	329	324
Net Profit	1,433	2,003

COMMENTS

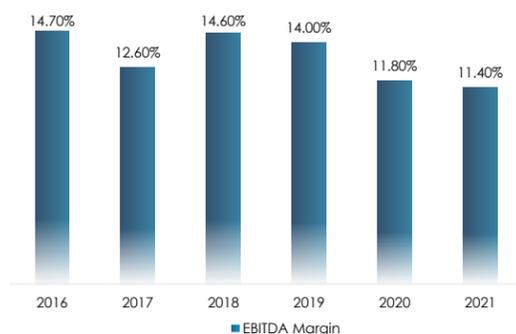
Budgets are prepared by the management and reviewed by the Board of Directors on periodic basis in which challenging financial targets are set keeping in view its resources and investments made during the last few years. The company has established a separate cost control department to consistently and frequently monitor the actual performance against the set targets and factors like controllable and non-controllable costs, seasonality and trends are given due importance.

The Company's revenue and gross profit were almost in line with the budgeted numbers. Net expenses have also increased due to underachievement of other income as compared to budgeted. On the other side, taxes have been remained same as budgeted.

FINANCIAL STATEMENT ANALYSIS

Profitability

	2021	2020	2019	2018	2017	2016
	Ratios					
Gross Profit Margin	19.97%	17.9%	14.1%	18.2%	15.5%	17.5%
EBITDA Margin	11.4%	11.8%	14.0%	14.6%	12.6%	14.7%
Operating Profit Margin	7.7%	8.2%	10.9%	11.1%	8.4%	11.3%
Net Profit Margin	4.35%	2.5%	6.8%	7.2%	4.3%	6.7%
Operating leverage ratio	0.86	(5.77)	0.93	2.17	6.32	3.05
Net Return on Equity (ROE) %	9.2%	3.6%	14.8%	13.9%	7.0%	14.5%
Net Return on Assets (ROA/ ROCE) %	3.96%	1.8%	6.2%	6.4%	3.2%	6.8%



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-2021 has increased to 19.97% from 17.9%. 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

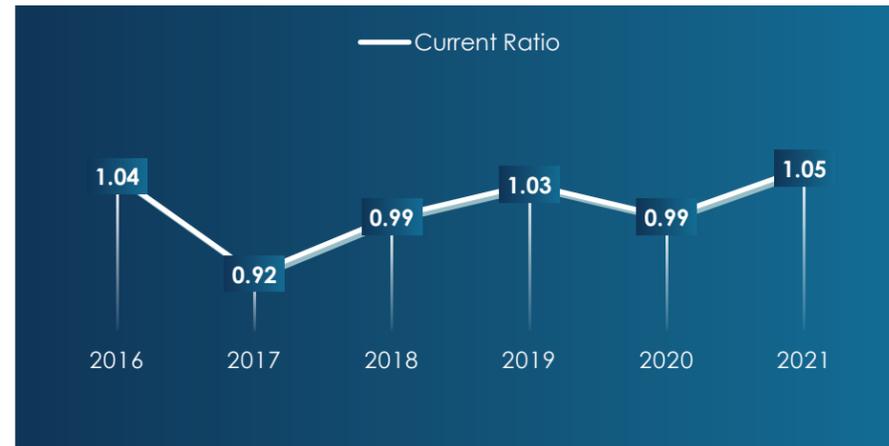
The Company has booked a post-tax profit of PKR 1,433 million during financial year 2021. This signifies that the Company has the capacity to generate superior returns for its shareholders. The net profit margin was on increasing trend over last many years, however, due to operational disruption the net profit margin has squeezed to 2.5% in FY 2020 and again increased to 4.35% in FY 2021. 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 and return on capital employed 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. However, the return on equity has increased to 9.2% and return on capital employed has also witnessed increase to 3.96% during financial year 2021. The company continuously monitors its capital structure including these ratios to keep them at an optimal level.

Liquidity

	2021	2020	2019	2018	2017	2016
	Ratios					
Current Ratio	1.05	0.99	1.03	0.99	0.92	1.04
Quick Ratio	0.60	0.54	0.64	0.60	0.48	0.59
Cash to Current Liabilities	0.01	0.04	0.01	0.02	0.02	0.02
Net Cash flow from operations to Sales	-4.6%	7.2%	-1.3%	1.3%	6.9%	2.6%

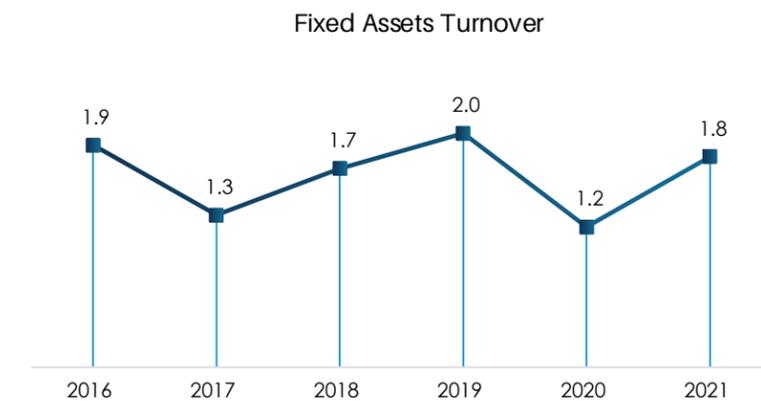
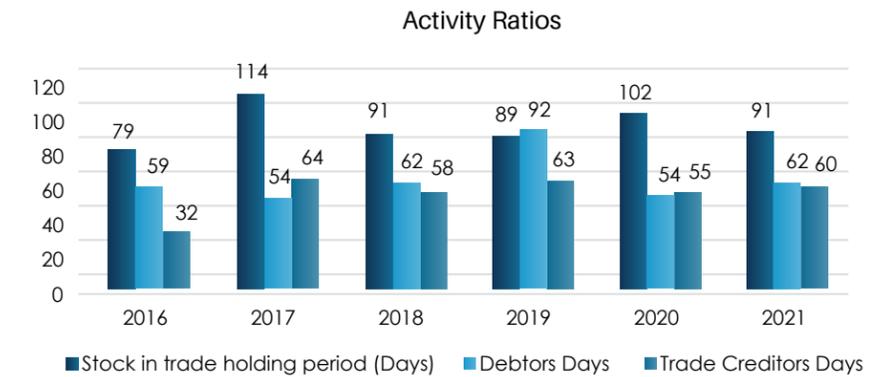


COMMENTS

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-2021, the company has managed to keep liquidity ratios at a reasonable level through effective planning. Current ratio and Quick ratio have increased while cash to current liabilities and net cash flow from operations to sales has decreased in financial year as compared to last year.

Activity / Turnover Ratios

	2021	2020	2019	2018	2017	2016
	Ratios					
Stock in trade holding period (Days)	91	102	89	91	114	79
Stock in trade turnover (times)	4.0	3.6	4.1	4.0	3.2	4.6
Debtors Days	62	54	92	62	54	59
Debtors Turnover	5.9	6.8	4.0	5.9	6.8	6.1
Trade Creditors Days	60	55	63	58	64	32
Trade Creditors Turnover	6.1	6.7	5.8	6.3	5.7	11.2
Fixed Assets Turnover	1.8	1.2	2.0	1.7	1.3	1.9
Total Assets Turnover	0.9	0.7	0.9	0.9	0.7	1.0



COMMENTS

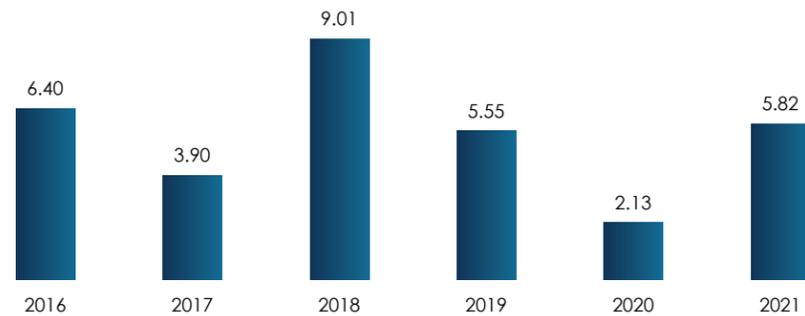
Cash cycle during the last five years has gradually shortened and improved owing to optimal inventory management. During the financial year 2021, cash cycle has also declined in comparison to last year which depicts efficient working capital management.

Fixed and total assets turnover have increased during the financial year 2021 owing to significant increase in revenue.

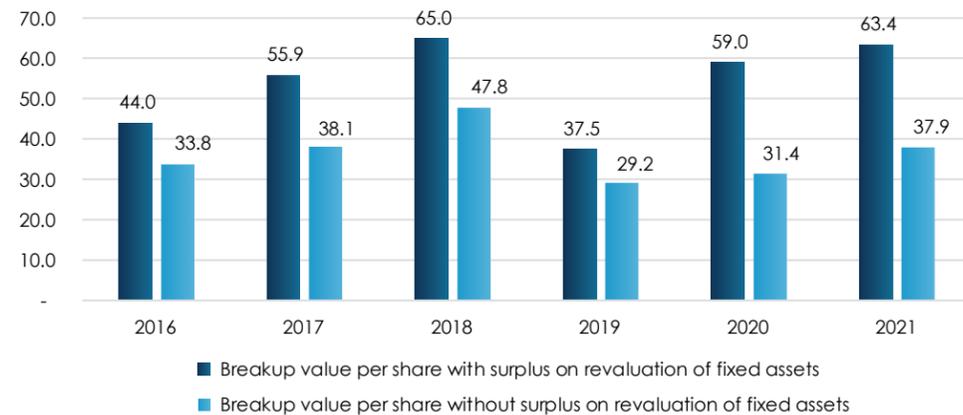
Investment

	2021	2020	2019	2018	2017	2016
Earnings per share	5.82	2.13	5.55	9.01	3.9	6.4
Break up value per share with surplus on revaluation of fixed assets	63.4	59.0	37.5	65.0	55.9	44.0
Break up value per share without surplus on revaluation of fixed assets	37.9	31.4	29.2	47.8	38.1	33.8

Earnings Per Share



Breakup Value



COMMENTS

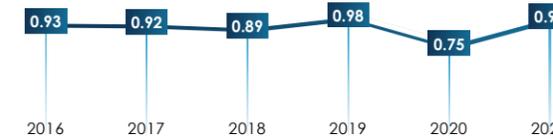
There has been gradual improvement in EPS over last few years except for sharp increase in FY 2018 owing to exceptional profitability. The company issued 100% bonus shares to all of its existing shareholders proportionately during financial year 2019 which resulted in double share capital and diluted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

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

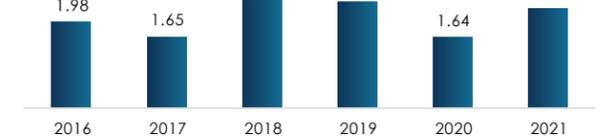
Capital Structure

	2021	2020	2019	2018	2017	2016
Total Liabilities to Equity	1.32	0.97	1.39	1.18	1.20	1.13
Long Term Liabilities to Equity	0.25	0.15	0.13	0.11	0.17	0.15
Equity Multiplier	2.32	1.97	2.39	2.18	2.21	2.13
Financial Leverage ratio	0.97	0.75	0.98	0.89	0.92	0.93
Interest Coverage Ratio	3.24	1.76	3.35	3.78	2.31	2.82
Debt Service Coverage	2.27	1.64	2.45	2.50	1.65	1.98
Total Liabilities to Total Assets	57%	49%	58%	54%	55%	53%
Average cost of finance	6.1%	9.7%	8.1%	6.7%	7.1%	10.1%

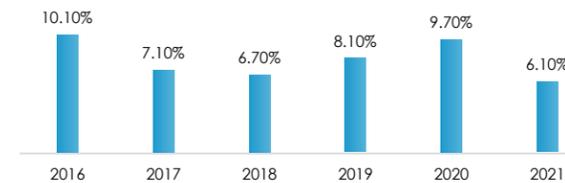
Financial Leverage Ratio



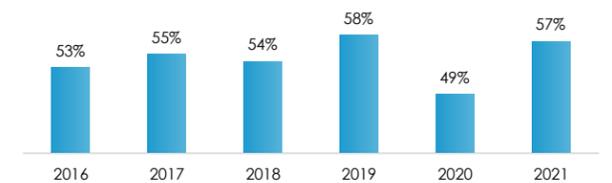
Debt Service Coverage



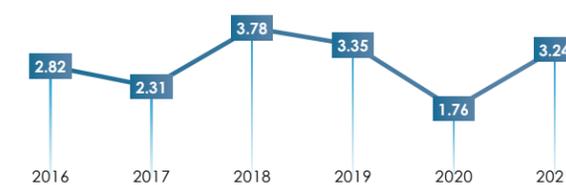
Average Cost of Finance



Total Liabilities to Total Assets



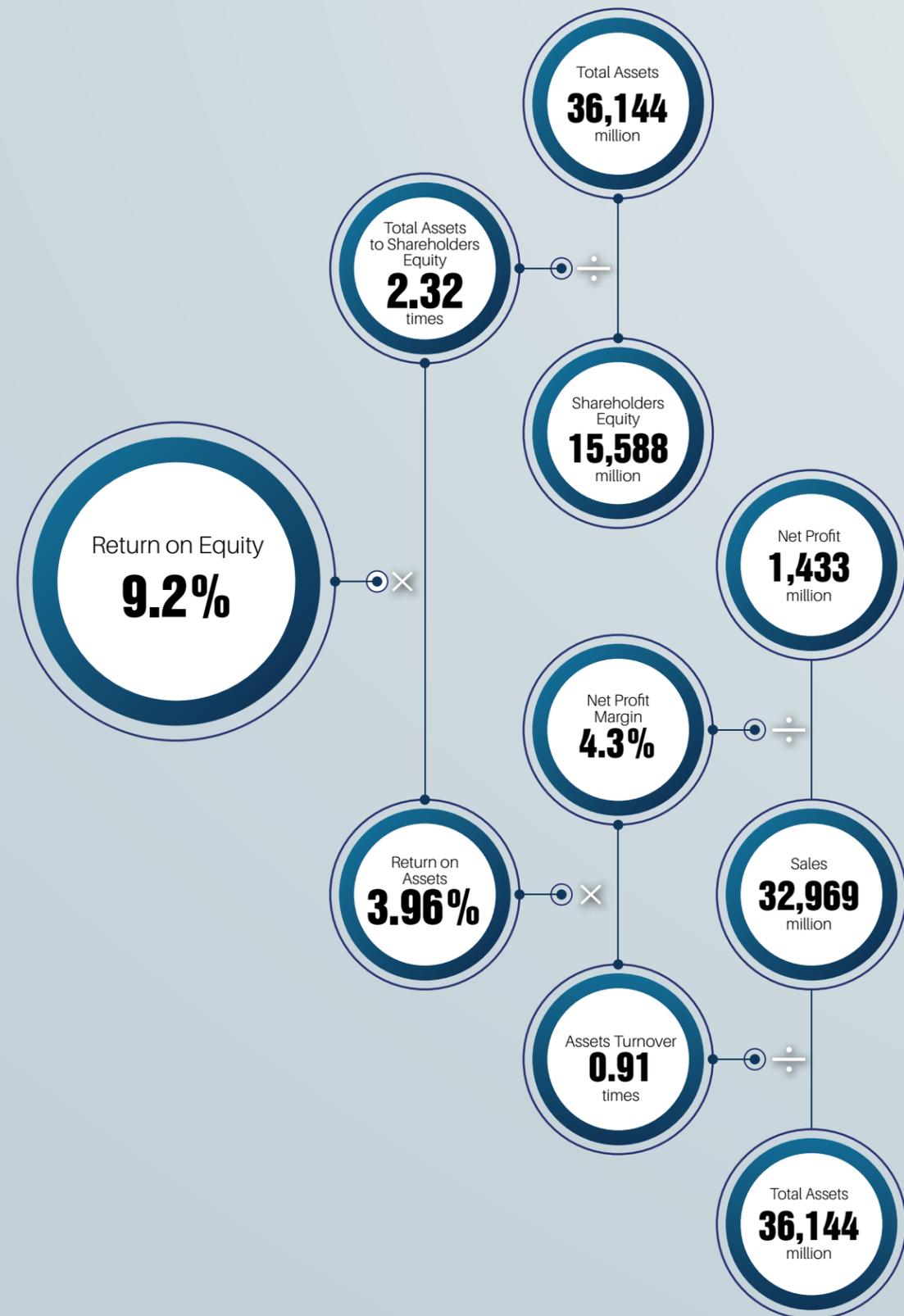
Interest Coverage Ratio



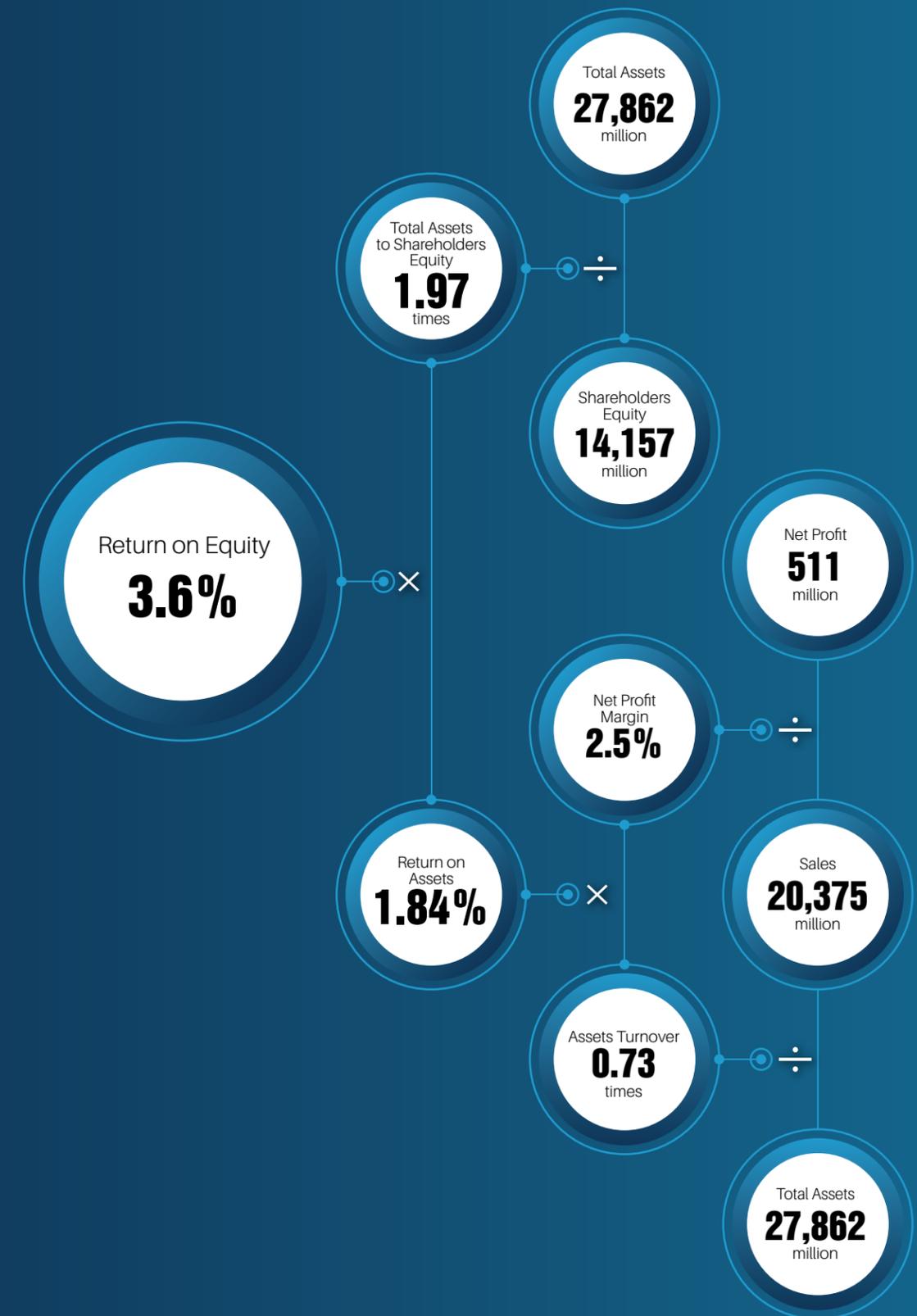
COMMENTS

Interest cover and debt service coverage ratios have marked gradual improvement over past five years. During FY-2021, equity multiplier and financial leverage have also increased as compared to last financial year. 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.

DU PONT ANALYSIS 2021



DU PONT ANALYSIS 2020



Horizontal Analysis

FOR THE LAST SIX FINANCIAL YEARS

Rupees in millions

Statement of Financial Position

	2021	2020	2019	2018	2017	2016
Property, plant and equipment	12 18,224	71 16,280	12 9,540	2 8,548	43 8,379	12 5,856
Intangibles	116 289	197 134	67 45	(22) 27	- 35	- -
Long term advances	100 65	(100) -	103 251	9,762 123	(22) 1	- 2
Long term deposits	4 42	62 40	7 25	15 23	1 20	1 20
Non Current Assets	13 18,619	67 16,454	13 9,860	3 8,722	44 8,435	12 5,878
Stores, spares and loose tools	73 838	25 486	83 389	10 212	(32) 193	(2) 283
Stock in trade	41 6,610	14 4,677	34 4,088	6 3,060	41 2,879	7 2,044
Trade debts	88 5,614	(39) 2,992	93 4,933	60 2,557	(14) 1,600	34 1,861
Loans and advances	10 686	175 621	(63) 226	29 602	1,147 469	(8) 38
Trade deposits and short term prepayments	122 50	(64) 22	418 63	(14) 12	(80) 14	88 70
Balances with statutory authorities	155 1,546	(51) 606	13 1,235	145 1,094	199 446	2 149
Interest accrued	- -	(100) -	(36) 2	27 3	- 2	- -
Other receivables	(92) 21	1,258 275	(62) 20	(11) 53	214 59	- 19
Derivative financial assets	- -	(100) -	(63) 11	100 29	(100) -	- 132
Tax refunds due from the Government	56 2,056	212 1,321	5 423	(34) 402	(9) 606	75 663
Short term investment	- -	(100) -	179 140	- 50	- -	- -
Cash and bank balances	(75) 103	213 410	(34) 131	84 198	(3) 108	50 111
Current Assets	54 17,524	(2) 11,409	41 11,660	30 8,273	19 6,375	25 5,369
Total Assets	30 36,144	29 27,862	27 21,521	15 16,995	32 14,810	18 11,247
Issued, subscribed and paid up share capital	3 2,460	- 2,400	100 2,400	- 1,200	- 1,200	- 1,200
Capital Reserves - Director's Loan	100 58	- -	- -	- -	- -	- -
Unappropriated profit	21 6,201	11 5,138	2 4,615	34 4,532	18 3,371	40 2,853
Surplus on revaluation of fixed assets	4 6,869	232 6,619	(3) 1,992	(4) 2,063	75 2,143	(4) 1,227
Shareholders equity	10 15,588	57 14,157	16 9,008	16 7,795	27 6,713	17 5,280
Long term financing	82 3,678	101 2,019	29 1,005	(27) 779	53 1,061	(18) 693
Liabilities against assets subject to finance lease	44 93	(46) 65	264 121	(51) 33	(34) 68	(23) 104
Long term deposits	(5) 52	91 55	36 29	(30) 21	51 30	78 20
Deferred taxation	52 55	(26) 36	96 49	64 25	- 15	- -
Non Current Liabilities	78 3,878	81 2,175	40 1,204	(27) 858	44 1,175	(17) 817
Trade and other payables	73 4,860	(16) 2,812	59 3,440	23 2,166	81 1,758	25 974
Contract Liabilities	203 236	100 78	- -	- -	- -	- -
Interest accrued on loans	46 171	(5) 117	95 123	7 63	8 59	13 54
Derivative financial liability	- -	- -	- -	(100) -	- 29	- -
Short term borrowings	32 10,532	10 8,003	28 7,264	22 5,678	24 4,638	30 3,734
Current portion of non current liabilities	69 878	8 519	11 482	(1) 435	13 437	18 388
Current Liabilities	45 16,678	2 11,530	36 11,310	21 8,342	34 6,922	28 5,150
Total equity and liabilities	30 36,144	29 27,862	27 21,521	15 16,995	32 14,810	18 11,247

Statement of Profit or Loss

	2021	2020	2019	2018	2017	2016
Sales - net	62 32,969	4 20,375	31 19,618	38 15,023	(5) 10,893	24 11,420
Cost of sales	58 26,384	(1) 16,728	37 16,848	33 12,288	(2) 9,210	22 9,422
Gross profit	81 6,585	32 3,647	1 2,769	62 2,735	(16) 1,683	37 1,998
Selling and distribution expenses	117 2,219	66 1,023	26 615	(3) 489	5 502	9 477
Administrative expenses	31 1,397	8 1,068	31 991	124 757	(2) 338	36 346
Other operating expenses	705 424	(64) 53	103 147	(7) 72	56 78	132 50
Other income	(98) 3	(86) 160	349 1,123	67 250	(10) 150	8,179 167
Operating profit	53 2,549	(22) 1,663	28 2,140	82 1,667	(29) 915	74 1,291
Finance cost	(17) 786	48 944	45 639	11 441	(14) 396	3 459
Profit before taxation	145 1,762	(52) 718	22 1,501	136 1,226	(38) 518	179 833
Taxation	59 329	23 207	17 168	191 144	(29) 50	9 70
Profit for the year	180 1,433	(62) 511	23 1,333	131 1,081	(39) 469	226 763
Other Comprehensive Income	- -	- -	- -	(100) -	- 1,075	- -
Total Comprehensive Income	180 1,433	(62) 511	23 1,333	(30) 1,081	102 1,544	226 763

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 217% from 2016 to 2021. During financial year 2021, non-current assets have increased by PKR 2,166 million (13.1%) from last year mainly due to investment made in expansion in building and plant & machinery.

