

# SANA Industries Limited

## Annexure to Directors' Report (Rupees in millions)

### Comparison with last year

### Annexure A

Covering period FROM TO	01-Jul-2008 30-Jun-2009	01-Jul-2007 30-Jun-2008	VARIATION	
			Amount	Percentage
Turnover - net	506.14	434.59	71.55	16.46%
Cost of Sales	437.17	396.94	40.23	10.14%
Gross Profit	68.97	37.65	31.32	83.19%
G.P.Rate to Sales	13.63%	8.66%		4.97%
Administrative, Selling, Financial & Other expenses	36.19	30.55	5.64	18.46%
Other income	3.32	0.14	3.18	-
Net (loss) / profit before taxation	36.10	7.24	28.86	
N.P.Rate to Sales	7.13%	1.67%		
Provision for Taxation	12.65	5.07	7.58	
Profit after Taxation	23.45	2.17	21.28	
Earning / (Loss) per share (before tax)	6.56	1.32	5.24	
Earning / (Loss) per share (after tax)	4.26	0.39	3.87	

### Comparison with previous quarter

### Annexure B

Covering period FROM TO	01-Apr-2009 30-Jun-2009	01-Jan-2009 31-Mar-2009	VARIATION	
			Amount	Percentage
Sales - net	157.80	125.21	32.59	26.03%
Cost of Sales	129.46	106.02	23.44	22.11%
Gross Profit	28.34	19.19	9.15	47.68%
G.P.Rate to Sales	17.96%	15.33%		2.63%
Administrative, Selling, Financial & Other expenses	9.91	9.59	0.32	3.34%
Other income	0.18	2.29	(2.11)	
Net (loss) / profit before taxation	18.61	11.89	6.72	
N.P.Rate to Sales	11.79%	9.50%		
Provision for Taxation	6.53	4.20	2.33	
Profit after Taxation	12.08	7.69	4.39	
Earning / (Loss) per share (before tax)	3.38	2.16	1.22	
Earning / (Loss) per share (after tax)	2.20	1.40	0.80	

# SANA Industries Limited

Annexure C

## COMPARISON OF BALANCE SHEET OF FOUR QUARTERS

	1ST QUARTER 30-Sep-2008 Rupees	2ND QUARTER 31-Dec-2008 Rupees	3RD QUARTER 31-Mar-2009 Rupees	4TH QUARTER 30-Jun-2009 Rupees
<b>ASSETS</b>				
<b>NON CURRENT ASSETS</b>				
Tangible fixed assets	168,690,318	170,333,547	171,419,469	171,491,843
Long-term deposits	698,925	698,925	696,925	696,925
	169,389,243	171,032,472	172,116,394	172,188,768
<b>CURRENT ASSETS</b>				
Stock-in-trade	78,416,733	78,554,794	102,019,062	83,326,131
Trade debts- unsecured, considered good	98,648,953	49,873,366	54,630,340	85,270,295
Advances	1,545,894	2,238,466	2,545,324	4,895,270
Deposits and pre-payments	2,318,894	1,921,896	1,236,076	2,958,003
Other receivables	1,931,112	1,504,301	1,393,797	1,759,404
Taxation - net	3,124,126	3,836,631	4,667,904	5,507,600
Cash and bank balances	7,996,201	11,228,882	8,868,652	20,322,234
	193,981,913	149,158,336	175,361,155	204,038,937
<b>TOTAL ASSETS</b>	<b>363,371,156</b>	<b>320,190,808</b>	<b>347,477,549</b>	<b>376,227,705</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE CAPITAL AND RESERVES</b>				
Share Capital	55,000,000	55,000,000	55,000,000	55,000,000
General Reserve	132,500,000	132,500,000	132,500,000	132,500,000
Unappropriated profit	7,086,112	3,355,104	11,046,051	23,124,088
<b>Shareholder's equity</b>	<b>194,586,112</b>	<b>190,855,104</b>	<b>198,546,051</b>	<b>210,624,088</b>
<b>NON CURRENT LIABILITIES</b>				
Diminishing Mushareqa	-	-	-	2,365,461
Deferred taxation	6,143,871	7,034,230	11,238,065	17,750,702
	6,143,871	7,034,230	11,238,065	20,116,163
<b>CURRENT LIABILITIES</b>				
Trade and other payables	17,116,416	14,474,274	18,210,425	30,291,953
Borrowings from Directors	12,775,000	-	2,700,000	-
Current portion of long term morabaha arrangements	12,910,106	6,455,053	-	-
Current portion of diminishing mushreqa arrangements	-	-	-	4,084,284
Morabaha Arrangements	119,839,651	101,372,147	116,783,008	111,111,217
	162,641,173	122,301,474	137,693,433	145,487,454
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>363,371,156</b>	<b>320,190,808</b>	<b>347,477,549</b>	<b>376,227,705</b>
Debt Equity Ratio	3 : 97	4 : 96	5 : 95	9 : 91
Current Ratio	1.19	1.22	1.27	1.40

# SANA Industries Limited

Annexure D

## COMPARISON OF PROFIT & LOSS ACCOUNT OF FOUR QUARTERS.

	1ST QUARTER 30-Sep-2008 Rupees	2ND QUARTER 31-Dec-2008 Rupees	3RD QUARTER 31-Mar-2009 Rupees	4TH QUARTER 30-Jun-2009 Rupees	Y.T.D. 31-Mar-2009 Rupees
Net turnover	127,269,616	95,860,101	125,208,505	157,806,885	506,145,107
Cost of sales	(116,212,200)	(85,480,507)	(106,016,454)	(129,462,798)	(437,171,959)
Gross profit	11,057,416	10,379,594	19,192,051	28,344,087	68,973,148
G.P.Rate	8.69%	10.83%	15.33%	17.96%	13.63%
Selling and distribution expenses	(809,755)	(971,976)	(1,105,040)	(939,468)	(3,826,239)
General and administration expenses	(2,924,113)	(2,964,955)	(2,838,648)	(2,664,438)	(11,392,154)
Other operating expenses	(154,724)	(355,065)	(822,660)	(1,291,001)	(2,623,450)
Other operating income	-	852,177	2,290,000	181,165	3,323,342
Operating profit	7,168,824	6,939,775	16,715,703	23,630,345	54,454,647
Finance cost	(4,229,065)	(4,279,717)	(4,820,921)	(5,022,811)	(18,352,514)
Profit for the period before taxation	2,939,759	2,660,058	11,894,782	18,607,534	36,102,133
Provision for taxation	-	-	-	-	-
- current	-	-	-	-	-
- prior	-	(707)	-	(16,860)	(17,567)
- deferred (current)	(1,028,915)	(890,359)	(4,203,835)	(6,512,637)	(12,635,746)
	(1,028,915)	(891,066)	(4,203,835)	(6,529,497)	(12,653,313)
Profit after taxation	1,910,844	1,768,992	7,690,947	12,078,037	23,448,820
Earning per share before taxation	0.53	0.48	2.16	3.38	6.56
Earning per share after taxation	0.35	0.32	1.40	2.20	4.26

# SANA Industries Limited

Statistical summary of key operating & financial data for last six years

Annexure E

(Rupees in Millions)

YEAR END	Jun-2009	Jun-2008	Jun-2007	Jun-2006	Jun-2005	Sep-2004
						(9 months)
<b>OPERATING RESULTS</b>						
Turnover	506.14	434.59	410.91	481.26	300.37	427.71
Gross profit	68.97	37.65	21.43	53.76	19.97	44.36
Operating expenses	12.72	12.67	12.63	13.99	10.67	13.51
Operating profit	56.25	24.98	8.80	39.77	9.30	30.85
Financial charges	14.21	16.49	14.21	7.38	1.83	1.18
Other expenses - net	2.62	0.38	(0.05)	2.48	0.90	1.98
Profit before tax	36.10	7.24	(5.13)	32.12	13.22	27.69
Taxation	12.65	5.07	0.26	11.24	4.63	9.11
Profit after tax	23.45	2.17	(5.39)	20.88	8.59	18.58
<b>FINANCIAL POSITION</b>						
Paid-up Capital	55.00	55.00	55.00	50.00	50.00	40.00
Retained earnings	155.62	137.68	135.51	158.40	147.51	148.92
Total equity	210.62	192.68	190.51	208.40	197.51	188.92
Long term loans/morabaha/mushareka	2.37	-	19.37	24.30	-	-
Deferred taxation	17.75	5.11	2.23	3.01	4.65	3.43
Current liabilities	145.49	161.84	142.92	101.13	102.94	89.97
Total assets	376.23	359.63	355.32	336.84	305.11	282.33
Fixed assets (Gross)	532.09	521.22	502.80	398.28	389.81	374.83
Accumulated depreciation	360.89	349.28	327.07	307.89	292.66	284.77
Fixed assets (Net)	171.20	171.94	175.73	90.39	97.15	90.06
Long term deposits	0.70	0.70	0.47	0.20	0.19	0.20
Current assets	204.04	186.80	179.12	191.72	198.02	181.39
<b>RATIOS</b>						
Fixed Assets Turnover	2.96	2.53	2.34	5.32	3.09	4.75
Inventory turnover (times)	5.39	5.37	6.15	6.39	3.97	7.12
Inventory turnover (days)	68	68	59	57	92	51
Sales growth %	16.46%	5.76%	-14.62%	60.22%	-29.77%	15.83%
Gross profit margin %	13.63%	8.66%	5.22%	11.17%	6.65%	10.37%
Total charges as % to sales	5.84%	6.80%	6.52%	4.96%	4.46%	3.90%
Net profit before tax % to sales	7.13%	1.67%	-1.25%	6.67%	4.40%	6.47%
Tax rate (Effective) %	0.00%	0.50%	0.50%	35.00%	26.00%	39.00%
Net profit after tax (% to sales)	4.63%	0.50%	-1.31%	4.34%	2.86%	4.34%
Return on Capital % (after tax)	42.64%	3.95%	-9.80%	41.76%	17.18%	46.45%
Return on Equity % (after tax)	11.13%	1.13%	-2.83%	10.02%	4.35%	9.83%
Earning per share pre-tax	6.56	1.32	(0.93)	6.42	2.64	6.92
Earning per share after tax	4.26	0.39	(0.98)	4.18	1.72	4.64
Break-up value per share	38.29	35.03	34.64	41.68	39.50	47.23
Debt Equity Ratio	9 : 91	3 : 97	10 : 90	12 : 88	2 : 98	2 : 98
Current Ratio	1.40	1.15	1.25	1.89	1.92	2.01
Quick Ratio	0.83	0.67	0.77	1.33	1.18	1.29
<b>DISTRIBUTION</b>						
Dividend per share Rs.	3.50	1.00	Nil	2.50	2.00	2.50
Stock Dividend	Nil	Nil	Nil	10%	Nil	25%
Dividend payout	82%	256%	0%	84%	116%	108%

