



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
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(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.