



SANA Industries Limited

Annexure to Directors' Report (Rupees in Millions)

Comparison with last year

Annexure A

Covering period FROM TO	01-Jul-2007 30-Jun-2008	01-Jul-2006 30-Jun-2007	VARIATION	
			Amount	Percentage
Sales - net	434.59	410.91	23.68	5.76%
Cost of Sales	396.94	389.48	7.46	1.92%
Gross Profit	37.65	21.43	16.22	75.69%
G.P.Rate to Sales	8.66%	5.22%		3.44%
Administrative, Selling, Financial & Other expenses	30.55	26.84	3.71	13.82%
Other income	0.14	0.28	(0.14)	-
Net (loss) / profit before taxation	7.24	(5.13)	12.37	-241.13%
N.P.Rate to Sales	1.67%	-1.25%		2.92%
Provision for Taxation	5.07	0.26	4.81	1850.00%
Profit after Taxation	2.17	(5.39)	7.56	-140.26%
(Loss) / Earning per share (before tax)	1.32	(0.93)	2.25	-241.94%
(Loss) / Earning per share (after tax)	0.39	(0.98)	1.37	-139.80%

Comparison with previous quarter

Annexure B

Covering period FROM TO	01-Apr-2008 30-Jun-2008	01-Jan-2008 31-Mar-2008	VARIATION	
			Amount	Percentage
Turnover - net	154.66	82.33	72.33	87.85%
Cost of Sales	141.64	73.82	67.82	91.87%
Gross Profit	13.02	8.51	4.51	53.00%
G.P.Rate to Sales	8.42%	10.34%		-1.92%
Administrative, Selling, Financial & Other expenses	7.30	7.13	0.17	2.38%
Other income	0.06	0.18	(0.12)	-
Net (loss) / profit before taxation	5.78	1.56	4.22	270.51%
N.P.Rate to Sales	3.74%	1.89%		1.85%
Provision for Taxation	2.77	1.34	1.43	106.72%
Profit after Taxation	3.01	0.22	2.79	1268.18%
(Loss) / Earning per share (before tax)	1.05	0.28	0.77	275.00%
(Loss) / Earning per share (after tax)	0.55	0.04	0.51	1275.00%

COMPARISON OF BALANCE SHEET OF FOUR QUARTERS

	1ST QUARTER 30-Sep-2007 Rupees	2ND QUARTER 31-Dec-2007 Rupees	3RD QUARTER 31-Mar-2008 Rupees	4TH QUARTER 30-Jun-2008 Rupees
ASSETS				
NON CURRENT ASSETS				
Tangible fixed assets	173,439,175	175,685,130	175,705,241	172,131,016
Long-term deposits	474,525	698,925	698,925	698,925
	173,913,700	176,384,055	176,404,166	172,829,941
CURRENT ASSETS				
Stock-in-trade	63,006,122	75,371,229	97,921,996	78,752,227
Trade debts- unsecured, considered good	90,713,883	72,953,152	60,627,004	93,720,344
Advances	1,724,784	2,287,666	1,406,019	1,811,562
Deposits and pre-payments	2,219,678	1,597,627	905,634	2,583,383
Other receivables	2,740,328	1,903,558	1,713,424	3,083,343
Taxation - net	2,806,278	3,117,507	2,782,325	2,400,671
Cash and bank balances	10,861,305	7,098,998	9,183,612	4,447,624
	174,072,378	164,329,737	174,540,014	186,799,154
TOTAL ASSETS	347,986,078	340,713,792	350,944,180	359,629,095
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Authorized share capital				
10,000,000 Ordinary shares of Rs. 10/- each	100,000,000	100,000,000	100,000,000	100,000,000
Issued, subscribed and paid-up capital				
5,500,000 Ordinary shares of Rs. 10/- each	55,000,000	55,000,000	55,000,000	55,000,000
Reserves	136,412,394	134,441,117	134,661,988	137,675,268
Shareholder's equity	191,412,394	189,441,117	189,661,988	192,675,268
NON CURRENT LIABILITIES				
Long term Morabaha	12,910,112	6,455,059	-	-
Deferred taxation	3,001,218	2,185,606	3,117,165	5,114,956
	15,911,330	8,640,665	3,117,165	5,114,956
CURRENT LIABILITIES				
Trade and other payables	10,406,370	12,022,040	13,664,678	20,816,471
Borrowings from Directors	-	-	15,000,000	18,900,000
Current portion of long term morabaha arrangement	25,820,208	25,820,208	25,820,213	19,365,160
Morabaha Arrangements	104,435,776	104,789,762	103,680,136	104,840,505
	140,662,354	142,632,010	158,165,027	163,922,136
CONTINGENCIES AND COMMITMENTS	-	-	-	-
TOTAL EQUITY AND LIABILITIES	347,986,078	340,713,792	350,944,180	361,712,360
Debt Equity Ratio	8 : 92	4 : 96	2 : 98	2 : 98
Current Ratio	0.81 : 1	0.87 : 1	0.91 : 1	0.87 : 1

COMPARISON OF PROFIT & LOSS ACCOUNT OF THREE QUARTERS.

	1ST QUARTER 30-Sep-2007 Rupees	2ND QUARTER 31-Dec-2007 Rupees	3RD QUARTER 31-Mar-2008 Rupees	4TH QUARTER 30-Jun-2008 Rupees	Y.T.D. 30-Jun-2008 Rupees
Net turnover	106,086,011	91,506,239	82,332,308	154,662,850	434,587,408
Cost of sales	(95,759,944)	(85,719,342)	(73,818,108)	(141,644,042)	(396,941,436)
Gross profit	10,326,067	5,786,897	8,514,200	13,018,808	37,645,972
G.P.Rate	9.73%	6.32%	10.34%	8.42%	8.66%
Selling and distribution expenses	(655,210)	(499,152)	(637,383)	(721,379)	(2,513,124)
General and administration expenses	(2,843,257)	(2,298,077)	(2,549,869)	(2,457,363)	(10,148,566)
Other operating expenses	-	-	(76,412)	(304,442)	(380,854)
Gain/(Loss) on sale of fixed assets (net)	(116,379)	(1,079,788)	177,979	3,950	(1,014,238)
Other operating income	3,950	81,220	-	56,190	141,360
Operating profit	6,715,171	1,991,100	5,428,515	9,595,764	23,730,550
Finance cost	(4,503,966)	(4,317,470)	(3,861,516)	(3,811,379)	(16,494,331)
Profit for the period before taxation	2,211,205	(2,326,370)	1,566,999	5,784,385	7,236,219
Provision for taxation - current	(530,430)	(457,531)	(411,662)	(773,314)	(2,172,937)
- prior	-	(2,989)	(2,906)	-	(5,895)
- deferred (current)	(773,922)	815,612	(931,559)	(1,997,791)	(2,887,660)
	(1,304,352)	355,092	(1,346,127)	(2,771,105)	(5,066,492)
Profit after taxation	906,853	(1,971,278)	220,872	3,013,280	2,169,727
Earning per share before taxation	0.40	(0.42)	0.28	1.05	1.32
Earning per share after taxation	0.16	(0.36)	0.04	0.55	0.39



ERNST & YOUNG

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Chartered Accountants
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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, 2008** 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 Regulations 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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, 2008**.