AUDITORS' REPORT TO THE MEMBERS

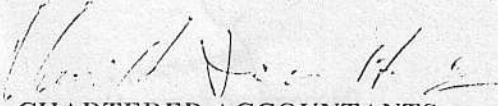
We have audited the annexed balance sheet of SANA INDUSTRIES LIMITED as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Karachi: 31 AUG 2009

  
CHARTERED ACCOUNTANTS  
(Muhammad Moin Khan)

# SANA Industries Limited

## BALANCE SHEET AS AT 30 JUNE 2009

	NOTE	June 30, 2009	June 30, 2008
		----- (Rupees) -----	
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Tangible fixed assets	4	171,491,843	172,131,016
Long-term deposits		696,925	698,925
		<b>172,188,768</b>	172,829,941
<b>CURRENT ASSETS</b>			
Stock-in-trade	5	83,326,131	78,752,227
Trade debts- unsecured, considered good		85,270,295	93,720,344
Advances	6	4,895,270	1,811,562
Deposits and pre-payments	7	2,958,003	2,583,383
Other receivables	8	1,759,404	3,083,343
Taxation - net	9	5,507,600	2,400,671
Cash and bank balances	10	20,322,234	4,447,624
		<b>204,038,937</b>	186,799,154
<b>TOTAL ASSETS</b>		<b>376,227,705</b>	359,629,095
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share Capital	11	55,000,000	55,000,000
General Reserve		132,500,000	132,500,000
Unappropriated profit		23,124,088	5,175,268
<b>Shareholder's equity</b>		<b>210,624,088</b>	192,675,268
<b>NON CURRENT LIABILITIES</b>			
Diminishing Mushareqa	12	2,365,461	-
Deferred taxation	13	17,750,702	5,114,956
		<b>20,116,163</b>	5,114,956
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	30,291,953	18,733,206
Borrowings from Directors & family members		-	18,900,000
Current portion of long term morabaha arrangement		-	19,365,160
Current portion of long term musharaka arrangement	12	4,084,284	-
Morabaha Arrangements	15	111,111,217	104,840,505
		<b>145,487,454</b>	161,838,871
<b>CONTINGENCIES AND COMMITMENTS</b>	16	-	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>376,227,705</b>	359,629,095

Auditors' report annexed

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

(Mohammed Younus Nawab)  
Chief Executive

(Mohammed Irfan Nawab)  
Director

(Abdul Hussain Antaria)  
Chief Financial Officer



# SANA Industries Limited

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2009

	June 30, 2009	June 30, 2008
	----- (Rupees) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before taxation	36,102,133	7,236,219
Add/(Less): Adjustments for:		
Depreciation	25,302,253	23,410,266
(Profit) / Loss on sale of fixed assets	(3,021,087)	1,014,238
Profit on PLS account	(302,255)	(141,360)
Finance cost	18,352,514	16,494,331
	-----	-----
Cash provided by operating activities before working capital changes	76,433,558	48,013,694
(Increase)/decrease in current assets	26.1 1,741,756	(18,305,635)
(Decrease)/Increase in current liabilities	26.2 11,499,423	4,435,293
	-----	-----
	89,674,737	34,143,352
Finance cost	(18,352,514)	(16,494,331)
Taxes paid	(3,124,496)	(2,435,151)
	-----	-----
Net cash inflow from operating activities	68,197,727	15,213,870
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditure incurred	(24,682,093)	(21,602,650)
Payment of long term security deposit	2,000	(226,400)
Profit from PLS account	302,255	141,360
Proceeds from sale of fixed assets	3,040,100	778,775
Net cash used in investing activities	(21,337,738)	(20,908,915)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Borrowing under Morabaha arrangement	230,459,862	233,918,907
Payment of Morabaha arrangement	(243,554,310)	(257,995,052)
Borrowing under Mushareqa arrangement	6,449,745	-
Due to related party	9,600,000	26,399,500
Payment to related party	(28,500,000)	(7,499,500)
Dividends paid	(5,440,676)	(10,105)
Net cash used in financing activities	(30,985,379)	(5,186,250)
	-----	-----
Net Increase/(Decrease) in cash and cash equivalents	15,874,610	(10,881,295)
Cash and cash equivalents at beginning of the year	4,447,624	15,328,919
	-----	-----
Cash and cash equivalents at end of the year	20,322,234	4,447,624
	=====	=====

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

(Mohammed Younus Nawab)  
Chief Executive

(Mohammed Irfan Nawab)  
Director

(Abdul Hussain Antaria)  
Chief Financial Officer

# SANA Industries Limited

## DIRECTORS' REPORT

The Directors take pleasure in submitting their Report together with the Audited Accounts of the Company for the year ended 30th June, 2009.

### Financial Results

The Financial Results of the Company for the year ended 30th June, 2009 are summarized below:-

		Rupees
Profit for the period before taxation		36,102,133
Add: Provision for taxation - current	Nil	
- prior year	17,567	
- deferred (current)	12,635,746	
	-----	12,653,313
		-----
Profit after taxation		23,448,820
		=====
Earning per share (basic and diluted) after taxation		0.43
		=====

Alhamd-o-Lillah! the Al-mighty has been very kind in showering HIS unlimited bounties on your Company for which we do not have appropriate words to thank HIM, may Allah continue to cherish HIS blessings on your Company, Ameen. The profit after taxation for the current year has enhanced from Rs.2.17 M to 23.45 M an increase of Rs.21.28 M. In order to facilitate our Shareholders following comparisons of operating and financial data are annexed.

(a) Comparison with last year	Annex-A
(b) Comparison with previous quarter	Annex-B
(c) Quarter-wise comparison of Balance Sheets	Annex-C
(d) Quarter-wise comparison of Profit & Loss accounts	Annex-D
(e) Statistical summary of key operating and financial data of last 6 years	Annex-E

The salient features for the year under review, of 'Textile Segment', are as under:

(1) Though the Sales, in Rupee terms, have registered an increase of Rs.55.90 M (14.50%), yet in quantitative terms it has declined by 85,632 Kilos (3.76%). The Gross Profit amount and G.P.Rate have enhanced by 27.79 M (131.39%) and 5.60% respectively. The net loss of Rs.3.91 M, has been converted into a 'Net Profit' of Rs.18.53 M. Sales in quantitative terms have declined due to continuity of Management's policy to not to succumb to the selling pressure applied by the market forces and enhance the selling price of its product (Yarn) to its maximum, the result is evident from the fact that the average selling price of Yarn has enhanced by 20.24% and G.P.Rate by 5.60%.

(2) The production of Yarn, in quantitative terms has declined by 137,928 Kilos (6.03%) due to reduction in 'average spindles operated' during the year from 19,374 Spindles to 16,769 Spindles, which is a reduction of 2,605 Spindles or 13.45%. It is also worth mentioning that during the year the Management has disposed off 4 obsolete Spinning Frames comprising of 4,544 Spindles.



# SANA Industries Limited

(3) The average cost of raw-materials consumed has enhanced by Rs.10.53 Per Kilo (8.78%), due to increase in price of 'Polyester Staple Fibre' which increased by Rs.6.34 Per Kilo (6.59%). It is worth mentioning that the average selling price of Yarn has enhanced by Rs.33.77 Per Kilo (20.24%).