Current Assets

Current assets of the company have increased by 226% 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 2021, current assets have increased by 6,115 million (53.6%) on an aggregate basis mainly on account of increase in trade debts and balance with statutory authorities.

Total Equity

Equity of the company has increased by 195% 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 2.5% bonus shares during financial year 2020.

Shareholder's equity has been increased by PKR 1,430 million (10.1%) during financial year 2021 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 375% during last 5 years. During financial year 2021, non-current liabilities have also increased by PKR 1,703 million (78.28%). 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 224% 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 5,148 million mainly due to increase in short term borrowings of the company.

Revenue

Net revenue of the company has grown overall by 189% in last 5 years and during financial year 2021, revenue grew by 61.8% as compared to last year mainly on account of overall export increase of the country.

Gross Profit

Gross profit of the Company has grown in line with the sales by 230% in last 5 years. Further, gross profit has also grown during the current financial year by 81% as compared to last year due to effective cost control measures.

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. During the current financial year, profit after tax has increased by 180% as compared to last year.

Vertical Analysis

FOR THE LAST SIX FINANCIAL YEARS

Rupees in millions

Balance Sheet	2021	2020	2019	2018	2017	2016
Property, plant and equipment	50 18,224	58 16,280	44 9,540	51 8,548	57 8,379	52 5,856
Intangibles	1 289	0.5 134	0 45	0 27	0 35	- -
Long term advances	0 65	- -	1 251	- 123	0 1	0 2
Long term deposits	0 42	0 40	0 25	0 23	0 20	0 20
Non Current Assets	2 18,619	59 16,454	46 9,860	51 8,722	57 8,435	52 5,878
Stores, spares and loose tools	2 838	2 486	2 389	1 212	1 193	3 283
Stock in trade	18 6,610	17 4,677	19 4,088	18 3,060	19 2,879	18 2,044
Trade debts	16 5,614	11 2,992	23 4,933	15 2,557	11 1,600	17 1,861
Loans and advances	2 686	2 621	1 226	4 602	3 469	0 38
Trade deposits and short term prepayments	0 50	0.1 22	0 63	0 12	0 14	1 70
Balances with statutory authorities	4 1,546	2 606	6 1,235	7 1,094	3 446	1 149
Interest accrued	- -	- -	0 2	0 3	0 2	- -
Other receivables	0 21	1 275	0 20	0 53	0 59	0 19
Derivative financial assets	- -	- -	0 11	0 29	- -	1 132
Tax refunds due from the Government	6 2,056	5 1,321	2 423	2 402	4 606	6 663
Short term investment	- -	- -	1 140	0 50	- -	- -
Cash and bank balances	0 103	1 410	1 131	1 198	1 108	1 111
Current Assets	48 17,524	41 11,409	54 11,660	49 8,273	37 6,375	32 5,369
Total Assets	100 36,144	100 27,862	100 21,521	100 16,995	100 14,810	100 11,247
Issued, subscribed and paid up share capital	7 2,460	9 2,400	11 2,400	7 1,200	8 1,200	11 1,200
Capital Reserves - Director's Loan	0 58	- -	- -	- -	- -	- -
Unappropriated profit	17 6,201	18 5,138	21 4,615	27 4,532	23 3,371	25 2,853
Surplus on revaluation of fixed assets	19 6,869	24 6,619	9 1,992	12 2,063	14 2,143	11 1,227
Shareholders equity	43 15,588	51 14,157	42 9,008	46 7,795	45 6,713	47 5,280
Long term financing	10 3,678	7 2,019	5 1,005	5 779	7 1,061	6 693
Liabilities against assets subject to finance lease	0 93	0.2 65	1 121	0 33	0 68	1 104
Long term deposits	0 52	0.2 55	0 29	0 21	0 30	0 20
Deferred taxation	0 55	0.1 36	0 49	0 25	0 15	- -
Non Current Liabilities	11 3,878	8 2,175	6 1,204	8 858	12 1,175	9 817
Trade and other payables	13 4,860	10 2,812	16 3,440	13 2,166	12 1,758	9 974
Contract Liabilities	1 236	0 78	- -	- -	- -	- -
Interest accrued on loans	0 171	0.4 117	1 123	0 63	0 59	0 54
Derivative financial liability	- -	- -	0 -	- -	0 29	- -
Short term borrowings	29 10,532	29 8,003	34 7,264	33 5,678	31 4,638	33 3,734
Current portion of non current liabilities	2 878	2 519	2 482	3 435	3 437	3 388
Current Liabilities	46 16,678	41 11,530	53 11,310	8 8,342	6 6,922	5 5,150
Total equity and liabilities	100 36,144	100 27,862	100 21,521	100 16,995	100 15,984	100 12,064

Statement of Profit Or Loss	2021	2020	2019	2018	2017	2016
Sales - net	100 32,969	100 20,375	100 19,618	100 15,023	100 10,893	100 11,420
Cost of sales	80 26,384	82 16,728	86 16,848	82 12,288	85 9,210	83 9,422
Gross profit	20 6,585	18 3,647	14 2,769	18 2,735	15 1,683	17 1,998
Selling and distribution expenses	7 2,219	5 1,023	3 615	3 489	3 338	3 346
Administrative expenses	4 1,397	5 1,068	5 991	5 757	5 502	4 477
Other operating expenses	1 424	0.3 53	1 147	0 72	1 78	0 50
Other income	0 3	1 160	6 1,123	2 250	1 150	1 167
Operating profit	8 2,549	8 1,663	11 2,140	11 1,667	8 915	11 1,291
Finance cost	2 786	5 944	3 639	3 441	4 396	4 459
Profit before taxation	5 1,762	4 718	8 1,501	8 1,226	5 518	7 833
Taxation	1 329	1 207	1 168	1 144	0 50	1 70
Profit for the year	4 1,433	2.5 511	7 1,333	7 1,081	4 469	7 763
Other Comprehensive Income	- -	- -	- -	1 80	10 1,075	- -
Total Comprehensive Income	4 1,433	2.5 511	7 1,333	8 1,162	14 1,544	7 763

COMMENTS

Total Assets

As at 30 June, 2021, non-current assets as a % of total assets have decreased whereas current assets have increased in FY 2021 as compared to last year. Significant increase in property, plant and equipment is due to investment in expansions, technological advancements. Further, there is significant increase 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 2021, a major increase in shareholder's equity is recorded and the primary contributor is the retention of profits. 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 2021. During financial year 2021, 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 also increased and on the other hand decrease in other income.

CASH FLOW STATEMENT

Direct Method Cash Flow

Cash flows from operating activities

	2021	2020
	Rupees in millions	
Cash receipts from customers	30,347	22,316
Cash paid to suppliers, employees and for expenses	(30,763)	(19,610)
Cash generated from operations	(416)	2,706
Finance cost paid	(709)	(922)
Income taxes paid	(308)	(212)
Dividend Paid	(60)	(60)
Workers Profit Participation Fund paid	(27)	(81)
Long term security deposits received	10	13
Net cash from operating activities	(1,510)	1,443

Cash Flows From Investing Activities

Purchase of property, plant and equipment	(1,730)	(2,081)
Addition in capital work in progress	(1,317)	(682)
Intangible assets	(156)	(89)
Sale proceeds from disposal of property, plant and equipment	73	35
Changes in Long term advances	(65)	-
Profit on bank deposits	0	0
Net cash used in investing activities	(3,195)	(2,816)

Cash Flows From Financing Activities

Long term financing - net	1,997	1,042
Payment of lease rentals	(185)	(130)
Loan from Directors	58	-
Short term borrowings - net	2,529	739
Net cash generated from / (used in) financing activities	4,398	1,652
Net decrease in cash and cash equivalents	(306)	279
Cash and cash equivalents at the beginning of the year	410	131
Cash and cash equivalents at the end of the year	103	410

Summary of Cash Flows

	2021	2020	2019	2018	2017	2016
	Rupees in millions					
Cash Flow from Operating Activities	(1,510)	1,444	(262)	192	748	292
Cash Flow from Investing Activities	(3,195)	(2,816)	(1,564)	(805)	(2,031)	(1,008)
Cash Flow from Financing Activities	4,398	1,652	1,759	703	1,280	753
Changes in Cash & Cash Equivalents	(306)	279	(67)	90	(3)	37
Cash & Cash Equivalents - Year end	103	410	131	198	108	111

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 is negative of PKR 1,510 million.

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-2021, the company has also invested an aggregate of approx. Rs. 3.1 billion on land, building, technology upgradation, BMR of home textile and expansion of apparel segment.

Financing Activities

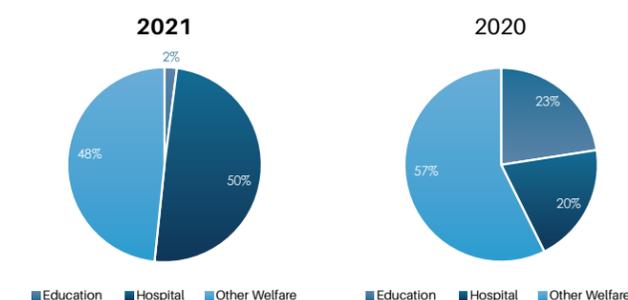
Cash from financing activities fluctuates significantly due to long term loans and short-term borrowings. There has been an increasing yet fluctuating trend over the last 6 years. Net increase in long and short term borrowing each year is tagged with investment made in plant & machinery funded through long term loan as well as the increasing working capital requirements owing to increase in business volume each year respectively. During FY-2021, net increase in short term borrowings reflect arrangement of finance for working capital.

Cash and Cash Equivalents

Cash and cash equivalents at the end of financial year are PKR 103 million.

Statement of Charity Account

Description	2021	2020
Education	79,500	1,970,000
Hospital	1,925,000	1,750,000
Other Welfare	1,876,578	5,006,167
	3,881,078	8,726,167



Free Cash Flow

Rupees in millions

Particulars	2021	2020
Profit before Tax	1,762	718
Add: Non-Cash Items	2,423	1,568
	4,186	2,287
Working Capital Changes	(4,601)	419
Capital Expenditure	(3,203)	(2,852)
Taxes Paid	(308)	(212)
Free Cash Flows	(3,927)	(358)

Comments

There are negative free cash flows for the last two years owing to significant investment in technological upgradation and expansion in production capacities.

Economic Value Added (EVA)

Rupees in millions

Particulars	2021
Net Operating Profit After Tax	2,219
Cost of Capital	2,344
Economic Value Added	(125)
Cost of Capital	
Total Assets	36,144
Current Liabilities	16,678
Invested Capital	19,466
WACC	12.04%
Cost of Capital	2,344

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, circular knitting and processing plant; however, the company has recently invested into its own spinning and weaving & yarn dyeing units to take benefits of synergies involved in backward integration. Circular & flat 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-2021. 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 90% 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-2021, 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 its own circular knit machines with capacity of 3,640,000 kgs per annum. The company has also invested in Flat Knitting machinery to add diversification in its product range and fulfill the demand of Knitted apparel. 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 6,205,000 kgs per annum.

Knitted Apparel and Woven Apparel

The company has also diversified its business into apparel segment including Knitted and Woven apparel. During the FY-2021, the company has also enhanced the capacity of Knitted apparel segment. The company has also made investment in garments printing machinery. 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.

Spinning and Weaving

During financial year 2021, the Company conceived backward integration and planned to set up Spinning, Weaving and Yarn Dyeing Projects. The Company has initiated these projects to establish sustainable backward integration in conformity with sustainability guidelines as it aims to shift away from outsourcing in order to be fully vertically integrated. The weaving division will comprise of 132 Airjet Looms with a capacity to produce approx. 40,000 meters of fabric per day and yarn dyeing plant with capacity of approx. 03 tons per day. While the spinning division will comprise of 29,184 spindles ring frame and 480 spindles MVS with a capacity to produce approx. 29 tons (555 bags) of yarn per day.

Quarterly Analysis

Quarters Individual

Amount in PKR

Quarters	Sales	Profit
Q1	8,129,870,238	753,935,431
Q2	8,107,954,370	154,097,408
Q3	8,832,459,690	101,871,656
Q4	7,898,687,355	422,965,398
Total	32,968,971,653	1,432,869,893

Quarters Consolidated

Amount in PKR

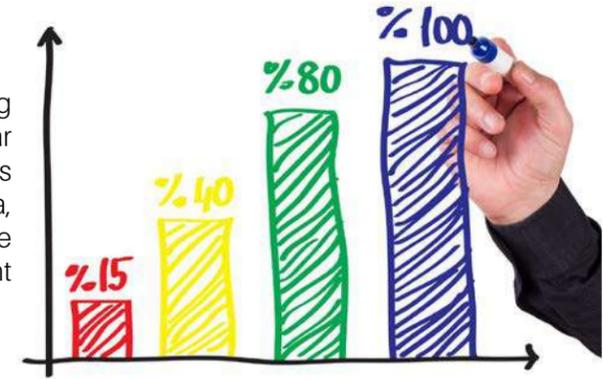
Sales	Profit
8,129,870,238	753,935,431
16,237,824,608	908,032,839
25,070,284,298	1,009,904,495
32,968,971,653	1,432,869,893

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.

Market Share

The Company is now a leading export-oriented textile manufacturing unit bearing annual exports of around PKR 32.9 billion in financial year 2021 and rapidly progressing each year. The Company markets its products to its customers located in Europe, UK, North America, Asia, UAE, Australia and New Zealand. The Company earns valuable foreign exchange for the country and contributed approx. 6.6 percent share of annual textile (bed wear) exports of Pakistan.



CEO's Video Presentation

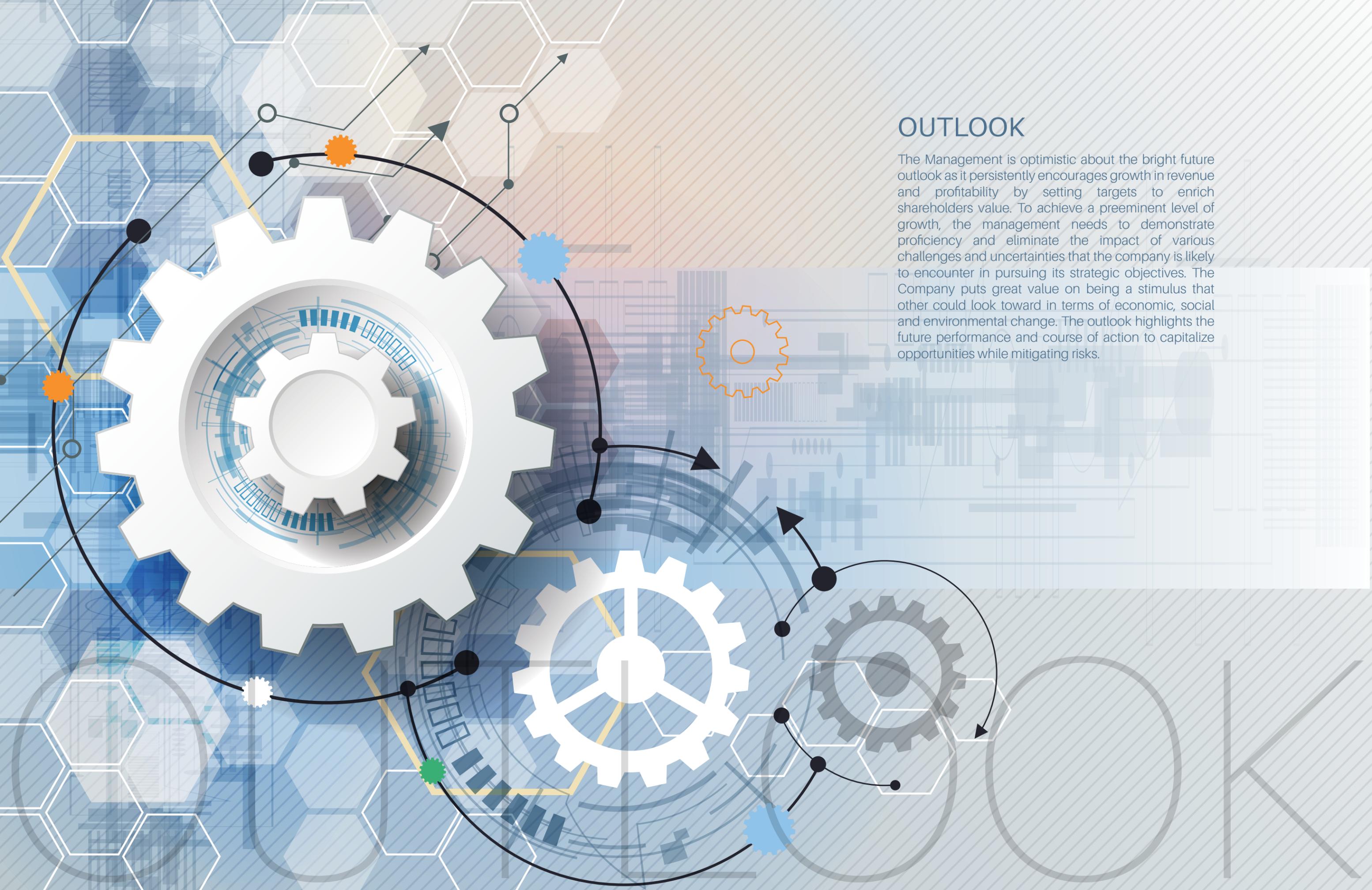
Video presentation of Chief Executive Officer (CEO) briefing about the business overview, performance, strategy and outlook for FY-2021 has been uploaded on the website of the Company and can be viewed at www.sadaqatgroup.com.

Presentations not Applicable

The financial statements for the year ended June 30,2021 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;

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



OUTLOOK

The Management is optimistic about the bright future outlook as it persistently encourages growth in revenue and profitability by setting targets to enrich shareholders value. To achieve a preeminent level of growth, the management needs to demonstrate proficiency and eliminate the impact of various challenges and uncertainties that the company is likely to encounter in pursuing its strategic objectives. The Company puts great value on being a stimulus that other could look toward in terms of economic, social and environmental change. The outlook highlights the future performance and course of action to capitalize opportunities while mitigating risks.

FORWARD LOOKING STATEMENT



Sadaqat limited is looking forward to achieving outstanding growth and performance as the exports of the country are following an upward trajectory. The management is committed to positive outlook through accomplishment of strategic objectives in terms of targeted growth, expansion of business, market leadership, automation through state of art technology, operational efficiency, customer satisfaction, focus towards sustainability, investment in human resource along with creating corporate culture which are led by top management to drive long term returns for its shareholders.

The future outlook represents significant advancement and evolvement in pursuit of entity's mission and strategic goals. The Company keeps a keen eye on macro-economic indicators to develop and execute its strategies while adapting according to the need of the situation to achieve long term financial strength. Keeping in view the sales growth during last financial year, the Company is well positioned for sustainable future growth. The Company is also developing and preparing to expand its existing setup of home textile as well as centering on expansion of its apparel segment in the coming years to provide one stop solution to its customers.

Continuous growth and facilitating advancement are the way forward, so the Company is focused on converging expansion of business and adopting diversification within textile sector to maximize shareholders value. Backward integration projects of spinning and weaving which are initiated during the year would be successfully operational in financial year 2022. The Company expects to be unswervingly steadfast in raising profitability by emphasizing volumetric growth, cost reduction and optimum utilization of capacity. To accomplish these objectives, the Company is also considering to raise funds through initial public offer (IPO) which would allow the entity a new and grander level of expansion and growth. Further the management is also planning to be shariah compliant company to bring Islamic financing in its portfolio in the coming year.

Sadaqat has conceived and developed a holistic business plan for the forthcoming financial years. The plan demonstrates the prospective strategic directives which are focused on increasing new product lines, penetrating new markets and geographical locations so that optimal benefits can be realized from the investments incurred and goodwill raised in the market through developed relations with its customers. Furthermore, the Company has also made a commitment for the utilization of more clean energy and minimizing the energy cost through installation of new solar energy projects in coming years.

The Company is expecting that the government will continue its practice to release tax and duty drawback refunds which would potentially support working capital and short-term cash flow challenges faced by it. The Company has defined its corporate objective's, which includes sustainability and producing quality products with their material procured from sustainable sources and to be engaged innovatively. 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 support its growth in the coming years. The management thinks innovatively and act decisively that led to the entity being able to plant itself as the leader in an engine of opportunities and become an ongoing source of inspiration environmentally and socially.

The Company puts a significant emphasis on being a socially responsible and eco-friendly company, hence it is dedicated to providing a secure, healthy and innovatively collaborative work environment. Guided by their commitment to fighting Covid-19, the Company has implemented appropriate measures to ensure health and safety of its employees. The Company is also investing in its workforce by providing regular inhouse and external trainings and striving hard for gender balancing to empowered them to play an imperative role in the success of the organization.

Financial Projections

The management is committed to establish a firmer presence globally and equip the company with better prospects and opportunities in forthcoming years. During financial year 2022, the company is dedicated to grasp bigger market and has projected average revenue growth by 20 ~ 25% p.a. in the next three years. Efficient processes and management along with backward integration would ultimately lead to a stronger bottom line. Further, the profitability is projected to be in line with an increase in export numbers. The management has updated and concluded the following projections of the company's revenue and net profits for the next three years after due consultation with the concerned departments, CFO, director finance and the Board. However, any changes in plans for investment or new projects may have an impact on below projected numbers:

PKR (Billions)	FY-2022	FY-2023	FY-2024
Revenue	41 ~ 43	47 ~ 48	53 ~ 54
Net Profit	2.7 ~ 2.8	3.6 ~ 3.7	4.3 ~ 4.4

Sources of Information and Assumptions Used for Projections / Forecasts

Strategic objectives set by the board provide the base for future financial plans and assumptions used for the preparation of projections for the ensuing financial years are based on historical trends, prevalent conditions and prospective expectations of the company as well as appropriate feedback has been obtained from concerned technical, financial and marketing expert within or outside the organization. The management has also taken into account future expansion plans, macro and micro indicators, market conditions, country's economic and political challenges along with the potential opportunities available to capture export growth. After compiling the projections with due research and taking the concerns of all stakeholders, these are also rigorously reviewed by the upper management.

The Company has a dedicated team which formulates the effective budgets and forecasts after coordinating and taking on board the top management and all the relevant departments including marketing department, export department, production & planning department, finance department and HR department. The Company carries out due diligence process and acquires the proficient opinion of consultants to assess and finalize the feasibility studies and financial budgets. A sensitivity analysis is also being performed to regulate the substantial influence of changes in assumptions on the Company's financial performance, by the management.

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

After the world recovered from the major hit of pandemic, economic landscape started to improve and exports of the country have grown with fast pace. Sadaqat Limited has also benefited from this opportunity due to its timely strategic management and significant investment made during financial year 2020 of exceeding Rs. two thousand eight hundred million in expansion and technology upgradation while expecting that it would reap results in the upcoming year. The Company's performance was in line with its targets and the results of FY 2021 proved that the entity met its expectations in terms of phenomenal growth in sales and profits by 61.8% and 180.1% respectively.

Sadaqat limited has also been able to improve its position in textile exports by earning revenue of Rs. 32.9 billion as projected in last year's forward-looking statement and step up to 12th position during financial year 2021. However, the company was also able to improve its profitability by employing effective strategic plans and cost control measures. The Company has also paid dividend during the financial year which supplemented the objective to provide sustained returns to the shareholders. The Company continued this journey with focused dedication, earnest collaboration, steadfast planning and innovative and empowered mindset of its employees.

Sadaqat Limited has also installed 1MW solar energy project to reduce energy cost and to fulfil its commitment towards sustainability by the introducing clean energy project.

During financial year 2021, the Company has recovered a substantial amount of funds from government in shape of textile refunds and duty drawbacks as anticipated in the last year's forward-looking statement which provided significant support to meet the working capital requirements. The Company has also availed various low rate financing provided by the SBP to provide support to exporters including TERF and LTFF facility.

The Company has also been recognized at national and regional forums for its best corporate and sustainability reporting practice. In pursuit of its strategic objectives, the Company has exercised great attention to ensure that its operations are managed and controlled considering its economic, environmental and social impacts. The Company has also taken great care to abide by all statutory, legal and ecological compliances, including voluntary and imposed by law as well as customer-specific requirements. The entire team is firmly committed to maximizing value for its stakeholders and continuing Company's legacy for long term success.

Organization's Response to Future Critical Challenges and Uncertainties

The ongoing pandemic continues to pose threat to the overall economy as well as textile sector, however, the Company has also been able to rise through this crisis with the implementation of its effectual Pandemic Recovery Plan. Further, the Company continuously monitors its risk matrix so that it can update and implement the risk mitigation strategies. The Company has in place a strong Business Continuity Plan which assists and guides the management when faced with new challenges and uncertainties that are likely to be ushered in unannounced.

In closing, I want to personally thank each member of the Board for their astounding guidance, the employees for their inspiring contributions and customers for trusting the Company. Going forward, the Company has to accomplish significant performance in the coming financial year to ensure creation of value for stakeholders and maintain preeminent position in the industry.

Mohammad Iqbal Ghori FCMA, PURC (US), MS
Director of Finance & 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 2021 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. Islamic financial accounting standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under Companies Act, 2017 and provisions and directives issued under the Act.