KARACHI: 08 September 2008

Ford Rhodes Sidat Hyder & Co.
CHARTERED ACCOUNTANTS



SANA Industries Limited

BALANCE SHEET AS AT JUNE 30, 2008

	Note	2008 ----- (Rupees) -----	2007
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	4	172,131,016	175,731,645
Long-term deposits		698,925	472,525
		<u>172,829,941</u>	<u>176,204,170</u>
CURRENT ASSETS			
Stock in trade	5	78,752,227	69,203,823
Trade debts – unsecured, considered good		93,720,344	89,133,637
Loans and advances	6	1,811,562	1,376,454
Trade deposits and short-term prepayments	7	2,583,383	546,289
Other receivables	8	3,083,343	1,385,021
Taxation – net	9	2,400,671	2,144,352
Cash and bank balances	10	4,447,624	15,328,919
		<u>186,799,154</u>	<u>179,118,495</u>
TOTAL ASSETS		<u>359,629,095</u>	<u>355,322,665</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Share capital	11	55,000,000	55,000,000
General reserve		132,500,000	132,500,000
Unappropriated profit		5,175,268	3,005,541
Shareholders' equity		<u>192,675,268</u>	<u>190,505,541</u>
NON CURRENT LIABILITIES			
Long term Murabaha	12	-	19,365,160
Deferred taxation	13	5,114,956	2,227,296
		<u>5,114,956</u>	<u>21,592,466</u>
CURRENT LIABILITIES			
Trade and other payables	14	18,733,206	14,308,018
Short term borrowings	15	18,900,000	-
Murabaha	16	104,840,505	103,096,436
Current portion of long term Murabaha	12	19,365,160	25,820,214
		<u>161,838,871</u>	<u>143,224,668</u>
CONTINGENCIES AND COMMITMENTS	17		
TOTAL EQUITY AND LIABILITIES		<u>359,629,095</u>	<u>355,322,665</u>

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, 2008

	Note	2008 ----- (Rupees) -----	2007 -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit / (loss) before taxation		7,236,219	(5,133,627)
Adjustments for:			
Depreciation		23,410,266	20,227,990
Loss on sale of fixed assets		1,014,238	(86,639)
Profit on PLS accounts		(141,360)	(137,433)
Finance costs		16,494,331	14,211,878
Cash generated by operating activities before working capital changes		48,013,694	29,082,169
(Decrease) / Increase in current assets	30.1	(18,305,635)	22,545,206
Increase in current liabilities	30.2	4,435,293	4,047,829
Cash generated from operations		34,143,352	55,675,204
Finance costs paid		(16,494,331)	(14,211,878)
Income taxes paid		(2,435,151)	(9,230,076)
Net cash inflow from operating activities		15,213,870	32,233,250
CASH FLOWS FROM INVESTING ACTIVITIES			
Fixed capital expenditure		(21,602,650)	(51,471,970)
Proceeds from sale of fixed assets		778,775	484,500
Payment of long-term security deposit		(226,400)	(239,500)
Profit received on PLS account		141,360	137,433
Net cash used in investing activities		(20,908,915)	(51,089,537)
CASH FLOWS FROM FINANCING ACTIVITIES			
Financing obtained under Murabaha		233,918,907	233,289,067
Repayments made against Murabaha		(257,995,052)	(194,208,794)
Loans from related parties		26,399,500	22,790,000
Repayment of loans to related parties		(7,499,500)	(22,790,000)
Dividends paid		(10,105)	(12,422,663)
Net cash (outflow)/inflow from financing activities		(5,186,250)	26,657,610
Net (decrease)/increase in cash and cash equivalents		(10,881,295)	7,801,323
Cash and cash equivalents at the beginning of the year		15,328,919	7,527,596
Cash and cash equivalents at the end of the year	10	4,447,624	15,328,919

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

COMPANY INFORMATION

Board of Directors

Mr.Mohammed Yousuf	Chairman
Mr.Mohammed Tariq Yousuf	Director
Mr.Mohammed Junaid Nawab	Director
Hafiz Mohammed Irfan Nawab	Director
Mr.Ibrahim Younus	Director
Mr.Kemal Shoaib (Representing NIT)	Director
Mr.Mohammed Younus Nawab	Chief Executive

Audit Committee

C.F.O./Company Secretary

Mr.Mohammed Tariq Yousuf - Chairman
Mr.Mohammed Junaid Nawab - Member
Mr.Mohammed Irfan Nawab - Member
and Secretary

Mr.Abdul Hussain Antaria

Registered Office

Mills

SF Unit No.96, S.I.T.E.,
P.O.Box No.10651,
Karachi - 75700
Phone : 2561728 - 29
Fax : 2570833
E-mail : sanasales@cyber.net.pk

B-186, Hub Industrial Trading Estate,
Hub Chowki, District Lasbela,
Balochistan.
Phone : 0853-302462
Fax : 0853-303256

Auditors

Legal Advisors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants
601-603, Progressive Plaza
Beaumont Road,
Karachi.
Phone : 5650007 - 11
Fax : 5681965

Zaki & Co.,
Advocates
21-A, Wahab Arcade,
M.A.Jinnah Road,
Karachi.
Phone : 2628998/2628999

Bankers

Website for financial data

Metropolitan Bank Limited
Islamic Banking Branch,
Zaibunissa Street, Saddar,
Karachi.
Phone : 5650711 (3 lines)
Fax : 5650650

<http://www.sana-industries.com/>



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, 2008.