(4) The cost of manufacturing over heads has enhanced from Rs.40.17 per Kilo to Rs.48.58 per Kilo mainly due to lesser production and increase in expenses, significant increases on this account are attributed to the following heads:

- (a) Salaries and wages by Rs.3.37 per Kilo or 23.72% due to increase in salary rates of the workers and lesser production.
  - (b) Fuel and Power by Rs.4.58 Per Kilo or 29.57% due to increase in Gas prices.
  - (c) Insurance cost by 0.14 Per Kilo or 24.14% due to additions in fixed assets.
  - (d) Depreciation cost by Rs.0.11 per Kilo or 2.12% due to lesser production.
  - (e) Other manufacturing overhead by Rs.0.22 Per Kilo or 26.83% due to increase in expenses and lesser production.
- (5) The Selling and Distribution expenses have increased by Rs.0.34 per Kilo, mainly due to increase in salaries.
- (6) The General and Administration expenses have increased by Rs.0.72 Per Kilo due to increase in salaries, bad debts and prior year's sales tax refund written off and lesser production.
- (7) The financial charges have increased by Rs.5.11 M due to increased borrowings necessiated by enhanced working capital requirement and increase in profit rate. The average borrowing during the current year were Rs.112.69 M as compared to Rs.102.59 M during the previous year. The weighted average rate of profit paid to the Bank also registered an increase from 11.84% during the previous year to 15.30% during the current year.
- (8) The net loss of last year, before tax (Textile Segment), of Rs.3.91 M has been converted into a net profit before tax of Rs.18.53 M.
- (9) The consolidated amount of net profit, after tax of Rs.2.17 M, has increased to Rs.23.45 M.
- (10) The period of trade debts (receivable) has decreased from 65 days to 51 days.
- (11) The inventory of raw-materials has increased from 53 days to 73 days.
- (12) The inventory of finished goods has decreased from 31 days to 26 days.

## Future Prospects

The Management is optimistic about the future profitability of the Company and hopes, that Insha Allah the present level of the profit would be maintained during the coming year.

# **SANA Industries Limited**

## **Board of Directors**

The present Board of Directors who were elected on 29th September, 2007, will continue to hold the office upto 3rd December, 2010

## **Auditors**

The present Auditors M/s. Muniff Ziauddin & Co, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

## **Pattern of Holding of Shares**

The Pattern of Holding of Shares as prescribed by the SECP Circular dated 28/3/2002 to the Stock Exchange has been included in the Annual Report.

## **Dividend and Notice of Book Closure**

Your Directors have decided to recommend payment of Final Dividend @ Re.3.50 per share (35%), which comes to about 82% of the current years' after tax earnings.

The Dividend will be paid to the Shareholders whose name appears in the Register of Members on 6/10/2009. The Share Transfer Books of the Company will remain closed from 7/10/2009 to 10/10/2009 (both days inclusive). Transfers received in order at the office of the Company, i.e. SF-96, S.I.T.E., Karachi at the close of business on 6/10/2009 will be treated in time for the purpose of payment of Dividend to the Transferees.

## **Corporate and Financial Reporting Framework**

As required vide Circular No.2(10)SE/SMD/202 dated 28th March, 2002, issued to all Stock Exchanges of Pakistan and listing regulations of the Karachi, Lahore and Islamabad Stock Exchanges, the Board of Directors of Sana Industries Limited confirm that the Company applies the principles contained in the Code in the following manner.

- (1) The financial statements present fairly the Company's state of affairs, the result of its operations, cash flows and changes in equity.
- (2) The Company has maintained proper books of account.
- (3) Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on, have been adequately disclosed.
- (4) The system of internal control is of sound design and has been effectively implemented and monitored.
- (5) There are no significant doubts upon the Company's ability to continue as a going concern.

# SANA Industries Limited

(6) There has been no material departure from the best practices of corporate governance, as detailed in the Stock Exchange's Listing Regulations.

(7) The Company operates an approved gratuity fund, being administered by a gratuity fund trust, covering all its employees who have completed their qualifying period. The Project Unit Credit Actuarial Cost Method (PUC) was used for calculating the accounting entries, which method is mandated under the latest version of IAS-19. The most recent actuarial valuation of the scheme was carried out as at 30th June, 2009. Following are the significant assumption used for the valuation of scheme:

	30-Jun-2009	30-Jun-2008
Valuation discount rate	13% p.a	12% p.a
Salary increase	13% p.a	12% p.a
Expected return on Plan Assets	10% p.a	9% p.a

A statement as to the value of assets / investments of gratuity fund, based on its audited accounts is as under:-

(a) Investment in Shares of listed companies	Rs.11,463,760/=
(b) Due from company	Rs. 1,427,524/=
(c) Profit receivable on PLS Account	Rs. 4,745/=
(d) Dividend receivable	Rs. 87,000/=
(d) Bank balances	Rs. 33,307/=
	-----
Total of assets / investments as on 30/6/2009	Rs.13,016,336/=
	=====

(8) Following Directors were elected in the Annual General Meeting held on 24/9/2007, in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years, commencing from 3/12/2007. A total of 5 Meetings of the Board of Directors were held during the financial year ended 30th June, 2009. Number of Meeting attended by each Directors are stated their against:

Name of Directors -----	Number of Meeting Attended -----
(1) Mr. Mohammed Yousuf	2
(2) Mr. Mohammed Tariq Yousuf	3
(3) Mr. Mohammed Junaid Nawab	4
(4) Mr. Mohammed Irfan Nawab	5
(5) Mr. Ibrahim Younus	5
(6) Mr. Mohammed Younus Nawab	5
(7) Mr. Kemal Shoaib (Nominee Director NIT)	4

# SANA Industries Limited

(9) Following trades in the shares of the Company were carried out by its Directors, CEO, Company's Secretary and their spouses and minor children during the current financial year:

DATE OF TRANSACTION	PURCHASER/SELLER	NO OF SHARES TRANSACTED	RATE/ SHARE
PURCHASES			
30/09/2008	Mr. Mohammed Younus Nawab	5,500	Rs.15.5651
30/09/2008	Mr. Mohammed Irfan Nawab	5,500	Rs.15.5651
06/10/2008	Mr. Mohammed Younus Nawab	3,000	Rs.15.5651
06/10/2008	Mr. Mohammed Irfan Nawab	3,000	Rs.15.5651
09/10/2008	Mr. Mohammed Younus Nawab	4,000	Rs.14.8120
09/10/2008	Mr. Mohammed Irfan Nawab	4,000	Rs.14.8120
08/05/2009	Mrs. Afshan Irfan	500	Rs.13.5567
15/05/2009	Mrs. Afshan Irfan	1,000	Rs.15.5651
18/05/2009	Mrs. Afshan Irfan	500	Rs.15.8162
SALES			
----- N I L -----			

## Personnel

I would like to place on record my sincere appreciation for the devotion and loyalty of the staff and workers without whose efforts this success could not have been achieved. I look forward to the same devotion and cooperation in the years to come.

On behalf of the Board

(Mohammed Younus Nawab)  
Chief Executive.

Karachi: 31<sup>st</sup> August, 2009.

# FORM OF PROXY

M/s.Sana Industries Limited,  
SF Unit No.96, S.I.T.E.,  
P.O.Box No.10651,  
Karachi-75700

I/We \_\_\_\_\_

of \_\_\_\_\_ holding CNIC No. \_\_\_\_\_ being a member of

**SANA INDUSTRIES LIMITED**, and holder of \_\_\_\_\_ Ordinary Shares as per the Share Register Folio No. \_\_\_\_\_

and/or CDC Participant I.D.No. \_\_\_\_\_ and Account / Sub Account No. \_\_\_\_\_

hereby appoint \_\_\_\_\_ of \_\_\_\_\_

or failing him/her \_\_\_\_\_ of \_\_\_\_\_

as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 23rd Annual General Meeting scheduled to be held on 11th October, 2008 or at any adjournment thereof.

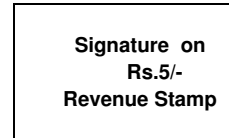
Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2008.

Signature of Proxy \_\_\_\_\_

Folio No. of Proxy \_\_\_\_\_

Folio No. of Shareholder \_\_\_\_\_

No. of Shares held \_\_\_\_\_



Signature of Shareholder

## WITNESSES

(1) Signature \_\_\_\_\_

(2) Signature \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

CNIC No. \_\_\_\_\_

CNIC No. \_\_\_\_\_

Address \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### **NOTES:**

- \* A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy need not be a member of the Company.
- \* If a member is unable to attend the meeting, they may complete and sign this form and send it to the Company Secretary, Sana Industries Limited, SF-96, S.I.T.E., Karachi, so as to reach not less than 48 hours before the time appointed for holding the meeting.
- \* The Proxy form shall be witnessed by two persons whose names, addresses and NIC / Passport numbers shall be stated on the form.
- \* Attested copies of NIC or the passport of the beneficial owners and the proxy shall be provided with the proxy form.
- \* The proxy shall produce his original NIC or original passport at the time of the meeting.
- \* In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

# SANA Industries Limited

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2009

### 1. NATURE OF BUSINESS

The Company was incorporated in Pakistan as a public limited Company under the Companies Ordinance, 1984. The shares of the Company are quoted on the Karachi, Lahore and Islamabad Stock Exchanges. The Company is principally engaged in the manufacturing and sale of man-made blended yarn at Hub Industrial Trading Estate, Hub Chowki, and a "compartmentalized cold store" located at Karachi. The registered office of the Company is located at SF-96, S.I.T.E., Karachi, Pakistan.

### 2. STATEMENT OF COMPLIANCE

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention.

#### 3.2 Accrual basis of accounting

These financial statements, except cash flow information, have been prepared under the accrual basis of accounting.

#### 3.3 Significant accounting judgements and estimates

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Estimate and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the company's accounting policies, management has made the following estimates and judgements which are significant to the financial statements:

#### Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 14.1.1 to the financial statements for valuation of present value of defined benefit obligations and fair value of plan assets. Any changes in these assumptions in future years might effect unrecognized gains and losses in those years.

#### Property, plant and equipment

Estimates with respect to residual values and depreciable lives and pattern of flow of economic benefits are based on the recommendation of technical team of the Company. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of tangible fixed assets with a corresponding affect on the depreciation charge and impairment.

#### Income Taxes

In making the estimates for income taxes payable by the Company, the management considers current Income Tax law and the decisions of appellate authorities on certain cases issued in past.

