



33rd
Annual Report
2017-2018
Year ended 30th June 2018

SANA Industries Limited

33-D-2, Block 6, P.E.C.H.S., Shahrāh-e-Faisal, Karachi-75400
Phone: 021-34322556-9 Email: info@sana-industries.com

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COMPANY INFORMATION

Board of Directors

Mr. Mohammed Younus Nawab	- Chairman
Mr. Ibrahim Younus	- Director
Mr. Ismail Younus	- Director
Mr. Mohammed Faizanullah	- Director
Mr. Ilyas Abdul Sattar	- Director
Mr. Mohammed Khalid Yousuf	- Director
Hafiz Mohammed Irfan Nawab	- Chief Executive

Audit Committee

Mr. Mohammed Khalid Yousuf	- Chairman
Mr. Ilyas Abdul Sattar	- Member
Mr. Abdul Hameed	- Member
Mr. Mohammed Faizanullah	- Member and Secretary

Registered Office

33 D-2, Block B, P.E.C.H.S
P.O Box No. 10651,
Karachi - 75700
Phone : 32561728 - 29
Fax : 32570833
E-mail : info@sanaindustries.com

Auditors

Munif Ziauddin & Co.
Chartered Accountants
F/17/3, Business Executive Centre
Block 8, Clifton,
Karachi.
Phone : 35375127 - 28
Fax : 35820325

Bankers

Habib Metropolitan Bank Limited:
Islamic Banking Branch,
Jodia Bazar,
Karachi.
Phone : 32432528 - 30
Fax : 32432527

H.R. & Remuneration Committee

Mr. Mohammed Khalid Yousuf	- Chairman
Mr. Ilyas Abdul Sattar	- Member
Mr. Ibrahim Younus	- Member

C.F.O./Company Secretary

Mr. Abdul Hussain Ansari

Mills

B-186, Hub Industrial Trading Estate,
Hub Chowki, District Lasbela
Balochistan.
Phone : 0853-363443 - 44
Fax : 0853-363422

Legal Advisors

Zaki & Co.
Advocates
21-A, Wahab Arcade,
M.A. Jinnah Road,
Karachi.
Phone : 32628998 / 32628999

Share Registrars

Central Depository Co. of Pakistan Ltd.
Share Registrar Department
CDC House, 99-B, Block B, S.M.C.H.S.
Karachi.
Phone : 111-111-500
Fax : 34326027

Website for financial data - <http://www.sana-industries.com/>

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 33rd Annual General Meeting of the shareholders of the Company will, Insha-Allah be held on Friday, the 26th of October, 2018 at 4.30 P.M at the Company's Office, situated at 33-D-2, Block 6, P.E.C.H.S., Karachi to transact the following business:-

ORDINARY BUSINESS

- (1) To read and confirm the minutes of 32nd Annual General Meeting held on 20th October, 2017.
- (2) To receive and adopt the audited financial statements of the Company for the year ended 30th June, 2018, together with the Auditors' Report and Directors' Report thereon.
- (3) To consider and approve cash dividend of 20% for the year ended 30th June, 2018 as recommended by the directors.
- (4) To appoint Auditors of the Company and fix their remuneration for the year ended 30th June, 2018. The present Auditors M/s. Muniff Ziauddin & Co, Chartered Accounts retire and being eligible, offer themselves for re-appointment. The Company has received a notice from shareholders u/s 248(3) of the Companies Act, 2017 for appointment of Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, in place of retiring auditors, for the year ended June 30, 2019.

SPECIAL BUSINESS

- (5) To consider and approve increase in remunerations of the Chief Executive and other full time working Director of the Company.
- (6) To consider and if thought fit to pass the following Special Resolution under Section 159 of the Companies Act, 2017, as recommended by the Board of Directors with or without modification(s), addition(s) or deletion(s):

***RESOLVED** that the Company may irrevocably and unconditionally provide a guarantee (the "Guarantee") to certain financial institutions in relation to financing arrangements of its subsidiary M/s. Sana Logistics (Pvt.) Ltd ("SLPL") and for that purpose, the Company will offer its certain assets as collateral subject to the following terms and conditions:

Amount:	Rs. 300 Million
Nature:	Guarantee.
Purpose:	SLPL, being the ultimate borrower and beneficiary of the financing, is provided a Guarantee by the Company against the financings.
Facility:	Facility arrangements are between SLPL and certain financial institutions for procuring loan to finance its capital expenditure requirements.
Termination Date:	Earlier of, (a) when the Company has no further actual or contingent obligation to make any payments to the financial institutions, and (b) June 28, 2022.

FURTHER RESOLVED that this special resolution shall remain valid until the Termination Date (as specified above) starting from the date of approval by members.

FURTHER RESOLVED that Mr. Ibrahim Younus (CE) and Mr. Muhammad Irfan Nawab (Director), are hereby singly authorized to negotiate and execute such guarantee in relation to the Facility Agreement.

FURTHER RESOLVED that Mr. Ibrahim Younus (CE) and Mr. Muhammad Irfan Nawab (Director) are fully empowered and authorized to do all such acts, deeds and things as they may consider necessary for the purpose of giving effect to the foregoing.

FURTHER RESOLVED that all requirements under the Companies (Investment in Associated Companies or Associated Undertakings) Regulations have been complied with.

- (7) To consider and the following ordinary resolution:
"RESOLVED that the transactions carried out in normal course of business with associated companies as disclosed in Note No.38 of the audited financial statements for the year ended June 30, 2018 be and are hereby ratified and approved."
- (8) To consider and the following ordinary resolution:
"RESOLVED THAT THE Chief Executive Officer of the Company be and is hereby authorized to approve all the transactions carried out and to be carried out in normal course of business with associated companies during the ensuing year ending June 30, 2019 and in this connection the Chief Executive Officer be and is hereby authorized to take any and all necessary actions and sign / execute any and all such documents / indentures as may be required in this regard on behalf of the Company."
- (9) To consider and if thought fit to pass the following Special Resolution under Section 199 of the Companies Act, 2017, as recommended by the Board of Directors with or without modification(s), addition(s) or deletion(s):

RESOLVED THAT, "the clause no. III (52) of the Memorandum of the Association of the company be and is hereby inserting to read as follows:

To guarantee the performance of contracts, agreements, obligations, or discharge of any debt of the company or on behalf of any other company or person subject in the provisions of section 182 of the Companies Act, 2017 in relation to the payment of any financial facility including but not limited to loans, advances, letter of credit or other obligations through creation of any or all types of mortgages, charges, pledges, hypothecations, on execution of the usual banking documents or instruments or otherwise encumbrance on any or all of the moveable and immovable properties of the company, either present or future or both and issuance of any other securities, Corporate Guarantees or sureties by any mean in favour of banks, Non-Banking Finance Companies (NBFCs) or any financial institutions and to borrow money for purpose of the company on such terms and conditions as may be considered proper."