Financial Results

The Financial Results of the Company for the year ended 30th June, 2008 are summarized below:-

		Rupees
Profit for the period before taxation		7,236,219
Add: Provision for taxation - current	2,172,937	
- prior year	5,895	
- deferred (current)	2,887,660	
	-----	5,066,492
Profit after taxation		----- 2,169,727 =====
Earning per share (basic and diluted) after taxation		0.39 ====

Alhamdulillah, previous year's net loss has been converted into a modest profit, the core business of 'Textile Spinning' which posted a net loss of Rs.12.18 M during the previous year has been reduced to Rs.3.91 M, and the profit of 'Cold Store Unit' has enhanced from Rs.7.04 M to Rs.11.14 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 feature for the year, of 'Textile Segment' are as under:

(1) Though the Sales, in Rupee terms, have fractionally registered an increase of Rs.3.24 M (0.85%), yet in quantitative terms it has declined by 391,813 Kilos (14.67%). The Gross Profit amount and G.P.Rate have enhanced by 11.84 M (127.12%) and 3.05% respectively. The net loss has been curtailed from Rs.12.17 M to Rs.3.91 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 16.64% and G.P.Rate by 3.05%.

(2) The production of Yarn, in quantitative terms has declined by 425,080 Kilos (15.67%) due to persistence of Management's conscious decision to keep the inventory of finished goods at lower level, in order to reduce the pressure for selling the goods.



SANA Industries Limited

(3) The average cost of raw-materials consumed has enhanced by Rs.17.78 Per Kilo (17.40%), due to continuous increase in international raw-materials prices. Following is a comparison from last year of the prices of raw-materials consumed:

Item	Period Ended 30-Jun-2008	Period Ended 30-Jun-2007	Percentage Increase
Polyester Staple Fibre	Rs. 96.24/Kg	Rs. 86.31/Kg	11.50%
Viscose Staple Fibre	Rs.161.59/Kg	Rs.116.86/Kg	38.28%
Acrylic Staple Fibre	Rs.153.45/Kg	Rs.133.74/Kg	14.74%

(4) The cost of manufacturing overheads have enhanced from Rs.37.20 per Kilo to Rs.40.17 per Kilo mainly due to lesser production, significant increases on this account are attributed to the following heads:

(a) Salaries and wages by Rs.1.33 per Kilo or 10.33% due to increase in salary rates of the workers and lesser production.

(b) Fuel and Power by Rs.0.41 Per Kilo or 2.72% due to increase in Gas prices.

(c) Depreciation cost by Rs.0.82 per Kilo or 18.81% due to lesser production.

(5) The Selling and Distribution expenses have fractionally increased by Rs.0.11 per Kilo.

(6) The General and Administration expenses have fractionally increased by Rs.0.47 Per Kilo due to lesser production.

(7) The financial charges have increased by Rs.2.43 M due to increased borrowings necessiated by enhanced working capital requirement and increase in profit rate.

(8) The net loss, before tax (Textile Segment), of Rs.12.17 M has been reduced to Rs.3.91 M.

(9) The consolidated amount of net loss, after tax of Rs.5.39 M, has been converted into a profit of Rs.2.17 M.

(10) The period of trade debts (receivable) have remained unchanged to 65 days.

(11) The inventory of raw-materials have increased from 47 days to 53 days.

(12) The inventory of finished goods has increased from 25 days to 31 days.

Future Prospects

Since the political uncertainty has now almost ended, the Management is of the view that, Insha Allah, the present level of profitability would be maintained during the current financial year.

Board of Directors

The present Board of Directors who were elected, will continue to hold the office upto 3rd December, 2010.



SANA Industries Limited

Dividend and Notice of Book Closure

Your Directors have decided to recommend payment of Final Dividend @ Re.1.00 per share (10%), which comes to about 253% of the current years' after tax earnings.

The Dividend will be paid to the Shareholders whose name appears in the Register of Members on 6/10/2008. The Share Transfer Books of the Company will remain closed from 7/10/2008 to 11/10/2008 (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 6/10/2008 will be treated in time for the purpose of payment of Dividend to the Transferees.

Auditors

The present Auditors M/s. Ford Rhodes Sidat Hyder & 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.

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



SANA Industries Limited

(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, 2008. Following are the significant assumption used for the valuation of scheme:

	30-Jun-2008	30-Jun-2007
Valuation discount rate	12% p.a.	10% p.a.
Salary increase	12% p.a.	10% p.a.
Expected return on Plan Assets	9% 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.11,649,933/=
(b) Due from company	Rs. 1,976,821/=
(c) Profit receivable on PLS Account	Rs. 2,784/=
(d) Dividend receivable	Rs. 1,871,100/=
(e) Bank balances	Rs. 134,941/=

Total of assets / investments as on 30/6/2008	Rs.15,635,579/=
	=====

(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, 2008. Number of Meeting attended by each Directors are stated their against:

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

(*) Mr. Kemal Shoaib was nomited as Director w.e.f 31/10/2007.



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, family members and minor children during the current financial year:

DATE OF TRANSACTION	PURCHASER/SELLER	NO OF SHARES TRANSACTED	RATE/ SHARE
PURCHASES			
26/12/2007	Mr. Mohammed Yousuf	79,186	Rs.21.0042
26/12/2007	Mr. Mohammed Tariq Yousuf	48,094	Rs.21.0042
26/12/2007	Mst.Sabiha Younus	24,047	Rs.21.0042
26/12/2007	Mst.Aisha Jawaid	24,047	Rs.21.0042
31/12/2007	Mr. Mohammed Khalid Yousuf	48,094	Rs.21.0042
31/12/2007	Mr. Mohammed Nasir Yosuf	48,094	Rs.21.0042
SALES			
26/12/2007	Mst.Hamida Begum (Late)	175,374	Rs.20.9139
31/12/2007	Mst.Hamida Begum (Late)	96,188	Rs.20.9139

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: 8th September, 2008.

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.

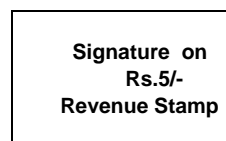
Signed this _____ day of _____ 2008.

Signature of Proxy _____

Folio No. of Proxy _____

Folio No. of Shareholder _____

No.of Shares held _____



Signature of Shareholder

WITNESSES

(1) Signature _____

Name _____

CNIC No. _____

Address _____

(2) Signature _____

Name _____

CNIC No. _____

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.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

1. THE COMPANY AND ITS OPERATIONS

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 Accounting standards not yet effective

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations.