Deferred tax assets are recognized for all unused tax losses and credits to the extent that it is probable that taxable profit will be available against which such losses and credits can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

## **3.4 Employee benefits**

### **3.4.1 Defined Gratuity Scheme**

The Company operates a recognised, funded defined benefit gratuity scheme for all its permanent employees. Contributions are made to the fund on the basis of actuarial recommendations. The scheme is administered by the trustees nominated under the trust deed. The most recent actuarial valuation of the scheme was carried out on June 30, 2009. The actuarial valuation is carried out using the Projected Unit Credit Method. Under this method, the cost of providing gratuity is charged to the income statement so as to spread the cost over the service lives of the employees in accordance with the advice of qualified actuaries. (Also see Note 12.2)

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under the scheme.

Actuarial gains / losses in excess of corridor limit as of the last balance sheet date are recognised over the remaining service lives of employees.

### **3.4.2 Compensated absences**

The Company provides for its estimated liability towards leaves accumulated by employees on an accrual basis using current salary levies.

## **3.5 Taxation**

### **3.5.1 Current**

Provision for current taxation is the higher of the amount computed on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and minimum tax computed at the prescribed rate on sales.

### **3.5.2 Deferred**

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the amounts used for financial reporting purpose and amounts used for taxation purposes.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the assets may be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realizable.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the year when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted at the balance sheet date.

## **3.6 Fixed assets and depreciation**

### **3.6.1 Operating Property, plant and equipment**

These are stated at cost less accumulated depreciation and impairment, if any, except for leasehold land, capital work in progress and SF/96 premises (tenancy rights), which are stated at historical cost.

Depreciation is charged to income applying straight line method so as to write off the historical cost of the assets over their estimated useful lives at the rates given in note 4.1. Depreciation on additions is charged from the month in which the asset is put to use and on disposals upto the month the asset is in use. Assets' residual values and useful lives are reviewed, and adjusted, if appropriate annually.



# SANA Industries Limited

The carrying values of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values may not be recovered. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount. The recoverable amount of property, plant and equipment is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements, if any, are capitalized when it is probable that respective future economic benefits will flow to the Company.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the relevant assets. These are included in the profit and loss account.

## 3.6.2 Capital work-in-progress

All expenditure connected with specific assets incurred during installation and construction period are carried under this head. These are transferred to specific assets as and when these assets are available for use.

## 3.7 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of fixed assets are capitalized in the relevant fixed asset for the period upto the date of commercial production, or commencement of its intended use. All other borrowing costs are charged to profit and loss account as and when incurred.

## 3.8 Foreign currency translation

Foreign Currency transactions are translated into Pak Rupees (functional currency) using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities in foreign currencies are translated into Pak Rupees using the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at the year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

## 3.9 Stock-in-trade

Stock-in-trade is valued at the lower of cost and net realizable value.

Cost signifies in relation to:

- |                                       |  |
|---------------------------------------|--|
| - Raw and packing material            | - on a weighted average basis;   |
| - Stock-in-transit                    | - at cost to balance sheet date;   |
| - Work-in-process and finished goods. | - at weighted average cost of raw materials and applicable labour and manufacturing overheads; |
| - Waste stock                         | - at net realizable value.   |

Net realisable value is determined by considering selling price of stock in the ordinary course of business less costs of completion and cost necessary to be incurred in order to make the sale.

# SANA Industries Limited

## 3.10 Stores and spares

The cost of stores and spares are charged to revenue as and when acquired. The cost of stores and spares inventory left unused is not considered material.

## 3.11 Trade debts and other receivables

Trade debts and other receivables are recognized and carried at original invoice amount less an estimated allowance made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

## 3.12 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods and services

## 3.13 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand, cheques in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

## 3.14 Revenue recognition

Revenue from sale of goods is recognised upon passage of title to the customer which generally coincides with physical delivery and acceptance of the goods.

Other revenues are recognised on accrual basis.

## 3.15 Provisions

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

## 3.16 Financial Instruments

Financial instruments carried on the balance sheet include investments, receivables, cash and bank balances and trade creditors. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are offset when the Company has a legally enforceable right to offset and it intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

## 3.17 Related party transactions

All transactions with related parties are carried out by the Company using the methods prescribed under the Companies Ordinance, 1984.

## 3.18 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are charged to income.

## 3.19 Dividend and appropriation to reserves

Dividend and appropriation to reserves is recognised in the Company's financial statements in the period in which these are approved.

	NOTE	June 30, 2009 ----- (Rupees) -----	June 30, 2008
<b>4. FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT</b>			
Operating property, plant and equipment	4.1	171,204,299	171,946,162
Capital work-in-progress		287,544	184,854
		-----	-----
		171,491,843	172,131,016
		=====	=====

## 4.1 Operating property, plant and equipment

PARTICULARS	C O S T			D E P R E C I A T I O N				B O O K V A L U E	
	AT JULY 01, 2008	ADDITIONS (DELETIONS)	AT JUNE 30, 2009	AT JULY 01, 2008	FOR THE YEAR/ (DISPOSALS)	RATE % P.A.	AT JUNE 30, 2009	AT JUNE 30, 2009	
Leasehold land	12,095,494	-	12,095,494	-	-	0	-	12,095,494	
SF/96 Premises (Tenancy Rights)	5,000,000	-	5,000,000	-	-	0	-	5,000,000	
Building on leasehold land	58,244,789	6,252,836	64,497,625	32,670,914	3,485,276	10	36,156,190	28,341,435	
Electrification - Factory Building	10,981,850	-	10,981,850	3,742,051	847,631	10	4,589,682	6,392,168	
Office Premises SF/96	2,631,320	77,033	2,708,353	1,624,192	270,835	10	1,895,027	813,326	
Plant and machinery	410,877,759	16,066,843 (12,434,607)	414,509,995	303,798,050	17,072,077 (12,434,607)	10	308,435,520	106,074,475	
Handling equipments	4,061,956	209,360	4,271,316	483,613	413,447	10	897,060	3,374,256	
Furniture, fixtures and office equipments	3,743,935	68,500	3,812,435	1,931,358	323,734	10	2,255,092	1,557,343	
Refrigerated Vans	3,365,138	-	3,365,138	373,867	1,121,600	33.33	1,495,467	1,869,671	
Vehicles	9,191,337	1,675,531 (1,252,280)	9,614,588	3,792,572	1,727,439 (1,252,279)	20	4,267,732	5,346,856	
Computers & software	1,030,938	229,300 (19,500)	1,240,738	861,737	40,214 (488)	20	901,463	339,275	
30-Jun-2009 - Rupees	521,224,516	24,579,403 (13,706,387)	532,097,532	349,278,354	25,302,253 (13,687,374)		360,893,233	171,204,299	

PARTICULARS	C O S T			D E P R E C I A T I O N				B O O K V A L U E	
	AT JULY 01, 2007	ADDITIONS (DELETIONS)	AT JUNE 30, 2008	AT JULY 01, 2007	FOR THE YEAR/ (DISPOSALS)	RATE % P.A.	AT JUNE 30, 2008	AT JUNE 30, 2008	
Leasehold land	12,095,494	-	12,095,494	-	-	0	-	12,095,494	
SF/96 Premises (Tenancy Rights)	5,000,000	-	5,000,000	-	-	0	-	5,000,000	
Building on leasehold land	56,198,645	2,046,144	58,244,789	29,642,564	3,028,350	10	32,670,914	25,573,875	
Electrification - Factory Building	7,523,660	3,458,190	10,981,850	3,174,101	567,950	10	3,742,051	7,239,799	
Office Premises SF/96	2,406,207	225,113	2,631,320	1,383,571	240,621	10	1,624,192	1,007,128	
Plant and machinery	403,670,992	7,206,767	410,877,759	286,915,969	16,882,081	10	303,798,050	107,079,709	
Handling equipments	2,791,850	1,270,106	4,061,956	185,346	298,267	10	483,613	3,578,343	
Furniture, fixtures and office equipments	3,664,785	167,575 (88,425)	3,743,935	1,666,948	321,565 (57,155)	10	1,931,358	1,812,577	
Refrigerated Vans	-	3,365,138	3,365,138	-	373,867	33.33	373,867	2,991,271	
Vehicles	8,514,233	3,579,963 (2,902,859)	9,191,337	3,259,332	1,674,356 (1,141,116)	20	3,792,572	5,398,765	
Computers & software	932,138	98,800	1,030,938	838,528	23,209	20	861,737	169,201	
30-Jun-2008 - Rupees	502,798,004	21,417,796 (2,991,284)	521,224,516	327,066,359	23,410,266 (1,198,271)		349,278,354	171,946,162	

	Note	<b>30-Jun-09</b>	30-Jun-08
Depreciation charge for the year net of adjustments as above has been allocated as under:			
Manufacturing overheads	18	<b>23,187,113</b>	21,368,405
Fuel and power	18	<b>1,125,336</b>	1,125,336
Selling and distribution expenses	19	<b>10,572</b>	840
General and administration expenses	20	<b>979,232</b>	915,685
	Rupees	<b>25,302,253</b>	23,410,266