FURTHER RESOLVED THAT "the Company Secretary, Mr. Abdul Hussain Antaria be and is hereby authorized to do all acts, deeds and things, take any or all necessary actions to complete all legal formalities and file all necessary documents as may be necessary or incidental for the purpose of implementing the aforesaid resolution."

- (10) To transact any other business with the permission of the Chair.

A Statement under Section 134(3) of the Companies Act, 2017 containing material facts concerning special business to be transacted as special resolution at the Extraordinary General Meeting is attached with this notice.

By Order of the Board


(Abdul Hussain Antaria)
CFO & Company Secretary

Karachi: 3rd October, 2018

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NOTES

1. The share transfer books of the Company shall remain closed from 19-Oct-2018 to 26-Oct-2018 (both days inclusive), and the final dividend will be paid to the Shareholders whose names will appear in the Register of Members on 18-Oct-2018.
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 need not 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 33-D-2, Block-6, P.E.C.H.S., Karachi (Phone No.34322556-59) not later than 48 hours before the time of meeting. In case of Corporate entity the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of meeting.
4. Shareholders are requested to promptly notify the Company's Registrar of any change in their addresses and submit, if applicable to them, the Non-deduction of Zakat Form CZ-50 with the Registrar of the Company M/s. Central Depository Company of Pakistan Limited, Share Registrar Department, CDC House, 99-B, Block B, SMCHS, Karachi. All the Shareholders holding their shares through the CDC are requested to please update their addresses and Zakat with their Participants. This will assist in prompt receipt of Dividend.
5. Members who have not yet submitted photocopy of their Computerized National Identity Card to the Company are requested to send the same to the Companies' Share Registrar, Central Depository Company of Pakistan at the earliest. In case of non-availability of a valid copy of the Shareholder's CNIC in the records of the Company, the Company shall withhold the Dividend under the provisions of Section 243 of the Companies Act, 2017.
6. Currently the deduction of withholding tax on the amount of dividend paid by the companies under section 150 of the Income Tax Ordinance 2001, are as under:-

(a) For filers of income tax returns	15%
(b) For non-filers of income tax returns	20%

Shareholders who are filers are advised to make sure that their names are entered into latest Active Tax Payers List (ATL) provided on the website of FBR at the time of dividend payment, otherwise they shall be treated as non-filers and tax on their cash dividend will be deducted at the rate of 20% instead of 15%.

7. In order to enable the Company to follow the directives of the regulators to determine shareholding ratio of the Joint Account Holder(s) (where shareholding has not been determined by the Principal shareholder) for deduction of withholding tax on dividend by the Company, shareholders are requested to please furnish the shareholding ratio details of themselves as Principal shareholder and their Joint Holders, to the Company's Share Registrar, enabling the Company to compute withholding tax of each shareholder accordingly. The required information must reach the Company's Share Registrar by October 18, 2018, otherwise each shareholder will be assumed to have equal proportion of shares and the tax will be deducted accordingly.
8. In accordance with the provision of section 242 of the Companies Act, 2017 and Companies (Distribution of Dividend) Regulations 2017, it is mandatory that dividend payable in cash shall only be paid through electronic mode directly into the bank account designated by the entitled shareholder. Notice in this regard have already been published earlier in newspapers as per Regulations. All shareholders are once again requested to provide details of their bank mandate specifying (i) title of account, (ii) account number, (iii) IBAN number, (iv) bank name, (v) branch name, code and address and (vi) Mobile number to Company's Share Registrar M/s. Central Depository Company of Pakistan Limited. Shareholders who hold share with Participants / CDC are advised to provide the mandate to the concerned Broker / CDC.

9. Pursuant to the provisions of section 223(6) of the Companies Act, 2017, the Companies are permitted to circulate their annual financial statements, alongwith auditors report, directors review report ("Annual Report") and the notice of Annual General Meeting ("Notice") to its shareholders by email. Shareholders of the Company who wish to receive the Company's Annual Report and Notices of Annual General Meeting by email are requested to provide the completed Electronic Communication Consent Form.

10. Pursuant to the provisions of the Companies Act 2017, the Company may on the demand of members at least 7 days before the general meeting, residing in a city, who hold at least 10% of the total paid up capital of the Company, provide the facility of vide-link (Optional) to such members enabling them to participate in its Annual General Meeting. If they wish to take benefit of this facility, please fill the form and submit it to the Company at its Registered address at least 10 days prior to the date of meeting.

The Company will intimate members the venue of the video conference facility, if required criteria have been fulfilled, at least 7 days before the date of general meeting along with complete information necessary to enable them to access such facility.

11. CDC account holders will further have to 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 134(3) OF THE COMPANIES ACT, 2017

A Statement under Section 134(3) of the Companies Act, 2017 pertaining to the Resolution is appended below.

AGENDA NO.5 - REMUNERATION OF DIRECTORS

The Shareholders' approval is sought for the increase in remuneration of the following directors.

<u>NAME OF DIRECTOR</u>	<u>PRESENT SALARY</u>	<u>PROPOSED INCREMENT</u>	<u>NEW SALARY AFTER INCREMENT</u>
(1) Mr. Mohammed Younus Nawab	Rs.475,000	Rs.190,000	Rs.665,000
(2) Mr. Mohammed Irfan Nawab	Rs.650,000	Rs.260,000	Rs.910,000

For the purpose, it is proposed that the following Resolution be passed, with or without modification, by the Shareholder as an ordinary Resolution:

"RESOLVED that the Company hereby approves and authorizes payment of monthly remunerations (salary) together with other benefits, in accordance with the Rules of the Company, be paid to the following full time working Directors of the Company, with effect from 1st July, 2016:

(a) Mr. Mohammed Younus Nawab, Chairman : Rs.665,000/- plus free use of Company's maintained Car

(b) Mr. Mohammed Irfan Nawab, Chief Executive: Rs.910,000/- plus free use of Company's maintained Car

The working directors are interested in the Resolution to the extent of their respective remunerations.

AGENDA NO.6 - INVESTMENT IN ASSOCIATED COMPANY

Sana Industries Limited ("SIL"), a listed Company, may irrevocably and unconditionally provide a guarantee (the "Guarantee") amounting Rs.300 million to certain financial institutions in relation to financing arrangements of its subsidiary M/s. Sana Logistics (Pvt.) Ltd ("SLPL"), and for that purpose, the Company will offer its certain assets as collateral.

Information under Clause (a) and (c) of sub-regulation (1) of regulation 3 of (Investment in Associated Companies or Associated Undertakings) Regulations 2017.