Standard or Interpretation	Effective date (accounting periods beginning on or after)
IAS 1 - Presentation of Financial Statements (Revised)	January 01, 2009
IAS 23 - Borrowings Costs (Revised)	January 01, 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 3 - Business Combinations	January 01, 2009
IFRS 7 - Financial Instruments: Disclosures	July 01, 2008
IFRS 8 - Operating Segments	January 01, 2009
IFRIC 12 - Service Concession Arrangements	January 01, 2009
IFRIC 13 - Customer Loyalty Programs	July 01, 2008
IFRIC 14 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interactions	January 01, 2008

The Company expects that the adoption of the above standards and interpretations will have no material impact on the Company's financial statements in the period of initial application other than certain changes and enhancements in presentation and disclosures.

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 judgments 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 affect 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 judgment 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 Benefit 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 as of June 30, 2008. 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.

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 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 levels.

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 using 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.

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

These are stated 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 material and applicable labour and manufacturing overheads |
| - Waste stock | - net realizable value |

Net realizable 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.

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 recognized 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 exist, 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	2008 ----- (Rupees) -----	2007
4. PROPERTY, PLANT AND EQUIPMENT			
Operating property, plant and equipment	4.1	171,946,162	175,731,645
Capital work-in-progress		184,854	-
		<u>172,131,016</u>	<u>175,731,645</u>

4.1 Operating property, plant and equipment

	COST			DEPRECIATION			Book value at June 30, 2008	Rate %
	At July 01, 2007	Additions/ (disposals)	At June 30, 2008	At July 01, 2007	For the year / (disposals)	At June 30, 2008		
	(Rupees)			(Rupees)				
Property, plant and equipment								
Leasehold land	12,095,494	-	12,095,494	-	-	-	12,095,494	-
SF/96 Premises (tenancy rights)	5,000,000	-	5,000,000	-	-	-	5,000,000	-
Buildings on leasehold land	56,198,645	2,046,144	58,244,789	29,642,564	3,028,350	32,670,914	25,573,875	10
Office premises SF/96	2,406,207	225,113	2,631,320	1,383,571	240,621	1,624,192	1,007,128	10
Plant and machinery	403,670,992	7,206,767	410,877,759	286,915,969	16,882,081	303,798,050	107,079,709	10
Electrification – factory building	7,523,660	3,458,190	10,981,850	3,174,101	567,950	3,742,051	7,239,799	10
Handling equipments	2,791,850	1,270,106	4,061,956	185,346	298,267	483,613	3,578,343	10
Furniture, fixture and office equipment	3,664,785	167,575 (88,425)	3,743,935	1,666,948	321,565 (57,155)	1,931,358	1,812,577	10
Refrigerated Vans	-	3,365,138	3,365,138	-	373,867	373,867	2,991,271	33.33
Vehicles	8,514,233	3,579,963 (2,902,859)	9,191,337	3,259,332	1,674,356 (1,141,116)	3,792,572	5,398,765	20
Computers	932,138	98,800	1,030,938	838,528	23,209	861,737	169,201	20
2008	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	

	COST			DEPRECIATION			Book value at June 30, 2007	Rate %
	At July 01, 2006	Additions/ (disposals)	At June 30, 2007	At July 01, 2006	For the year / (disposals)	At June 30, 2007		
	(Rupees)			(Rupees)				
Property, plant and equipment								
Leasehold land	5,282,619	6,812,875	12,095,494	-	-	-	12,095,494	-
SF/96 Premises (tenancy rights)	5,000,000	-	5,000,000	-	-	-	5,000,000	-
Buildings on leasehold land	30,798,974	25,399,671	56,198,645	27,724,675	1,917,889	29,642,564	26,556,081	10
Office premises SF/96	2,406,207	-	2,406,207	1,142,950	240,621	1,383,571	1,022,636	10
Plant and machinery	339,680,035	63,990,957	403,670,992	271,389,832	15,526,137	286,915,969	116,755,023	10
Electrification – factory building	3,519,709	4,003,951	7,523,660	2,807,056	367,045	3,174,101	4,349,559	10
Handling equipments	-	2,791,850	2,791,850	-	185,346	185,346	2,606,504	10
Furniture, fixture and office equipment	2,710,515	956,970 (2,700)	3,664,785	1,402,426	265,129 (607)	1,666,948	1,997,837	10
Vehicles	8,022,673	1,934,060 (1,422,500)	8,514,233	2,593,649	1,712,415 (1,046,732)	3,259,332	5,254,901	20
Computers	861,878	70,260	932,138	825,120	13,408	838,528	93,610	20
2007	398,282,610	105,960,594 (1,445,200)	502,798,004	307,885,708	20,227,990 (1,047,339)	327,066,359	175,731,645	

4.1.1 The depreciation charge for the year has been allocated as follows:

	Note	2008 ----- (Rupees) -----	2007
Manufacturing overheads	19	21,368,405	17,655,635
Fuel and power	19.1	1,125,336	1,987,060
Distribution costs	20	840	-
Administrative expenses	21	915,685	585,295
		23,410,266	20,227,990

SANA INDUSTRIES LIMITED

	Note	2008	2007
		----- (Rupees) -----	
7. TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Deposits		-	300,000
Prepayments		<u>2,583,383</u>	<u>246,289</u>
		<u>2,583,383</u>	<u>546,289</u>
8. OTHER RECEIVABLES			
Sales tax refundable		<u>1,374,157</u>	1,119,680
Others		<u>1,709,186</u>	265,341
		<u>3,083,343</u>	<u>1,385,021</u>
9. TAXATION – NET			
Refundable income tax		<u>2,144,352</u>	-
Advance income tax (tax year 2008)		<u>2,429,256</u>	4,198,918
Provision for taxation		<u>(2,172,937)</u>	(2,054,566)
		<u>2,400,671</u>	<u>2,144,352</u>
10. CASH AND BANK BALANCES			
With banks			
- on current accounts		<u>1,681,859</u>	6,203,256
- on saving accounts	10.1	<u>2,427,008</u>	8,823,931
		<u>4,108,867</u>	15,027,187
Cash in hand		<u>338,757</u>	301,732
		<u>4,447,624</u>	<u>15,328,919</u>