# SANA Industries Limited

## 4.1.2 Details of property, plant and equipment sold are given below:

DESCRIPTION	DATE/YEAR OF ACQUISITION	ORIGINAL COST	ACCUMULATED DEPRECIATION	BOOK VALUE	SALE PROCEEDS	GAIN/ (LOSS)	MODE OF DISPOSAL	PARTICULARS OF BUYERS
Plant & Machinery								
Zinser Spinning Frames 1,136 Spindle - 4 Pcs	30-Sep-1988	12,434,607	12,434,607	-	2,290,000	2,290,000	Negotiation	Dastagir Textile Mills 14th KM Sheikhpura Road, Khurrianwala, Faisalabad.
Vehicle								
Toyota Corolla AEN-682 Model-2002	13-Nov-2002	1,252,280	1,252,279	1	736,000	735,999	Negotiation	Muhammed Yousuf House No.77/B-2, South Seaview Avenue Phase II, DHA, Karachi.
Computers and softwares	20-Feb-2009	19,500	488	19,012	14,100	(4,912)	Negotiation	Jawaid Electronics Abdullah Haroon Road, Saddar, Karachi
Nokia Mobile E-51								
TOTAL		13,706,387	13,687,374	19,013	3,040,100	3,021,087		



# SANA Industries Limited

			June 30, 2009	June 30, 2008
			----- (Rupees) -----	
<b>11. SHARE CAPITAL</b>				
<b>11.1 Authorised capital</b>				
	2009	2008		
	10,000,000	10,000,000	Ordinary shares of Rs.10/- each	100,000,000
				100,000,000
				=====
<b>11.2 Issued, subscribed and paid-up capital</b>				
	Fully paid ordinary shares of Rs.10/- each			
	2009	2008		
	4,000,000	4,000,000	Issued for / as cash	40,000,000
				40,000,000
	1,500,000	1,500,000	Bonus shares	15,000,000
				15,000,000
	-----	-----		-----
	5,500,000	5,500,000		55,000,000
				55,000,000
	=====	=====		=====
<b>12. LONG TERM LIABILITIES - secured</b>				
Diminishing Musharaka from a commercial bank		12.1	6,449,745	-
Less: Current portion of long term musharaka arrangement			(4,084,284)	-
			-----	-----
			2,365,461	-
			-----	-----
			=====	=====
12.1	Long term diminishing musharaka has been obtained from a commercial bank to add productive machines in the present textile unit. The bank has approved a facility of Rs.12 million, the unavailed facility is Rs.5,550,255. The principal amount of Mushraka and profit thereon is to be re-paid in 18 equal monthly installments commencing 3 months after the date of disbursement. The profit rate for the first six months has been fixed at 15.85% p.a., to be revised after every six months at 6 months Kibor + 2.50%. The facility is repayable by January 2011. The overall facilities including Murabaha facility is secured against (a) Hypothecation of stocs, (b) First charge on receivables, (c) First charge on Machinery purchased against diminishing Musharaka, (d) Promissory note for Murabaha finance plus profit, (e) Equitable mortgage of Factory Land, Building and Plant & Machinery located at HITE, Hub, Balochistan and (f) personal guarantee of three Directors of the Company.			
			June 30, 2009	June 30, 2008
			----- (Rupees) -----	
<b>13. DEFERRED TAXATION</b>				
<b>Deferred tax liability on taxable temporary differences</b>				
Tax depreciation allowance			20,557,693	19,706,922
<b>Deferred tax asset on deductible temporary differences</b>				
Unabsorbed tax loss			(2,806,991)	(14,591,966)
			-----	-----
			17,750,702	5,114,956
			-----	-----
			=====	=====
<b>14. TRADE AND OTHER PAYABLES</b>				
Creditors			853,637	4,519,842
Employees' accumulating compensated absences			514,666	421,673
Accrued expenses			17,060,985	10,929,249
Advances from Customers			7,229,248	-
Payable to gratuity fund		14.1	1,427,524	1,976,821
Workers' profits participation fund		14.2	1,936,279	380,854
Workers' welfare fund			687,171	-
Other liabilities			88,851	70,499
Unclaimed dividend			493,592	434,268
			-----	-----
			30,291,953	18,733,206
			-----	-----
			=====	=====

# SANA Industries Limited

## 14.1 Gratuity payable

### 14.1.1 Defined benefit plan

As mentioned in note 3.4.1, the Company operates an approved funded gratuity scheme for all its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out at June 30, 2009.

The fair value of scheme's assets and the present value of obligation under the scheme at the balance sheet date were as follows:

	June 30, 2009	June 30, 2008
	----- (Rupees) -----	
Present Value of Defined Benefit Obligation	12,912,328	10,475,331
Fair Value of any Plan assets	(11,500,599)	(11,784,874)
Net Actuarial Gain / (Losses) not recognised	15,795	3,286,364
	-----	-----
Liability recognised in the balance sheet	1,427,524	1,976,821
	=====	=====
Amounts charged to profit and loss account		
Current Service cost	1,532,248	1,532,502
Interest cost	1,257,040	879,795
Expected return on plan assets	(1,060,639)	(1,210,816)
Actuarial (Gain) / Losses recognised	(301,125)	(269,329)
	-----	-----
	1,427,524	932,152
	=====	=====
The charge for the year has been allocated as follows:		
Manufacturing and service expenses	1,532,248	543,135
Fuel and power	1,257,040	40,808
Distribution costs	(1,060,639)	69,119
Administrative expenses	(301,125)	279,089
	-----	-----
	1,427,524	932,151
	=====	=====
Movement in net liability/(asset) recognised in the balance sheet		
Opening net (asset) / liability	1,976,821	2,138,495
Expense / (Prepaid Cost) for the year	1,427,524	932,151
Contributions	(1,548,941)	(645,495)
Contribution - payment to outgoing members made during the year	(427,880)	(448,330)
	-----	-----
Closing net (asset) / liability	1,427,524	1,976,821
	=====	=====
Movement in the present value of defined benefit obligation:		
Opening balance	10,475,331	8,797,946
Current Service cost	1,532,248	1,532,502
Interest cost	1,257,040	879,795
Benefits paid	(427,880)	(448,330)
Actuarial loss / (gain)	75,589	(286,582)
	-----	-----
Balance as as June 30	12,912,328	10,475,331
	=====	=====



# SANA Industries Limited

June 30, 2009                      June 30, 2008  
----- (Rupees) -----

Movement in the fair value of plan assets:		
Opening balance	11,784,874	12,108,164
Expected return	1,060,639	1,210,816
Contributions	1,548,941	1,093,825
Payment to outgoing employees on behalf of the fund	427,880	-
Benefits paid	(427,880)	(448,330)
Acturial (loss) / gain	(2,893,855)	(2,179,601)
	-----	-----
Balance as as June 30	11,500,599	11,784,874
	=====	=====

Principal actuarial assumptions used are as follows:

Expected rate of increase in salary level	13%	12%
Valuation discount rate	13%	12%
Rate of return on plan assets	10%	9%

Comparisons for five years:

	2009	2008	2007	2006	2005
	----- Rupees -----				
<b>As at June 30</b>					
Present value of defined benefit obligations	12,912,328	10,475,331	8,797,946	9,142,380	9,108,511
Fair value of plan assets	11,500,599	11,784,874	12,108,164	8,532,856	6,271,902
	-----	-----	-----	-----	-----
Surplus / (Defecit)	1,411,729	1,309,543	3,310,218	(609,524)	(2,836,609)
	-----	-----	-----	-----	-----
Experience adjustment on plan liabilities	75,589	(286,582)	(899,746)	(849,994)	--
Experience adjustment on plan assets	2,893,855	2,179,601	2,807,351	430,882	--

June 30, 2009                      June 30, 2008  
----- (Rupees) -----

Major categories / composition of plan assets are as follows:

Equity	11,467,292	11,649,933
Cash at bank	33,307	134,941
	-----	-----
	11,500,599	11,784,874
	=====	=====

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date.

The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during the year was Rs.885,338 (2008: Rs.973,945)

## 14.2 WORKERS' PROFITS PARTICIPATION FUND

At beginning of the year	380,854	-
Payments made during the period	380,854	-
	-----	-----
	-	-
Contribution for the period	1,936,279	380,854
	-----	-----
Balance at end of the year	1,936,279	380,854
	=====	=====

Full provision has been made for contribution to the fund. The contribution is paid annually to the fund from Company's working capital within time limit specified in the Companies Profit (Workers' Participation) Act, 1968. (Also see Note 14 (i))

# SANA Industries Limited

June 30, 2009                  June 30, 2008  
----- (Rupees) -----

**15. SHORT-TERM MORABAHA ARRANGEMENT - secured**

Commercial Bank	15.1	111,111,217	104,840,505
		=====	=====

15.1 Short-term Morabaha arrangement had been obtained from a commercial bank for the regular purchases of raw material. The bank had approved a facility of Rs.125 million. The unavailed facility is Rs.13,888,783/-. The effective rate of profit on Murabaha facility ranges between 11.26% to 18.20% (based on KIBOR + 1.25% to 2.50% per annum). The arrangement is secured against Equitable Mortgage of Factory Land, Building and Plant & Machinery located at H.I.T.E., Hub, Balochistan, hypothecation of goods imported / purchased under this financing, execution of promissory notes and personal guarantees of three Directors of the Company.