<u>Ref. No.</u>	<u>Requirement</u>	<u>Information</u>
I	Name of associated company or associated undertaking and basis of relationship	Sana Logistics (Private) Limited ("SLPL") Subsidiary
II	Purpose, benefits likely to accrue to the investing company and its members from such investment and period of investment	To provide security to SLPL's ultimate lender. The Company will be able to comply with the requirements of arrangement of the financing
III	Earnings per share for the last three years	2018: 9.82 2017: (2.45) 2016: (0.04)
IV	Break-up value of share, based on the latest audited financial statements.	Rs. 18.66

V	Sources of funds to be utilized for investment and where the investment is intended to be made using borrowed funds. (I) Justification for investment through borrowing (II) Detail of collateral, guarantees provided and assets pledged for obtaining such funds (III) Cost benefit analysis	Not applicable, as it's a non-funded facility and not a funded investment
VI	Financial position, including main items of balance sheet and profit and loss account of the associated company or associated undertaking on the basis of its latest financial statements	(PKR) Equity: 93,315,616 Non-current assets: 203,110,488 Non-current liabilities: 104,933,481 Current assets: 115,327,208 Current liabilities: 125,794,645 Operating Revenue: 322,812,640 Profit before Tax: 47,144,025 Profit after Tax: 45,804,250
VII	Salient feature of all agreements entered or to be entered with its associated company or associated undertaking with regards to proposed Guarantee	
VIII	Direct or indirect interest of directors, sponsors, majority shareholders and their relatives, if any, in the associated company or associated undertaking or the transaction under consideration	The directors have no interest in the associate of the transaction other than their interest as directors of the Company. Hence this item is being put before the shareholders for approval.
IX	In case an investment in associated company has already been made, the performance review of such investment including complete information / justification for any impairments / write-offs	Investment in shares Rs. 35 Million (70% shareholding in SLPL)
X	Any other important details necessary for the members to understand the transaction	None
XI	Category-wise amount of investment	Category of investment is guarantee and amount of the same is Rs. 300 million
XII	Average borrowing cost of the investing company, the KIBOR for the relevant period, rate of return for Shariah compliant products and rate of return for unfunded facilities, as the case may be, for the relevant period	Not applicable as it's a non-funded facility
XIII	Rate of interest, mark up, profit, fees or commission etc. to be charged by investing company	Not applicable as it's a non-funded facility. Further, as to the fact that SLPL is itself ultimate borrower & beneficiary of this loan which shall be used for its ongoing capital expenditure requirements.

XIV	Particulars of collateral or security to be obtained from the associated company or associated undertaking.	Not applicable as it's a non-funded facility. Further, as to the fact that SLPL is itself ultimate borrower & beneficiary of this loan which shall be used for its ongoing capital expenditure requirements.
XV	If the investment carries conversion feature, circumstances in which the conversion may take place	Not applicable
XVI	Repayment schedule and terms of loans or advances to be given to the associated company or associated undertaking.	The subject guarantee shall be terminated Earlier of: (a) when the Company has no further actual or contingent obligation to make any payments of the Loan; and (b) June 28, 2022 (date).

AGENDA NO.7 – Transactions carried out with associated companies during the year ended June 30, 2018 to be passed as Ordinary Resolution.

The transactions carried out in normal course of business with associated companies (Related parties) were being approved by the Board as recommended by the Audit Committee on quarterly basis pursuant to Section 15 of Listed Companies Code of Corporate Governance Regulation 2017.

During the Board meeting it was pointed out by the Directors that as the majority of Company Directors were interested in these transactions due to their common directorship and holding of shares in the associated company, the quorum of directors could not be formed for approval of some of these transactions specifically, therefore, these transactions have to be approved by the shareholders in the General Meeting.

In view of the above, the transactions carried out during the financial year ended June 30, 2018 with associated companies shown in Note No.36 of the financial statements are being placed before the shareholders for their consideration and approval / ratification.

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated company.

AGENDA NO.8 – Authorization to the Chief Executive for the transactions carried out and to be carried out with associated company during the ensuing year ending June 30, 2019 to be passed as an Ordinary Resolution.

The Company is expected to be conducting transactions with associated company in the normal course of business. The majority of Directors are interested in these transactions due to their common directorship and shareholding in the associated company. Therefore, such transactions with associated company have to be approved by the shareholders.

In order to comply with the provisions of Section 15 of the Listed Companies Code of Corporate Governance, Regulation 2017, the shareholders may authorize the Chief Executive Officer to

approve transactions carried out and to be carried out in normal course of business with associated company during the ensuing year ending June 30, 2019.

The Directors are interested in the resolution to the extent of their common directorships and their shareholding in the associated company.

AGENDA NO.9 – ALTERTION IN MEMORANDUM OF ASSOCIATION

Reason for change:

The Company needed to provide the Guarantee to financial institutions for the financings of its subsidiary company SLPL.

Statement by the Board of Directors:

The proposed alterations are in line with the applicable provisions of the law and regulatory framework.

REVIEW REPORT BY THE CHAIRMAN

As required under the Code of Corporate Governance, an annual evaluation of the Board of Directors (the "Board") of Sana Industries Limited has been carried out. The purpose of this evaluation is to ensure that the Board's overall performance and effectiveness is measured and benchmarked against expectations in the context of objectives set for the Company.

For the financial year ended 30 June 2018, the Board's overall performance and effectiveness has been assessed as satisfactory, which is based on an evaluation of integral components including vision, mission and values.

The Board has a clear understanding of the stakeholders whom the Company serves, engagement in strategic planning, formulation of policies, monitoring the organization's business activities and financial resource management, effective fiscal oversight, equitable treatment of all employees and efficiency in carrying out the Board's business. Further, the Board sets annual goals and targets for the management in all major performance areas.

The Board members diligently performed their duties and thoroughly reviewed, discussed and approved Corporate Objectives, Plans, Business Strategies, budgets, financial statements and other reports. It received agendas and written material in sufficient time prior to board and committee meetings. The Board meets frequently enough to adequately discharge its responsibilities.

The Board members effectively bring the diversity to the Board and constitute a mix of independent and non-executive directors, who were equally involved in important decisions.

(Mohammed Younus Nawab)
Chairman

Karachi: 28th September, 2018.

DIRECTORS' REPORT

The Directors take pleasure in submitting their Report together with the Audited Accounts of the Company for the year ended 30th June, 2018.