COMPLIANCE AND DISCLOSURES

Statement of Unreserved Compliance with IFRS

The financial statements of the company for FY 2021 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), Islamic financial accounting standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under Companies Act, 2017 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:

- IAS 1: Presentation of Financial Statements: Definition of Material — (Amendments)
- IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material — (Amendments)
- IFRS 3: Business Combinations: Definition of Business — (Amendments)
- IFRS 9: Financial Instruments: Interest Rate Benchmark Reform — (Amendments)
- IFRS 7: Financial Instruments Disclosures: Interest Rate Benchmark Reform— (Amendments)
- IAS 39: Financial Instruments: Recognition and Measurement: Interest Rate Benchmark Reform —(Amendments)
- IFRS 16: Covid-19-Related Rent Concessions (Amendments)

The adoption of the above amendments, improvements to accounting standards, interpretations and standards did not have any effect on the 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-2021.

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:

- Strategic Focus & Future Orientation
- Stakeholder Relationships
- Materiality
- Conciseness
- Reliability & Completeness
- Consistency & Comparability
- Connectivity of Information

Content Elements for Integrating Reporting

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

- Organizational Overview and External Environment
- Governance
- Business Model
- Performance
- Strategy and Resource Allocation
- Risks and Opportunities
- Outlook
- Basis of Preparation and Presentation



The background of the page features a pair of dark-rimmed glasses resting on a document. To the right of the glasses are three stacks of gold coins of varying heights. In the bottom right corner, a portion of a white laptop keyboard is visible. The background is composed of light gray wavy lines and a red line graph with a blue shaded area underneath it, suggesting financial data and analysis.

FINANCIAL STATEMENTS

This section presents the financial statements of the company for the year ended June 30, 2021 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), Islamic financial accounting standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under Companies Act, 2017 and, provisions of and directives issued under the Act. Where the provisions of and directives issued under the Act differ from IFRS standards, the provisions of and directives issued under the Act have been followed.

Independent Auditor's Report to the Members of Sadaqat Limited
Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **Sadaqat Limited** (the Company), which comprise the statement of financial position as at June 30, 2021, 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 June 30, 2021 and of the profit, the 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 auditor's 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.

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If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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 is 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

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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.

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).

Other Matter

The financial statements of the Company for the year ended 30 June 2020 were audited by another firm of Chartered Accountants who vide their report dated 06 November 2020 had expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Khan Muhammad.

Date: September 25, 2021
Place: Faisalabad


KRESTON HYDER BHIMJI & CO.
CHARTERED ACCOUNTANTS

SADAQAT LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
ASSETS			
Non-current assets			
Property, plant and equipment	5	18,223,741,291	16,279,819,947
Intangible assets	6	289,359,038	133,845,912
Long term deposits	7	41,515,367	39,876,367
Long term advances	8	64,768,483	-
		18,619,384,179	16,453,542,226
Current assets			
Stores, spares and loose tools	9	838,203,146	485,687,346
Stock in trade	10	6,610,312,897	4,676,636,482
Trade debts	11	5,613,913,799	2,991,704,306
Loans and advances	12	685,643,758	621,354,151
Trade deposit and short term prepayment	13	49,828,436	22,248,619
Balances with statutory authorities	14	1,546,393,332	605,513,819
Other receivables	15	21,213,822	274,960,943
Tax refunds due from Government	16	2,055,508,646	1,321,149,499
Cash and bank balances	17	103,216,683	409,682,096
		17,524,234,519	11,408,937,261
TOTAL ASSETS		36,143,618,698	27,862,479,487
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital- issued, subscribed and paid up	18	2,460,000,000	2,400,000,000
Capital reserves- surplus on revaluation of property, plant and equipment	19	6,201,137,621	6,619,166,463
Capital reserves- directors' loan	20	57,500,000	-
Revenue reserve-unappropriated profit		6,869,024,779	5,138,126,044
		15,587,662,400	14,157,292,507
Non-current liabilities			
Long term financing	21	3,678,028,552	2,019,376,542
Lease liabilities	22	92,923,664	64,749,427
Long term deposits	23	51,999,486	55,009,935
Deferred liabilities	24	54,953,273	36,049,040
		3,877,904,975	2,175,184,944
Current liabilities			
Trade and other payables	25	4,860,321,705	2,812,392,519
Contract liabilities	26	235,964,784	77,769,100
Interest accrued on loans	27	171,247,103	117,309,878
Short term borrowings	28	10,532,111,414	8,003,197,451
Current portion of non current liabilities	29	878,406,317	519,333,088
		16,678,051,323	11,530,002,036
CONTINGENCIES AND COMMITMENTS	30	-	-
TOTAL EQUITY AND LIABILITIES		36,143,618,698	27,862,479,487

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

SADAQAT LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
Revenue from contract with customers - net	31	32,968,971,653	20,375,185,931
Cost of revenue	32	26,383,612,020	16,727,942,221
Gross profit		<u>6,585,359,633</u>	<u>3,647,243,710</u>
Selling and distribution expenses	33	<u>2,218,507,187</u>	1,023,212,569
Administrative expenses	34	<u>1,397,205,139</u>	1,068,109,136
Other operating expenses	35	<u>424,178,588</u>	52,690,827
		<u>4,039,890,914</u>	<u>2,144,012,532</u>
Other income	36	<u>3,095,803</u>	159,574,290
Operating profit		<u>2,548,564,522</u>	<u>1,662,805,468</u>
Finance cost	37	<u>786,395,928</u>	944,334,184
Profit before taxation		<u>1,762,168,594</u>	<u>718,471,284</u>
Taxation	38	<u>329,298,701</u>	206,971,820
Profit for the year		<u><u>1,432,869,893</u></u>	<u><u>511,499,464</u></u>
Earnings per share - basic and diluted	39	<u>5.82</u>	Restated <u>2.08</u>

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

SADAQAT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	2021 Rupees	2020 Rupees
Profit for the year	<u>1,432,869,893</u>	511,499,464
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	<u><u>1,432,869,893</u></u>	<u><u>511,499,464</u></u>

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

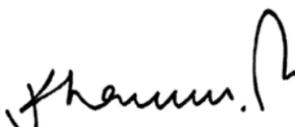

CHIEF EXECUTIVE OFFICER


DIRECTOR

SADAQAT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2021

	Issued, subscribed and paid up share capital	Capital reserve - surplus on revaluation of property, plant and equipment	Capital reserves - Directors' loan	Revenue reserve - unappropriated profit	Total
----- Rupees -----					
Balance as at June 30, 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. 0.5 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 June 30, 2020	2,400,000,000	6,619,166,463	-	5,138,126,044	14,157,292,507
Bonus shares issued during the year	60,000,000	-	-	(60,000,000)	-
Transferred from surplus on revaluation of operating fixed assets	-	(418,028,842)	-	418,028,842	-
Loan obtained from directors	-	-	57,500,000	-	57,500,000
Dividend (Rs. 0.25 per share)	-	-	-	(60,000,000)	(60,000,000)
Profit for the year	-	-	-	1,432,869,893	1,432,869,893
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,432,869,893	1,432,869,893
Balance as at June 30, 2021	2,460,000,000	6,201,137,621	57,500,000	6,869,024,779	15,587,662,400

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

SADAQAT LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
a) CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,762,168,594	718,471,284
Adjustments for non-cash and other items:			
Depreciation on property, plant and equipment	5	1,226,104,627	743,896,034
Profit on bank deposits	36	(9,480)	(157,815)
Gain on disposal of operating fixed assets	36	(3,086,323)	(1,585,506)
Finance costs	37	786,395,928	944,334,184
Exchange (gain)/loss- net	35	267,762,623	(157,830,969)
Exchange (gain) / loss on derivative financial assets		-	10,843,478
Provision for expected credit losses	35	10,308,720	-
Provision for doubtful recoveries	35	12,442,697	5,436,856
Provision for Workers' Profit Participation Fund	25	94,336,978	23,122,772
Provision for Workers' welfare fund	25	29,242,243	-
		2,423,498,013	1,568,059,034
Operating cash flows before working capital changes		4,185,666,607	2,286,530,318
Changes in working capital (Increase) / decrease in current assets:			
Stores, spares and loose tools	9	(352,515,800)	(96,798,762)
Stock in trade	10	(1,933,676,415)	(588,895,681)
Trade debts	11	(2,900,280,836)	2,098,953,067
Loans and advances	12	(64,289,607)	(393,852,004)
Trade deposits and short term prepayments	13	(27,579,817)	40,842,676
Balance with statutory authorities	14	(953,322,210)	629,804,492
Other receivables	15	253,747,121	(9,472,623)
Short term investments		-	139,500,000
Tax refunds due from the Government - sales tax	16	(731,782,634)	(905,713,318)
Increase/(decrease) in current liabilities		2,108,263,684	(495,047,513)
Trade and other payables		(4,601,436,514)	419,320,334
Cash (used) in/generated from operations		(415,769,907)	2,705,850,652
Finance cost paid		(709,208,373)	(922,142,115)
Income tax paid		(308,045,367)	(211,880,135)
Dividend paid		(60,000,000)	(60,000,000)
Workers' profit participation fund paid		(26,709,773)	(81,299,999)
Long term deposits received		9,783,739	13,010,763
		(1,094,179,774)	(1,262,311,486)
Net cash (used) in/generated from operating activities		(1,509,949,681)	1,443,539,166
b) CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(1,730,458,169)	(2,080,979,698)
Addition in capital work in progress		(1,316,802,884)	(682,005,037)
Intangibles		(155,513,126)	(88,777,923)
Proceeds from disposal of property, plant and equipment		72,630,357	35,321,990
Changes in long term advances		(64,768,483)	-
Profit on bank deposits		9,480	157,815
Net cash used in investing activities		(3,194,902,825)	(2,816,282,853)

c) CASH FLOWS FROM FINANCING ACTIVITIES

	Note	2021 Rupees	2020 Rupees
Long term financing - net	21	1,997,300,968	1,042,270,154
Payment of lease rentals	22	(185,327,838)	(129,590,593)
Loan from directors	20	57,500,000	-
Short term borrowings - net	28	2,528,913,963	738,891,558
Net cash generated from financing activities		4,398,387,093	1,651,571,119
Net (decrease)/increase in cash and cash equivalents	(a+b+c)	(306,465,413)	278,827,432
Cash and cash equivalents at the beginning of the year		409,682,096	130,854,664
Cash and cash equivalents at the end of the year	17	103,216,683	409,682,096

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


CHIEF EXECUTIVE OFFICER


DIRECTOR

SADAQAT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021

1. LEGAL STATUS AND OPERATIONS

Sadaqat Limited ("the Company") was incorporated in Pakistan on November 01, 1987, in the name "Sadaqat Textile Mills (Private) Limited", subsequently in 2008 converted into public limited company by shares under Repealed Companies Ordinance, 1984 (now Companies Act 2017). The Company is engaged in the business of textile manufacturing and of bleaching, dyeing, printing, knitting, stitching and engaged in export of all kinds of value added fabrics, garments and home textile products.

The geographical locations and addresses 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.

1.1 POST COVID-19 RISE IN DEMAND

The global economy was severely impacted by pandemic (Covid-19) during the last year. The Government of Pakistan implemented a country-wide lockdown in order to curtail the spread of Covid-19 in the country during the last quarter of year 2020. Subsequent to the lockdown, with the reopening of business and implementation of Covid-19 SOP, the Company not only able to cover its last years' sales shortfall but exceeded expected sales target of FY-2021. Reviving of global economy created a surge in demands of textile products and being premium exporter of the Company supported the overall business in achieving the growth during this financial years.

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 and provisions of and directives issued under the Companies Act, 2017,
- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017: and
- provision of and derivatives issued under the Act.

Where provisions of and directives issued under the Companies Act, 2017 differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

3. BASIS OF PREPARATION

3.1 Basis of measurement

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

3.2 Functional and presentation currency

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

3.3 Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are 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 exercised assumptions and estimates are significant to the company's financial statements or where judgment was exercised in the 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 4.13)

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The accounting policies adopted are consistent with those of the previous financial year, except for the following new amendments effective for annual period beginning on 01 July 2020, as listed below. The Company has not early adopted any amendment that has been issued but is not yet effective.

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

Standard or Interpretation

IAS 1	Presentation of Financial Statements: Definition of Material — (Amendments)
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material — (Amendments)
IFRS 3	Business Combinations: Definition of Business — (Amendments)
IFRS 9	Financial Instruments: Interest Rate Benchmark Reform — (Amendments)
IFRS 7	Financial Instruments Disclosures: Interest Rate Benchmark Reform— (Amendments)
IAS 39	Financial Instruments: Recognition and Measurement: Interest Rate Benchmark Reform —(Amendments)
IFRS 16	Covid-19-Related Rent Concessions (Amendments)

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

4.2 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 against the respective standard or interpretation:

Standard or Interpretation	Effective date (Annual periods beginning on or after)	
IFRS 3	Reference to conceptual framework — (Amendments)	01 January 2022
IAS 16	Property, plant and equipment: Proceeds before intended use —	01 January 2022
IAS 37	Onerous contracts - costs of fulfilling a contract — (Amendments)	01 January 2022
AIP IAS 41	Taxation in fair value measurements	01 January 2022
AIP IFRS 9	Fees in the '10 per cent' test for derecognition of financial liabilities	01 January 2022
IAS 1	Classification of liabilities as current or non-current — (Amendments)	01 January 2023
IAS 8	Definition of accounting estimates — (Amendments)	01 January 2023
IFRS 10 & IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - (Amendment)	Not yet finalized
IAS 12	Deferred tax related to Assets and Liabilities arising from a Single Transaction — (Amendments)	01 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies — (Amendments)	01 January 2023

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

In addition to the above standards and amendments, improvements to various accounting standards and conceptual framework have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 January 2022.

The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements.

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

Standard

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

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

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.

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.

4.3.2 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.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

4.3.3 Capital Work in Progress

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

4.4 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.

4.5 Stores, spares and loose tools

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

4.6 Stock in trade

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

Cost is determined on the following basis :-

- | | |
|--------------------|--|
| - Raw material | - Weighted average cost. |
| - Goods in transit | - Invoice value plus direct charges in respect thereof. |
| - Work in process | - Prime cost including a proportion of production overheads. |
| - Finished goods | - Prime cost including a proportion of production overheads. |
| - Wastes | - At net realizable value. |

Stock in trade is regularly reviewed by the management and any obsolete items are brought down to their net realizable value. Net realizable value signifies the selling price in the ordinary course of business less cost necessary to be incurred in order to make the sale.

4.7 Trade debts and other receivables

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

4.8 Cash and cash equivalents

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

4.9 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as lessee

The Company applies a single recognition and measurement approach for all leases, except for short term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

4.9.1 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. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date where the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

4.9.2 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.

4.10 Staff retirement benefits

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

4.11 Trade and other payables

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

4.12 Provisions

Provisions are recognized in the statement of financial position when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provisions are reversed.

4.13 Contingencies

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

4.14 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 recognized at the point in time at which the performance obligation is satisfied.

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 recognized 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 recognized 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.

4.15 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:

Amortized cost:

Financial assets that are held for collection of contractual cash flows whose cash represents solely payment of principal and interest are measured at amortized 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 amortized 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.

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, include:

- debt investments subsequently measured at amortized 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.

4.16 Taxation

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%.

4.17 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.

4.18 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.

4.19 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.

4.20 Earnings per share

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

4.21 Related party transactions

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

5. PROPERTY, PLANT AND EQUIPMENT

	Note	2021 Rupees	2020 Rupees
Operating fixed assets- tangible	5.1	16,668,842,650	14,829,575,614
Right-of-use assets (RoU)	5.1	318,765,331	228,306,279
Capital work in progress	5.2	1,236,133,310	1,221,938,054
		18,223,741,291	16,279,819,947

5.1 Operating fixed assets

PARTICULARS	COST / REVALUED AMOUNT		Rate %	DEPRECIATION		Net book value as at 30 June, 2021
	As at July 1, 2020	Additions / Transfers		(Disposals) / Transfers	For the year	
Owned:						
Freehold land						
Cost	564,431,647	239,543,140		-	-	803,974,787
Revaluation surplus	1,041,761,953	-	-	-	-	1,041,761,953
	1,606,193,600	239,543,140		-	-	1,845,736,740
Buildings on freehold land - factory						
Cost	2,456,362,028	1,171,245,874	5	127,698,293	139,711,608	3,499,909,609
Revaluation surplus	2,794,232,168	-	5	267,409,901	267,409,901	2,654,520,560
	5,250,594,196	1,171,245,874		-	-	6,421,840,070
Plant and machinery						
Cost	3,952,467,240	1,084,073,745	10	449,453,992	449,453,992	4,587,086,993
Revaluation surplus	2,673,408,438	-	10	267,340,844	267,340,844	2,406,067,594
Transfer from RoU	86,043,246	-	10	8,604,325	8,604,325	77,438,921
	6,711,918,924	1,084,073,745		725,399,161	725,399,161	7,070,593,508
Generators						
Cost	238,222,285	-	10	23,822,229	23,822,229	214,400,056
Revaluation surplus	109,763,904	-	10	10,976,390	10,976,390	98,787,514
Transfer from RoU	13,913,811	-	10	1,391,381	1,391,381	12,522,430
	361,900,000	-		36,190,000	36,190,000	325,710,000
Electric installations						
Furniture and fixtures	637,364,284	280,021,270	10	179,491,954	179,491,954	677,999,052
Office equipment	146,036,886	32,717,380	10	50,440,192	50,440,192	116,710,517
Sui gas installations	327,979,808	115,624,621	10-33	121,540,466	121,540,466	294,628,017
Work shop equipment	2,066,066	-	10	1,481,989	1,481,989	525,669
Vehicles	15,788,492	1,239,905	10	11,183,766	11,183,766	5,354,111
Transfer from RoU	234,219,932	103,207,693	20	35,228,404	35,228,404	119,425,643
	46,804,237	2,799,195,22*		1,955,746	15,111,219	57,729,224
	15,340,866,425	3,055,665,580		1,165,666,191	(22,959,294)	16,668,842,650
Right-of-use assets (RoU):						
Plant and machinery	30,924,230	-	10	1,452,756	2,947,147	4,399,903
Vehicles	311,786,682	197,701,121	20	112,951,877	57,491,289	149,258,579
Transfer from RoU	-	-		-	-	(15,111,219)
	342,710,912	197,701,121		114,404,633	60,438,436	318,765,331
Total	15,683,577,337	3,253,366,701		1,226,104,627	(59,255,100)	16,987,607,981

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5.1 - Continued

PARTICULARS	Cost		Rate %	DEPRECIATION		Net book value as at 30 June 2020
	As at July 1, 2019	Revaluation adjustment		Elimination due to revaluation*	Additions / Transfers	
Owned:						
Freehold land						
Cost	542,796,203	-		-	-	564,431,647
Revaluation surplus	985,146,322	56,615,631		21,635,444	-	1,041,761,953
	1,527,942,525	56,615,631		21,635,444	-	1,606,193,600
Buildings on freehold land - factory						
Cost	3,354,425,687	-	5	768,781,447	(898,063,659)	2,456,362,028
Revaluation surplus	759,850,907	2,181,164,149	5	114,516,150	32,266,738	2,794,232,168
	4,114,276,594	2,181,164,149		883,297,597	161,548,950	5,250,594,196
Plant and machinery						
Cost	4,289,996,293	-	10	1,467,623,484	(368,126,470)	3,952,467,240
Revaluation surplus	841,301,125	2,384,995,695	10	520,842,522	32,045,860	2,673,408,438
Transfer from RoU	-	-	10	-	(61,633,786)	86,043,246
	5,131,297,418	2,384,995,695		1,988,466,006	400,172,330	6,711,918,924
Generators						
Cost	181,970,893	-	10	80,840,165	(98,780,642)	238,222,285
Revaluation surplus	48,465,616	75,490,608	10	10,384,176	3,808,144	109,763,904
Transfer from RoU	-	-	10	-	(18,911,852)	13,913,811
	230,436,509	75,490,608		91,224,341	21,748,621	361,900,000
Electric installations						
Furniture and fixtures	400,370,308	-	10	142,414,907	37,077,047	179,491,954
Office equipment	247,467,527	-	10-33	105,752,048	15,788,418	206,439,342
Sui gas installations	2,066,066	-	10	1,417,092	64,897	1,481,989
Work shop equipment	15,629,627	-	10	10,680,956	502,810	4,604,726
Vehicles	230,263,529	-	20	102,980,888	26,950,316	87,067,488
Transfer from RoU	-	-		12,094,743	23,448,077	46,804,237
	12,014,460,659	4,698,266,083		3,367,360,084	685,262,075	14,829,575,614
Right-of-use assets (RoU):						
Plant and machinery	158,269,614	-	10	54,745,110	8,341,432	63,086,542
Generators	32,825,663	-	10	18,049,934	861,918	18,911,852
Vehicles	323,725,377	-	20	89,007,407	49,430,609	136,399,954
Transfer from RoU	-	-		-	-	(2,038,062)
	514,820,654	-		161,802,451	58,633,959	114,404,633
Total	12,529,281,313	4,698,266,083		3,529,162,535	743,896,034	15,057,881,893

* This represents the elimination of accumulated depreciation as at the revaluation date against the gross carrying amount of the revalued assets, as the Company is using net replacement method for revaluation.

** This represents amount transferred from lease hold.

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7.	LONG TERM DEPOSITS	Note	2021	2020
			Rupees	Rupees
	Margin against letter of guarantee		35,236,630	35,236,630
	Security deposits		1,536,761	1,536,761
	Other security deposits		4,741,976	3,102,976
		7.1	<u>41,515,367</u>	<u>39,876,367</u>
7.1	Sector wise analysis of deposits:			
	Public Sector			
	Sui Northern Gas Pipelines Limited		55,200	55,200
	Faisalabad Electric Supply Company		1,207,792	1,207,792
	Pakistan Telecommunication Company Limited		8,090	8,090
	Water and Sanitation Agency		265,679	265,679
			<u>1,536,761</u>	<u>1,536,761</u>
	Private Sector			
	Financial institutions		35,236,630	35,236,630
	Others		4,741,976	3,102,976
			<u>39,978,606</u>	<u>38,339,606</u>
			<u>41,515,367</u>	<u>39,876,367</u>
8.	LONG TERM ADVANCES			
	Advance for capital expenditure	8.1	<u>64,768,483</u>	-
8.1	This amount represent the advances paid to "M/s Haroon Ali Build Well" for the construction of building.			
9.	STORES, SPARES AND LOOSE TOOLS			
	Stores		657,708,458	327,935,900
	Spares		169,163,034	84,345,322
	Loose tools		11,331,654	5,650,005
			<u>838,203,146</u>	<u>417,931,227</u>
	Stores, spares and loose tools in transit		-	67,756,119
			<u>838,203,146</u>	<u>485,687,346</u>
10.	STOCK IN TRADE			
	Raw materials			
	-in hand		1,189,806,395	960,850,152
	-held by third parties		194,505,784	84,488,164
			<u>1,384,312,179</u>	<u>1,045,338,316</u>
	Work in process		3,571,964,735	1,910,967,440
	Finished goods	10.1	1,514,010,255	1,671,392,457
	Waste		140,025,728	48,938,269
			<u>5,226,000,718</u>	<u>3,631,298,166</u>
			<u>6,610,312,897</u>	<u>4,676,636,482</u>
10.1	It includes stocks amounting Rs. 448 million (2020: 967 million) in transit to port for shipment to customers.			
11.	TRADE DEBTS			
	Considered good:			
	Foreign		5,503,395,532	2,935,487,434
	Local		120,826,987	60,422,121
			<u>5,624,222,519</u>	<u>2,995,909,555</u>
	Less: Allowance for expected credit losses		(10,308,720)	(4,205,249)
			<u>5,613,913,799</u>	<u>2,991,704,306</u>
11.1	Trade debts include following balances from related parties:			

Related party name	Maximum balance		Closing balance	
	Month	Amount	2021	2020
			----- Rupees -----	
Sadaqat Global Limited - UK	Jun/21	3,082,707,051	3,077,231,383	1,902,235,577
KHAS Holdings	May/21	25,125,449	13,125,449	-
Jay Franco Europe Limited - UK	Oct/20	30,229,964	-	484,175
Sleepworld Australia (PTY) Limited	Apr/21	22,227,389	21,635,613	8,628,952
Sleepworld International LLC	Jun/21	171,679,365	172,054,723	113,427,296

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

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12.	LOANS AND ADVANCES	Note	2021	2020
			Rupees	Rupees
	Loans-secured			
	Loans to employees:			
	-Executives (other than CEO and directors)	12.1	29,327,145	18,309,698
	-Other employees	12.1	-	5,620,077
			<u>29,327,145</u>	<u>23,929,775</u>
	Advances-unsecured			
	Consider good			
	Advances to suppliers		656,316,613	420,602,360
	Advance to related party		-	173,963,816
	Others		-	2,858,200
			<u>685,643,758</u>	<u>621,354,151</u>
12.1	These interest free loans are secured against retirement benefits of the employees and are repayable in monthly installments. The detail of loans exceeding Rs. 1 million are as under:			
	Employee Name			
	Muhammad Asim		1,599,999	1,674,999
	Shahzad Afzal		2,658,788	-
	Khalid Mehmood Sherazi		2,549,999	-
	Muhammad Amir		2,500,000	7,500,000
	Muhammad Ijaz		4,064,465	4,397,801
	Muhammad Shafique		1,433,835	1,440,500
	Peer Muhammad		1,169,999	-
	Sheraz Akram Khan		1,399,999	-
			<u>17,377,084</u>	<u>15,013,300</u>
13.	TRADE DEPOSITS AND SHORT TERM PREPAYMENTS			
	Trade deposits:			
	-Deposit under letter of credit		25,381,723	10,665,022
	Prepayments		24,446,713	11,583,597
			<u>49,828,436</u>	<u>22,248,619</u>
14.	BALANCES WITH STATUTORY AUTHORITIES			
	Special excise duty		-	12,442,697
	Drawback of customs - duty	14.1	134,662,030	123,162,818
	Duty drawback on taxes	14.2	1,382,816,439	440,993,441
	Rebate on mark-up on financing		28,914,863	28,914,863
			<u>1,546,393,332</u>	<u>605,513,819</u>
14.1	Drawback of customs- duty			
	Balance at the beginning of the year		123,162,818	191,173,936
	Claimed during the year		270,661,671	148,250,611
	Received during the year		(259,162,459)	(216,261,729)
			<u>134,662,030</u>	<u>123,162,818</u>
14.2	Duty drawback on taxes			
	Balance at the beginning of the year		440,993,441	997,349,959
	Claimed during the year		997,915,778	320,009,367
	Received during the year		(56,092,780)	(876,365,885)
			<u>1,382,816,439</u>	<u>440,993,441</u>
15.	OTHER RECEIVABLES			
	Mark up support	15.1	18,846,951	55,092,499
	Faisalabad industrial estate development and Management company (FIEDMC)		-	217,470,045
	Others		2,366,871	2,398,399
			<u>21,213,822</u>	<u>274,960,943</u>
15.1	This represents mark up support under technology up-gradation fund scheme of the State Bank of Pakistan.			
16.	TAX REFUNDS DUE FROM GOVERNMENT			
	Income tax		218,271,883	215,695,370
	Sales tax		1,837,236,763	1,105,454,129
			<u>2,055,508,646</u>	<u>1,321,149,499</u>
17.	CASH AND BANK BALANCES			
	Cash in hand		3,500,034	3,701,420
	Balance with banks in current accounts		98,962,237	405,810,310
	Balance with banks in saving accounts		178,425	170,366
	Balance with banks in foreign currency accounts		575,987	-
			<u>99,716,649</u>	<u>405,980,676</u>
			<u>103,216,683</u>	<u>409,682,096</u>
17.1	The average rate of profit on saving accounts is 2.74% (2020: 2.73%) per annum.			