June 30, 2009                  June 30, 2008  
----- (Rupees) -----

**16. CONTINGENCIES AND COMMITMENTS**

**16.1 Contingencies**

Claims pending adjudication		2,895,311	2,881,420
		=====	=====
Letter of gurantee issued by a commercial bank for securing gas payments.		6,189,000	6,189,000
		=====	=====

16.1.1 A constitutional petition was filed by the Company in the Honourable High Court of Sindh at Karachi, challenging the ruling given by the Labour, Manpower and Overseas Pakistani's Division (Labour Wing) on the issue of payment of interest on Workers' Profits Participation Fund. The Company contends that no interest is payable on Workers' Profits Participation Fund as the amounts involved were disbursed before their respective due dates. This petition has however been dismissed by the Honourable High Court of Sindh at Karachi, vide its Judgement dated 14/12/2004. Civil petition for leave to appeal has been filed with the Appellate Jurisdiction of the Supreme Court of Pakistan for the grant of 'Leave to Appeal', which is pending with the Supreme Court of Pakistan. The aggregate amount involved is Rs. 2,895,311/= (2008: Rs.2,881,420/=). The management and its Advocate are optimistic about the outcome of the appeal.

June 30, 2009                  June 30, 2008  
----- (Rupees) -----

**16.2 Commitments**

Irrevocable letter of credits		9,749,171	15,327,597
		=====	=====
Custom duty, sales tax, FED and Income tax on goods in transit		2,058,180	398,370
		=====	=====
In respect of Capital expenditure		500,000	11,672
		=====	=====

# SANA Industries Limited

June 30, 2009                      June 30, 2008  
----- (Rupees) -----

## 17. TURNOVER - net

### Goods - local

Yarn	437,560,092	374,335,027
Carded fibres	1,556,308	5,431,303
Waste	2,449,305	5,887,966

	441,565,705	385,654,296
Less: Commission and discounts	(56,045)	(49,084)

	441,509,660	385,605,212
<b>Services</b>	64,635,447	48,982,196

	506,145,107	434,587,408
--	-------------	-------------

## 18. COST OF SALES

### Raw and packing material

Opening stock	33,398,340	30,587,560
Purchases	299,176,145	281,595,227
Closing stock	(50,932,515)	(33,398,340)

	281,641,970	278,784,447
--	-------------	-------------

### Manufacturing overheads

Fuel and power	18.1	58,393,028	46,635,747
Salaries, wages and benefits		49,268,894	40,111,001
Repairs and maintenance	18.2	9,716,514	9,028,385
Insurance		2,122,690	1,762,539
Rent, rates and taxes		514,197	342,645
Depreciation	4.1	23,187,113	21,368,405
Security		1,965,889	1,308,860
Other manufacturing overheads		3,835,435	3,564,070

	149,003,760	124,121,652
--	-------------	-------------

	430,645,730	402,906,099
--	-------------	-------------

### Work-in-process

Opening	7,555,693	5,486,944
Closing	(5,953,155)	(7,555,693)

	432,248,268	400,837,350
--	-------------	-------------

### Finished goods and waste

Opening	31,364,152	27,468,238
Closing	(26,440,461)	(31,364,152)

	437,171,959	396,941,436
--	-------------	-------------

## 18.1 FUEL AND POWER - Generation cost

Salaries, wages and benefits		951,460	793,554
Gas expenses		39,087,560	31,135,000
Electricity		14,267,203	10,371,628
Oil and lubricants		1,394,831	938,170
Repairs and maintenance		1,265,351	1,970,388
Depreciation	4.1	1,125,336	1,125,336
Insurance		125,422	115,254
Electricity duty		141,552	151,876
Others		34,313	34,541

	58,393,028	46,635,747
--	------------	------------

# SANA Industries Limited

	June 30, 2009	June 30, 2008
	----- (Rupees) -----	
<b>19. SELLING AND DISTRIBUTION EXPENSES</b>		
Salaries, wages and benefits	1,512,402	1,176,074
Packing and forwarding expenses	1,163,943	926,784
Communication	291,229	268,801
Sales promotion expenses	21,098	17,488
Marketing expenses (AZ)	837,567	123,977
	-----	-----
	<b>3,826,239</b>	<b>2,513,124</b>
	=====	=====
<b>20. GENERAL AND ADMINISTRATION EXPENSES</b>		
Salaries, wages and benefits	6,354,076	6,160,131
Printing and stationery	174,201	135,058
Legal and professional charges	748,720	671,917
Auditors' remuneration	20.1 250,000	183,000
Fees and subscription	316,640	242,626
Travelling and conveyance	98,774	132,899
Repairs and maintenance	659,808	607,901
Rent rates and taxes	106,206	109,139
Depreciation	4.1 979,232	915,685
Security expenses	114,510	116,780
Electricity and gas	608,730	474,142
Insurance	196,469	138,514
Bad Debts	431,660	-
Sales tax refunds written off	119,528	-
Miscellaneous	233,600	260,774
	-----	-----
	<b>11,392,154</b>	<b>10,148,566</b>
	=====	=====
<b>20.1 AUDITORS' REMUNERATION</b>		
Audit fee	250,000	173,000
Out of pocket expenses	-	10,000
	-----	-----
	<b>250,000</b>	<b>183,000</b>
	=====	=====

Expenses have been allocated on the basis of turnover except for financial expenses and amortization, which being specific have been allocated on actual basis.

# SANA Industries Limited

		June 30, 2009	June 30, 2008
		----- (Rupees) -----	
<b>21. OTHER OPERATING EXPENSES</b>			
Workers' profit participation fund		1,936,279	380,854
Workers welfare fund - current		687,171	-
		-----	-----
		2,623,450	380,854
		=====	=====
<b>22. OTHER INCOME - NET</b>			
Gain on disposal of fixed assets		3,021,087	181,929
Loss on theft of car		-	(1,196,167)
Profit on PLS Account		302,255	141,360
		-----	-----
		3,323,342	(872,878)
		=====	=====
		June 30, 2009	June 30, 2008
		----- (Rupees) -----	
<b>23. FINANCIAL CHARGES</b>			
Morabaha profit		18,222,835	16,376,294
Documentation charges		9,420	-
Guarantee commission		68,079	64,985
Bank charges		52,180	53,052
		-----	-----
		18,352,514	16,494,331
		=====	=====
<b>24. PROVISION FOR TAXATION</b>			
Current - for the year		-	2,172,937
- for prior year		17,567	5,895
		-----	-----
		17,567	2,178,832
Deferred - for the year		12,635,746	2,887,660
		-----	-----
		12,653,313	5,066,492
		=====	=====
<b>25. EARNING PER SHARE - BASIC AND DILUTED</b>			
	Net profit after tax	23,448,820	2,169,727
EPS =	-----	-----	-----
	No.of ordinary shares	5,500,000	5,500,000
		-----	-----
		4.26	0.39
		=====	=====

# SANA Industries Limited

## 26. WORKING CAPITAL CHANGES

26.1	<b>Decrease/(Increase) in current assets</b>		
	Stock-in-trade	(4,573,904)	(9,548,404)
	Trade debts	8,450,049	(4,586,707)
	Loans and advances	(3,083,708)	(435,108)
	Trade deposits and short term pre-payments	(374,620)	(2,037,094)
	Other receivables	1,323,939	(1,698,322)
		-----	-----
		1,741,756	(18,305,635)
		=====	=====
26.2	<b>Increase in current liabilities</b>		
	Creditors, accrued and other liabilities	11,499,423	4,435,293
		=====	=====

## 27. REMUNERATION OF DIRECTORS AND EXECUTIVES

27.1	<b>Directors</b>		
	Remuneration	3,199,920	3,199,920
	Housing allowance	1,280,088	1,280,088
	Retirement benefits	220,838	217,492
	Utilities	319,992	319,992
		-----	-----
		5,020,838	5,017,492
		=====	=====
	Number of Directors	3	3
		=====	=====
27.2	<b>Executives</b>		
	None of the employees of the Company fall under the definition of "executives" as provided in Clause 2(iii) of the Fourth Schedule of the Companies Ordinance, 1984.		

In addition, the directors are also provided with the use of Company maintained cars and mobile telephone facility principally for business purpose.

Note:	The aggregate amount charged in the accounts for the period for fee to one director	2,000	2,000
		=====	=====

## 28. FINANCIAL INSTRUMENTS RELATED DISCLOSURES

### 28.1 Capital management

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

The Company manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2009 and 30 June 2008.

As of the balance sheet date, the management considers that the capital of the Company is sufficient to meet the requirement of the business.

### 28.2 Interest / mark-up rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to change in the interest rates. The Company manages this risk through risk management strategies. Interest rate risk of the Company's financial assets and financial liabilities can be evaluated from the following schedule

		2 0 0 9				
		INTEREST/MARK-UP BEARING		NON-INTEREST/MARK-UP BEARING		TOTAL
		Upto one year	One to five years	Upto one year	One to five years	
<b>Financial assets:</b>						
	Long term deposits	-	-	-	696,925	696,925
	Trade debts	-	-	85,270,295	-	85,270,295
	Loans and advances	-	-	4,895,270	-	4,895,270
	Trade deposits	-	-	200,000	-	200,000
	Other receivables	-	-	314,220	-	314,220
	Cash and bank balances	13,864,225	-	6,458,009	-	20,322,234
	<b>Rupees</b>	<b>13,864,225</b>	<b>-</b>	<b>97,137,794</b>	<b>696,925</b>	<b>111,698,944</b>
<b>Financial liabilities:</b>						
	Trade and other payables	-	-	19,011,731	-	19,011,731
	Morabaha Arrangements	115,195,501	2,365,461	-	-	117,560,962
	<b>Rupees</b>	<b>115,195,501</b>	<b>2,365,461</b>	<b>19,011,731</b>	<b>-</b>	<b>136,572,693</b>
		2 0 0 8				
		INTEREST/MARK-UP BEARING		NON-INTEREST/MARK-UP BEARING		TOTAL
		Upto one year	One to five years	Upto one year	One to five years	
<b>Financial assets:</b>						
	Long term deposits	-	-	-	698,925	698,925
	Trade debts	-	-	93,720,344	-	93,720,344
	Loans and advances	-	-	1,811,562	-	1,811,562
	Trade deposits	-	-	-	-	-
	Other receivables	-	-	1,709,186	-	1,709,186
	Cash and bank balances	2,427,008	-	2,020,616	-	4,447,624
	<b>Rupees</b>	<b>2,427,008</b>	<b>-</b>	<b>99,261,708</b>	<b>698,925</b>	<b>102,387,641</b>
<b>Financial liabilities:</b>						
	Trade and other payables	-	-	16,375,531	-	16,375,531
	Morabaha Arrangements	124,205,665	-	-	-	124,205,665
	<b>Rupees</b>	<b>124,205,665</b>	<b>-</b>	<b>16,375,531</b>	<b>-</b>	<b>140,581,196</b>

Effective interest / mark-up rates applicable on financial assets and financial liabilities have been disclosed in the respective notes to the accounts.