10.1 These carry profit at the rate of 3.42% per annum (2007: 3.10% per annum).

SANA INDUSTRIES LIMITED

	Note	2008	2007
		----- (Rupees) -----	
11. SHARE CAPITAL			
11.1 Authorised capital			
2008		2007	
<u>10,000,000</u>		<u>10,000,000</u>	Ordinary shares of Rs. 10/- each
		<u>100,000,000</u>	<u>100,000,000</u>
11.2 Issued, subscribed and paid-up capital			
Fully paid ordinary shares of Rs. 10/- each			
2008		2007	Issued for / as
4,000,000		4,000,000	cash
1,500,000		1,000,000	bonus shares
-		500,000	- Opening balance July 01
1,500,000		1,500,000	- Issued during the year
			- Closing balance June 30
<u>5,500,000</u>		<u>5,500,000</u>	
		<u>55,000,000</u>	<u>55,000,000</u>

12. LONG-TERM MURABAHA

Long-term financing arrangement from a commercial bank
Less : Current portion

12.1	19,365,160	45,185,374
	<u>(19,365,160)</u>	<u>(25,820,214)</u>
	<u>-</u>	<u>19,365,160</u>

12.1 Long-term Murabaha has been obtained from a commercial bank to establish a "Compartmentalized Cold Store Project" at Karachi. The principal amount of Murabaha and profit thereupon was to be repaid in 27 equal installments, commencing six months after the date of disbursement. The profit rate for the entire tenure of Murabaha has been fixed at 12.75% per annum. The facility is repayable by March 20, 2009. The Murabaha is secured against execution of Promissory Note, first equitable mortgage charge over project's land and building, hypothecation charge over project's plant and machinery, hypothecation charge over present and future receivables of the project and personal guarantees of three Directors.

	Note	2008	2007
		----- (Rupees) -----	

13. DEFERRED TAXATION

Deferred tax liability on taxable temporary differences

Tax depreciation allowance	19,706,922	19,719,016
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Deferred tax asset on deductible temporary differences

Unabsorbed tax loss	<u>(14,591,966)</u>	<u>(17,491,720)</u>
	<u>5,114,956</u>	<u>2,227,296</u>

SANA INDUSTRIES LIMITED

	Note	2008 ----- (Rupees) -----	2007
14. TRADE AND OTHER PAYABLES			
Creditors		4,519,842	1,702,384
Accrued liabilities		10,929,249	9,646,435
Employees accumulating compensated absences		421,673	344,121
Payable to the gratuity fund	14.1	1,976,821	2,138,495
Workers' profits participation fund		380,854	-
Unpaid and unclaimed dividends		434,268	444,373
Others		70,499	32,210
		18,733,206	14,308,018

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 as at June 30, 2008.

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

	2008 (Rupees)	2007
Present value of defined benefit obligation	10,475,331	8,797,946
Fair value of plan assets	(11,784,874)	(10,024,899)
Unrecognised actuarial gain / (loss)	3,286,364	3,365,448
Liability recognised in the balance sheet	1,976,821	2,138,495

Amounts charged to profit and loss account:

Current service cost	1,532,502	1,532,248
Interest cost	879,795	822,814
Expected return on plan assets	(1,210,816)	(767,957)
Actuarial loss recognized	(269,329)	-
	932,151	1,587,105

The charge for the year has been allocated as follows:

Manufacturing and service expenses	543,135	655,465
Fuel and power	40,808	32,841
Distribution costs	69,119	136,092
Administrative expenses	279,089	762,707
	932,151	1,587,105

SANA INDUSTRIES LIMITED

2008 **2007**
(Rupees)

Movement in the liability recognised in the balance sheet:

Balance as at July 01	2,138,495	267,875
Net charge for the year	932,151	1,587,105
Contribution to the fund	(1,093,825)	(1,799,750)
Amount received from the fund	-	2,083,265
Balance as at June 30	1,976,821	2,138,495

Movement in the present value of defined benefit obligation:

Opening balance	8,797,946	9,142,380
Current service cost	1,532,502	1,532,248
Interest cost	879,795	822,814
Benefits paid	(448,330)	(1,799,750)
Actuarial gain	(286,582)	(899,746)
Balance as at June 30	10,475,331	8,797,946

Movement in the fair value of plan assets:

Opening balance	12,108,164	8,532,856
Expected return	1,210,816	767,957
Contributions	1,093,825	1,799,750
Benefits paid	(448,330)	(1,799,750)
Actuarial (loss)/gain	(2,179,601)	2,807,351
Balance as at June 30	11,784,874	12,108,164

Principal actuarial assumptions used are as follows:

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

Comparisons for five years:

	2008	2007	2006	2005	2004
As at June 30	----- (Rupees) -----				
Present value of defined benefit Obligation	10,475,331	8,797,946	9,142,380	9,108,511	7,758,386
Fair value of plan assets	11,784,874	12,108,164	8,532,856	6,271,902	(5,999,850)
Surplus / (Deficit)	1,309,543	3,310,218	(609,524)	(2,836,609)	1,758,536
Experience adjustment on plan Liabilities	(286,582)	(899,746)	(849,994)	-	-
Experience adjustment on plan Assets	2,179,601	2,807,351	430,882	-	-

2008 **2007**
(Rupees)

Major categories / composition of plan assets are as follows:

Equity	11,649,933	11,963,473
Cash at bank	134,941	144,691
	11,784,874	12,108,164

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. 1,480,145 (2007: Rs. 3,575,308).

SANA INDUSTRIES LIMITED

	Note	2008 ----- (Rupees) -----	2007 -----
15. SHORT TERM BORROWINGS – Unsecured			
Loan from Directors		<u>18,900,000</u>	<u>-</u>

15.1 Represents interest free loan from directors and family members, repayable on demand.

16. MURABAHA

Short-term Murabaha arrangement from a commercial bank	16.1	<u>104,840,505</u>	<u>103,096,436</u>
<p>16.1 Short-term Murabaha arrangement had been obtained from a commercial bank for the regular purchases of raw material. The bank had approved a facility of Rs.105 million. The unavailed facility is Rs.159,495/-. The effective rate of profit on Murabaha facility ranges between 11.18% to 15.35% (based on KIBOR + 1.25% 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.</p>			

	Note	2008 ----- (Rupees) -----	2007 -----
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17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

Claims pending adjudication	17.1.1	<u>2,881,420</u>	<u>2,881,420</u>
Letter of guarantee issued by a commercial bank for securing gas payments		<u>6,189,000</u>	<u>6,189,000</u>

17.1.1 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. 2,881,420/- (2007: Rs. 2,881,420/-). The management and the Company's legal counsel are optimistic about the outcome of the appeal. Therefore, no provision for the above amount has been made in these financial statements.