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	Note	2021 Rupees	2020 Rupees
18. SHARE CAPITAL			
18.1 Authorized share capital			
350,000,000 (2020: 350,000,000) ordinary shares of Rs. 10/- each		<u>3,500,000,000</u>	<u>3,500,000,000</u>
18.2 Issued, subscribed and paid up share capital			
		2021	2020
		[Number of shares]	
69,147,801	69,147,801	Ordinary shares of Rs. 10/- each fully paid in cash	691,478,010
4,573,890	4,573,890	Ordinary shares of Rs. 10/- each issued for consideration other than cash	45,738,900
172,278,309	166,278,309	Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	1,722,783,090
<u>246,000,000</u>	<u>240,000,000</u>		<u>2,460,000,000</u>
			<u>2,400,000,000</u>
18.2.1 Movement in issued, subscribed and paid up capital		[Number of shares]	
Opening balance of ordinary shares of Rs. 10/- each			
- Fully paid in cash		69,147,801	69,147,801
- Issued for consideration other than cash		4,573,890	4,573,890
- Issued as fully paid bonus shares		166,278,309	166,278,309
		<u>240,000,000</u>	<u>240,000,000</u>
Issued during the year			
- Ordinary shares of Rs. 10/- each issued as fully paid bonus shares	18.2.2	6,000,000	-
Closing balance		<u>246,000,000</u>	<u>240,000,000</u>
18.2.2 During the year Company has issued bonus shares to its existing shareholders in the proportion of 2.5 new shares for every 100 share.			
18.2.3 The Company has only one class of ordinary shares which carry no right to fixed income. The shareholders are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regards to the Company's residual asset. The Company does not hold any treasury share.			
19. SURPLUS ON REVALUATION OF PROPERTY, PLANT AND EQUIPMENT			
Surplus on revaluation of assets at the beginning of the year		6,619,166,463	1,992,209,904
Surplus on revaluation of assets during the year		-	4,698,266,083
		<u>6,619,166,463</u>	<u>6,690,475,987</u>
Less: Surplus relating to incremental depreciation charged on related assets transferred to unappropriated profit		(418,028,842)	(71,309,524)
		<u>6,201,137,621</u>	<u>6,619,166,463</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		
20. DIRECTORS' LOAN	20.1	<u>57,500,000</u>	-
20.1 This represents interest free loan from chief executive and directors of the Company, repayable at the discretion of the Company. However, in light of guidance provided in Technical Release -32 ("Accounting Directors' Loan") issued by the Institute of Chartered Accountants of Pakistan, this loan has been classified as part of equity.			
21. LONG TERM FINANCING			
Long term financing - export oriented projects (LTF-EOP)	21.1	1,930,937,524	1,895,180,824
Demand finance	21.1	439,071,592	171,228,713
SBP- Refinance scheme for salary payments	21.2	388,979,082	166,829,739
Term finance certificates	21.3	1,500,000,000	-
Diminishing musharakah	21.4	43,348,527	52,018,234
Financing under sale and lease back	21.5	87,137,584	108,883,907
		<u>4,389,474,309</u>	<u>2,394,141,417</u>
Less: Current portion shown under current liabilities		(711,445,757)	(374,764,875)
		<u>3,678,028,552</u>	<u>2,019,376,542</u>

21.1 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%	3,392,011	1	13/Dec/21
Askari Bank Limited - Tranche 2	SBP Rate + 2.50%	855,000	18	16/Oct/25
Askari Bank Limited - Tranche 3	SBP Rate + 2.50%	1,590,000	18	24/Oct/25
Askari Bank Limited - Tranche 4	SBP Rate + 2.50%	1,715,000	20	20/Nov/25
Askari Bank Limited - Tranche 5	SBP Rate + 2.50%	448,017	20	13/May/26
Askari Bank Limited - Tranche 6	SBP Rate + 2.50%	317,092	20	16/Apr/26
Askari Bank Limited - Tranche 7	SBP Rate + 2.50%	561,638	20	29/May/26
Askari Bank Limited - Tranche 8	SBP Rate + 2.50%	861,638	20	29/May/26
Askari Bank Limited - Tranche 9	SBP Rate + 2.50%	5,232,825	20	11/Jul/26
Askari Bank Limited - Tranche 10	SBP Rate + 2.50%	3,184,220	20	2/Sep/26
The Bank of Khyber - Tranche 1	SBP Rate + 1.75%	996,325	11	28/Jan/24
The Bank of Khyber - Tranche 2	SBP Rate + 1.75%	1,531,095	11	2/Jan/24
The Bank of Khyber - Tranche 3	SBP Rate + 1.75%	2,180,780	12	22/May/24
The Bank of Khyber - Tranche 4	SBP Rate + 1.75%	751,790	11	5/Jan/24
MCB Bank Limited - Tranche 1	SBP Rate + 2.00%	1,494,600	2	17/Oct/21
MCB Bank Limited - Tranche 2	SBP Rate + 2.00%	1,111,500	2	4/Dec/21
MCB Bank Limited - Tranche 3	SBP Rate + 2.00%	667,860	3	13/Jan/22
MCB Bank Limited - Tranche 4	SBP Rate + 2.00%	2,200,000	1	1/Jul/21
Pak Brunei Investment Company Limited - Tranche 1	SBP Rate + 2.50%	8,740,000	1	3/Nov/21
Pak Brunei Investment Company Limited - Tranche 2	SBP Rate + 2.50%	1,181,050	1	16/Sep/21
Pak Brunei Investment Company Limited - Tranche 3	SBP Rate + 2.50%	3,198,000	14	13/Jun/24
Pak Brunei Investment Company Limited - Tranche 4	SBP Rate + 2.50%	2,361,563	13	30/Aug/24
Pak Brunei Investment Company Limited - Tranche 5	SBP Rate + 2.50%	1,377,563	13	16/Sep/24
Pak Brunei Investment Company Limited - Tranche 6	SBP Rate + 2.50%	1,033,125	13	4/Nov/24
United Bank Limited - Tranche 1	SBP Rate + 2.00%	1,150,000	10	31/Dec/23
United Bank Limited - Tranche 2	SBP Rate + 2.00%	1,277,706	9	20/Sep/23
United Bank Limited - Tranche 3	SBP Rate + 2.00%	2,572,019	9	20/Sep/23
United Bank Limited - Tranche 4	SBP Rate + 2.00%	1,013,733	8	30/Jun/23
United Bank Limited - Tranche 5	SBP Rate + 2.00%	3,280,734	9	30/Sep/23
The Bank of Punjab - Tranche 1	SBP Rate + 2.50%	1,645,000	7	7/Jan/23
The Bank of Punjab - Tranche 2	SBP Rate + 2.50%	737,222	8	25/Apr/23
The Bank of Punjab - Tranche 3	SBP Rate + 2.50%	955,556	7	23/May/23
The Bank of Punjab - Tranche 4	SBP Rate + 2.50%	2,217,300	10	4/Dec/23
The Bank of Punjab - Tranche 5	SBP Rate + 2.50%	2,388,051	18	21/Jan/26
The Bank of Punjab - Tranche 6	SBP Rate + 2.50%	464,146	18	21/Jan/26
The Bank of Punjab - Tranche 7	SBP Rate + 2.50%	1,720,547	17	9/Dec/25
The Bank of Punjab - Tranche 8	SBP Rate + 2.50%	1,055,556	16	30/Apr/25
The Bank of Punjab - Tranche 9	SBP Rate + 2.50%	370,300	15	12/Mar/25
The Bank of Punjab - Tranche 10	SBP Rate + 2.50%	1,257,567	16	13/Apr/25
National Bank of Pakistan - Tranche 1	SBP Rate + 2.00%	1,179,000	19	22/Mar/26
National Bank of Pakistan - Tranche 2	SBP Rate + 2.00%	1,336,200	19	22/Mar/26
National Bank of Pakistan - Tranche 3	SBP Rate + 2.00%	2,244,000	20	15/Apr/26
National Bank of Pakistan - Tranche 4	SBP Rate + 2.00%	1,820,450	19	28/Jan/26
National Bank of Pakistan - Tranche 5	SBP Rate + 2.00%	895,500	20	23/Apr/26
National Bank of Pakistan - Tranche 6	SBP Rate + 2.00%	843,428	20	26/Apr/26
National Bank of Pakistan - Tranche 7	SBP Rate + 2.00%	6,320,394	20	14/May/26
National Bank of Pakistan - Tranche 8	SBP Rate + 2.00%	570,860	20	27/May/26
National Bank of Pakistan - Tranche 9	SBP Rate + 2.00%	174,889	20	14/May/26
National Bank of Pakistan - Tranche 10	SBP Rate + 2.00%	8,607,225	12	6/Jan/24
National Bank of Pakistan - Tranche 11	SBP Rate + 2.00%	390,902	20	20/Apr/26
National Bank of Pakistan - Tranche 12	SBP Rate + 2.00%	940,298	20	7/Apr/26
National Bank of Pakistan - Tranche 13	SBP Rate + 2.00%	1,725,381	20	14/Apr/26
National Bank of Pakistan - Tranche 14	SBP Rate + 2.00%	2,209,173	19	2/Jan/26
National Bank of Pakistan - Tranche 15	SBP Rate + 2.00%	308,160	20	3/Jan/27
National Bank of Pakistan - Tranche 15	SBP Rate + 2.00%	2,850,552	20	21/Aug/26
National Bank of Pakistan - Tranche 16	SBP Rate + 2.00%	371,616	19	15/Jan/26
National Bank of Pakistan - Tranche 16	SBP Rate + 2.00%	215,188	19	10/Jan/26
National Bank of Pakistan - Tranche 17	SBP Rate + 2.00%	905,527	18	27/Dec/25
National Bank of Pakistan - Tranche 18	SBP Rate + 2.00%	349,538	18	27/Dec/25
National Bank of Pakistan - Tranche 19	SBP Rate + 2.00%	789,820	18	10/Dec/25
National Bank of Pakistan - Tranche 20	SBP Rate + 2.00%	155,484	18	29/Nov/25
National Bank of Pakistan - Tranche 21	SBP Rate + 2.00%	98,027	18	29/Nov/25

Lender	Mark-up/Profit rate per annum (%)	Installment amount	No. of installment outstanding	Date of final repayment
National Bank of Pakistan - Tranche 22	SBP Rate + 2.00%	931,196	18	18/Nov/25
National Bank of Pakistan - Tranche 23	SBP Rate + 2.00%	1,278,437	18	18/Nov/25
National Bank of Pakistan - Tranche 24	SBP Rate + 2.00%	1,379,498	18	5/Nov/25
National Bank of Pakistan - Tranche 25	SBP Rate + 2.00%	1,232,477	18	5/Nov/25
National Bank of Pakistan - Tranche 26	SBP Rate + 2.00%	902,381	19	28/Feb/26
National Bank of Pakistan - Tranche 27	SBP Rate + 2.00%	2,286,700	20	19/May/26
National Bank of Pakistan - Tranche 28	SBP Rate + 2.00%	105,910	20	17/Jun/26
National Bank of Pakistan - Tranche 29	SBP Rate + 2.00%	855,050	26	7/Oct/27
National Bank of Pakistan - Tranche 30	SBP Rate + 2.00%	302,266	26	27/Dec/27
National Bank of Pakistan - Tranche 31	SBP Rate + 2.00%	607,546	23	3/Mar/27
National Bank of Pakistan - Tranche 32	SBP Rate + 2.00%	1,014,133	24	7/Oct/27
Habib Bank Limited - Tranche 1	SBP Rate + 3.00%	7,287,346	19	1/Jan/26
Habib Bank Limited - Tranche 2	SBP Rate + 1.50%	1,540,814	18	15/Oct/25
Habib Bank Limited - Tranche 3	SBP Rate + 1.50%	857,827	18	13/Nov/25
Habib Bank Limited - Tranche 4	SBP Rate + 1.50%	1,253,820	18	13/Nov/25
Habib Bank Limited - Tranche 4	SBP Rate + 2.00%	569,518	24	31/Mar/28
Habib Bank Limited - Tranche 4	SBP Rate + 2.00%	256,302	24	31/Mar/28
Samba Bank Limited - Tranche 1	SBP Rate + 2.00%	534,700	20	12/Jan/28
Samba Bank Limited - Tranche 2	SBP Rate + 2.00%	1,471,670	20	2/Feb/28
Samba Bank Limited - Tranche 3	SBP Rate + 2.00%	2,100,000	20	24/Mar/28
Samba Bank Limited - Tranche 4	SBP Rate + 2.00%	957,500	20	24/Mar/28
Samba Bank Limited - Tranche 5	SBP Rate + 2.00%	593,798	20	6/Apr/28
Samba Bank Limited - Tranche 6	SBP Rate + 2.00%	747,000	20	28/Jun/28
Demand Finance:				
National Bank of Pakistan - Tranche 1	3 Month kibar + 1.5%	744,990	29	23/Nov/23
Habib Bank Limited	3 Month kibar + 1.5%	4,895,390	24	31/Dec/25
Pak Brunei Investment Company Limited - Tranche 1	1 Month kibar + 2.5%	858,000	16	18/Jun/26
Pak Brunei Investment Company Limited - Tranche 2	1 Month kibar + 2.5%	4,657,250	16	25/May/26
Askari Bank Limited - Tranche 1	3 Month kibar+2%	3,492,040	20	20/Aug/28
Askari Bank Limited - Tranche 2	3 Month kibar+2%	1,223,360	20	4/Jun/28
Samba Bank Limited - Tranche 3	3 Month kibar + 2.5%	473,850	20	23/Apr/28
Samba Bank Limited - Tranche 4	3 Month kibar + 2.5%	1,820,000	18	5/Mar/26
Samba Bank Limited - Tranche 5	3 Month kibar + 2.5%	400,000	20	24/Mar/28
Samba Bank Limited - Tranche 6	3 Month kibar + 2.5%	100,900	20	6/Apr/28
Samba Bank Limited - Tranche 7	3 Month kibar + 2.5%	160,000	20	24/Mar/28
Samba Bank Limited - Tranche 8	3 Month kibar + 2.5%	3,346,875	12	8/Dec/25
Samba Bank Limited - Tranche 9	3 Month kibar + 2.5%	1,634,000	12	16/Dec/25

21.1.1 These loans are secured against first exclusive charge of Rs. 1,952 million over specific fixed assets, first joint pari passu charge of Rs.14,310 million over fixed asset of the company and personal guarantees of all sponsoring Directors of Company. Payments are to be made in monthly and quarterly equal installments.

21.2 This represents loan of Rs. 407.7 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. 543.6 million. It carries mark-up at SBP rate plus 2%~3% per annum. The loan is repayable in equal quarterly installments commencing January 01, 2021 and ending October 01, 2022 and the securities are same as mentioned in 21.1.1 above. The four tranches of loan were initially recognized at amortized cost and the difference between cash received and present value of cash outflows upon initial recognition has been recognized as deferred grant.

21.3 This represents rated, secured, privately placed Term Finance Certificates (TFCs) having face value of Rs. 100,000/- each issued by the Company to various parties for a period of 5 years inclusive of 1 year grace period, will be utilized for Company's expansion in garment and knitting segments by addition of new production facilities. These carry markup at the rate of 3 months KIBOR plus 225 bps payable quarterly and are redeemable in 8 equal installments at the end of 18, 24, 30, 36, 42, 48, 54 and 60 month. These are secured by way of 1st JPP charge over fixed assets of the Company amounting to PKR 2,000 million and personal guarantees along with personal net worth of the directors of the Company.

Implementation of plans

The Company has raised Rs. 1500,000,000 through issue of Term Finance Certificates (TFCs) for expansion in garment and knitting segments by addition of new production facilities. During the year, the Company has fully utilized the amount on relevant infrastructure and machinery as mentioned in offering document. The said segments are not available for intended use till the reporting date.

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

21.5 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.

21.6 Islamic finance facilities

The Company has been sanctioned credit limit of Rs. 150 million under SBP ILTFF EOP scheme. The amount remained undisbursed till the reporting date. The loan is repayable within the tenor of 7 years including 2 years grace period, profit rate of SBP plus 2% p.a. The loan is secured against same charges as mentioned in note 21.1.1 above.

22. LEASE LIABILITIES

Note	2021 Rupees	2020 Rupees
Present value of lease payments	192,157,175	162,917,469
Less: Current portion shown under current liabilities	(99,233,511)	(98,168,042)
	92,923,664	64,749,427

Lease payments	Finance cost for future years	Present value of lease payments
----------------	-------------------------------	---------------------------------

----- Rupees -----		
2021		
Not later than one year	115,825,569	(16,592,058)
Later than one year but not later than five years	100,972,361	(8,048,697)
	216,797,930	(24,640,755)

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)
	184,051,687	(21,134,218)

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

Note	2021 Rupees	2020 Rupees
As at 01 July	162,917,469	211,885,605
Additions	192,308,952	56,149,852
Accretion of interest	22,258,592	24,472,605
Payments	(185,327,838)	(129,590,593)
	192,157,175	162,917,469

22.1 Breakup of outstanding lease liabilities arrangements:

Conventional financing	72,029,827	119,090,180
Islamic financing	120,127,348	43,827,289
	192,157,175	162,917,469

The Company has entered into 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.100 million (2020: 140 million) over plant and machinery of the Company (included in aggregated securities mentioned in note 21.1.1), post-dated cheques to Askari Leasing Company, Primus Leasing Limited, First Habib Modaraba, Orix Modarba 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 3% to 4.25% per annum (2020: 3 to 6 months KIBOR plus 2.4% to 4% per annum). The purchase option is available to the Company on payment/surrender of deposit along with last installment.

23. LONG TERM DEPOSITS

Long term deposits	102,904,772	91,482,033
Less: Current portion shown under current liabilities	(50,905,286)	(36,472,098)
	51,999,486	55,009,935

23.1 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.

24. DEFERRED LIABILITIES

Deferred tax liabilities	24.1	53,054,118	29,224,271
Deferred grant	24.2	1,899,155	6,824,769
		54,953,273	36,049,040

24.1 Deferred tax liabilities

The liability for deferred taxation comprises temporary differences relating to:

Taxable temporary differences on unrealized export debtors	53,054,118	29,224,271
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	Note	2021 Rupees	2020 Rupees
24.2 Movement in deferred grant			
Opening balance		16,752,842	-
Government grant recognized		30,644,354	17,269,018
For the year amortization		(28,676,278)	(516,176)
		18,720,918	16,752,842
Current portion of deferred income		(16,821,763)	(9,928,073)
		1,899,155	6,824,769
25. TRADE AND OTHER PAYABLES			
Trade creditors		4,322,680,812	2,498,416,510
Accrued liabilities		324,008,175	211,099,680
Commission payables		26,669,422	29,071,239
Employees provident fund payable	25.1	45,355,148	42,856,977
Workers' profit participation fund	25.2	95,328,716	26,709,773
Workers' welfare fund		29,242,243	-
Withholding tax payable		17,037,189	4,238,340
		4,860,321,705	2,812,392,519
25.1	This carries markup at 3 months KIBOR plus 4% (2020: 3 months KIBOR plus 4%).		
25.2 Workers' profit participation fund			
Balance as on July 01		26,709,773	81,299,999
Allocation for the year		94,336,978	23,122,772
Interest on funds utilized in Company's business		991,738	3,587,001
		122,038,489	108,009,772
Less: Payments during the year		(26,709,773)	(81,299,999)
Balance as on June 30		95,328,716	26,709,773
26. CONTRACT LIABILITIES		235,964,784	77,769,100
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 Holdings amounting to Rs. Nil (2020: 27.70 million).			
27. INTEREST ACCRUED ON LOANS- SECURED			
Long term financing		89,632,626	34,076,904
Short term borrowings		81,614,477	83,232,974
		171,247,103	117,309,878
28. SHORT TERM BORROWINGS			
Financial institutions - secured			
Export refinance facilities	28.2	5,988,400,004	5,049,500,005
Short term running finance	28.3	60,908,814	62,664,807
Other short term finance	28.4	4,482,802,596	2,891,032,639
		10,532,111,414	8,003,197,451
28.1	These loans are secured against first Joint Pari Passu charge of PKR 14,310 million over fixed assets and PKR 5,742 million over current assets of the Company. The additional security against these loans are lien on import and export documents and personal guarantees of all Directors of the Company. Available limits and pricing are as under:		
28.2 Export refinance facilities			
		Limit	Pricing
Total sanctioned limit amounting to Rs. 6,646 million including Islamic mode of financing limit Rs. 650 million and total available limit is Rs. 658 million including Islamic mode of financing limit Rs. 400 million.			At the rate of SBP tariff plus 1% p.a. (2020: SBP tariff plus 1% p.a.)
28.3 Short term running finance			
		Limit	Pricing
Sanctioned limit amounting to Rs. 65 million and available limit is Rs. 3 million.			At the rate of 3 months KIBOR plus 1.5% to 1.75% (2020: 1 month KIBOR to 3 months plus 1.25% to 2.5%) p.a.

28.4 Other short term finance

	Limit	Pricing
Total sanctioned limit amounting to Rs. 5,224 million including Islamic mode of financing limit Rs. 450 million and total available limit is Rs. 586 million including Islamic mode of financing limit Rs. 150 million.		At the rate of 1 month KIBOR to 3 months plus 1.25% to 2.5% (2020: 1 month KIBOR to 3 months plus 1.25% to 1.75%) p.a.

	Note	2021 Rupees	2020 Rupees
29. CURRENT PORTION OF NON CURRENT LIABILITIES			
Long term financing	21	711,445,757	374,764,875
Lease liabilities	22	99,233,511	98,168,042
Long term deposits	23	50,905,286	36,472,098
Deferred grant	24	16,821,763	9,928,073
		878,406,317	519,333,088

30. CONTINGENCIES AND COMMITMENTS

30.1 Contingencies

30.1.1 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.

30.1.2 The Company along with other companies has filed a writ petition against Federation of Pakistan in the Lahore High Court. The writ petition relates to the amendment brought about in the minimum wages for Unskilled Workers Ordinance, 1969, 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.

30.2 Commitments

30.2.1 Under letters of credit for:

	2021 Rupees	2020 Rupees
Raw material	1,676,607,284	95,201,196
Stores and spares	141,548,013	93,128,129
Capital expenditures	2,789,768,593	6,444,124
	4,607,923,890	194,773,449

30.2.2 Against civil contracts

-Capital work in progress	986,754,857	860,666,460
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30.2.3 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	159,639,400
- Faisalabad Electricity Supply Company for supply of electricity	9,286,300	9,286,300
- Collector of customs Karachi for infrastructure cess	993,500	993,500
	169,919,200	169,919,200

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

	4,341,521,179	1,429,477,786
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31. REVENUE FROM CONTRACTS WITH CUSTOMERS - NET	Note	2021	2020
		Rupees	Rupees
Export sales		32,550,427,063	20,193,808,796
Local sales:			
Processing receipts		141,982,003	86,965,763
Waste sale		521,169,360	255,733,746
		663,151,363	342,699,509
Gross sales	31.1	33,213,578,426	20,536,508,305
Less:			
Sales tax		(96,355,341)	(49,793,152)
Sales discount		(148,251,432)	(111,529,222)
		(244,606,773)	(161,322,374)
		32,968,971,653	20,375,185,931

31.1 Segment wise disaggregation of the Company's revenue from contracts with customers is as follows.

Segments

Export Sales:

Sale of made-ups	29,199,393,506	19,218,509,697
Sale of fabric	25,085,335	129,653,174
Sale of garments	987,251,179	845,645,925
Sale of knitwear	2,338,697,043	-
	31.1.1	32,550,427,063

Local Sales:

Processing services	141,982,003	86,965,763
Waste sales	521,169,360	255,733,746
	663,151,363	342,699,509

Total revenue from contracts with customers

	33,213,578,426	20,536,508,305
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The Company's revenue from external customers by geographical locations include UK, Australia, Spain, Belgium, U.S.A, France, New Zealand, Sweden, Germany, Italy, Hong Kong, Malaysia, Kuwait, Brazil, Ireland, Poland, U.A.E, Senegal, Canada, Finland and Norway etc.