FINANCIAL RESULTS

The Consolidated Financial Results of the Company for the year ended 30th June, 2018 are summarized below:-

		Rupees
Profit for the year before taxation		86,385,427
Less: Provision for taxation- current	25,347,586	
- prior years	2,102,784	
- deferred (current)	15,983,513	
	43,433,884	
Profit after taxation		42,961,544
Attributable to:		
- Shareholders of the Holding Company		29,220,269
- Non-controlling interest		13,741,275
		42,961,544
Earning per share (basic and diluted) after taxation		3.40
OTHER COMPREHENSIVE INCOME		
Net (Loss)/Profit for the year		42,961,544
Re-measurements of staff employment benefit	(16,783,406)	
Related deferred tax	5,035,022	
	(11,748,384)	
Total comprehensive income for the year		31,213,159

The consolidated profit before taxation for the current year has registered an increase of Rs 137.57 million from a loss of Rs.51.17 million to a profit of Rs.86.40 million, the profit after taxation has also increased from a loss of Rs. 36.23 million to a profit of Rs.42.96 million, an increase of Rs. 79.19 million. Provision of current years' deferred taxation amounting to Rs 15.98 million has been provided. The earnings per Share after tax has increased from (Rs.4.22) to Rs 3.40, an increase of Rs.7.62, due to various reasons enumerated in the following paras. 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) Sales of Yarn, in Rupee terms, has registered an increase of Rs 249.16 million (17.28%), due to increase in quantity sold, in quantitative terms it has increased by 541,371 Kilos (10.92%). The Gross Profit amount has also increased by Rs 103.72 million (867.97%), GP Rate has also increased by 6.00% due to increase in selling price of yarn. The net loss, before taxation, of Rs 76.93 million has also been converted into a net profit, before taxation of Rs 56.00 million, an increase of Rs 132.93 million.

(2) The production of Yarn, in quantitative terms has marginally increased, from 5,117,870 Kilos to 5,157,325 Kilos i.e., by 39,455 Kilos (0.77%).

(3) The average cost of raw-materials consumed has increased by Rs 18.53 Per Kilo (8.89%) due to international increase in prices of raw-materials.

(4) The cost of manufacturing over heads has decreased from Rs 96.77 per Kilo to Rs 87.75 per Kilo (8.82%), significant increase / decreases on this account are attributed to the following heads:

(a) Salaries and wages increased by Rs 6.59 million due to annual increase in remuneration and on per kilo basis it has increased by 2.40 per Kilo (5.78%).

(b) Fuel and Power decreased by Rs 40.45 million, and on per kilo basis by Rs 6.10 Per Kilo (23.92%).

(c) Repair and maintenance (including stores and spares) decreased by Rs 23.84 million or Rs 4.70 per Kilo (42.84%).

(d) Depreciation expense has increased by Rs 12.34 million or Rs 2.36 per kilo (66.48%), due to additions.

(5) The Selling and Distribution expenses have increased by Rs 1.72 million or Rs 0.31 per kilo.

(6) The General and Administration expenses have decreased by Rs 2.72 million (6.28%) and on per kilo basis by Rs 0.59 per kilo basis.

(7) The financial charges have increased by Rs 8.87 million, due to increase in working capital requirements.

(8) The net loss of last year, before tax (Textile Segment), of Rs 76.93 million has been converted into a net profit of Rs 56.00 million an increase of Rs 132.93 million.

(9) The 'Consolidated amount of net loss' of last year, before tax of Rs 51.17 million has been converted to a net profit of Rs 86.39 million, due to better economic conditions, especially in textile sector.

(10) The 'Consolidated amount of net loss' of last year, after tax of Rs 36.23 million has also been converted to a net profit of Rs 42.96 million, due to reasons stated in the above para.

(11) The period of trade debts (receivable) has increased from 26 days to 35 days.

(12) The inventory of raw-materials has increased from 22 days to 33 days.

(13) The inventory of finished goods has decreased from 43 days to 19 days.

Future Prospects

Insha Allah if the new Government's proposed policies regarding discouragement of Imports, providing energy with ease and at regionally competitive prices, the management hopes for improvement in the profitability in the near future.

Board of Directors

The present Board of Directors who were elected on 3rd December, 2016, will continue to hold the office up to 3rd December, 2019.

Auditors

The present Auditors M/s. Muniff Ziauddin & Co, Chartered Accountants, retire and being eligible, offer themselves for re-appointment. The Company has received a notice from shareholders u/s 246(3) of the Companies Act, 2017 for appointment of Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, in place of retiring auditors, for the year ended June 30, 2019.

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 a Final Cash Dividend @ Rs 2.00 per Share (20%). The distribution this year comes to 92.06% of the current year's after tax earnings.

The Final Dividend will be paid to the shareholders, whose name appears in the Register of Members on 18/10/2018. The share transfer book of the Company will remain closed from 19/10/2018 to 26/10/2018 (both days inclusive). Transfers received in order at the office of the Registrar, Central Depository Company of Pakistan Limited at the close of business on 18/10/2018 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 statement 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 reasonable and prudent judgment.
- (4) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

(5) The system of internal control is of sound design and has been effectively implemented and monitored.

(6) There are no significant doubts upon the Company's ability to continue as a going concern.

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

(8) 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, 2016. Following are the significant assumption used for the valuation of scheme:

	30-Jun-2018	30-Jun-2017
Valuation discount rate	9.00% p.a.	7.75% p.a.
Long term Salary increase	9.00% p.a.	7.75% p.a.
Expected rate of return on Plan Assets	9.00% p.a.	7.75% 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 21,852,726/=
(b) Investment in Mutual Funds	Rs. 8,946,292/=
(c) Bank balances	Rs 30,126,256/=
Total of assets / investments as on 30/6/2018	Rs 60,725,274/=
	=====

(9) Elections of Directors was held in the Extra-ordinary General Meeting held on 3/12/2016, in accordance with the provisions of Section 178 of the Companies Ordinance, 1984 for a term of three years, commencing from 3/12/2016. A total of 10 Meetings of the Board of Directors were held during the financial year ended 30th June, 2018. Number of Meeting attended by each Directors are stated their against:

Name of Directors	Number of Meeting Attended
(1) Mr. Mohammed Younus Nawab	10 out of 10 meetings
(2) Mr. Mohammed Irfan Nawab	10 out of 10 meetings
(3) Mr. Ibrahim Younus	10 out of 10 meetings
(4) Mr. Ismail Younus	10 out of 10 meetings
(5) Mr. Mohammed Faizanullah	10 out of 10 meetings
(6) Mr. Ilyas Abdul Sattar	7 out of 10 meetings
(7) Mr. Mohammed Khalid Yousuf	10 out of 10 meetings

(10) 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	NO. OF SHARES TRANSACTED	RATE /SHARE
PURCHASES:			
03-04-2018	Mr. Muhammad Faizanullah	500	Rs. 38.79
06-04-2018	Mr. Muhammad Faizanullah	1,500	Rs. 43.40
03-05-2018	Mr. Muhammad Faizanullah	5,000	Rs. 41.02
07-05-2018	Mr. Muhammad Faizanullah	2,000	Rs. 39.19
23-05-2018	Mr. Muhammad Faizanullah	500	Rs. 37.19

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 Irfan Nawab)
Chief Executive

Karachi, 28th September, 2018.