### 28.3 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities are estimated to approximate their fair values.

### 28.4 Concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. The Company's receivables are not subject to any significant credit risk because of effective credit policies.

### 28.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk

### 28.6 Currency risk and foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions entered into in foreign currencies. The Company has no foreign currency and foreign exchange risk as payment is made immediately when invoice is received and LC at sight is opened.



# SANA Industries Limited

## 29. SEGMENTAL INFORMATION

For financial reporting purposes the company has identified two major business segments

Textile - principally engaged in the manufacturing and sale of man-made blended yarn.

Cold storage - principally providing cold storage services.

	Textile	Cold storage	Total
	----- (Rupees) -----		
<b>Segmental informatin for the year ended June 30, 2009</b>			
<b>REVENUE</b>			
External sales	441,509,660	64,635,447	506,145,107
	=====	=====	=====
<b>RESULTS</b>			
Segment results	18,531,302	17,570,831	36,102,133
Income taxes			(12,653,313)
			-----
			23,448,820
			=====
<b>OTHER INFORMATIONS</b>			
Segment assets	243,712,893	104,091,881	347,804,774
Unallocated assets			28,422,931
			-----
Total assets			376,227,705
			=====
Segment liabilities	134,796,280	2,710,345	137,506,625
Un-allocated liabilities			10,346,290
			-----
Total liabilities			147,852,915
			=====
Capital expenditure	11,591,257	12,988,146	24,579,403
	=====	=====	=====
Depreciation	13,462,957	11,839,296	25,302,253
	=====	=====	=====

# SANA Industries Limited

		June 30, 2009	June 30, 2008
<b>30. CAPACITY AND PRODUCTION</b>			
a)	Number of spindles installed - as of balance sheet date	<b>22,008</b>	26,944
b)	Number of rotors installed	<b>800</b>	-
c)	Average number of spindles operated during the period	<b>16,769</b>	19,374
d)	Installed production capacity 30/S count - kilogram	<b>3,622,104</b>	4,184,784
e)	Actual production	<b>2,148,903</b>	2,286,830
f)	Number of shifts per day	<b>Three</b>	Three

Shortfall in production compared to the installed capacity is due to the factor of aging of plant which is resulting in lesser efficiency and curtailment of production.

	June 30, 2009	June 30, 2008
<b>31. TRANSACTIONS WITH RELATED PARTIES</b>		
Name of related party, nature of relationship and nature of transaction		
<b>(a) Associated Companies</b>		
<u>Sale of goods</u>		
Taqees (Private) Ltd	<b>14,480</b>	-
Sanaulla Textile Mills	<b>2,074,800</b>	-
<b>(b) Directors and family members</b>		
<u>Short term borrowings</u>		
Mohammed Younus Nawab (CEO)	<b>4,650,000</b>	7,500,000
Mohammed Irfan Nawab (Director)	<b>3,950,000</b>	7,500,000
Mrs.Sabiha Younus (Spouse of CEO)	<b>1,000,000</b>	11,350,000
Mrs.Razia Begum (Mother of CEO)	-	49,500
<u>Repayment-Short term borrowings</u>		
Mohammed Younus Nawab (CEO)	<b>9,950,000</b>	2,200,000
Mohammed Irfan Nawab (Director)	<b>10,050,000</b>	1,400,000
Mrs.Sabiha Younus (Spouse of CEO)	<b>8,500,000</b>	3,850,000
Mrs.Razia Begum (Mother of CEO)	-	49,500
<b>(c) Others</b>		
Contribution to Employees gratuity fund	-	448,330

Name of related party, nature of relationship and nature of transaction

**(a) Associated Companies**

Sale of goods

Taqees (Private) Ltd

**14,480**

-

Sanaulla Textile Mills

**2,074,800**

-

**(b) Directors and family members**

Short term borrowings

Mohammed Younus Nawab (CEO)

**4,650,000**

7,500,000

Mohammed Irfan Nawab (Director)

**3,950,000**

7,500,000

Mrs.Sabiha Younus (Spouse of CEO)

**1,000,000**

11,350,000

Mrs.Razia Begum (Mother of CEO)

-

49,500

Repayment-Short term borrowings

Mohammed Younus Nawab (CEO)

**9,950,000**

2,200,000

Mohammed Irfan Nawab (Director)

**10,050,000**

1,400,000

Mrs.Sabiha Younus (Spouse of CEO)

**8,500,000**

3,850,000

Mrs.Razia Begum (Mother of CEO)

-

49,500

**(c) Others**

Contribution to Employees gratuity fund

-

448,330

There were no outstanding balances as at June 30, 2009.

Related party transactions are stated at prices considered equivalent to prices that would prevail at arm's length transactions substantiated in the following manner:

For sale of goods at prices determined in accordance with the methods prescribed in the fourth Schedule to the Companies Ordinance, 1984.

	June 30, 2009	June 30, 2008
<b>32. NUMBER OF EMPLOYEES</b>		
The number of employees as at Balance Sheet date are 101 (2008: 108)		
Head Office	<b>14</b>	15
Factory	<b>82</b>	88
Arctic Zone	<b>5</b>	5
	<b>101</b>	108
	=====	=====

The number of employees as at Balance Sheet date are 101 (2008: 108)

Head Office

**14**

15

Factory

**82**

88

Arctic Zone

**5**

5

**101**

108

=====

=====

# SANA Industries Limited

**33. SUBSEQUENT EVENT - DIVIDEND**

The Board of Directors in their meeting held on 31st August, 2009 have proposed a final dividend of Rs.3.50 per share (35%) (2008: Re.1.00 per share (10%))

**34. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on 31st August, 2009 by the Board of Directors of the Company.

**35. All figures have been rounded off to the nearest of rupee.**

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(Mohammed Younus Nawab)  
Chief Executive

(Mohammed Irfan Nawab)  
Director

(Abdul Hussain Antaria)  
Chief Financial Officer

# SANA Industries Limited

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 24th Annual General Meeting of the Shareholders of the Company will, Insha-Allah be held on Saturday, the 10th October, 2009 at 11.00 A.M at the Company's Office, situated at SF-96, S.I.T.E., Karachi to transact the following business:-

### ORDINARY BUSINESS

- (1) To confirm the minutes of 23rd Annual General Meeting held on 11th October, 2008.
- (2) To receive and adopt the Audited accounts of the Company for the year ended 30th June, 2009, together with the Auditors' Report and Directors' Report thereon.
- (3) To approve cash dividend, Directors have recommended a final cash Dividend @ 35%.
- (4) To appoint Auditors of the Company and fix their remuneration for the year ending 30th June, 2010. The present Auditors M/s. Muniff Ziauddin & Co., Chartered Accounts retire and being eligible, offer themselves for re-appointment.

### SPECIAL BUSINESS

- (5) To consider and approve enhancement in monthly remunerations of (1) Mr. Mohammed Younus Nawab, (2) Mr. Mohammed Irfan Nawab & (3) Mr. Ibrahim Younus, all of them being full time working directors of the company.
- (6) To transact any other business with the permission of the Chair.

By Order of the Board

Karachi: 31st August, 2008

(Abdul Hussain Antaria)  
CFO & Company Secretary

# SANA Industries Limited

## NOTES:

1. The Share Transfer Books of the Company for entitlement of Dividend will remain closed from 7/10/2009 to 10/10/2009 (both days inclusive). No transfers will be accepted for registration during this period.
2. A member entitled to attend and vote at the meeting may appoint a proxy in writing to attend the meeting and vote on the member's behalf. A Proxy needs to be a member of the Company.
3. Duly completed forms of proxy must be deposited with the Company Secretary at the Office of the Company, situated at SF-96, S.I.T.E., Karachi (Phone No.2561728) not later than 48 hours before the time of meeting.
4. Shareholders are requested to notify any change in their address immediately.
5. CDC account holders will further have to strictly follow the guidelines as laid down in Circular 1 dated 28th January, 2000, issued by the Securities and Exchange Commission of Pakistan.

## STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984

The Shareholders approval will be obtained for the enhancement of the remuneration of the following Directors:

Name of Director	Present Salary (per month)	Proposed Increment (per month)	New Salary after Increment (per month)
(a) Mohammed Younus Nawab	Rs.150,000/=	Rs. 50,000/=	Rs.200,000/=
(b) Mohammed Irfan Nawab	Rs.200,000/=	Rs.100,000/=	Rs.300,000/=
(c) Ibrahim Younus	Rs. 50,000/=	Rs.100,000/=	Rs.150,000/=

It is pertinent to mention that these remunerations were fixed 7 years back in the 17th AGM held on 4/11/2002, and since then no increment has been made in the remuneration of the Directors.