31.1.1 Product wise disaggregation of the Company's export revenue from contracts with customers is as follows.

2021			
Products	Quantity	Average Rate Rupees	Amount Rupees
Major Products			
Duvet set	7,759,526	1,134	8,797,409,941
Fitted sheet	10,778,870	486	5,242,347,048
Duvet cover set	4,797,083	1,065	5,109,852,302
Quilt cover set	1,057,132	1,316	1,390,722,728
Sub total	24,392,611	842	20,540,332,019
Other products	22,353,003	537	12,010,095,044
Grand total	46,745,614	696	32,550,427,063

2020			
Products	Quantity	Average Rate Rupees	Amount Rupees
Major Products			
Duvet set	4,570,046	1,094	4,999,630,324
Fitted sheet	8,696,100	483	4,200,216,300
Duvet cover set	2,666,673	1,035	2,760,006,555
Quilt cover set	754,346	1,457	1,099,082,122
Sub total	16,687,165	783	13,058,935,301
Other products	19,007,286	375	7,134,384,800
Grand total	35,694,451	566	20,193,320,101

31.21 This includes discount to following related parties:

	2021 Rupees	2020 Rupees
Sadaqat Global Limited - UK	324,845	340,831
Sleepworld International LLC	167,793	358,194
	492,638	699,025

31.31 Performance obligation

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.

32. COST OF REVENUE

	Note	2021 Rupees	2020 Rupees
Raw material consumed	32.1	18,522,490,757	11,740,785,588
Stores and spares consumed	32.2	4,019,958,239	2,586,270,910
Salaries, wages and other benefits	32.3	2,398,211,019	1,546,559,533
Fuel and power		1,102,266,305	887,183,777
Conversion and processing charges		1,538,698,149	647,886,289
Folding and packing		-	710,036
Freight expenses		221,060,255	68,632,458
Loading and handling charges		96,575,156	80,300,841
Repair and maintenance		176,151,525	96,772,166
Insurance		76,201,453	36,416,523
Depreciation	5.1.1	1,095,279,163	642,412,748
		29,246,892,021	18,333,930,869

Work in process

Opening balance	1,910,967,440	1,494,303,938
Closing balance	(3,571,964,735)	(1,910,967,440)
	(1,660,997,295)	(416,663,502)

Cost of goods manufactured

Finished goods		
Opening balance	1,720,330,726	999,265,558
Closing balance	(1,654,035,983)	(1,720,330,726)
	66,294,743	(721,065,168)

	27,652,189,469	17,196,202,199
Rebate and duty drawback	(1,268,577,449)	(468,259,978)
	26,383,612,020	16,727,942,221

32.1 Raw material consumed

Opening inventory	1,045,338,316	1,594,171,305
Purchases during the year	18,861,464,620	11,191,952,599
	19,906,802,936	12,786,123,904
Closing inventory	(1,384,312,179)	(1,045,338,316)
	18,522,490,757	11,740,785,588

32.2 Stores and spares consumed

Opening inventory	485,687,346	388,888,584
Purchases during the year	4,372,474,039	2,683,069,672
	4,858,161,385	3,071,958,256
Closing inventory	(838,203,146)	(485,687,346)
	4,019,958,239	2,586,270,910

32.3 This include Rs. 98.79 million (2020: Rs. 69.7 million) in respect of provident fund contribution.

33. SELLING AND DISTRIBUTION EXPENSES

Staff salaries and benefits	33.1	176,585,267	121,707,940
Sea and air freight		240,114,501	77,518,568
Clearing and forwarding		322,732,038	237,998,484
Freight and octroi		147,677,531	60,515,929
Advertisement		739,814	416,010
Sales promotion expenses		33,651,977	77,913,294
Selling commission		1,212,229,743	339,758,822
Export development surcharge		74,951,189	56,083,076
Claims and damages		9,825,127	51,300,446
		2,218,507,187	1,023,212,569

33.1 This includes Rs. 8.75 million (2020: Rs. 5.8 million) in respect of provident fund contribution.

	Note	2021 Rupees	2020 Rupees
34. ADMINISTRATIVE EXPENSES			
Directors' remuneration		131,600,000	104,085,344
Staff salaries and benefits	34.1	472,745,439	348,431,520
Postage and telecommunication		167,442,654	118,553,653
Utilities		265,254,327	163,496,327
Printing and stationery		33,260,242	14,724,011
Vehicle running and maintenance		14,003,892	43,497,937
Travelling and conveyance		90,156,358	57,646,428
Fee and subscription		12,842,102	14,597,618
Legal and professional		1,740,501	6,915,517
Entertainment		12,307,178	21,726,722
Repairs and maintenance		14,067,801	11,764,608
Auditors' remuneration	34.2	2,859,524	3,200,000
Insurance		11,140,659	14,419,070
Depreciation	5.1.1	130,825,464	101,483,286
Zakat		5,635,367	6,534,500
Others		31,323,631	37,032,595
		1,397,205,139	1,068,109,136
34.1	Salaries and other benefits include Rs. 17.51 million (2020: Rs. 12.6 million) in respect of employees' provident fund and Rs. 2.30 million (2020: Rs. 1.95 million) in respect of cost of hiring, training & development of human resource.		
34.2 Auditors' remuneration			
Statutory audit fee		2,250,000	2,100,000
Half year audit fee		-	825,000
Other services		309,524	-
Out of pocket expenses		300,000	275,000
		2,859,524	3,200,000
35. OTHER OPERATING EXPENSES			
Provision for workers' profit participation Fund		94,336,978	23,122,772
Provision for workers' welfare fund		29,242,243	-
Charity and donations	35.1	3,881,078	8,726,167
Unrealized exchange loss on derivative financial instrument		-	10,843,478
Social compliance expenses		6,204,249	4,561,554
Exchange loss- net		267,762,623	-
Allowance for expected credit losses		10,308,720	-
Provision for doubtful recoveries		12,442,697	5,436,856
		424,178,588	52,690,827
35.1	Name of donees to which donation has been made:		
Name of Donee:			
Anjuman-E-Islamia (Regd.) Faisalabad		79,500	150,000
Chiniot Blood Bank and Dialysis Centre		1,350,000	1,110,000
Patient Welfare Society		180,000	180,000
Pakistan Textile Exporters Associations (PTEA)		750,000	500,000
Lahore University of Managements Sciences (LUMS)		-	820,000
Quaid e Azam International Hospital		-	460,000
Lahore Institute of Health Science (LIHS)		-	1,000,000
Islamia Hospital		395,000	-
Others		1,126,578	4,506,167
		3,881,078	8,726,167
35.2	No Directors or their spouses have any interest in the donee.		

	2021 Rupees	2020 Rupees
36. OTHER INCOME		
Income from financial assets		
Exchange gain- net	-	157,830,969
Profit on saving accounts	9,480	157,815
	9,480	157,988,784
Income from non-financial assets		
Gain on disposal of operating fixed assets	3,086,323	1,585,506
	3,095,803	159,574,290
37. FINANCE COST		
Mark-up on:		
Long term financing	121,755,947	104,347,178
Short term borrowings	446,532,889	618,691,595
	568,288,836	723,038,773
Interest on workers' profit participation fund	991,738	3,587,001
Interest on loan from Employees' Provident Fund Trust	15,227,059	28,813,116
Lease finance charges	22,258,592	24,472,605
Bank charges and commission	179,629,703	164,422,689
	218,107,092	221,295,411
	786,395,928	944,334,184
38. TAXATION		
Current tax		
-for the year	305,468,854	227,185,322
-prior year	-	(503,624)
	305,468,854	226,681,698
Deferred tax		
Deferred tax relating to the origination and reversal of temporary differences	23,829,847	(19,709,878)
	329,298,701	206,971,820
38.1	The relationship between tax expense and accounting profit has not been presented in these financial statements as almost all income of the Company falls under the ambit of final tax regime under section 169 and 154 of the Income Tax Ordinance, 2001. Provision for taxation is made accordingly.	
39. EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year (Rupees)	1,432,869,893	511,499,464
Weighted average number of ordinary shares (Numbers)	240,000,000	240,000,000
Add: Bonus shares issued (Numbers)	6,000,000	6,000,000
	246,000,000	246,000,000
Earnings per share - basic and diluted (Rupees)	5.82	2.08
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.		
39.1	During the year Company has issued bonus shares. In accordance of the requirement of IAS 33 'Earnings per share' the number of ordinary shares outstanding last year has been adjusted as if the event had occurred at the beginning of the year. Therefore, earnings per share has been restated accordingly.	

40. RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM

	Balance as on July 01, 2020	Non Cash Changes	Cash Flows	Balance as on June 30, 2021
----- Rupees -----				
Long term financing	2,394,141,417	(1,968,076)	1,997,300,968	4,389,474,309
Lease liabilities	162,917,469	214,567,544	(185,327,838)	192,157,175
Short term borrowings	8,003,197,451	-	2,528,913,963	10,532,111,414
Issued, subscribed and paid up capital	2,400,000,000	60,000,000	-	2,460,000,000
Directors' loan	-	-	57,500,000	57,500,000
	12,960,256,337	272,599,468	4,398,387,093	17,631,242,898

41. REMUNERATION TO CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	2021			2020		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
----- Rupees -----						
Managerial remuneration	16,000,000	71,600,000	238,622,479	15,332,490	53,997,030	131,587,922
Provident fund	-	-	17,434,433	-	-	8,329,895
Directorship fee	-	200,000	-	-	-	-
House rent allowance	6,400,000	28,640,000	94,985,991	6,134,100	21,688,044	52,379,848
Utilities	1,600,000	7,160,000	22,544,483	1,533,410	5,400,270	12,432,113
Total	24,000,000	107,600,000	373,587,386	23,000,000	81,085,344	204,729,778
Number of persons	1	7	287	1	5	133

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 the related parties during the year are as follows:

Name	Nature of relationship	Nature of transaction	2021	2020
----- Rupees -----				
Sadaqat Global Limited	Common Directorship	Sales	9,090,733,765	4,274,803,386
		Commission and discount expense	559,489,585	186,533,302
KHAS Holdings	Director's Spouse	Sales	103,356,671	69,030,300
Jay Franco Europe Limited	Common Directorship	Sales	30,799,820	30,516,256
Sleepworld Australia (PTY) Limited	Common Directorship	Sales	48,897,645	28,761,692
		Commission expense	14,503,671	106,948
Sleepworld International LLC	Common Directorship	Sales	169,912,715	138,714,993
		Commission and discount expense	20,574,236	5,220,528
Employee's Provident Fund	Employee's Fund Scheme	Amount contributed	125,054,415	89,288,077
			10,163,322,524	4,822,975,482

42 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 1 QS, United Kingdom.

42 KHAS Holdings is incorporated in Pakistan. The registered office is situated at Arkay square, extension 1.1 chundrigar Road, Karachi, Pakistan.

42 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 1 QS.

42 Sleepworld Australia (PTY) Limited is incorporated in Australia. The registered office is situated at 4 Kerrins Ciurt Highton VIC Australia, 3216.

43 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, NY10016, USA.

43 Employee's provident fund is incorporated in Pakistan. The registered office is situated at 2-KM Sahianwala Road, Khurrianwala, Faisalabad, Pakistan.

43 KHAS Retails Limited (an associated company) is incorporated in Pakistan. The registered office is situated at 2-KM Sahianwala Road, Khurrianwala, Faisalabad, Pakistan. The basis of relationship is common directorship.

43 Category and distribution of Company's shareholders are as under:

A) Directors, Chief Executive Officer, Director's relatives including their children and spouse

Name	Status	%age	No. of shares	Value - Rupees
Mukhtar Ahmad	Sponsor/ Chief Executive Director	0.7270	1,788,243	17,882,430
Khurram Mukhtar	Sponsor / Director	14.6200	35,969,677	359,696,770
Hamid Mukhtar	Sponsor / Director	24.6200	60,569,677	605,696,770
Awais Mukhtar	Sponsor / Director	24.6200	60,569,677	605,696,770
Shoaib Mukhtar	Sponsor / Director	24.6200	60,569,677	605,696,770
Rukhsana Mukhtar	Member	0.7850	1,931,001	19,310,010
Hamza Mukhtar	Member	10.0000	24,601,022	246,010,220
Ahmad Mukhtar	Member	0.0042	1,022	10,220
Syed Ahmad Ashraf	Independent directors	0.0000008	2	20
Maleeha Humayun Bangash	Independent directors	0.0000008	2	20
		100	246,000,000	2,460,000,000

B) General public

Local	-	-	-	-
Foreign	-	-	-	-
	100	246,000,000	2,460,000,000	

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 2017 and the rules formulated for this purpose. The salient information of the fund is as

Note	2021 Rupees Un-audited	2020 Rupees Un-audited
Size of the fund (net assets)	454,169,905	332,222,268
Cost of investment made (actual investments)	152,602,388	217,363,425
Percentage of investments made (cost of investments)	34%	65%
Fair value of investments	159,722,774	221,196,142

43.1 Breakup of Investments (actual)

	2021		2020	
	Investments Rs.	% of fund	Investments Rs.	% of fund
UBL Asset Allocation Fund	433,287	1%	380,940	0%
Faysal Savings Growth Fund	365,936	0%	365,936	0%
NAFA Income Opportunity Fund	883,964	0%	819,829	0%
Pak Libya Holding Company Pvt Ltd	101,638,242	22%	-	0%
Alfalah GHP Money Market Fund	1,091,358	0%	41,021,328	12%
UBL Liquidity Plus Fund	1,149,342	0%	21,074,437	6%
UBL Growth Fund	50,000,000	11%	441,414	0%
HBL Term Finance (Tier 1)	1,227,000	0%	50,000,000	15%
Due from the Company	-	0%	42,856,977	13%
Faysal Income and Growth Fund	896,245	0%	55,011	0%
NAFA Govt Securities Liquid Fund	572,707	0%	212,115	0%
HBL Govt Securities Fund	407,391	0%	273,323	0%
HBL Cash Fund	55,011	0%	15,935,186	5%
Meezan Rozana Amdani Fund	225,716	0%	11,341,637	3%
JS Cash Fund (Js Investment)	287,260	0%	11,035,677	3%
NBP Islamic Daily Dividend Fund-Niddf	489,315	0%	25,382,332	8%
	159,722,774	35%	221,196,142	67%

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.

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 %	2021	2020
		Rupees	Rupees
Foreign debtors/ (Foreign creditors) - USD	+1	289,814,566	15,241,032
	-1	(289,814,566)	(15,241,032)
Foreign debtors/ (Foreign creditors) - EURO	+1	21,781,220	284,736
	-1	(21,781,220)	(284,736)
Foreign debtors/ (Foreign creditors) - GBP	+1	177,819,706	1,112,490
	-1	(177,819,706)	(1,112,490)
Foreign debtors/ (Foreign creditors) - Yuan	+1	(17,870,230)	(324,592)
	-1	17,870,230	324,592

The following significant exchange rates were applied during the year:

Currency	2021		2020	
	Average Rate	Reporting Date Rate	Average Rate	Reporting Date Rate
	-----Rupees-----		-----Rupees-----	
US Dollar	162.80	157.54	164.28	168.05
Euro	187.94	187.27	185.56	188.61
Great British Pound	212.24	217.98	204.95	206.5
Chinese Yuan	24.08	24.39	23.81	23.76

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:

	2021	2020
	Rupees	Rupees
Floating rate instruments:		
Financial Liabilities		
Lease liabilities	192,157,175	162,917,469
Long term financing	569,557,703	332,130,854
Short term borrowings	10,532,111,414	8,003,197,451
	11,293,826,292	8,498,245,774
Fixed rate instruments:		
Financial Liabilities		
Long term financing	3,819,916,606	2,062,010,563
Financial Assets		
Balance with banks in saving accounts	178,425	170,366

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 (Rs)
Floating interest rate:			
Financial Liabilities	2021	+1	64,119,029
		-1	(64,119,029)
	2020	+1	84,982,458
		-1	(84,982,458)
Financial Assets	2021	+1	3,318
		-1	(3,318)
	2020	+1	55,445
		-1	(55,445)

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:

	2021	2020
	Rupees	Rupees
Long term deposits	41,515,367	39,876,367
Trade debts	5,613,913,799	2,935,487,421
Trade deposits	25,381,723	10,835,388
Loans to employees	29,327,145	23,929,775
Other receivables	21,213,822	274,960,943
Bank balances	99,716,649	405,980,676
	5,831,068,505	3,691,070,570

The aging of trade debts at reporting date is:

	2021	2020
Age analysis of trade debts:		
0 to 3 Months (0 - 90 days)	4,667,522,963	2,077,160,870
4 to 6 Months (91 - 180 days)	717,364,438	599,072,954
7-12 Months	218,717,679	174,936,729
Over 12 Months	10,308,720	144,739,002
	5,613,913,799	2,995,909,555

46. PLANT CAPACITY AND ACTUAL PRODUCTION	2021	2020
Processing		
Installed capacity for the year (in meters)	78,500,000	78,500,000
Capacity utilized for the year (in meters)	70,650,000	67,735,237
Number of shifts worked per day	3	3
Knitting Conversion		
Installed capacity for the year (in kgs)	3,640,000	3,640,000
Capacity utilized for the year (in kgs)	3,467,500	764,777
Number of shifts worked per day	3	3
Knitting Processing		
Installed capacity for the year (in kgs)	6,205,000	3,640,000
Capacity utilized for the year (in meters)	2,482,000	1,022,492
Number of shifts worked per day	3	3
Stitching and garments units		
The capacity of these units is indeterminable due to multi product plans 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.

47. NUMBER OF EMPLOYEES	2021	2020
Number of employees at the end of the year	8,792	6,910
Average number of employees during the year	7,851	6,525

48. CORRESPONDING FIGURES

48.1 Corresponding figures have been re-arranged or reclassified wherever necessary, for better and fair presentation. During the year following reclassification has been made;

Particulars	From	To	Rupees
Deposit under collection accounts	Trade deposits and short term prepayments	Cash and bank balances	117,851
Deposit under debt repayment accounts	Trade deposits and short term prepayments	Cash and bank balances	52,515
Margin against letter of guarantee	Long term deposits-'Security deposits'	Long term deposits-'Margin against letter of guarantee'	2,980,000
Other security deposits	Long term deposits-'Margin against letter of guarantee'	Long term deposits-'Other security deposits'	150,000
Security deposits	Long term deposits-'Other security deposits'	Long term deposits-'Security deposits'	328,969
Selling commission	Revenue from contract with customers - net	Selling and distribution expenses	339,758,822

48.2 Following nomenclature has been changed during the year

Previous year nomenclature

Advances- unsecured

Current year nomenclature

Loans and advances

49. GENERAL

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

50. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Company on 25 SEP 2021

[Signature]

[Signature]
CHIEF EXECUTIVE OFFICER

[Signature]
DIRECTOR

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that Annual General Meeting of Members of Sadaqat Limited will be held on October 28, 2021 at 11:00 A.M at the Registered Office, 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 27, 2020.
2. To receive, consider and adopt the audited Financial Statements together with the Directors and Auditors' Report thereon for the year ended June 30, 2021.
3. To appoint External Auditors of the Company for the year ending June 30, 2022 and to fix their remuneration.
4. To consider and approve the dividend on the ordinary shares of the Company for the year ended June 30, 2021.
5. To transact any other business with the permission of the Chair

By Order of the Board


Basharat Hashmi
Company Secretary

Faisalabad
October 6, 2021

NOTES

1. Book Closure

The share transfer books of the Company will remain closed from October 22, 2021 to October 28, 2021 (both days inclusive). Transfers received, in order, at the office of our Share Registrar M/s. CDC Share Registrar Services Ltd, CDC House, 99-B, S.M.C.H. Society, Main Shahrah-e-Faisal, Karachi at the close of business on October 21, 2021 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 person 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.

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 34th Annual General Meeting of the Company to be held on Thursday, October 28, 2021 at 11:00 am and at any adjournment thereof.

Signature this _____ day of _____, 2021

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 on Five
Rupee Revenue Stamp

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

Note:

1. 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 _____
_____ بحیثیت رکن صداقت لمیٹڈ اور حامل
عام حصص، برطابق شیئر رجسٹرڈ فولیو/سی ڈی سی شراکتی آئی ڈی نمبر
اور ذیلی کھاتہ نمبر _____ مسمیٰ/مسماة _____ ساکن
فولیو/سی ڈی سی شراکتی آئی ڈی نمبر _____ اور ذیلی کھاتہ نمبر
_____ یا بصورت دیگر مسمیٰ/مسماة _____ ساکن
فولیو/سی ڈی سی شراکتی آئی ڈی نمبر _____ اور ذیلی کھاتہ نمبر

کواپنی جگہ بروز جمعرات 28 اکتوبر 2021، بوقت 11 بجے صبح منعقد یا ملتوی ہونے والے کینی کے 34 سالانہ اجلاس عام میں رائے دہندگی کے لئے اپنا نمائندہ (پراسی) مقرر کرتا/کرتی ہوں۔

مورخہ _____ 2021

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 چاہیے۔ نمائندے کو کمپنی کارکن 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 REPORT

It takes a purpose-driven company to deliver on economic, social, and environmental extents. This report shares how our purpose ties to our sustainability focus areas, and the daily work of delivering on our sustainability commitments. For each of Sadaqat Limited's priorities – environment with a focus on climate, social with a focus on talent and diversity and inclusion, and economic with a focus on uplifting the people – we walk through what actions we have taken and why, and share plans where we see room to grow. Within each focus area, we have clear priorities. We have carefully chosen these priorities to deliver on a specific outcome: integrate sustainable practice into our business thinking through strong leadership to deliver long-term value creation. This report is prepared per International Integrated Reporting Council (IIRC) Integrated Reporting <IR> framework and Global Reporting Initiative (GRI) GRI Standards: Core option. We believe that organizations that understand their ESG risks and proactively incorporate them into their holistic business strategy are well positioned for success, sustainability, and future growth. Sadaqat Limited is committed to continuous improvement in our ESG disclosure practices and looks forward to demonstrating our ongoing dedication to our mission to deliver smart, sustainable solutions that empower our customers to make the most of life's essential resources.

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 the fuel used in company vehicles.

Reporting Period

The report is produced and published annually. The 2021 report covers the period 1st July 2020 to 30th June 2021. Additional prior-year data is supplemented to FY-2021 information where applicable to provide a more complete picture of progress to date.

Reporting Cycle:

This is the sixth annual Sustainability Report of Sadaqat Limited and the Company aims to achieve sustainable development by adopting the business strategies that protect, sustain, and enhance the human and natural resources that will be needed in the future.

Most Recent Report:

The most recent report issued by Sadaqat Limited was the Sustainability Report of FY-2020.

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 an 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 the significant impact of our activities on the economy, environment, and society are included in this report.

Topic Boundaries

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

External Assurance:

An Independent Review of this report was conducted by KPMG Taseer Hadi & Co., following 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.

Contact Persons

Mr. Mohammad Iqbal Ghori
Director - Finance & Strategy

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Sahianwala Road, Khurrianwala,
Faisalabad-Pakistan.
Email: iqbal.ghori@sadaqatgroup.net

Mr. Osman Mukhtar
GM Compliance & Sustainability

Sadaqat Limited
Sahianwala Road, Khurrianwala,
Faisalabad-Pakistan.
Email: osman.mukhtar@sadaqatgroup.net

VALUE THROUGH SUPPLY CHAIN

The sourcing of goods and services can have a significant impact across all areas of ESG risk. We pursue sustainable supply chain management as a key element of our strategy to mitigate risk across the value chain, amplifying the impact of our sustainability strategy and the value we bring to our stakeholders. It is our expectation for all suppliers to uphold desired standards for environmental compliance, effective human and social programs, and complete legal and ethical compliance as well as trade compliance.

Supply chain resilience and innovation were critical to our performance throughout the year. Similarly, we recognize the importance of these relationships to help us advance the energy transition, reduce emissions, build ethical supply chains, and promote diversity, equity, and inclusion in the global business community. Sadaqat Limited is part of a global supply chain, and we source materials from local as well as global suppliers. In addition to managing our corporate responsibility performance, we also have a desire to ensure that the suppliers we work with adhering to high standards. Our Supplier Evaluation Program is intended to set standards and monitor compliance with high standards of HSE performance, ethics, compliance, and respect for human rights.

As a part of the Supplier Evaluation Program, all our suppliers are screened and assessed for social risks. We ensure that integrity and compliance are foundational elements of our culture. Our suppliers are required to hold their suppliers to equivalent standards. Our enterprise-wide ethics and compliance program is designed to prevent, detect, and appropriately respond to any potential violations of the law or company policies, and this program applies to our suppliers. We will continue to enhance our supplier social responsibility frameworks in the coming year, through the addition of new programs addressing supply chain labor and emissions reporting.

An important lesson we have learned over the years is that we can only succeed at scale when we align our sustainability ambitions with our commercial plans. Sadaqat Limited makes part of the 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 to respond promptly to the requirements and simultaneously strengthen local economies. The Company's purchases comprise 88% from local and 12% from foreign suppliers. The Company imports machinery and equipment from international suppliers. Sadaqat Limited has paid 27.12 million to its suppliers in the financial year 2021.