ڈائریکٹرز رپورٹ

کمپنی کے انٹریکٹرز مورچہ ۳۰ جون ۲۰۱۸ کو اختتام پر ہونے والے سال کے لئے اپنی رپورٹ امر او کمپنی کے آڈٹ شدہ کھاتہ جات پیش کرتے ہوئے دہلی سہرت محسوس کر رہے ہیں۔

ملیاتی نتائج

مورچہ ۳۰ جون ۲۰۱۸ کو ختم ہونے والے سال کے لئے کمپنی نے اے کے مجموعی نتائج کا خلاصہ درج ذیل ہے۔

<u>86,395,427</u>		نتائج برائے مدت قبل (لکھوں)
	25,347,588	حالیہ
	2,102,784	گزشتہ برسوں میں
	15,983,513	ذریعہ (حالیہ)
<u>3,433,884</u>		نتائج بعد از ٹیکس
<u>42,961,544</u>		نتیجہ وٹنگ سے منسوب
	29,220,269	کمپنی کی ٹیکس ہولڈنگز
	13,741,275	تیسرا طبقہ برقی سرورڈیو کارڈ
	3.40	آمدنی فی ٹیکس (پیمائشی اور تیسرا طبقہ)
		ڈیکریٹس آف آمدنی
42,961,544		موازنے کے بعد کے سال
	(16,783,406)	موازنے کی حالت میں مراعات کی وہ (موجودہ)
	5,036,022	نتیجہ برائے سال
<u>11,748,384</u>		
<u>31,213,159</u>		

کل جامع آمدنی برائے سال

سال سال کے لئے کل آمدنی مجموعی نتائج میں 86.40 لکھ روپے ہے جو کہ پچھلے سال 51.17 لکھ روپے کے نقصان پر آگیا اس طرح مبلغ 137.57 لکھ روپے کا اضافہ ہوا اس طرح 36.23 لکھ روپے کے نقصان سے اس سال 42.96 لکھ روپے کا منافع ہوا ہے اس سال جاریہ کے ذریعہ امر او کمپنی کی مبلغ 15.98 لکھ روپے کی مدد بھی نکالیں ہو گئی ہے اپنی ٹیکس آمدنی میں مبلغ (4.22) روپے سے 3.42 روپے کا اضافہ ہوا ہے یعنی مبلغ 7.62 روپے کا اضافہ ہوا ہے آہ و ٹیک اور ٹیکس اڈیٹس کے درج ذیل موازنہ جات منسلک ہیں۔

(a)	گزشتہ برس سے موازنہ	ٹیکس اے
(d)	گزشتہ سال سے موازنہ	ٹیکس بی
(c)	نقصان ٹیکس کا اظہار سالانہ موازنہ	ٹیکس سی
(e)	نتیجہ نقصان کھاتہ جات کو اظہار سالانہ موازنہ	ٹیکس ڈی
(f)	گزشتہ سالوں کے اہم آہ و ٹیک اور ٹیکس اڈیٹس کا موازنہ برائے سال	ٹیکس ای

کارپوریٹ اور فنانشل رپورٹنگ فریم ورک

پاکستان کے تمام اسٹاک ایکسچینجوں کو جاری کئے جانے والے سرٹریٹس SEI/SMD/202 (10) 2 مورخہ 28 مارچ 2002 اور گراہمی، اسلام آباد اور لاہور اسٹاک ایکسچینج کے اسٹاک ریگولیشنز کی شرائط کے مطابق تمام اسٹاک ہولڈرز کو ہر آف ڈائریکٹرز تصدیق کرنا ہے کہ کئی بڑے اضافی اخراجات میں درج اصولوں کا اخلاق ورچ ڈیل طریقے سے کرتی ہے:

- (1) باہمی کوٹھارا سے کئی کے معاملات، اس کے آپریشنز کے نتائج کا ہر ڈیٹا اور ایکویٹی میں تبدیلیاں جائز طور سے پیش کرتے ہیں۔
 - (2) کئی بڑے گھٹاؤں کی کتب کا انتظام سب سے زیادہ سے کیا جاتا ہے۔
 - (3) باہمی کوٹھاروں کی تیاری میں سب سے زیادہ احتیاط کا استعمال کیا گیا ہے اور ان کو کئی قیمتیں مناسب اور منصفانہ اندازوں پر پیش ہیں۔
 - (4) باہمی کوٹھاروں کی تیاری میں پاکستان میں قابل اخلاق بین الاقوامی باہمی رپورٹنگ کے معیارات کی تعمیل کی گئی ہے۔
 - (5) داخلی اخراجات سب سے زیادہ اور قابل ملاحظہ انداز میں فراہم کیے گئے ہیں اور ان سے متعلقہ گھٹاؤں کی باہمی ہے۔
 - (6) کئی بڑے گھٹاؤں کے سب سے زیادہ اور قابل ملاحظہ انداز میں فراہم کیے گئے ہیں اور ان سے متعلقہ گھٹاؤں کی باہمی ہے۔
 - (7) سب سے زیادہ اسٹاک ایکسچینج کی اسٹاک ریگولیشنز کے مطابق بیان کیا گیا ہے اور پورے گورننس کے بہترین معیارات سے کسی قسم کا مادی انحراف نہیں کیا گیا ہے۔
 - (8) کئی بڑے گھٹاؤں کے سب سے زیادہ اور قابل ملاحظہ انداز میں فراہم کیے گئے ہیں اور ان سے متعلقہ گھٹاؤں کی باہمی ہے۔
- اور کئی بڑے گھٹاؤں کے سب سے زیادہ اور قابل ملاحظہ انداز میں فراہم کیے گئے ہیں اور ان سے متعلقہ گھٹاؤں کی باہمی ہے۔

30 جون 2017	30 جون 2018
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7.75 فیصد سالانہ

9.00 فیصد سالانہ

دفعہ 151A آئی اے

7.75 فیصد سالانہ

9.00 فیصد سالانہ

گنواؤں میں اضافہ

7.75 فیصد سالانہ

9.00 فیصد سالانہ

پان آئی اے میں تبدیلیوں کی متوقع شرح

ان کے آؤٹ سٹوڈ انڈیکس ہر سال کے آؤٹ سٹوڈ انڈیکس کی سربراہی کاروبار سے متعلقہ اہمیت برقرار رکھیں گے۔