		2008 ----- (Rupees) -----	2007 -----
17.2 Commitments			
Capital expenditure contracted for but not incurred		<u>11,672</u>	<u>-</u>
Outstanding letters of credit		<u>15,327,597</u>	<u>7,964,490</u>
Custom duty and income tax on stock in transit		<u>398,370</u>	<u>461,579</u>

SANA INDUSTRIES LIMITED

	Note	2008 ----- (Rupees) -----	2007
18. TURNOVER – net			
Goods - Local			
Yarn		374,335,027	379,237,328
Carded fibres		5,431,303	376,874
Waste		5,887,966	3,145,181
		385,654,296	382,759,383
Less: Commission and discount		(49,084)	(167,215)
		385,605,212	382,592,168
Services			
		48,982,196	28,320,993
		434,587,408	410,913,161
19. COST OF SALES AND SERVICES			
Raw and packing material consumed			
Opening stock		30,587,560	23,325,802
Purchases		281,595,227	284,736,722
		312,182,787	308,062,524
Closing stock		(33,398,340)	(30,587,560)
		278,784,447	277,474,964
Manufacturing and services expenses			
Fuel and power	19.1	46,635,747	45,212,922
Salaries, wages and benefits	14.1.1	40,111,001	38,644,388
Repairs and maintenance	19.2	9,028,385	9,461,750
Insurance		1,762,539	1,468,574
Rent, rates and taxes		342,645	292,645
Depreciation	4.1.1	21,368,405	17,655,635
Security		1,308,860	1,363,875
Other manufacturing overheads		3,564,070	2,976,733
		124,121,652	117,076,520
		402,906,099	394,551,484
Work-in-process			
Opening stock		5,486,944	7,132,777
Closing stock		(7,555,693)	(5,486,944)
		(2,068,749)	1,645,833
Cost of goods manufactured and services rendered		400,837,350	396,214,317
Finished goods			
Opening stock		27,468,238	20,734,029
Closing stock		(31,364,152)	(27,468,238)
		(3,895,914)	(6,734,209)
		396,941,436	389,480,108

SANA INDUSTRIES LIMITED

	Note	2008	2007
		----- (Rupees) -----	
19.1 Fuel and power			
Generation cost:			
Salaries, wages and benefits	14.1.1	793,554	820,785
Gas expenses		31,135,000	36,139,210
Oil and lubricants		938,170	1,349,278
Repairs and maintenance	19.2	1,138,848	577,244
Depreciation	4.1.1	1,125,336	1,987,060
Insurance		115,254	110,705
Electricity charges and duty		11,355,044	4,205,098
Others		34,541	23,542
		<u>46,635,747</u>	<u>45,212,922</u>

19.2 Includes stores and spares purchased during the year amounting to Rs. 3,878,999/- (2007: Rs. 4,461,768/-).

	Note	2008	2007
		----- (Rupees) -----	
20. DISTRIBUTION COSTS			
Salaries, wages and benefits	14.1.1	1,176,074	1,182,040
Packing and forwarding expenses		926,784	1,032,823
Communication		268,801	312,331
Sales promotion expenses		17,488	7,901
Depreciation	4.1.1	840	-
Advertising expenses		123,137	-
		<u>2,513,124</u>	<u>2,535,095</u>

21. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	14.1.1	6,160,131	6,351,938
Printing and stationery		135,058	199,723
Legal and professional charges		671,917	667,036
Auditors' remuneration	21.1	183,000	177,500
Fees and subscription		242,626	216,067
Travelling and conveyance		132,899	307,559
Repairs and maintenance		607,901	637,830
Rent, rates and taxes		109,139	88,844
Depreciation	4.1.1	915,685	585,295
Security expenses		116,780	98,762
Electricity and gas		474,142	465,839
Insurance		138,514	77,069
Other expenses		260,774	228,072
		<u>10,148,566</u>	<u>10,101,535</u>

21.1 Auditors' remuneration

Audit fee		152,000	137,500
Review of half yearly financial statements		15,000	10,000
Other certifications		6,000	10,000
Out of pocket expenses		10,000	20,000
		<u>183,000</u>	<u>177,500</u>

22. OTHER OPERATING EXPENSES

Workers' profits participation fund		380,854	-
Loss on disposal of fixed assets	4.1	1,014,238	-
		<u>1,395,092</u>	<u>-</u>

SANA INDUSTRIES LIMITED

	Note	2008		2007
		----- (Rupees) -----		
23. OTHER OPERATING INCOME				
Profit on disposal of fixed assets	4.1	-		86,639
Profit on saving account		141,360		137,433
Reversal of Workers Welfare Fund – prior year		-		53,654
Others		-		4,102
		<u>141,360</u>		<u>281,828</u>
24. FINANCE COSTS				
Murabaha profit		16,376,294		14,121,677
Guarantee commission		64,985		64,985
Bank charges		53,052		25,216
		<u>16,494,331</u>		<u>14,211,878</u>
25. PROVISION FOR TAXATION				
Current – for the year		2,172,937		2,054,566
- for prior year		5,895		(1,014,472)
		<u>2,178,832</u>		1,040,094
Deferred – for the year		2,887,660		(782,296)
		<u>5,066,492</u>		<u>257,798</u>

25.1 In view of taxable loss for the year, provision for taxation is made at the rate of 0.5 percent of turnover. Accordingly, no numeric tax reconciliation is given.

26. EARNINGS/(LOSS) PER SHARE

There is no dilutive effect on the basic earnings/(loss) per share of the Company which is based on:

		2008		2007
		----- (Rupees) -----		
Profit/(loss) for the year after taxation		<u>2,169,727</u>		<u>(5,391,425)</u>
		Number of Shares		
Weighted average number of shares in issue during the year		<u>5,500,000</u>		<u>5,500,000</u>
		Rupees		
Earnings/(loss) per share – Basic		<u>0.39</u>		<u>(0.98)</u>

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount, charged in the financial statements for the year are as follows:

	Chief Executive		Directors		Total	
	2008	2007	2008	2007	2008	2007
	----- (Rupees) -----					
Remuneration	1,200,000	1,200,000	1,999,920	1,999,920	3,199,920	3,199,920
House rent	480,000	480,000	800,000	800,088	1,280,088	1,280,088
Retirement benefits	81,560	167,650	135,932	303,068	217,492	470,718
Utilities	120,000	120,000	199,992	199,992	319,992	319,992
	1,881,560	1,967,650	3,135,844	3,303,068	5,017,492	5,270,718
Number of persons	1	1	2	2	3	3

Executives

None of the employees of the Company fall under the definition of "executives" as provided in Clause 2(iii) of the Fourth Schedule to the Companies Ordinance, 1984.