Our supply chain has successfully supported the strong growth of our higher-margin brands through improvements across productivity, procurement, and systems, ensuring robust and reliable supply. . At Sadaqat Ltd, we address these challenges together with all parties involved - through close and concerted collaboration beyond company boundaries and national borders. 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, the UK, the USA, Asia, the Far East, the 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.

It is our goal to ensure responsible sourcing, including protecting biodiversity and ecosystems, maintaining freshwater availability, and minimizing carbon emissions across the supply chain. Our goal is to use as much plant-based renewable base material as possible, as this is essential to our low-carbon circular economy approach.

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

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

Supply Chain	Up Stream	Operations & Logistics	Down Stream
Process	Raw Material Sourcing (Vendors + Suppliers)	Manufacturing/ Production	Distribution of final product
Issues Apply	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

SUSTAINABILITY COMMITTEE



Osman Mukhtar
GM Compliance & Sustainability



Mohammad Asim
Head of Technical Department



Asim Ali
AGM Finance



Rao Tahmoor Naeem
DM Finance

Vision

To act as a catalyst in embracing change towards developing a 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 assimilate our sustainability commitments with the vision and mission of the company.

Responsibilities of Committees

- i. To define critical success factors of sustainable growth, disseminate departmental targets, and set KPIs to monitor sustainability performance.
- ii. To foster and propose partnerships to accelerate and promote the adoption of sustainable practices by stakeholders including suppliers, customers, and neighborhood community.
- iii. To suggest and propose innovative technologies that curtail wastage of resources and help in advancing towards sustainability goals of the Company.
- iv. 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.
- v. To set agenda and arrange meetings to engage stakeholders to determine priority areas for reporting in sustainability reports and addressing stakeholders' concerns guiding to sustainable activities.
- vi. To evaluate the effectiveness of the management approach on a time to time basis while ensuring the implementation of suggested changes in the management approach.

EXTERNAL INITIATIVES AND MEMBERSHIP OF ASSOCIATION

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

Product Stewardship



Social Stewardship



Ecological Stewardship



ECONOMIC PERFORMANCE

Management Approach

Sadaqat Limited's performance is guided by its vision, values, and the brand promise of Cultivating Growth, which underpins everything that the Company does. Sadaqat Limited recognizes that its operations and activities have an economic impact, at both the local and national levels, and is committed to sustainable growth and value creation for all stakeholders. Economic performance is, thereby, a key driver of the Company's aspirations, goals, strategy, and operations, and is proactively managed accordingly by a relevant stakeholder across the organizational hierarchy. We continued to embed and synchronize our motto "Adding quality to life" into our routine operations.

Fast pace technological changes, depressed economic growth, and work from home in the wake of COVID-19 have affected the dynamics of the job market. We leverage our periodic materiality assessments, which help us identify and prioritize those aspects of our business that have the greatest positive stakeholder impact. The indirect economic impacts are economic development around factory sites, skill enhancement in the textile industry, investment in infrastructure projects, and provision of support for health and education. Understanding and responding to changes, characterized by a responsive way of working, enables Sadaqat Limited to continually adapt its approach toward tackling these issues.

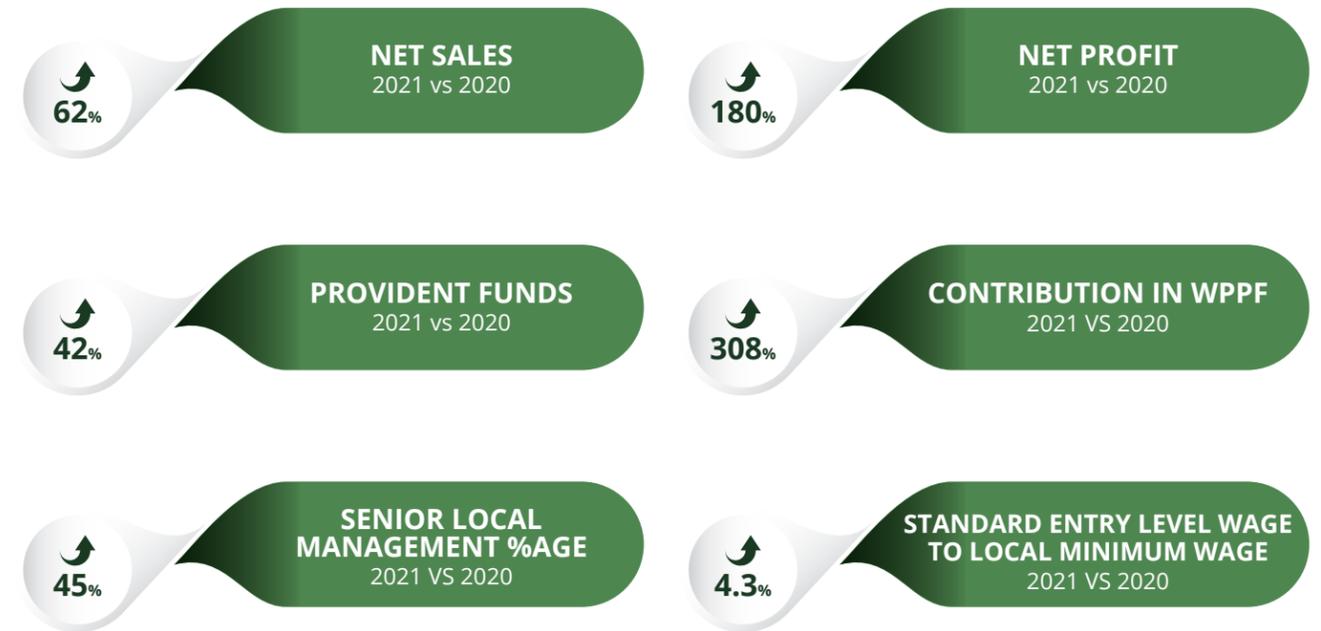
The process of determination of material topics and their boundaries are defined in the stakeholder engagement section of this report. The major direct impacts include payments of taxes and duties to government bodies, investor payments, settlements with suppliers, and payments of salaries and benefits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

Our commitment to Sadaqat Limited's ambition to resolve the financial challenges of our changing world and to deliver value to our stakeholders remains fundamental. We recognize that for Sadaqat Limited to thrive, we must continue to strengthen our operational and investment resilience and continue our commitment to deliver long-term value while constantly considering our impact on the environment.

The overall responsibility of governing the organization, along with driving its economic performance, lies with the Board of Directors. The Chief Executive is the highest officer responsible for the economic impacts of the company.



KEY PERFORMANCE INDICATORS



Economic Performance

Our vision is to inspire change that can result in socio-economic development, and help those in need and Sadaqat Limited strives to improve the lives of people living in our communities. This material aspect is important for our organization as it shows how we contributed to the value creation of our stakeholders.

Employees are offered a defined contribution plan, i.e. provident fund, by the Company, where both the Company and employees contribute the same proportion of funds monthly which is 8.5% of basic salary. Sadaqat Limited contributed Rs. 125 million to provident fund plan during the year FY2021. 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 the minimum wage of employees in EOBI and allocated Rs. 95.3 million funds for WPPF purposes.

Sadaqat Limited being part of the 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 2020-21 Rs. 3.602 billion is payable by government and statutory authorities.

Description	2021	2020	2019	2018
Value Received	33,068	20,245	20,753	15,280
Value Shared				
Suppliers	27,117	16,380	16,729	11,979
Employees	3,179	2,121	1,785	1,555
Providers of Capital	786	944	639	441
Government	426	257	181	151
Community	127	32	87	72
TOTAL	31,636	19,733	19,421	14,198
Value Retained	1,433	511	1,333	1,081

Market Presence

Our Company's presence in the market has significant impacts in terms of employment and business opportunities provided. We have stringent policies in place to properly address this material aspect. We strongly abide by the employment regulation for minimum wage. We have kept on maintaining the ratio of average minimum entry-level wages compared to local minimum wages at well above the minimum wage level.

During FY 2021, the ratio of standard entry-level wage to the local minimum wage was 1.22 across all significant locations of operations. During FY 2021, the ratio of standard entry-level wage to the local minimum wage was 1.23:1 for males and 1.15:1 for female employees across all significant locations of operations. Khurrianwala Faisalabad is the only location of operation hence management has taken it as a significant location of operation while calculating the ratio.

We strictly follow the rules of merit and equal opportunity at the employment stage and no preference whatsoever is granted. Approximately 45% of senior management is hired from Faisalabad which the Company considers as its local community. The Company categorizes Senior Manager and above-ranked employees as its senior management.

Procurement Practices

Responsible sourcing is the right thing to do as a business, and it is a strategic objective for our organization. Sadaqat Limited has a long-standing commitment to Diversity and Inclusion which includes a diverse supply chain. Sadaqat Limited is continually looking to find more ways to support local suppliers. To stimulate the local economy, we focus on sourcing our raw materials from domestic suppliers.

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-2021.

Anti-Corruption

Engaging in corruption or bribery is not only illegal but can permanently damage a company's business relationships and workforce morale. Sadaqat Limited maintains zero tolerance for corruption of any kind, and we expect the same from our employees, contractors, and suppliers. We do not obtain a business advantage through bribery, improper payments, kickbacks, or any other illegal means. No employee or contractor may offer, pay, solicit or accept bribes in any form.

We communicate our anti-corruption policies and procedures with our employees through a code of conduct. We have developed a work environment where staff could safely and anonymously report known or suspected instances of fraud. Fighting successfully against corruption entails both a top-down and a bottom-up communication approach. We ensure the safety of whistle-blowers so that they can act anonymously without fear of unjust retribution. The entity has strong internal audit functions in place to review the operations 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 FY 2021. No incident of corruption was reported during the year.

SOCIAL PERFORMANCE

Management Approach

We are in the business of creating lifelong relationships, building a sustainable world for our customers, our people, and our communities. A shared belief in our mission inspires us to direct our passion, energy, and ingenuity into developing solutions that improve people's lives, homes, and businesses, engage our employees and help build value for our shareholders. We believe that we have an opportunity and a responsibility to work with governments and regulators to ensure that our society benefits from the positive impact of our networks and services.

We reaffirm our pledge to continue building inclusive workplaces and communities, continued diversity and inclusion programs, including mandatory training on inclusion for all. As our most important risk areas related to our employees, and particularly those in our manufacturing operations, our human rights commitment focuses on labor standards and the rights of our employees. We recognize that we have more to do to become truly representative of the communities in which we operate and to meet the expectations of our colleagues and customers. Our ambition is to create an inclusive and diverse environment across Sadaqat Limited. We believe this adds business value and helps create positive outcomes for colleagues, customers, and communities.

We leverage our purpose and commitment to social responsibility to attract, develop, and retain the diverse, specialized workforce at the heart of our business. That is why we strive to engage and train talent in the job skills of today and tomorrow. The Company's operations are mainly labor-intensive and Company employs more than 7,600 workers at its factory in Faisalabad. We are aware that a productive workplace and skilled workforce are integral for producing high-quality safe products and meeting customer expectations. Our Human Resource strategy focuses on attracting suitable people, providing them with a healthy environment, and training them so that they are enabled to successfully showcase their potential. The highest officer responsible for labor practices is General Manager Human Resources/Admin and Compliance. The Company has well-defined policies and procedures in place to ensure a productive and safe workplace for its workforce.

Sadaqat Limited is committed to making a tangible impact by supporting the communities where we live and work and encouraging our employees to engage actively in service projects. The sustainability committee analyzes the progress on social initiatives and reports to the higher governing body continuously. Sadaqat Limited has acquired the status of numerous certifications including WRAP and SA8000 for the development and maintenance of socially acceptable practices at the workplace.



KEY PERFORMANCE INDICATORS



Human and Work Place Rights

Respect is a core value for Sadaqat Limited. We are committed to respecting the rights of all people, including our employees, contractors and suppliers, community members, and others who potentially may be impacted by our business activities. We take this obligation seriously in all aspects of our business, and we expect the same of our business partners. The Sadaqat Limited's Code of Conduct, supported by a framework of policies and guidelines, sets forth the expectations that we do what is right and safe and considers the wellbeing of our people, customers, communities, and environment. Entity's activities, policies, and positive initiatives towards human rights adhere 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 to the Company's code of conduct by actively observing activities in their respective span of control. Breach of ethical codes can be brought to the consideration of Compliance and HR by emailing the event at the officially designated e-mail address.

Non-Discrimination

Our Human Rights Policy sets out our commitment to respect human rights, in line with international agreements and guidelines. Policy on anti-discrimination has been communicated to all employees through different communication channels like electronic media, display at prominent places, and 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 within the entity.

Freedom of Association and Collective Bargaining

We recognize and respect the rights of our employees, including rights to 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). There were no such incidents where the right to exercise freedom of association and collective bargaining by the worker may be at risk or violated.

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 2021. 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 was reported in Company operations.



Supplier Social Assessment

Our sustainable supply-chain framework consists of four core programs. As a part of the Supplier Social Responsibility Program, all our suppliers are screened and assessed for social risks. We ensure that integrity and compliance are foundational elements of our culture. Our suppliers are required to hold their suppliers to equivalent standards. Our enterprise-wide global ethics and compliance program is designed to prevent, detect, and appropriately respond to any potential violations of the law or company policies, and this program applies to our suppliers. The Company put every new supplier through a 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 the UNGC and the SDGs of the United Nation including Human rights, Health, and safety, environmental protection, etc.

Celebrations
with
Employees



CSR EVENTS

Independence Day of Pakistan



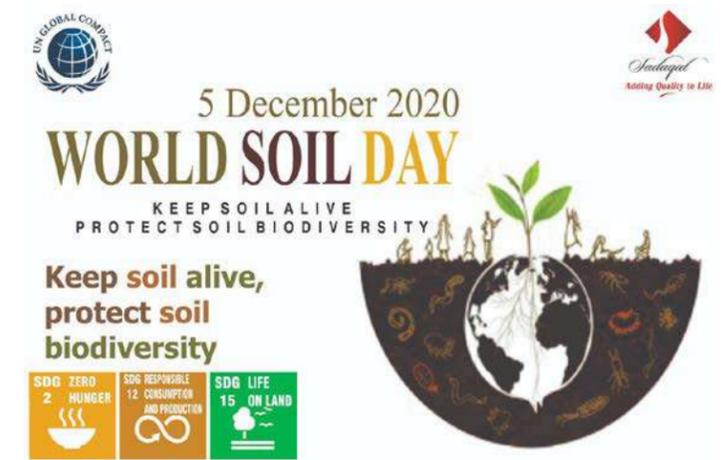
International Childrens Day



International Day of People with Disability



World Soil Day



COVID-19 Vaccination Camp at Sadaqat Limited



Sadaqat Model School & Eye Hospital Chiniot



International Day for the Elimination of Violence against Women



International Human Rights Day



Celebrated Labor Day



Earth Day



Distribution of GIFTS



Sadaqat GYM



Sadaqat Limited sponsored MSF School at Taubat, Neelum Valley, Kashmir for 150 Children



Chairman Senate Mr. Sadiq Sanjrani at Sadaqat Limited



Ambassador Republic of the Philippines H.E Daniel Ramos Espiritu at Sadaqat Limited



H.E Akan Rakhmetullin Ambassador Islamic Republic of Kazakistan at Sadaqat Limited



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 the necessary knowledge and training required to effectively perform their tasks. Moving forward, an effective and measurable appraisal matrix of SPT is under the development phase to ensure the team's efficient and effective performance.

SA 8000

Sadaqat Limited has been awarded a 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 the workplace, and at the same time allow it's associate the right to collective bargaining and freedom of association.

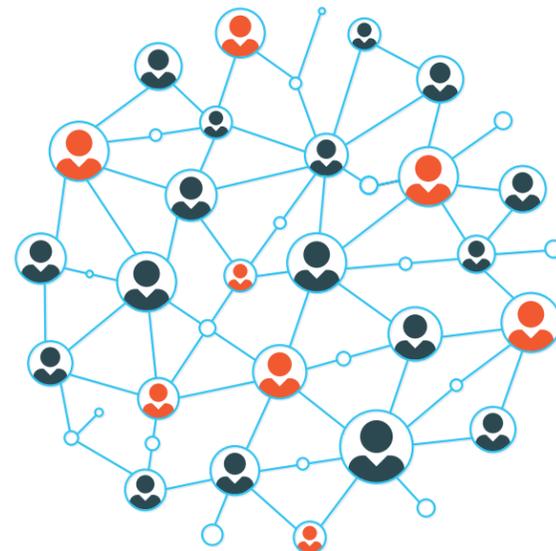


Value towards Society

The relationship between the textile sector and nearby communities is dynamic. Sadaqat Limited works actively through engagement, investment, and partnership activities to support communities in maximizing the social and economic benefits. We partner with nonprofit organizations and social enterprises to create financial health solutions and build stronger communities while engaging our employee volunteers to help drive impact. Sadaqat Limited emphasis working in local communities to achieve sustainable development goals of No Poverty, Zero Hunger, Quality Education, Good Health, and Well-being of society.

Local Communities

Sadaqat Limited is committed to making a tangible impact by supporting the communities where we live and work and encouraging our employees to engage actively in service projects. 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 the socio-economic development of the local community. There is no significant actual and potential negative impact of our operations on local communities.



Following are a few social initiatives taken/- continued by the Company during FY-2021

Ali Zaib Foundation and Sundas Foundation

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



NTU

Sadaqat Limited has also signed MOU with NTU to provide fresh graduates of National Textile University (NTU) with an internship program to enhance their understanding of the textile sector in a practical environment. An 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 a monthly ration package to its workers of certain deserving cadre to support their household expenses. During the period, the Company has distributed ration packages to its workers. In the essence of this, Sadaqat Limited has fulfilled its commitment to participate in UN SDG - 2 "Zero hunger" in FY 2021.

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



PRODUCT STEWARDSHIP

Building a more confident future requires us to do everything we can to provide safe and highest quality products to our customers that every time they choose us, they are choosing a company that is committed to building a better world for them and their loved ones. We ensure that neither the development and manufacture nor the disposal should cause damage to people and the environment. Sadaqat Limited observes strict standards and regulations to ensure the safety of its stakeholders.

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

One of the biggest responsibilities we have on behalf of our customers is to help them protect their health and their families to build a more confident future. The role that we play in people's lives is profound, and even more relevant during the pandemic. Entity strives 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 adheres to strict standards to maintain the quality of its products. The policies and procedures of the company help it to identify, measure, control and sustain product-quality excellence. Our company believes in product stewardship as an integrated process that depends on the proficiency and commitment of various divisions, acting towards the common goal of identification and minimization of health and safety risks at every stage of the product's lifecycle. There is no event come to our attention that indicates any non-compliance with customer health and safety policies. The efficient processes and combined efforts of all the divisions along with compliance with international regulations ensured the safety standards for our customers.

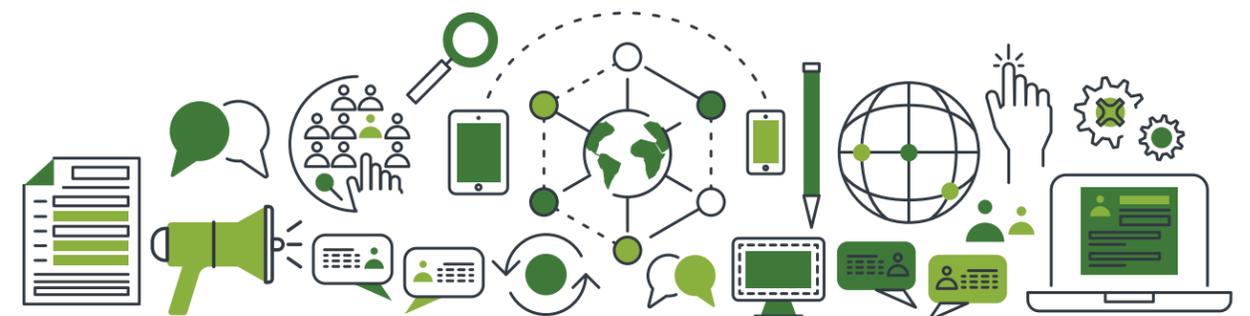
Socioeconomic Compliance

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

Marketing and Labeling

The organization is concerned about product sourcing, safe use of products, origin, washing instruction, and disposal of products. These topics are directly linked with its social responsibilities and the 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 labeling were reported. Moreover, The Company follows regulations and voluntary rules regarding marketing communications and no event happened regarding its non-compliance during the reporting period. However, no specific survey has been conducted during the year.





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 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 certificate of compliance by successfully abiding with Recycled Claim Standard (RCS) certified by Control Union. The Recycled Claim Standard is intended for use with any product that contains at least 5% Recycled Material.



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

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



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.



Sadaqat Limited has been awarded Diploma certificate for complying with green office protocols of World Wide Fund for Nature (WWF). As per WWF, Sadaqat Limited has been responsible towards business impact on earth's climate and joined hands with them in making a positive environmental difference. WWF Green Office initiative of Sadaqat Limited has led the company on the path towards making its office green. They have provided the company with Environmental Management System (EMS) and supported the company through its implementation. Sadaqat Limited has fulfilled the criteria of Environment Management System (EMS) defined by WWF-Pakistan and on the basis of which the company has been awarded a diploma certificate as well as rights to use and display the Green office logo.



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.



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



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.

LABOR PRACTICE AND DECENT WORK

Sadaqat Limited believes a diverse, inclusive, and representative workforce offers a broad range of experience, knowledge, background, culture, and heritage, which can drive innovation, enhance our operational performance and improve our relationships with stakeholders. Our people are our greatest asset and our competitive advantage. The entity recognizes that engaged employees are more satisfied with their work, tend to stay longer, and are more productive and committed.

We firmly believe that no matter what external circumstances we might face, we must continue to invest in the education and development of our people to succeed as a company. As such, we maintained transparency and supported our employees through this tumultuous time, with regular updates from our leadership about the state of the markets and their impacts on our business. The Company fosters and reinforces behaviors that support engagement on many levels, including networking, collaboration, diversity, and inclusion. We remained committed to ensuring that our operations follow, protect, and respect labor standards, human rights laws, declarations, and international conventions.

Employment

Sadaqat Limited maintains a strong focus on creating value for its employees. Our guidelines and employment practices promote professional development, diversity, and personal growth. The Company invests in leadership and career enhancement training and offers rewarding opportunities to attract, motivate and retain employees.

The data has been compiled from system-generated reports which are extracted from separate HR modules of ERP. The module keeps complete track of the human capital of Sadaqat Limited and ensures the provision of complete statistics.

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 relationships 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 the Workers' Management Committee. The Company follows a practice to furnish four-week prior notice before making any operational changes significantly affecting its employees.

Diversity and Equal Opportunity

Sadaqat Limited's path to growth and prosperity rests on building a more inclusive and diverse, global organization. Employing people from disparate backgrounds, cultures, and experiences amplifies our ability to gather insights, foster innovation, and understand the culture, context, and mindset of consumers around the world. Our ongoing efforts are aimed at driving positive change by creating opportunities for success both within and outside of our organization. Our approach is rooted in the belief that this is both a moral and business imperative.

we prioritize offering equitable compensation to all employees and to supporting the advancement of women and minorities. We believe that progressing an inclusive workplace culture that extends beyond our operational boundaries and into our communities is a critical driver to attracting, promoting, and retaining top talent.

Type	Male	Female	Total
Full Time	8,346	446	8,792
Part Time			
Total	8,346	446	8,792

Category	Staff	Management	Total
Management	570	7	577
Staff	7,776	439	8,215
Total	8,346	446	8,792

Contract	Permanent	Temporary	Total
Permanent	8,346	446	8,792
Temporary			
Total	8,346	446	8,792

Region	Other	Faisalabad	Total
Faisalabad	1,958	111	2,069
Other	6,388	335	6,723
Total	8,346	446	8,792

Hiring	Below 30	30 to 50	Above 50	Total
Below 30	3,268	121		3,389
30 to 50	1,398	147		1,545
Above 50	112	11	123	233
Total	4,778	279	5,057	

Attrition	Below 30	30 to 50	Above 50	Total
Below 30	2,021	133		2,154
30 to 50	829	117		946
Above 50	71	4	75	146
Total	2,921	254	3,175	

Organization	Rate of injury	Occupation Disease rate	Lost Days rate	Total
Rate of injury	NIL	NIL	NIL	NIL
Occupation Disease rate	NIL	NIL	NIL	NIL
Lost Days rate	NIL	NIL	NIL	NIL
Total	NIL	NIL	NIL	

Contractor	Full Time	Part Time	Total
Full Time	NIL	NIL	NIL
Part Time	NIL	NIL	NIL
Total	NIL	NIL	NIL

Workforce Diversity (Religion / Age)

CADRE	Muslim	Non-Muslim
Management	572	5
Staff	8,041	174
Total	8,613	179

CADRE	<30	30-50	>50
Management	105	446	26
Staff	4,963	2,939	313
Total	5,068	3,385	339

Board of Directors (Religion / Age)

Gender	Muslim	Non-Muslim
Male	6	-
Female	1	-

Gender	<30	30-50	>50
Male	-	5	1
Female	-	1	-

Occupational Health and Safety

As a leading textile exporter, Sadaqat Ltd strives to provide a safe and healthy workplace. The Company seeks 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 sets 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) 45001:2018 certification for adhering to its protocols. This assurance provides the entity with a certain level of assurance regarding the standard of health and safety conditions at the workplace. Occupational Health and Safety management system is implemented as voluntary as well as a legal requirement of the Factory Act-1934.

Sadaqat Limited has implemented the Occupational Health and Safety Assessment Series (OHSAS) 45001. These paramount safety management initiatives provide continual improvements to an already strong safety culture that 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 a meeting on regular basis to resolve issues, if any, and to enhance the current measures.