# SANA Industries Limited

## PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS as at 30 June 2009

No. of Shareholders	Shareholdings		Total Shares Held
	FROM	TO	
64	1	to 100	3,571
154	101	to 500	35,467
58	501	to 1,000	43,580
102	1,001	to 5,000	226,564
18	5,001	to 10,000	120,444
12	10,001	to 15,000	146,980
1	15,001	to 20,000	15,150
3	20,001	to 25,000	65,972
1	35,001	to 40,000	35,930
3	45,001	to 50,000	144,688
1	50,001	to 55,000	51,527
1	80,001	to 85,000	82,627
1	115,001	to 120,000	115,362
1	120,001	to 125,000	120,175
1	180,001	to 185,000	184,922
1	240,001	to 245,000	243,565
1	260,001	to 265,000	261,937
1	265,001	to 270,000	268,222
1	270,001	to 275,000	270,721
1	275,001	to 280,000	278,866
1	1,350,001	to 1,400,000	1,381,587
1	1,400,001	to 1,450,000	1,402,143
428			5,500,000

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	TOTAL SHARES	
		HELD	PERCENTAGE
Financial Institutions	2	549,587	9.99%
Individuals	416	4,616,765	83.94%
Insurance Companies	1	22,412	0.41%
Joint Stock Companies	7	29,264	0.53%
Modaraba Companies	1	13,750	0.25%
Others	1	268,222	4.88%
TOTALS	428	5,500,000	100.00%

The above two statements include 325 Shareholders, holding 5,417,874 shares through the Central Depository Company of Pakistan Limited (CDC).

# SANA Industries Limited

	<u>Number</u>	<u>Total shares</u>	<u>%age</u>
<u>Associated Companies, Undertakings and related parties (Name-wise).</u>	None	None	None
<u>N.I.T. and I.C.P.</u>			
(1) National Bank of Pakistan, Trustee Department (NIT)	2	549,587	9.99%
<u>Directors, CEO and their Spouse and Minor Children (Name-wise).</u>			
(1) Mr.Mohammed Yousuf Chairman / Director	1	82,627	1.50%
(2) Mr.Mohammed Younus Nawab Chief Executive	1	1,381,587	25.12%
(3) Mr.Mohammed Tariq Yousuf Director	1	51,527	0.94%
(4) Mr.Mohammed Junaid Nawab Director	1	3,437	0.06%
(5) Mr.Mohammed Irfan Nawab Director	1	1,402,143	25.49%
(6) Mr.Ibrahim Younus Director	1	14,162	0.26%
(7) Mrs.Sabiha Younus Spouse (W/o Mohammed Younus Nawab)	1	243,565	4.43%
(8) Mrs.Asma Tariq Spouse (W/o Mohammed Tariq Yousuf)	1	115,362	2.10%
(9) Mrs.Rehana Junaid Spouse (W/o Mohammed Junaid Nawab)	1	3,437	0.06%
(10) Mrs.Afshan Irfan Spouse (W/o Mohammed Irfan Nawab)	1	2,000	0.04%
<u>Executives</u>	None	None	None
<u>Public Sector Companies and Corporations</u>			
(1) State Life Insurance Corporation of Pakistan	1	22,412	0.41%
<u>Banks, DFIs, NBFIs, Insurance Companies, Modarabas &amp; Mutual Funds</u>	-	-	-
<u>Modarabas and Mutual Funds</u>	1	13,750	0.25%
<u>General Public (Local)</u>	406	1,316,918	23.94%
<u>Joint Stock Companies</u>	7	29,264	0.53%
<u>Others (Miscellaneous)</u>	1	268,222	4.88%
	----- 428	----- 5,500,000	----- 100.00%
	=====	=====	=====
<u>Shareholders holding 10% or more voting interest in the Listed Companies</u>			
(1) Mr.Mohammed Younus Nawab	1	1,381,587	25.12%
(2) Mr.Mohammed Irfan Nawab	1	1,402,143	25.49%

# SANA Industries Limited

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2009

		June 30, 2009	June 30, 2008
		----- (Rupees) -----	
Turnover - net	17	506,145,107	434,587,408
Cost of sales	18	(437,171,959)	(396,941,436)
Gross profit		68,973,148	37,645,972
Selling and distribution cost	19	(3,826,239)	(2,513,124)
Administrative expenses	20	(11,392,154)	(10,148,566)
Other operating expenses	21	(2,623,450)	(1,395,092)
Other operating income	22	3,323,342	141,360
Profit before finance cost and taxation		54,454,647	23,730,550
Finance cost	23	(18,352,514)	(16,494,331)
Profit before taxation		36,102,133	7,236,219
Provision for taxation - current	24	(12,653,313)	(5,066,492)
Profit after taxation		23,448,820	2,169,727
Earnings per share - Basic and Diluted	25	4.26	0.39

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

(Mohammed Younus Nawab)  
Chief Executive

(Mohammed Irfan Nawab)  
Director

(Abdul Hussain Antaria)  
Chief Financial Officer



**REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH  
BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the statement of compliance with the best practices contained in the Code of Corporate Governance (the Code) applicable to the Company for the year ended June 30, 2009 prepared by the Board of Directors of Sana Industries Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited and Section 3 (Chapter XI) of the Listing Regulation of the Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

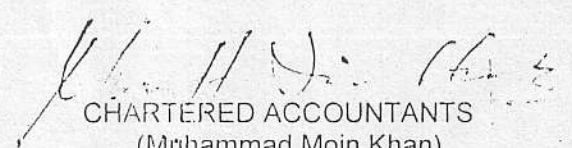
The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2009.

Karachi: 01/07/2009

  
CHARTERED ACCOUNTANTS  
(Muhammad Moin Khan)

# SANA Industries Limited

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2009

	Issued, subscribed and paid-up capital	Capital Reserve for Issue of Bonus Shares	REVENUE RESERVES		Total
			General Reserve	Un- appropriated profit	
Balance as at July 01, 2007	55,000,000	-	132,500,000	3,005,541	190,505,541
Profit after taxation for the year ended June 30, 2008	-	-	-	2,169,727	2,169,727
Balance as at June 30, 2008	55,000,000	-	132,500,000	5,175,268	192,675,268
Balance as at July 01, 2008	55,000,000	-	132,500,000	5,175,268	192,675,268
Profit after taxation for the year ended June 30, 2009	-	-	-	23,448,820	23,448,820
Final dividend for the year ended June 30, 2008	-	-	-	(5,500,000)	(5,500,000)
Balance as at June 30, 2009	55,000,000	-	132,500,000	23,124,088	210,624,088

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

(Mohammed Younus Nawab)  
Chief Executive

(Mohammed Irfan Nawab)  
Director

(Abdul Hussain Antaria)  
Chief Financial Officer

# SANA Industries Limited

## STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with Code of Corporate Governance contained in the Listing Regulations of the Karachi and Lahore Stock Exchanges for the purpose of establishing a framework of good corporate governance, whereby a listed company is managed in compliance with best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner.

- (1) At present the Board includes four independent non-executive Directors out of a total strength of seven.
- (2) The Directors have confirmed that:
  - (a) they are not Directors in more than ten listed Companies,
  - (b) they are registered as Income Tax payers,
  - (c) they have not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a banking company, Development Financial Institution or a Non-banking Financial Institution,
  - (d) they are not members of Stock Exchange, nor have been declared as a defaulter by any Stock Exchange; and
  - (e) they and their spouses are not engaged in the business of stock brokerage.
- (3) The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all directors and employees of the Company.
- (4) The Company had formulated and adopted a 'Vision/Mission Statement'.
- (5) All the powers of the Board have been duly exercised and decision on material transaction, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive and other Executive Directors, have been taken by the Board.
- (6) The meetings of the Board were presided over by the Chairman and in his absence by the Chief Executive, as elected by the Board for this purpose. The Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- (7) The company had arranged appropriate orientation courses for its directors to acquaint them with their duties and responsibilities and enable them to manage affairs of the company on behalf of the Shareholders.
- (8) The Company had approved the appointment of the Chief Financial Officer and Company Secretary including their remunerations and terms and conditions of employment as determined by the Chief Executive.

# SANA Industries Limited

- (9) The Directors, CEO and executives do not hold any interest in the Shares of the Company other than that disclosed in the pattern of shareholding.
- (10) The Company had acquired/out sourced the services of a Chartered Accountant to act as an 'Internal Auditor'.
- (11) The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- (12) The Company has complied with all the corporate and financial reporting requirements of the Code.
- (13) The Board had constituted an audit committee, comprising of the following directors:
- |   |   |                                     |
|---|---|-------------------------------------|
| (a) Mr. Mohammed Tariq Yousuf<br>Non executive Director | - | Chairman Audit Committee            |
| (b) Mr. Mohammed Junaid Nawab<br>Non executive Director | - | Member Audit Committee              |
| (c) Mr. Mohammed Irfan Nawab<br>Executive Director      | - | Member & Secretary, Audit Committee |
- (14) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they are not aware of any instances where shares of the Company are held by any of the partners of the firm, their spouses and minor children and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- (15) The financial statement of the company were duly endorsed by the CEO & CFO before approval of the Board.
- (16) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- (17) We confirm that all other material principles contained in the Code have been complied with.

(Mr.Mohammed Younus Nawab)  
Chief Executive.

Karachi: 31<sup>st</sup> August, 2009.