-21,652,726 روپے

(8) اہم گھٹاؤں کے نتیجے میں سربراہی کاروبار

-8,946,292 روپے

(9) اہم گھٹاؤں میں سربراہی کاروبار

30,126,256 روپے

(10) اہم گھٹاؤں میں سربراہی کاروبار

=60,725,274 روپے

(11) اہم گھٹاؤں میں سربراہی کاروبار

- (9) 11 ڈائریکٹرز کا انتخاب مورخہ 03-12-2018 کو منعقدہ غیر معمولی اجلاس عام میں کیے گئے۔ 1984 کی دفعہ 178 کے مندرجات کی مطابقت میں 03-12-2016 سے شروع ہونے والے تین سالہ مدت کے لئے ہوا 30 جون 2018 کو اختتام پزیر ہونے والے سال کے دوران مورڈ آف ڈائریکٹرز کے کل 10 اجلاس منعقد ہوئے ہیں جن میں ان اجلاسوں کی تعداد وہی جاری ہے جن میں مورڈ آف ڈائریکٹرز نے شرکت کی۔

اجلاسوں کی تعداد جن میں شرکت کی

10 میں سے 10 اجلاس

10 میں سے 10 اجلاس

10 میں سے 10 اجلاس

10 میں سے 10 اجلاس

10 میں سے 10 اجلاس

10 میں سے 17 اجلاس

10 میں سے 10 اجلاس

ڈائریکٹر کا نام

(1) ڈاکٹر محمد یونس نواب

(2) ڈاکٹر محمد عمران نواب

(3) ڈاکٹر ابراہیم یونس

(4) ڈاکٹر اسماعیل یونس

(5) ڈاکٹر محمد یونس نواب

(6) ڈاکٹر ایاز محمد نواب

(7) ڈاکٹر محمد خالد یونس

کمپنی کے انٹرکسٹرز، بی ای او، کمپنی سیکرٹری اور ان کے شریک حیات اور نابالغ بچوں کی جانب سے دوران سال جاریہ کمپنی کے شیئرز میں درج ذیل کاروبار کیا گیا:

(10)

سہ سے کی تاریخ	خریدار	تعداد شیئرز	نرخ ذریعہ شیئر
03-04-2018	جناب محمد فیضان اللہ	500	38.79 روپے
06-04-2018	جناب محمد فیضان اللہ	1500	43.40 روپے
03-05-2018	جناب محمد فیضان اللہ	5000	41.02 روپے
07-05-2018	جناب محمد فیضان اللہ	2000	39.19 روپے
23-05-2018	جناب محمد فیضان اللہ	500	37.19 روپے

اظہار تہنیت

میرا اپنے اہل خانہ اور رزق گزاروں کی وفاداری اور مخلصانہ جدوجہد سے منظر ہوں کیونکہ ان کی محنت اور کوششوں کے بغیر کامیابی کا حصول ممکن نہ تھا، میں امید کرتا ہوں کہ آئندہ برسوں میں بھی ان کا یہی شعور اور تعاون ہمیں حاصل رہے گا۔

منجانب بورڈ

 محمد عرفان نواب
 چیف ایگزیکٹو

کراچی، 28-09-2018

Comparison with previous quarter

Annexure A

Covering period FROM TO	01-Apr-2018 31-Jun-2018	01-Jan-2018 31-Mar-2018	VARIATION	
			Amount	Percentage
Turnover - net	524.38	490.51	33.77	6.88%
Cost of Sales	437.53	460.26	(22.73)	4.94%
Gross Profit	86.85	30.35	56.50	186.15%
G.P. Rate to Sales	16.56%	6.19%		10.37%
Administrative, Selling, Financial & Other expenses	37.81	30.77	7.04	22.89%
Other income	40.15	0.05	40.10	80209.59%
Net Profit / (Loss) before taxation	89.19	(0.37)	89.56	-24206.60%
Net Profit / (Loss) Rate to Sales	17.01%	-0.08%		
Provision for Taxation	40.81	(2.10)	42.91	-2043.48%
Profit / (Loss) after Taxation	48.38	1.73	46.65	2898.39%
Attributable to:				
- Shareholders of the Holding Company	46.98	(2.36)	49.34	-2090.99%
- Non - controlling interest	1.40	4.09	(2.69)	-65.76%
	48.38	1.73		
Earning per share (before tax)	10.38	(0.04)	10.42	-26050.00%
Earning per share (after tax)	5.47	(0.27)	5.74	-2125.93%

Comparison with corresponding quarter of last year

Annexure B

Covering period FROM TO	01-Apr-2018 31-Jun-2018	01-Apr-2017 31-Jun-2017	VARIATION	
			Amount	Percentage
Turnover - net	524.38	400.57	123.82	30.91%
Cost of Sales	437.53	394.98	42.57	10.78%
Gross Profit	86.85	5.60	81.24	1448.75%
G.P. Rate to Sales	16.56%	1.40%		
Administrative, Selling, Financial & Other expenses	37.81	27.54	10.27	37.26%
Other income	40.15	4.44	35.71	803.73%
Net (Loss) / Profit before taxation	89.19	(17.50)	106.69	-608.77%
Net (Loss) / Profit Rate to Sales	17.01%	-4.37%		
Provision for Taxation	40.81	15.88	25.13	160.23%
Profit after Taxation	48.38	(1.81)	50.19	-2769.03%
Attributable to:				
- Shareholders of the Holding Company	46.98	(0.63)	47.61	-7569.04%
- Non - controlling interest	1.40	(1.18)	2.58	-218.26%
	48.38	(1.81)		
Earning per share (before tax)	10.38	(2.04)	12.42	-608.82%
Earning per share (after tax)	5.47	(0.07)	5.54	-7914.29%