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

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 the following facilities and has taken certain measures to safeguard the health and safety needs of employees:

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

Entity conducted 4 fire-fighting training sessions to guide basic skills regarding operation and usage of fire equipment by its employees. It was intended to create awareness about evacuation plans in an 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 the department level. The entity has agreements in place with labor representatives which covers health and safety-related to 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 the total amount of premium is borne by the Company. Sadaqat Limited also provides health insurance facilities, retirement provisions, 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 the last reporting period



Sadaqat Limited has been awarded a compliance certificate for complying with the 45001:2018 standard on Occupational Health and Safety Assessment Specification (OHSAS) certified by BUREAU VERITAS.

This initiative demonstrates the 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

At Sadaqat Limited, having the right people with the right skills is vital to fulfilling our purpose of modern businesses to improve everyday life. Training and development play a key role in making sure we meet the needs of our associates and clients while keeping pace with a rapidly changing world. To retain our talented workforce, we design our training and leadership programs with a focus on growth, challenge, and understanding, and we recruit with intention and purpose. The Company has covered this area by organizing formal training 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. The training programs are designed to increase the knowledge, skills, and attitude of our employees while taking into account the employee position and role for preparing them for future challenges.



Association with ACCA and ICAEW

Sadaqat Limited is enjoying the gold status of ACCA Approved Employer- Trainee Development and Approved Training Employer (ATE) status from the 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.)

7.7% of total employees who received appraisals are managers and above.



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.



Risk Management



Restricted Substances List (RSL)



IR & Labour Law Challenges & Solutions



Health, Safety & Environment



Corporate Attitude & Behavior



Business Process Re-engineering

ENVIRONMENTAL PERFORMANCE

Management Approach

Sadaqat Limited recognizes the impacts of its operations on the natural environment. Our goal is to conduct our operations in a manner that minimizes adverse impacts on the environment and supports the protection of the ecosystems through responsible environmental stewardship. We believe environmental protection and stewardship are the keys to ensuring the long-term viability of our business, including maintaining the necessary support from our host communities and governments. We are committed to sound environmental practices at all of our operations with a focus on continuous improvement.

Our workforce incorporates environmental awareness into our daily activities and implements actions necessary to protect the environment. Our Environmental Policy serves as the framework for the protection of natural resources in the regions where we live and work. In addition to maintaining compliance with laws and regulations, our policy objectives are to minimize environmental impacts using risk management strategies based on valid data and sound science.

As a company with a strong sense of social purpose focused on enhancing our reputation, we are reducing our environmental impact where we see it matters most. That means we are setting out on a path to reduce our emissions, increase our energy efficiency, and further define and develop climate action.

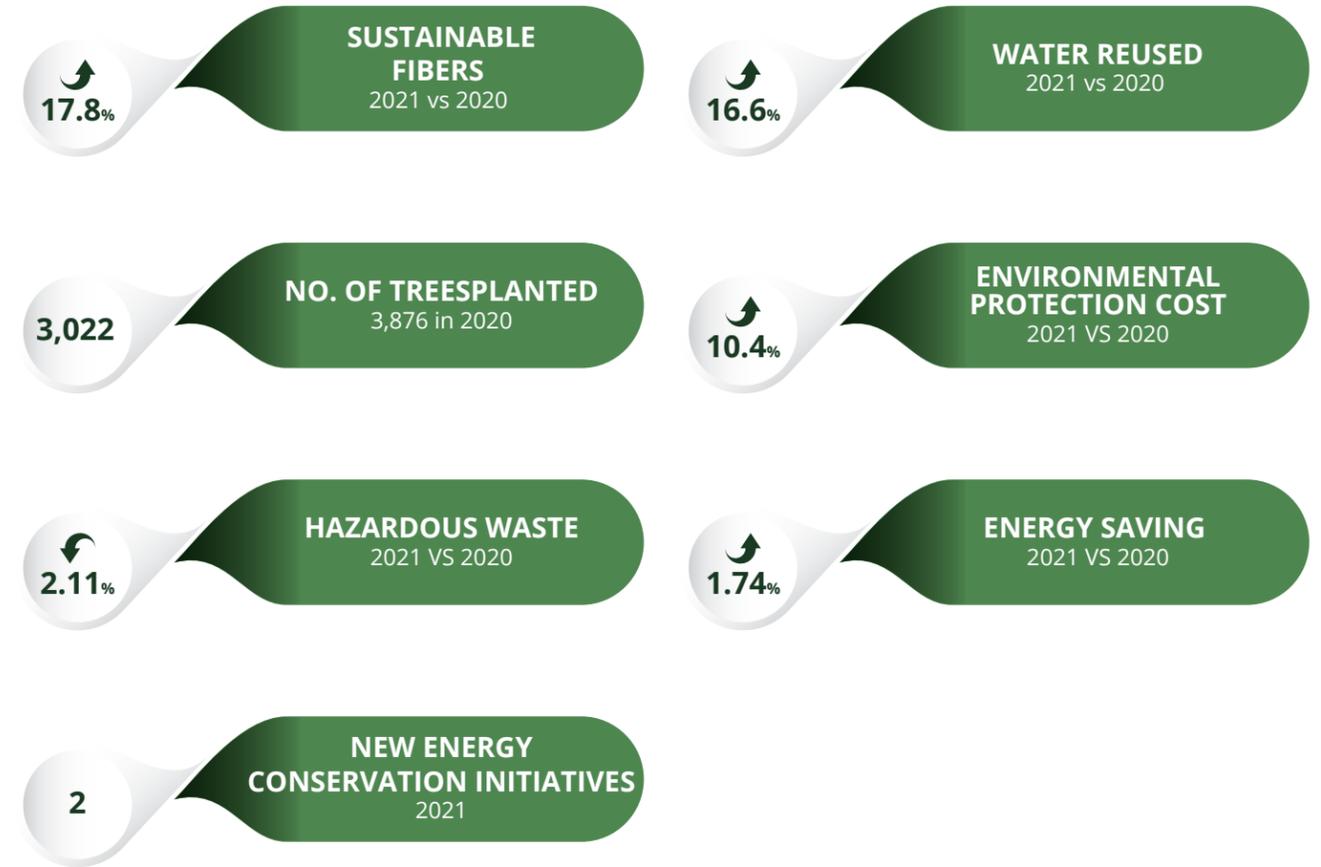
Responsibility for steering and monitoring health, safety, and environmental protection across the company lie with Sustainability Committee. The committee is also responsible to evaluate the management approach to gauge its effectiveness to produce better results towards sustainable growth of the entity.

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 the framework for investments and enhancements in Health and Safety section. The EHS Committee has been mandated to formulate guidelines, take a certain level of decisions, review performance, and fix responsibility for environmental, health, and safety-related matters.

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 leverages information and technology to assess the risks and drive compliance through data systems and technical analysis.

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.

KEY PERFORMANCE INDICATORS



Materials

Sadaqat Limited considers the consumption of materials, in a sustainable fashion, as one of the most pressing matters. Management understands that sustainable consumption and production patterns have been the greatest global challenges over the past fifty years. The Company has shifted its focus towards “Doing More with Less”. Sadaqat Limited has adopted UN SDG 12 “Responsible consumption and Production” and aims to promote efficient use of resources along with a sustainable lifestyle.

Major raw materials of the company include yarn, greige fabric, and dyes & chemicals. The company strives to efficiently use its raw materials throughout its production process and in doing so, the company is shifting toward sustainable sourcing of its raw material and endeavors to source such materials which generates a minimal negative impact on the environment during its production.

The Company has used the following quantities of sustainable fibers during the financial year:

Sustainable Fibers	UOM	2021	2020
BCI Cotton	Kgs	1,819,208	2,750,361
GOTS - 100% Organic Cotton	Kgs	1,256,457	448,031
OCS 100 / OCS Blended	Kgs	68,760	37,565
GRS	Kgs	667,824	-

Sadaqat Limited is keen to use sustainable packaging for its product. To promote this shift, the entity utilized more than 21,700 recycled polybags in packaging during FY 2021. The company is also using fabric bags instead of plastic bags in its packaging to promote a sustainable drive.

Water Withdrawals

Access to safe water is a fundamental human right. Water is essential to the well-being of our communities and the environment and is necessary for the textile sector. Many of our operations are in arid environments where competition for water supply is significant. We are keen to utilize water responsibly in our operations.

In addition to focusing on our water-related supply risks surrounding our operations, water stewardship also means we are focused on promoting long-term water security for all. We continued our efforts towards 100% treatment of water before its disposal into the surroundings. Our Company has again maintained 100% efficiency in the treatment of wastewater through EPA approved wastewater treatment plant. Moreover, water is majorly withdrawn from ground wells and it has not generated any significant impact on water levels around the factory site.

TYPE	UOM	2021	2020	2019	2018
Water Withdrawal/year	M ³	2,180,422	1,044,769	1,027,622	977,776
Water Consumption/kg Fabric	Kgs	70.35	46.27	50.01	50.999
% of water re-used	%	33.86%	60.6%	34.48%	10.24%
Water Reused (Volume)	M ³	738,349	633,160	354,346	100,095

Emissions

Freeport recognizes climate change poses considerable near and long-term challenges for society and to our own operational and financial performance. We are committed to reducing our GHG emissions, advancing the energy transition, and enabling the global shift to lower carbon industries, infrastructure, and value chains. Sadaqat Limited has engaged a third party to record its emissions. It is a priority for us to innovate—to offer lower carbon products and services, improve our operational efficiency, and reduce our emissions.

Scope I and II contains CO₂ emissions from direct & indirect sources while Scope III emission contains wastewater 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 wastewater treatment-related emissions which are not incorporated in Scope I. Entity has a cyclone system in place across its facility which controls Particulate Matters (PM). 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 reports, including SO_x and NO_x 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	2021	2020	2019	2018
Direct Emission (Scope I)	MT	125,648	95,079	98,834	89,245
Indirect Emission (Scope II)	MT	7,484	774	2,285	2,489
Other Indirect emissions (Scope III)	MT	534	733	734	734
Emission/unit of production	MT/Meter	0.00144	0.00152	0.0015	0.00139
Emission of Ozone-Depleting Substance	Ton	Nil	Nil	Nil	Nil
Emission of NO _x , Sox	Mg/NM3	153.4	112	173	194

Environmental Protection Program

Sadaqat Limited has planted 3,022 trees during FY-2021 in continuation of green initiatives of the organization and betterment of the environment. The company has continued to maintain its 501,500 Square feet of grassland across its premises.

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



Environmental Compliance

Sadaqat Limited strives every day to conduct business in a safe and environmentally responsible manner. We recognize that climate change impacts our operations and investment business and that our investment strategies offer an important lever for incentivizing climate change management. We have a responsibility to bolster the long-term sustainability of our operations, investments, and our global community by acknowledging the risk of climate change, meeting the challenges and opportunities that climate change presents for our business, and reducing our environmental impacts.

Sadaqat Limited has spent around PKR 215 Million during the past four years to reduce the impact on environment due to this operations. 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	2021	2020	2019	2018
Waste disposal and remediation costs	Million	25.57	21.97	22.37	22.2
Environmental management costs	Million	7.90	37.89	21.29	56.6

Sadaqat Limited recognizes the vital call to action put forward by the Paris Agreement and is adapting our business model to support the transition to a low-carbon economy. Sadaqat Limited has maintained a clean record of compliance with laws, regulations, and voluntary codes concerning nature and the environment during the financial year. The company has not been 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 & Effluents

Our operational activities result in different types of hazardous and non-hazardous waste which is strictly handled as per our policy. The Company looks for opportunities to avoid the use of hazardous materials, to reuse or recycle materials, and to prevent the generation of waste to minimize our environmental footprint. Our efforts are also directed towards compliance with U.N. Sustainable Development Goals (SDGs). The Company applies controls and treatment technologies to prevent human health impacts and minimize environmental impacts where it is not practical to prevent, reuse, & recycle the materials.

The amount of waste the Company generates reflects the efficiency of our manufacturing processes. Our facilities track and report the amount of operational waste they generate and how it is managed. Sadaqat Limited has continued its efforts towards the reduction of operational waste along with its environmentally friendly disposal to benefit the community. The wastewater is discharged in the 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 the treatment of wastewater through EPA approved wastewater treatment plant of 120m³/hr. Now, Sadaqat limited is installing the tertiary treatment plant for recycling of wastewater by treating the wastewater through a 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. RO plant at Sadaqat currently recycles 30% of water utilized for the operations.

Continuing the good practices, no incident of non-compliance was reported related to disposing of wastewater. There was no negative impact that came to our attention regarding the biodiversity and habitats around plant sites.

“The management has targeted to recycle 40% of water utilized in its operations by 2022 & 70% of water utilized in its operations by 2030 as per its Zero Discharge Goal”

TYPE	UOM	2021	2020	2019	2018
Water Discharge	M ³	1,962,380	931,980	924,862	879,999
Reuse	Ton	91.68	77.87	219.76	79.5
Incineration	Ton	3.58	3.58	2.90	1.061
Landfill	Ton	-	-	-	-
Onsite Storage	Ton	108.82	69.2	67.42	31.6
Hazardous waste (weight)	Ton	102.33	104.53	143.92	3.2

ENERGY

Our endeavor to contribute to climate change mitigation starts with our energy consumption and the way we manage energy. 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 energy demand and has 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, the 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.

The Energy Management module of the 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 the 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 consumed within the organization and are not sold outside of the entity.

TYPE	UOM	2021	2020	2019	2018
Energy Consumed (W-I O)	GJ	1,582,912	878,202	889,460	1,099,343
Consumed / Mtr fabric	GJ/Meter	0.0170	0.0148	0.013	0.0165
Energy Saving Per Year	GJ	71,805	70,580	65,511	30,063
Energy Saving (Cumulative)	GJ	312,952	241,147	170,567	105,123

ENERGY Conservation Initiatives

97 GJs



Heat Exchanger

The company has installed 20 heat exchangers in mercerizing and pad steam. This has saved the entity approximately 97 GJs of energy in FY 2021.

6.7 GJs



Wet Scrubber

The Company has installed 3 wet scrubbers to limit the air pollution from its operations. Wet scrubbers control air pollution by removing particles from gaseous emissions. From this effort, the Company has saved almost 6.7 GJs of energy this year.

302 GJs



RO Plant

Sadaqat Limited has 4 RO Plants on its premises and is 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 302 GJs of energy approximately in FY 2021 from installation of RO plant.

445 GJs



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 445 GJs of energy approximately in FY 2021 from the CRP initiative.

32,755 GJs



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 the financial year 2021.

2,023GJs



Efficient Electric Motor

The Company replaced the exhaust fans across its facility with energy-efficient motor fans which resulted in near to 2,023 GJs of energy-saving during FY 2021.

952GJs



Installation of Rotary Filters

The Company has 5 rotary filters installed to re-use hot water in its processing facilities including dyeing, bleaching plant, and pad steam which contributed to saving of approx. 952 GJs energy in FY 2021.

3,672GJs



Economizer

Economizers are tubular heat transfer surfaces used to preheat boiler feedwater before it enters the steam drum. It provides high thermal efficiency by recovering the energy from fuel gas before its exhaustion to the atmosphere. The company has saved nearly 3,672 GJs of energy in FY 2021 with the help of an economizer.

5,276GJs



Installation of LED Lights

The Company has 9,404 LED lights (in replacement to Company tube lights) installed throughout its facility which saved almost 5,276 GJs of energy in FY-2021.

10,125GJs



Waste Heat Recovery Plant

The Company has three Waste Heat Recovery Plants installed in its facility which contributed to energy savings of approx. 10,125 GJs in FY 2021.

7,541GJs



Condensation Recovery System

The condensation system installed in FY 2017 at its boilers allows it to avoid the extraction of new water and energy consumption in its processes. This initiative has helped the Company to save near 7,541 GJs of energy in FY 2021.

5,132GJs



Valve Insulation

Sadaqat Limited has a valve insulation system installed across its facility site which saved almost 5,132 GJs of energy in FY- 2021.

3,352GJs



Solar Panel

Sadaqat Limited has previously installed solar panels of 25KWH in its facility. This maintained the energy-saving level of almost 125 GJs in FY 2021. Moreover, the company has also installed a 1MW solar power plant on its premises to participate in green initiatives and contribute towards sustainable development. This initiative has saved 3,352 GJs of energy during FY 2021.



ENGAGING OUR STAKEHOLDERS

Sadaqat Limited believes effective stakeholder engagement is founded on transparency and meaningful dialogue. Our primary goal is to foster mutual understanding, trust, and cooperation with stakeholder groups on a variety of topics.

Sustainability challenges are often complex and systemic. We partner with stakeholders to progress our work on Responsible Business issues and encourage change beyond our business. Stakeholder views and feedback help us to develop our approach and improve our communications.

Engaging with diverse stakeholders opens a spectrum of perspectives on our operations and helps us identify the future implications of our operations and the most significant ways we impact the world.

Our company is strengthened by this dialogue, which also helps us learn about our stakeholders' perspectives on the topics that matter to them. These conversations inform our Board's decision-making, including on our policies, practices, programs, and initiatives. These engagements are also an opportunity to share information about our strategy, practices, and performance.

The 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. Sadaqat Limited maintains collaborative relations with our stakeholders, good harmony, effective communication, and a customer-focused approach because without doing this, we may affect our Company's performance and the values of our entity. The Company follows the best policy to maintain the relationship with its stakeholders which includes the satisfaction of customers by providing quality products and timely payments to all creditors. Moreover, the Company maintains a 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	A wider range of issues concerning different stakeholders	Depending on the nature of the requirement	Ongoing/Annual

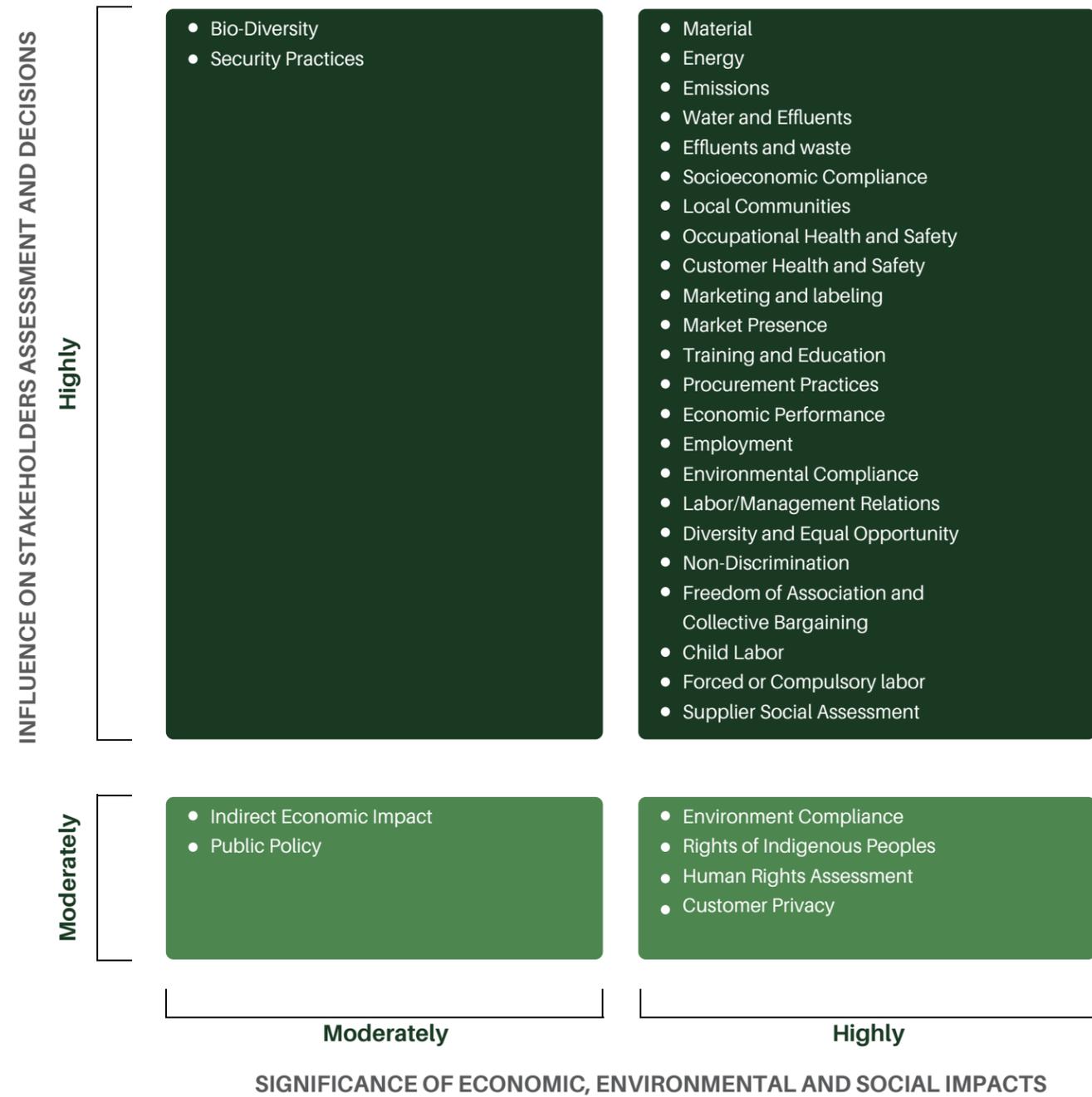
Materiality Process

Our materiality assessment helps us to identify our most important Responsible Business issues, risks, and opportunities, taking into account business priorities and the views of our stakeholders. It informs how we focus our resources, and what information we choose to include in our Responsible Business reporting.

Our ongoing stakeholder engagements are fundamental to informing our understanding of the most critical and material topics for our business from an external perspective. We conduct a materiality assessment process annually to define the critical topics of importance to the company and our stakeholders for inclusion in our sustainability reporting. The process allows an objective approach to decision-making and planning around sustainability reporting. The process also supports our ongoing monitoring of trends in sustainability topics over time.

Being cognizant of the fact that stakeholder expectations around ESG matters and disclosures are evolving and increasing more rapidly than ever, we are continuing to augment our materiality assessment process by further structuring and broadening our stakeholders' group. The final matrix identifies several high-priority issues including product sustainability, climate change, and human rights. Issues such as wellbeing, health and safety, data privacy and security, and diversity and inclusion, have increased in priority since last year.

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
Social	Employment	Sadaqat Limited
	Labor/Management Relations	Sadaqat Limited
	Occupational health and safety	Sadaqat Limited
	Training and Education	Sadaqat Limited
	Diversity and Equal opportunity	Sadaqat Limited
	Non Discrimination	Sadaqat Limited
	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	

SUSTAINABILITY COMMITMENTS

Moving forward, we will demonstrate that we can catalyze transformative change. Our below commitments details how we are heading towards growth, value creation, and innovation while being on the track of a sustainable future and environment.

Material Issue	Results FY-2021	Target FY-2022
Business & Social Performance	<ul style="list-style-type: none"> Export Revenue earned PKR 32.9 billion Income tax paid PKR 425.6 million Charity and Donations PKR 3.88 million 	<ul style="list-style-type: none"> Export Revenue expected to reach PKR 41~43 billion Income tax paid to cross PKR 500 million Charity and Donations to be increased by 15%
Water	<ul style="list-style-type: none"> Water reuse increased by 16.6% 	<ul style="list-style-type: none"> Plan to increase water re-use by 40%
Waste	<ul style="list-style-type: none"> Hazardous waste decreased by 2.11% 	<ul style="list-style-type: none"> Plan to further reduce it by 5%
Environmental Protection	<ul style="list-style-type: none"> Environmental protection costs increased by 10.4% Energy savings increased by 1.74% 	<ul style="list-style-type: none"> Targeted to increase environmental cost by 10% Plan to increase it by 10%
Training	<ul style="list-style-type: none"> Training hours increased by 547% 	<ul style="list-style-type: none"> Targeted to increase training hours by 15%



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Independent Limited Assurance Report to Sadaqat Limited on the Sustainability Report

Introduction

We, KPMG Taseer Hadi & Co. (KPMG in Pakistan, we, us, our) were engaged by the Board of Directors of Sadaqat Limited [the Company] to provide limited assurance on the Sustainability Report [the 'Report'] for the year ended 30 June 2021.

Management's Responsibilities

Management is responsible for the preparation and presentation of the Sustainability Report in accordance with the Global Reporting Initiative [GRI] Standards - Core Options as disclosed in the Report, and the information and assertions contained therein; for determining the Company's objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Management is also responsible for preventing and detecting fraud and for identifying and ensuring that Company complies with laws and regulations applicable to its activities.

Management is also responsible for ensuring that staff involved with the preparation and presentation of the description and the Report are properly trained, information systems are properly updated, and that any changes in reporting encompass all significant business units.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the Institute of Chartered Accountants of Pakistan (ICAP), which includes independence and other requirements on the 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 Responsibilities

Our responsibility is to carry out a limited assurance engagement and to express a conclusion on the Report of the Company based on the work performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements [ISAE] 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board [IAASB]. This standard requires that we comply with independence requirements, plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement.

Inherent Limitations

Non-financial information is subject to more inherent limitations than financial information, given the characteristics of the selected information and the methods used for determining and ascertaining

Wahid



KPMG Taseer Hadi & Co.

such information. Qualitative interpretations of relevance, materiality, and the accuracy of data are subject to individual assumptions and judgments. Furthermore, the nature and methods used to determine such information, as well the evaluation criteria and the precision thereof, may change over time.