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

	2008	2007
	----- (Rupees) -----	
The aggregate amount charged in the accounts for the year for fee to one director	<u>2,000</u>	<u>3,500</u>

28. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise related group companies, staff retirement funds, companies where directors also held directorship, directors and key management personnel. Transactions with associated companies and other related parties other than remuneration and benefits to key management personnel under the terms of their employment as disclosed in Note 27 are as follows:

Relationship	Nature of transactions	2008	2007
		----- (Rupees) -----	
Group companies	Purchase of goods	-	60,200
	Sale of goods	-	410,950
Staff retirement benefit plans	Contribution to gratuity fund	1,093,825	1,799,750
Other related parties	Loan from directors – mark-up free	26,399,500	22,790,000
	Repayment of loan to directors	7,499,500	22,790,000

SANA INDUSTRIES LIMITED

2008 2007
----- (Rupees) -----

29. CAPACITY AND PRODUCTION

Number of spindles installed	26,944	26,944
Average number of spindles operated during the year	19,374	24,472
Installed production capacity 30/S count – kg	4,184,784	5,189,904
Actual production	2,286,830	2,711,910
Number of shifts per day	Three	Three

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

30. WORKING CAPITAL CHANGES

2008 2007
----- (Rupees) -----

30.1	(Increase) / decrease in current assets		
	Stock-in-trade	(9,548,404)	(11,718,698)
	Trade debts	(4,586,707)	33,101,396
	Loans and advances	(435,108)	(214,593)
	Trade deposits and short-term prepayments	(2,037,094)	(394,589)
	Other receivables	(1,698,322)	1,771,690
		(18,305,635)	22,545,206
30.2	Increase in current liabilities		
	Trade and other payables	4,435,293	4,047,829

31. FINANCIAL INSTRUMENTS RELATED DISCLOSURES

31.1 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 2008 and 30 June 2007.

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

31.2 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:

	Interest / mark-up bearing			Non-interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
------(Rupees)-----							
Financial Assets							
Long-term deposits	-	-	-	-	698,925	698,925	698,925
Trade debts	-	-	-	93,720,344	-	93,720,344	93,720,344
Loans and advances	-	-	-	1,811,562	-	1,811,562	1,811,562
Other receivables	-	-	-	1,709,186	-	1,709,186	1,709,186
Cash and bank balances	2,427,008	-	2,427,008	2,020,616	-	2,020,616	4,447,624
2008	2,427,008	-	2,427,008	99,261,708	698,925	99,960,633	102,387,641
Financial Liabilities							
Trade and other payables	-	-	-	16,375,531	-	16,375,531	16,375,531
Murabaha	124,205,665	-	124,205,665	-	-	-	124,205,665
2008	124,205,665	-	124,205,665	16,375,531	-	16,375,531	140,581,196
Off Balance Sheet Items							
Acceptances and letter of credit	-	-	-	15,327,597	-	15,327,597	15,327,597
2008	-	-	-	15,327,597	-	15,327,597	15,327,597
------(Rupees)-----							
	Interest / mark-up bearing			Non-interest / mark-up bearing			Total
	Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
------(Rupees)-----							
Financial Assets							
Long-term deposits	-	-	-	-	472,525	472,525	472,525
Trade debts	-	-	-	89,133,640	-	89,133,640	89,133,640
Loans and advances	-	-	-	1,313,454	-	1,313,454	1,313,454
Trade deposits	-	-	-	300,000	-	300,000	300,000
Other receivables	-	-	-	328,341	-	328,341	328,341
Cash and bank balances	8,823,931	-	8,823,931	6,504,988	-	6,504,988	15,328,919
2007	8,823,931	-	8,823,931	97,580,423	472,525	98,052,948	106,876,879
Financial Liabilities							
Trade and other payables	-	-	-	12,169,523	-	12,169,523	12,169,523
Murabaha	128,916,644	19,365,166	148,281,810	-	-	-	148,281,810
2007	128,916,644	19,365,166	148,281,810	12,169,523	-	12,169,523	160,451,333
Off Balance Sheet Items							
Acceptances and letter of credit	-	-	-	7,964,490	-	7,964,490	7,964,490
2007	-	-	-	7,964,490	-	7,964,490	7,964,490

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

31.3 Fair value of financial assets and liabilities

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

31.4 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.

31.5 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.

31.6 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.

32. 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
Segmental information for the year ended June 30, 2008	----- (Rupees) -----		
REVENUE			
External Sales	<u>385,831,810</u>	<u>48,755,598</u>	<u>434,587,408</u>
RESULTS			
Segment results	(4,073,048)	11,167,907	7,094,859
Profit on saving account			141,360
Income taxes			(5,066,492)
Profit			<u>2,169,727</u>
OTHER INFORMATIONS			
Segment assets	187,029,684	122,962,064	309,991,748
Unallocated assets			<u>49,743,791</u>
Total assets			<u>359,735,539</u>
Segment liabilities	117,533,271	21,128,316	138,661,587
Unallocated liabilities			<u>23,283,728</u>
Total liabilities			<u>161,945,315</u>
Capital expenditure	2,924,795	18,493,001	<u>21,417,796</u>
Depreciation	13,712,592	9,519,442	<u>23,232,034</u>

33. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 08, 2008 by the Board of Directors of the Company.

34. DIVIDEND AND APPROPRIATIONS

Subsequent to the year ended June 30, 2008, the Board of Directors have approved / proposed the following in their meeting held on September 08, 2008 for the approval of the members at the Annual General Meeting:

	2008	2007
	----- (Rupees) -----	
Proposed final dividend @ Rs.1/- per share (10%) (2007: Nil)	5,500,000	-

35. GENERAL

Amounts have been rounded off to the nearest rupee.