COMPARISON OF BALANCE SHEET OF THREE QUARTERS

	1ST QUARTER 30-Sep-2017 Rupees	2ND QUARTER 31-Dec-2017 Rupees	3RD QUARTER 31-Mar-2018 Rupees	4TH QUARTER 30-Jun-2018 Rupees
ASSETS				
NON CURRENT ASSETS				
Property, Plant and equipments	651,889,532	641,180,640	629,912,881	672,781,384
Long-term deposits	3,125,751	3,125,751	4,940,763	8,443,551
	<u>614,795,283</u>	<u>644,306,391</u>	<u>634,853,644</u>	<u>679,194,935</u>
CURRENT ASSETS				
Stock-in-trade	193,333,425	135,816,654	181,060,458	176,173,178
Trade debts- unsecured, considered good	232,803,477	279,076,764	300,351,974	289,710,895
Advances	34,846,583	27,505,896	18,686,386	29,750,976
Deposits and pre-payments	6,562,178	7,274,848	4,109,472	6,230,878
Other receivables	27,069,416	33,477,665	36,191,603	33,642,245
Taxation - net	53,858,278	55,112,055	67,980,498	83,133,874
Cash and bank balances	27,269,589	22,616,229	9,016,282	43,680,361
	<u>674,771,444</u>	<u>680,979,831</u>	<u>687,367,695</u>	<u>688,137,802</u>
TOTAL ASSETS	<u>1,189,566,727</u>	<u>1,205,286,222</u>	<u>1,222,238,368</u>	<u>1,317,932,737</u>
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share Capital	85,937,500	85,937,500	85,937,500	85,937,500
Reserves	214,746,712	163,817,868	181,458,341	247,172,329
Attributable to equity holders of the parent	300,684,212	269,755,368	267,395,841	333,109,829
Non-controlling interest	16,170,823	21,681,760	26,072,326	27,472,012
	<u>318,855,035</u>	<u>291,737,128</u>	<u>293,468,167</u>	<u>361,181,991</u>
NON CURRENT LIABILITIES				
Diminishing Musharaka	120,973,483	115,228,372	81,787,075	138,678,588
Liabilities against assets subject to finance lease	-	38,452,353	30,061,870	40,028,608
Deferred Liabilities	10,565,429	30,296,553	21,817,300	43,777,581
	<u>131,538,912</u>	<u>183,937,278</u>	<u>133,666,245</u>	<u>222,484,777</u>
CURRENT LIABILITIES				
Trade and other payables	188,896,842	195,473,575	235,053,934	197,622,028
Finance cost Payable	8,116,172	8,603,917	8,008,346	8,720,734
Borrowings from Directors and related parties	59,840,000	83,360,000	59,180,000	84,960,000
Current portion of diminishing musharaka arrangements	58,123,687	47,942,106	63,343,502	85,453,527
Liabilities against assets subject to finance lease	-	8,088,840	32,664,582	17,188,887
Morabaha Arrangements	415,196,079	408,066,380	416,971,086	1,650,116
Taxation - net	-	-	-	433,488,782
	<u>741,174,780</u>	<u>729,511,818</u>	<u>795,101,952</u>	<u>1,317,932,737</u>
CONTINGENCIES AND COMMITMENTS	-	-	-	-
TOTAL EQUITY AND LIABILITIES	<u>1,189,566,727</u>	<u>1,205,286,222</u>	<u>1,222,238,368</u>	<u>1,317,932,737</u>
Debt Equity Ratio	29.34%	38.67%	31.29%	37.62%
Current Ratio	0.78	0.77	0.74	0.87

COMPARISON OF PROFIT & LOSS ACCOUNT OF THREE QUARTERS

	1ST QUARTER 30-Sep-2017 Rupees	2ND QUARTER 31-Dec-2017 Rupees	3RD QUARTER 31-Mar-2018 Rupees	4TH QUARTER 30-Jun-2018 Rupees	YTD 30-Jun-2018 Rupees
Net turnover	478,883,876	536,950,191	490,808,832	524,341,972	2,029,400,001
Cost of sales	(482,449,403)	(502,062,192)	(460,256,235)	(437,559,273)	(1,882,302,003)
Gross profit	24,414,473	34,887,999	30,552,597	86,782,699	116,098,004
G.P. Rate	5.12%	6.50%	6.19%	16.55%	5.72%
Selling and distribution expenses	(4,352,804)	(4,803,827)	(4,856,533)	(4,872,537)	(18,885,701)
General and administration expenses	(13,746,808)	(13,709,118)	(14,082,409)	(15,847,537)	(57,385,772)
Other operating expenses	(263,170)	23,410	(658,374)	(6,766,733)	(7,242,871)
Other operating income / (loss)	803,743	92,745	50,387	40,154,734	40,801,619
Operating profit	8,555,634	19,894,209	11,023,811	102,204,213	141,678,771
Finance cost	(13,087,994)	(12,562,326)	(11,288,441)	(13,074,084)	(50,142,751)
Loss / Profit for the period before taxation	8,532,360	4,111,603	(274,629)	89,130,129	91,536,020
Provision for taxation - current	(6,764,849)	(7,401,959)	(8,225,662)	(8,646,516)	(29,839,036)
- prior year		(2,031,048)		(7,738)	(2,069,834)
- deferred (current)	31,268,002	(19,737,665)	9,331,533	(15,847,533)	(1,986,502)
	24,503,153	(29,229,792)	2,105,870	(40,872,113)	(40,835,892)
Profit / Loss after taxation	17,970,793	(25,117,909)	1,721,041	48,257,816	40,600,128
Attributable to:					
- Shareholders of the Holding Company	15,530,767	(20,928,946)	(2,359,526)	46,877,873	29,220,268
- Non - controlling interest	2,440,026	5,110,937	4,069,566	1,380,943	13,379,860
	17,970,793	(25,117,909)	1,721,041	48,257,816	40,600,128
Earning per share before taxation - restated	(0.78)	0.48	(0.04)	10.38	12.0
Earning per share after taxation - restated	1.81	(3.60)	(0.27)	5.47	1.4

SANA INDUSTRIES LIMITED

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

Annexure E

Based on Unconsolidated Financial Statements for the year ended / as at June,30

(Rupees in Millions)