Due to the inherent limitations of any internal control structure, it is possible that errors or irregularities in the information presented in the Report may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

Limitations

Our limited assurance scope excludes:

- Data and information outside the defined reporting period (01 July 2020 to 30 June 2021);
- The Company's statements that describe the expression of opinion, belief, aspiration, expectation, aim or future intention and national or global socio-economic and environmental aspects; and
- Data and information on the economic and financial performance of the Company which, we are informed, are from the Company's audited financial records and/or statements.

Procedures Performed

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 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 judgment and inter alia include making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence-gathering procedures, as appropriate. Further, the procedures performed were:

- Inquired the management to gain an understanding of Company processes for determining the material issues for the Company's key stakeholder groups;
- Interviewed the 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;
- Interviewed the relevant staff responsible for providing the information in the Report;
- Compared the information presented in the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Report;
- Reviewed the relevant documents and systems for gathering, analyzing, and aggregating sustainability performance data in the reporting period and performed site visits as part of the inspection process; and
- Read the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of the Company.

Wahid AH



KPMG Taseer Hadi & Co.

Limited Assurance Conclusion

We have formed our conclusion 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 conclusions.

Based on the procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the Sustainability Report of the Company for the year ended 30 June 2021 is not presented, in all material respects, in accordance with the GRI Standards - Core option.

Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than Sadaqat Limited for any purpose or in any other context. Any party other than Sadaqat Limited who obtains access to our report or a copy thereof and chooses to rely on our report [or any part thereof] will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Sadaqat Limited for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to Sadaqat Limited on the basis that it shall not be copied, referred to, or disclosed, in whole save for the Company's own internal purposes or in part, without our prior written consent.

Wahid Taseer Hadi & Co.

Wahid AH

Date: 24 December 2021
Karachi

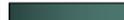
KPMG Taseer Hadi & Co.
Chartered Accountants
Partner: Syed Ahson Ali

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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.

SR	Sustainability Report
	Fully Disclosed
	Partially Disclosed
	Not Disclosed

GRI Standard Core Disclosures

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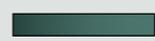
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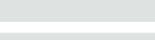
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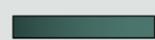
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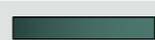
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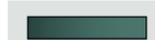
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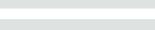
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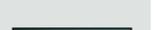
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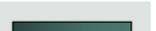
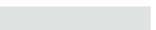
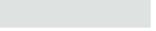
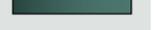
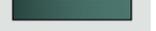
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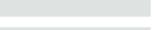
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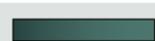
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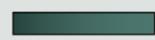
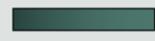
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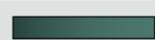
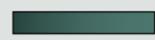
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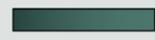
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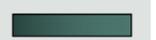
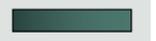
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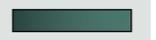
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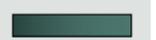
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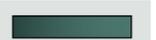
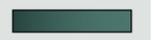
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UNGC - "TEN PRINCIPLES"

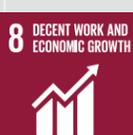
WE SUPPORT



UNGC "The Ten Principles"

Principle	Statement	Page #
Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.	198-207
Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	198-207
Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	200
Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labor.	200
Principle 5	Businesses should uphold the effective abolition of child labor.	200
Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	196-215
Principle 7	Businesses should support a precautionary approach to environmental challenges.	220-229
Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	220-229
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 2 ZERO HUNGER	Continued Employee Support/ Ration Package	207	 10 REDUCED INEQUALITIES	Majorly providing jobs and training opportunities to nearby residence Zero tolerance for discrimination enforced through the Code of Conduct	197,200
 3 GOOD HEALTH AND WELL-BEING	Heading towards safety focused, zero-lost hour and zero-incident culture Achieving good wellbeing through product stewardship Initiatives and activities conducted for good health and wellbeing	198-213 216-219	 11 SUSTAINABLE CITIES AND COMMUNITIES	Continued plantation movement	224
 4 QUALITY EDUCATION	Providing scholarships to community and employees Instilling practical knowledge in associates through skills development programs	206-207 218-219	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Driving initiative towards optimal utilization of resources consumption in operations in forthcoming years	129-131 226-229
 5 GENDER EQUALITY	Ensuring diversity through clear nondiscrimination policies Empowering women through skills development exercises	218-219	 13 CLIMATE ACTION	Driving initiative towards adopting newer technologies in manufacturing to further improve environmental impact	222-229
 6 CLEAN WATER AND SANITATION	Responsible withdrawal and consumption of water for manufacturing Ensuring effective treatment and proper discharge of wastewater Driving re-use of water initiative with installation of water treatment plants	222,225	 14 LIFE BELOW WATER	Ensuring effective and approved treatment and proper discharge of wastewater	222,225
 7 AFFORDABLE AND CLEAN ENERGY	Adopting and enhancing more energy-efficient technologies at production site Enhancing energy derived from renewable sources	226-229	 15 LIFE ON LAND	Promoting healthy environment through planting trees to cope with GHG emissions	223-225
 8 DECENT WORK AND ECONOMIC GROWTH	Protecting labor and human rights and ensuring safe working environments Decent work for employees, with fair Road map designed for career progression Hiring and training employees primarily drawn from nearby communities	194-197 200,216-219 202-205	 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Robust and comprehensive governance structure is established and maintained Conducting business while keeping in view highest ethical and legal standards Strong Internal Audit department addressing corruption-related risks Effectively implementing and maintain the Code of Conduct	22,84-87 192,197
			 17 PARTNERSHIPS FOR THE GOALS	Achieved status of different product, ecological and social stewardship initiatives Youth capacity building through partnerships with professional institutions	193,206,207 209-213 218,219

BCR (Best Corporate Reporting) CHECKLIST

S.No	Statement of Clause	Page Reference
1	Organizational Overview & External Environment (What does the organization do and circumstances under which it operates)	8-9
1.01	Principal business activities and markets local and international including key brands, products and services.	11-17
1.02	Geographical location and address of all business units including sales units and plants.	11,16,17
1.03	Mission, vision, code of conduct, culture, ethics and values.	4-5
1.03	Ownership, operating structure and relationship with group companies (i.e. subsidiary, associated undertaking etc.) and number of countries in which the organization operates. Also name and country of origin of the holding company/subsidiary company, if such companies are a foreign company.	11,21,149,172
1.05	Organization chart indicating functional and administrative reporting, presented with legends.	22
1.06	Identification of the key elements of the business model of the company through simple diagram supported by a clear explanation of the relevance of those elements to the organization. (The key elements of business model are Inputs, Business activities, Outputs and Outcomes).	14,15
1.07	Key quantitative information (Number of persons employed as on the date of financial statements and average number of employees during the year, separately disclosing factory employees).	11,178,215
1.08	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain. (This disclosure shall be provided by the companies in service and non-service sector organizations through graphical presentation).	20
1.09	Significant factors effecting the external environment and the associated organization's response (external environment includes commercial, political, economic, social, technological, environmental and legal environment). Also describe the effect of seasonality on business in terms of production and sales.	25-29
1.10	Significant changes from prior years (regarding the information disclosed in this section).	25
1.11	Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations.	25
1.12	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, relative strengths and weaknesses of competitors and customer demand and the intensity of competitive rivalry).	24

S.No	Statement of Clause	Page Reference
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2.02	Strategies in place or intended to be implemented to achieve those strategic objectives.	32-33
2.03	Resource allocation plans to implement the strategy and financial capital structure. (Resource mean CAPITALS including financial capital (e.g., liquidity, cash flows, financing arrangements); human capital, manufactured capital (e.g., building, equipment, infrastructure); intellectual capital (e.g., patents, copyrights, s	32-34
2.04	The effect of technological change, societal issues such as (population and demographic changes, human rights, health, poverty, collective values and educational systems), environmental challenges, such as climate change, the loss of ecosystems, and resource shortages, on the company strategy and resource allocation.	35
2.05	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.	35
2.06	Key performance indicators (KPIs) to measure the achievement against strategic objectives including statement as to whether the indicators used will continue to be relevant in the future.	32-33
2.07	Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and meet operational losses.	36
2.08	Significant plans and decisions such as corporate restructuring, business expansion and discontinuance of operations etc.	36
2.09	Significant changes in objectives and strategies from prior years.	35
3	Risks & Opportunities (Specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how it is dealing with them)	38-39
3.01	Key risks and opportunities effecting availability, quality and affordability of CAPITALS in the short, medium and long term.	45-55
3.02	Description of the Risk Management Framework including risk management methodology.	42,43
3.03	Sources of risks and opportunities (internal and external).	45-55
3.04	The initiatives taken by the company in promoting and enabling innovation.	44
3.05	Assessment of the 'likelihood' that the risk or opportunity will come to fruition and the 'magnitude' of its effect if it does.	45-55

S.No	Statement of Clause	Page Reference
3.06	Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs.	45-55
3.07	Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.	42,43
3.08	A statement from the board of directors that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance and solvency or liquidity.	42
3.09	Inadequacy in the capital structure and plans to address such inadequacy.	44
4	Governance (How does the organization's governance structure support its ability to create value in the short, medium and long term)	56,57
4.01	Board composition: a) Leadership structure of those charged with governance. b) Name of independent directors indicating justification for their independence. c) Profile of each director including education, experience and involvement / engagement of in other entities as CEO, Director, CFO or Trustee etc.	21,58-60,69
4.02	Review Report by the Chairman of the company on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.	62,63
4.03	A statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management.	69-72,93
4.04	Shariah Advisor Report and Profile of the Shariah Advisor / Members of the Shariah Board.	135
4.05	Annual evaluation of performance, along with description of criteria used for the members of the board and its committees, CEO and the Chairman.	92
4.06	Disclosure if the board's performance evaluation is carried out by an external consultant once in three years.	92
4.07	Details of formal orientation courses for directors.	93
4.08	Directors' Training Program (DTP) attended by directors, female executive and head of department from the institutes approved by the SECP and names of those who availed exemptions during the year.	93
4.09	Description of external oversight of various functions like systems audit / internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems.	68
4.10	a) Policy for remuneration to non-executive directors including independent directors. b) Policy of retention of board fee by the executive director earned by him against his services as non-executive director in other companies.	87

S.No	Statement of Clause	Page Reference
4.11	Policy for security clearance of foreign directors.	84
4.12	How the organization's implemented governance practices exceeding legal requirements.	93
4.13	Board's policy on diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.	87,200
4.14	No. of companies in which the executive director of the reporting organization is serving as non-executive director.	58,59
4.15	a) Names of related parties in Pakistan and outside Pakistan, with whom the company had entered into transactions or had agreements and / or arrangements in place during the financial year, along with the basis of relationship describing common directorship and percentage of shareholding. b) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement. c) Approved policy for related party transactions including policy for disclosure of interest by directors in this regard.	68,96 134,135 155,172
4.16	Details of board meetings held outside Pakistan during the year.	90
4.17	Disclosure of policy for actual and perceived conflicts of interest relating to members of the board of directors and a disclosure that how such a conflict is managed and monitored.	84
4.18	Investors' grievance policy.	85
4.19	Policy for safety records of the company.	85
4.20	Disclosure of IT Governance Policy.	85
4.21	Disclosure of Whistle blowing policy established to receive, handle complains in a fair and transparent manner and providing protection to the complainant against victimization, and disclosure of the number of such incidences reported to the Audit Committee during the year.	85
4.22	Human resource management policies including preparation of a succession plan.	85,86
4.23	Social and environmental responsibility policy.	86
4.24	Review by the board of the organization's business continuity plan or disaster recovery plan.	44

S.No	Statement of Clause	Page Reference
4.25	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	73,172
4.26	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	21,58-61,69-72 92,93
4.27	A brief description about role of the Chairman and the CEO.	69
4.28	Shares held by Sponsors / Directors / Executives.	73
4.29	Salient features of TOR and attendance in meetings of the board committees (Audit, Human Resource, Nomination and Risk management).	70-72,90,94
4.30	Timely Communication Date of authorization of financial statements by the board of directors:	178
4.31	<p>Audit Committee Report should describe the work of the committee in discharging its responsibilities. The report should include:</p> <p>a) Composition of the committee with at least one member qualified as "financially literate and all members are non-executive / Independent directors including the Chairman of the Audit Committee.</p> <p>b) Role of the committee in discharging its responsibilities for the significant issues in relation to the financial statements, and how these issues were addressed with details where particular attention was paid in this regard.</p> <p>c) Committee's overall approach to risk management and internal control, and its processes, outcomes and disclosure.</p> <p>d) Role of Internal Audit to risk management and internal control, and approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor's performance.</p> <p>e) Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommended instituting remedial and mitigating measures.</p> <p>f) An explanation as to how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current statutory auditor; and if the external auditor provides non-audit services, an explanation as to how auditor's objectivity and independence is safeguarded.</p> <p>g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported.</p> <p>h) The Audit Committee's views whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information for shareholders to assess the company's position and performance, business model and strategy.</p> <p>i) Results of the self-evaluation of the Audit Committee carried out of its own performance.</p>	94-97

S.No	Statement of Clause	Page Reference
4.32	Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.	95
4.33	Where an external search consultancy has been used in the appointment of the Chairman or a non-executive director, it should be disclosed if it has any other connection with the company.	93
4.34	Chairman's significant commitments and any changes thereto.	93
4.35	Disclosure about the Government of Pakistan policies related to company's business/sector in Directors' Report and their impact on the company business and performance.	69
4.36	Pandemic Recovery Plan by the management and policy statement.	88,89
5	Performance & Position (To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals)	98,99
5.01	<p>Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between:</p> <p>(a) Past and current performance; and</p> <p>(b) Performance against targets /budget</p> <p>(c) Objectives to assess stewardship of management.</p> <p>The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred and future prospects of profits.</p> <p>Note: Analysis of non-financial performance shall be presented for material non-financial KPIs relevant for the business and stakeholders around other forms of capitals as mentioned under International Integrated Reporting Framework <IR>, i.e. human capital, manufactured capital, intellectual capital, social and relationship capital and natural capital. Inspiration can also be taken from the Specific Standard Disclosures of G4 Guidelines of the Global Reporting Initiative (GRI) for measurement and reporting on non-financial KPIs.</p>	100-107
5.02	<p>Analysis of financial statements:</p> <p>a) Financial Ratios (Refer Annexure 'I')</p> <p>b) DuPont Analysis</p> <p>c) Free Cash Flow</p> <p>d) Economic Value Added (EVA)</p>	108-115,122
5.03	Combined analysis both vertical and horizontal of the Balance Sheet and Profit and Loss Account for last 6 years.	116-119
5.04	Summary of Cash Flow Statement for last 6 years.	121

S.No	Statement of Clause	Page Reference
5.05	Graphical presentation of the Balance Sheet, Profit & Loss Account and analysis in 5.02, 5.03 and 5.04 above.	108-121
5.06	Explanation of negative change in the performance against prior year including analysis of variation in results reported in interim reports with the final accounts, including comments on the results disclosed as per 5.02, 5.03 and 5.04 above.	103,109-113 117,119,124
5.07	Information about defaults in payment of any debts and reasons thereof period.	103
5.08	Methods and assumptions used in compiling the indicators.	102
5.09	Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g., Zakat).	120
5.10	Segmental review of business performance.	123,124
5.11	Share price sensitivity analysis using key variables (i.e., selling price, raw material cost, interest rate and currency) with the consequent impact on the company's earning.	125
5.12	History of major events during the year.	23
5.13	Business rationale of major capital expenditure /projects during the year and for those planned for next year.	123,124
5.14	Brief description and reasons; a) For not declaring dividend despite earning profits and future prospects of dividend. b) Where any payment on account of taxes, duties, levies etc. is overdue or outstanding.	103
5.15	CEO presentation video on the organization's website explaining the business overview, performance, strategy and outlook. (Please provide reference / web link on company's annual report).	125
6	Outlook (Challenges and uncertainties that the organization is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance)	126,127
6.01	Forward looking statement in narrative and quantitative form including projections or forecasts about known trends and uncertainties that could affect the entity's resources, revenues and operations in the short, medium and long term. Also explaining the external environment including political, economic, social, technological, environmental and legal environment that is likely to be faced in the short, medium and long term and how it will affect the organization in terms of its business performance, strategic objectives and availability, quality and affordability of capitals.	129
6.02	Explanation as to how the performance of the entity meets the forward-looking disclosures made in the previous year.	130,131
6.03	Status of the projects in progress and were disclosed in the forward-looking statement in the previous year.	130,131

S.No	Statement of Clause	Page Reference
6.04	Sources of information and assumptions used for projections / forecasts in the forward-looking statement and assistance taken by any external consultant.	130
6.05	How the organization is currently equipped in responding to the critical challenges and uncertainties that are likely to arise.	131
7	Stakeholders Relationship & Engagement (State of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests)	230,231
7.01	How the company has identified its stakeholders.	230
7.02	Stakeholders' engagement process and the frequency of such engagements during the year. Explanation on how these relationships are likely to affect the performance and value of the entity, and how those relationships are managed. These engagements may be with: a) Institutional investors; b) Customers & suppliers; c) Banks and other lenders; d) Media; e) Regulators; f) Local committees and g) Analysts.	230,231
7.03	Steps taken by the management to encourage the minority shareholders to attend the general meetings.	230
7.04	Investors' Relations section on the corporate website.	230
7.05	Issues raised in the last AGM, decisions taken and their implementation status.	230
7.06	Statement of value added and its distribution with graphical presentation: a) Employees as remuneration b) Government as taxes (separately direct and indirect) c) Shareholders as dividends d) Providers of financial capital as financial charges e) Society as donation; and f) Retained within the business	196
7.07	Stakeholders' engagement policy and steps board has taken to solicit and understand the views of stakeholders through corporate briefing sessions and disclosure of brief summary of Analyst briefing conducted during the year.	192
7.08	Highlights about redressal of investors' complaints.	230,231

S.No	Statement of Clause	Page Reference
8	Specific Disclosures of the Financial Statements	138,139
8.01	For Specific Disclosures of the Financial Statements please refer Annexure 'II'.	140-178
8.02	Industry specific additional disclosures (if applicable): a) Insurance Company - Annexure 'III' b) Banking Company - Annexure 'IV' c) Shariah compliant companies/ companies listed on the Islamic Indices - Annexure 'V'	N/A
9	Sustainability & Corporate Social Responsibility	188-237
9.01	Highlights of the entity's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility (including environment related obligation applicable on the company and initiatives taken to fulfil during the year and company's responsibility towards the staff, their health & safety).	194-229
9.02	Certifications acquired and international standards adopted for best sustainability and CSR practices.	193,210-213
10	Business Model (Business model is a system of transforming inputs, through 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)	14-15
10.1	Describe the business model including inputs, business activities, outputs and outcomes in accordance with the guidance as set out under section 4C of the International Integrated Reporting Framework <IR>.	14-15
11	Excellence in Corporate Reporting	132,133
11.01	Statement by management of unreserved compliance of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).	134
11.02	Adoption of International Integrated Reporting Framework <IR> by fully applying the 'Fundamental Concepts' and 'Guiding Principles' of <IR> into their corporate reporting in addition to the 'Content Elements' (disclosures) of <IR>, as covered in this criterion.	136
11.03	Disclosures beyond BCR criteria (Note: The participating organization to send the list of additional disclosures to BCR Committee).	135

S.No	Statement of Clause	Page Reference
12	Qualitative Assessment	
12.01	Annexure "VI"	Complete Report
13	Others	
13.01	BCR criteria cross referred with page numbers of the annual report.	254-263
13.02	Brief about contents, scope and boundaries of the annual report.	02
13.03	SWOT analysis.	40,41

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	4,5
ii	ownership and operating structure including size of the organization, location of its operations	11,149
iii	principal activities and markets	15,16,17
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)	24
v	position within the value chain	20,190,191
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	11,14,16,17,215
c	Significant factors affecting the external environment and the organization's response.	26-29,88,89
	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).	26-29
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:	26-29
a	The legitimate needs and interests of key stakeholders	26-29
b	Macro and micro economic conditions, such as economic stability, globalization, and industry trends	26-29
c	Market forces, such as the relative strengths and weaknesses of competitors and customer demand	24,26-29
d	The speed and effect of technological change	26-29
e	Societal issues, such as population and demographic changes, human rights, health, poverty, collective values and educational systems	26-29,200
f	Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached	26-29
g	The legislative and regulatory environment in which the organization operates	26-29
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.	26-29

Sr. No.	Particulars	Page Reference
B	Governance	
1	An integrated report needs to provide an insight about how such matters as the following are linked to its ability to create value:	
a	The organization's leadership structure, including the skills and diversity (e.g., range of backgrounds, gender, competence and experience) of those charged with governance and whether regulatory requirements influence the design of the governance structure	21,22,58-61
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	30-36
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	42-45,70,94-97
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	101-105,195,199 221,230,231
e	Whether the organization is implementing governance practices that exceed legal requirements / Key Policies	84-87,93
f	The responsibility those charged with governance take for promoting and enabling innovation	44,66,67
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.	100-103
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	14-15,24-29 230-233
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).	14-15,40-41

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. This can include identifying:	40-55
a	The specific source of risks and opportunities, which can be internal, external or, commonly, a mix of the two.	40-55
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.	40-55
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.	40-55
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.	40-55
E	Strategy and Resource Allocation	
1	An integrated report needs to identify:	
a	The organization's short, medium and long term strategic objectives	32-36
b	The strategies it has in place, or intends to implement, to achieve those strategic objectives	32-36
c	The resource allocation plans it has to implement its strategy	32-36
d	How it will measure achievements and target outcomes for the short, medium and long term.	10,32-36
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:	32-36
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	32-36
ii	are influenced by/respond to the external environment and the identified risks and opportunities	32-36
iii	affect the capitals, and the risk management arrangements related to those capitals	32-36
b	What differentiates the organization to give it competitive advantage and enable it to create value, such as:	32-36
i	the role of innovation	32-36
ii	how the organization develops and exploits intellectual capital	32-36
iii	the extent to which environmental and social considerations have been embedded into the organization's strategy to give it a competitive advantage	32-36
c	Key features and findings of stakeholder engagement that were used in formulating its Strategy and Resource Allocation plans.	32-36

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	100-103
b	The organization's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain	104,105,190,191
c	The state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests	230-231
d	The linkages between past and current performance, and between current performance and the organization's outlook.	106-125,129-131
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).	10,195,199,221
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.	40,41
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	26-29,126-131
b	How that will affect the organization	26-29,126-131
c	How the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise.	26-29,126-131 42-45,88,89
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	24-29,126-131 46-55
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.	126-131
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.	126-131,195 199,221
5	Disclosures about an organization's outlook in an integrated report should consider the legal or regulatory requirements to which the organization is subject.	126-131,134-136
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	230-233
b	A description of the reporting boundary and how it has been determined	188,189,233
c	A summary of the significant frameworks and methods used to quantify or evaluate material matters	2,134-136 188-189

FEEDBACK FORM

Integrated Report 2021

Details of information provided on issues covered in the report

Comprehensive Adequate Not adequate

Clarity of the information provided in the report

High Medium Low

The quality of design and layout of the report

Excellent Good Average

Your comments for adding value to the report

Name

Designation

Organization

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GLOSSARY AND ACRONYMS

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

EFPP	Employee Federation Of Pakistan
EHS	Environment Health & Safety Committee
EMS	Environmental Management System
EO	Entprenureships Organization
EOBI	Employees Old Age Benefits Institution
EPA	Environmental Protection Authority
EPS	Earnings Per Share
ERF	Export Refinance
ERP	Enterprise Resource Planning
ESG	Economic Social & Governance
FGCC	Faisalabad Garment City Company
GHG	Green House Gases
GJ	Giga Joules
GM HR & A	General Manager Human Resource & Administration
GM IT	General Manager Information Technology
GMC	General Manager Compliance
GMHR&A	General Manager Human Resource & Administration
GMIT	General Manager Information & Technology
GMP	General Manager Procurement
GOTS	Global Organic Textile Standard
GRI	Global Reporting Initiative
GRS	Global Recycled Standards
GSP	General System Of Preference
HR&R	Human Resource & Renumeration
HSE	Health Safety & Environment

ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost Management Accountants of Pakistan
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IPO	Initial Public Offer
IR	Integrated Report
ISO	International Standards Organization
KIEA	Khurrian Wala Industrial Estate Organization
KPI	Key Performance Indicator
KWH	Kilo Watt Hour
LC	Letter of Credit
LTFF	Long Term Finance Facility
MMSCF	Million Standard Cubic Feet
MOU	Memorandum of Understanding
MW	Mega Watt
NEQS	National Environmental Quality Standards
NTU	National Textile Univeristy
OCS	Organic Content Standard
OHSAS	Occupational Health & Safety Assesment Specification
PBIT	Pakistan Board of Information & Technology
PNAC	Pakistan National Accreditation Council
PPC	Purchase Planning Department
PPE	Personal Protective Equipment
PSDF	Punjab Skills Development Funds
PTEA	Pakistan Textile Exporters Association

QMS	Quality Management System
RCM	Risk Control Matrix
RLNG	Regasified Liquefied Natural Gas
SA8000	Social Accountability 8000
SAFA	South Asian Federation of Accountants
SBO	Strategic Business Objectives
SCAN	Supplier Compliance Audit Network
SDG	Sustainability Development Goals
SEMTA	Sedex Members Ethical Trade Audit
SEZ	Special Economic Zone
SOP	Standard Operating Procedure
SPT	Social Performance Team
UNEP	United National Environment Programme
UNGC	United Nations Global Compact
UOM	Unit of Measurement
WAPDA	Water & Power Development Authority
WMC	Workers Management Committee
WPPF	Worker's Profit Participation Fund
WRAP	Worldwide Responsible Accredited Production
WWF	World Wild Fund