(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 23rd Annual General Meeting of the Shareholders of the Company will, Insha-Allah be held on Saturday, the 11th October, 2008 at 11.00 A.M at the Company's Office, situated at SF-96, S.I.T.E., Karachi to transact the following business:-

- (1) To read and confirm the minutes of 22nd Annual General Meeting held on 24th September, 2007
- (2) To receive and adopt the Audited accounts of the Company for the year ended 30th June, 2008, together with the Auditors' Report and Directors' Report thereon.
- (3) To consider and approve cash dividend of 10% for the period ended 30th June, 2008, as recommended by the Directors.
- (4) To appoint Auditors of the Company and fix their remuneration for the year ending 30th June, 2009 The present Auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accounts retire and being eligible, offer themselves for re-appointment.
- (5) To transact any other business with the permission of the Chair.

By Order of the Board

(Abdul Hussain Antaria)
CFO & Company Secretary

Karachi: 8th September, 2008

NOTES:

1. The Share Transfer Books of the Company for entitlement of Dividend will remain closed from 7/10/2008 to 11/10/2008 (both days inclusive). Transfers received at the office of the Company i.e., SF-96, S.I.T.E., Karachi (Phone Nos.2561728-29) at the close of business on 6/10/2008 will be treated in time for the purpose of payment of Dividend to the Transferees.
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.



SANA Industries Limited

PATTERN OF HOLDING OF THE SHARES HELD BY THE SHAREHOLDERS

as at 30 June 2008

No. of Shareholders	Shareholdings		Total Shares Held
	FROM	TO	
65	1	to 100	3,853
160	101	to 500	37,259
57	501	to 1,000	42,473
117	1,001	to 5,000	268,544
19	5,001	to 10,000	123,394
13	10,001	to 15,000	157,083
2	15,001	to 20,000	31,650
4	20,001	to 25,000	91,019
1	35,001	to 40,000	35,930
2	45,001	to 50,000	96,188
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	160,001	to 165,000	160,875
1	215,001	to 220,000	243,565
1	260,001	to 265,000	261,937
1	265,001	to 270,000	268,222
1	545,001	to 550,000	549,587
1	1,365,001	to 1,370,000	1,369,087
1	1,385,001	to 1,390,000	1,389,643
451			5,500,000

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	TOTAL SHARES	
		HELD	PERCENTAGE
Financial Institutions	1	549,587	9.99%
Individuals	444	4,627,679	84.14%
Insurance Companies	1	22,412	0.41%
Joint Stock Companies	3	18,350	0.33%
Modaraba Companies	1	13,750	0.25%
Others	1	268,222	4.88%
TOTALS	451	5,500,000	100.00%

The above two statements include 325 Shareholders, holding 5,416,180 shares through the Central Depository Company of Pakistan Limited (CDC).

	<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)	1	549,587	10.99%
<u>Directors, CEO and their Spouse and Minor Children (Name-wise).</u>			
(1) Mr.Mohammed Yousuf Chairman / Director	1	82,623	1.50%
(2) Mr.Mohammed Younus Nawab Chief Executive	1	1,369,087	24.89%
(3) Mr.Mohammed Tariq Yousuf Director	1	51,531	0.94%
(4) Mr.Mohammed Junaid Nawab Director	1	3,437	0.06%
(5) Mr.Mohammed Irfan Nawab Director	1	1,389,643	25.27%
(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%
<u>Executives</u>	None	None	None
<u>Public Sector Companies and Corporations</u>			
(1) State Life Insurance Corporation of Pakistan	1	20,375	0.41%
<u>Banks, DFIs, NBFIs, Insurance Companies, Modarabas & Mutual Funds</u>	3	585,749	10.65%
<u>Shareholders holding 10% or more voting interest in the Listed Companies</u>			
(1) National Bank of Pakistan, Trustee Department (NIT)	1	549,587	9.99%
(2) Mr.Mohammed Younus Nawab	1	1,369,087	24.89%
(3) Mr.Mohammed Irfan Nawab	1	1,389,643	25.27%



SANA Industries Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 ----- (Rupees) -----	2007 -----
Turnover – net	18	434,587,408	410,913,161
Cost of sales and services	19	(396,941,436)	(389,480,108)
Gross profit		37,645,972	21,433,053
Distribution costs	20	(2,513,124)	(2,535,095)
Administrative expenses	21	(10,148,566)	(10,101,535)
Other operating expenses	22	(1,395,092)	-
Other operating income	23	141,360	281,828
		23,730,550	9,078,251
Finance costs	24	(16,494,331)	(14,211,878)
Profit / (loss) before taxation		7,236,219	(5,133,627)
Taxation	25	(5,066,492)	(257,798)
Profit / (loss) profit after taxation		2,169,727	(5,391,425)
Earnings / (loss) per share – Basic	26	0.39	(0.98)

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

AUDITORS' REPORT TO THE MEMBERS

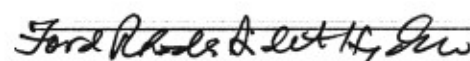
We have audited the annexed balance sheet of **Sana Industries Limited** (the Company) as at **30 June 2008** and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have 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 **30 June 2008** and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion, no Zakat was deducted at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

KARACHI: 08 September 2008


CHARTERED ACCOUNTANTS



SANA Industries Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2008

	Issued, subscribed and paid-up capital	Capital Reserve for issue of bonus shares	REVENUE RESERVES		Total
			General Reserve	Unappro- priated profit / (loss)	
------(Rupees)-----					
Balance as at June 30, 2006	50,000,000	-	137,500,000	20,896,966	208,396,966
Transfer to reserve for issue of bonus shares	-	5,000,000	(5,000,000)	-	-
(Loss) after taxation for the year ended June 30, 2007	-	-	-	(5,391,425)	(5,391,425)
Final dividend for the year ended June 30, 2006 @ Rs. 2.5 per share	-	-	-	(12,500,000)	(12,500,000)
Bonus shares issued during the year in the ratio of 1 share for every 10 shares held	5,000,000	(5,000,000)	-	-	-
Balance as at June 30, 2007	55,000,000	-	132,500,000	3,005,541	190,505,541
Balance as at June 30, 2007					
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

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.
- (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.



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- (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:
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|---|---|-------------------------------------|
| (a) Mr. Mohammed Tariq Yousuf
Non executive Director | - | Chairman Audit Committee |
| (b) Mr. Mohammed Junaid Nawab
Non executive Director | - | Member Audit Committee |
| (c) Mr. Mohammed Irfan Nawab
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: 8th September, 2008.