YEAR END	Jun-2018	Jun-2017 Restated	Jun-2016 Restated	Jun-2015	Jun-2014	Jun-2013
OPERATING RESULTS						
Turnover	1,705.99	1,660.32	1,791.12	1,695.87	1,382.87	1,195.01
Gross profit	96.55	39.09	177.37	226.74	176.22	148.49
Operating expenses	69.85	41.21	53.47	65.79	32.75	45.94
Operating Profit / (Loss)	110.81	(1.22)	123.89	190.95	143.46	121.54
Financial charges	50.04	43.79	40.34	50.23	35.64	29.01
Profit / (Loss) before tax	60.76	(45.01)	83.55	135.87	108.61	87.07
Taxation	42.09	17.42	18.82	49.31	26.84	24.63
Profit / (Loss) after tax	18.67	(27.58)	64.73	89.58	79.77	62.42
FINANCIAL POSITION						
Paid-up Capital	85.94	85.94	85.94	85.94	85.94	85.75
Retained earnings	244.83	237.71	290.61	306.43	274.85	201.94
Total equity	330.87	323.65	376.74	392.37	360.80	307.69
Long term loans	70.88	136.90	58.24	48.17	64.15	12.15
Deferred taxation & staff benefits	45.78	13.48	55.25	48.48	47.12	30.43
Current liabilities	622.02	683.49	610.27	496.56	442.32	319.97
Total assets	1,069.35	1,153.44	1,087.97	985.59	890.35	952.07
Fixed assets (Gross)	1,082.18	1,135.25	1,045.98	874.84	771.85	708.28
Accumulated depreciation	589.54	538.13	550.79	491.48	444.29	409.54
Fixed assets (Net)	492.64	597.12	495.18	383.36	327.56	298.74
Long term investment	35.00	4.90	0.00	0.00	0.00	0.00
Long term deposits	2.84	1.37	1.21	1.17	1.08	1.26
Current assets	634.17	550.71	591.58	585.81	658.80	403.67
RATIOS						
Fixed Assets Turnover	3.46	2.79	3.62	4.42	4.22	5.07
Trade Debts (days)	43	26	43	38	51	47
Inventory turnover (times)	7.85	7.02	6.67	5.59	4.82	5.08
Inventory turnover (days)	46	52	55	705	74	72
Sales growth %	2.75%	-7.30%	5.62%	22.63%	15.72%	18.01%
Gross profit margin %	5.64%	2.41%	9.90%	13.37%	12.74%	11.44%
Total charges as % to sales	7.03%	5.12%	5.24%	5.89%	5.54%	5.26%
Net profit before tax % to sales	3.56%	-2.71%	4.68%	8.01%	7.73%	7.20%
Tax rate (Effective) %	30.00%	31.00%	32.00%	33.00%	34.00%	35.01%
Net profit after tax (% to sales)	1.09%	-1.68%	3.61%	5.28%	5.77%	5.22%
Return on Capital % (after tax)	21.72%	32.10%	75.32%	104.21%	92.82%	55.79%
Return on Equity % (after tax)	5.65%	-8.52%	17.18%	22.83%	22.11%	23.44%
Earning per share pre-tax	7.07	(5.24)	9.72	15.81	12.41	12.88
Earning per share after tax	2.17	(3.21)	7.53	10.42	9.28	7.20
Break-up value per share	38.47	34.04	43.84	45.69	41.85	44.47
Debt Equity Ratio	26.74	37.63	24.76	20.80	20.80	5.91
Current Ratio	0.86	0.81	0.90	1.20	1.26	1.34
Quick Ratio	0.58	0.46	0.59	0.68	0.65	0.64
DISTRIBUTION						
Dividend per share Rs.	2.00	Nil	3.50	8.00	7.50	5.00
Stock Dividend	Nil	Nil	Nil	Nil	Nil	20%
Dividend payout	92%	0%	46%	77%	81%	100%

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Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

Sana Industries Limited

For the year ended June 30, 2018

The company has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven as per the following:
 - a. Male - Seven
 - b. Female - Exempted for current term

2. The composition of board is as follows:

Category	Names
Independent Director	Mr. Ilyas Abdul Sattar
Executive Directors	Mr. Muhammad Younus Nawab
	Mr. Hafiz Muhammad Irfan Nawab
Non-Executive Director	Mr. Muhammad Khalid Yousuf
	Mr. Ibrahim Younus
	Mr. Ismail Younus
	Mr. Muhammad Faizanullah

3. The directors have confirmed that none of them is serving as a director on more than five listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the board have been duly exercised and decisions on relevant matters have been taken by board/ shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose. The board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of board.
8. The board of directors have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. All the directors are compliant with necessary requirements of Directors Training Program.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.

11. CFO and CEO duly endorsed the financial statements before approval of the board.
12. The board has formed committees comprising of members given below:
- a) Audit Committee
 - Mr. Ilyas Abdul Sattar (Chairman)
 - Mr. Muhammad Khalid Yousuf (Member)
 - Mr. Abdul Hameed (Member)
 - Mr. Mohammed Faizanullah (Member)
 - b) HR and Remuneration Committee
 - Mr. Muhammad Khalid Yousuf (Chairman)
 - Mr. Ilyas Abdul Sattar (Member)
 - Mr. Ibrahim Younus (Member)
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings of the committee were as per following:
- a) Audit Committee: Quarterly
 - b) HR and Remuneration Committee: Annually
15. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all other requirements of the Regulations have been complied with.


MUHAMMAD YOUNUS NAWAB
Chairman

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of Sana Industries Limited (the Company) for the year ended June 30, 2018 in accordance with the requirements of regulation 40 of the Regulations.


The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the 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 of Directors' 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.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017.

We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that 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 requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2018.


Chartered Accountants

Place: Karachi

Date: 28 SEP 2018

**Independent Auditor's Report to the members of
Sana Industries Limited**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **Sana Industries Limited** (the Company), which comprise the statement of financial position as at **June 30, 2018**, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **June 30, 2018** and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following are the key audit matters:

<u>Key audit matter</u>	<u>How the matter was addressed in our audit</u>
1. First time application of third and fourth schedules to the Companies Act, 2017	
<p>As referred to in note 5.1 to the annexed financial statements, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Company's annual financial statements for the year ended June 30, 2018.</p> <p>The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>As part of this transition to the requirements of the said third and fourth schedules, the management performed a gap analysis to identify differences between the previous reporting framework and the current reporting framework and as a result assessed the amendments (as specified in the said note 5.1) relating to disclosures required in the Company's financial statements.</p> <p>We consider it as a key audit matter in view of the extensive impacts in the financial statements due to the Companies Act, 2017.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Considering the management's process to identify the necessary amendments required in the Company's financial statements. • Evaluating the results of management's analysis and key decisions taken in respect of the transition, using our knowledge of the relevant requirements of the third and fourth schedules to the Companies Act, 2017 and our understanding of the Company's operations and business. • Assessing the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial statements based on the new requirements.
2. Retirement Benefits	
<p>As described in the Accounting Policies in note 6.13 and in note 19.3 to the accompanying</p>	<p>We evaluated the management assessment of the assumptions made in the valuation of the scheme</p>



<p>financial statements, the Company has a defined benefit gratuity plan for its employees.</p> <p>At June 30, 2018, the Company recorded a net retirement benefit asset of Rs. 0.925 million (2017: Rs. 18.158 million).</p> <p>The liability determined on the basis of certain assumptions such as discount rate, inflation and working life of employees, which are complex and an area of significant judgement; changes in any of these assumptions can lead to a material movement in the liability.</p>	<p>liabilities, and evaluated the information contained within the actuarial valuation report for the scheme. We assessed the design and implementation of controls in respect of the gratuity scheme valuation process.</p> <p>We tested the significant assumptions used in the valuation of the scheme and, with support from other publicly available data and other actuarial reports, we considered the process applied by the Company's actuary, the scope of the valuation performed and the key assumptions applied and evaluated their expertise. We benchmarked and performed a sensitivity analysis on the key variables in the valuation model, including:</p> <ul style="list-style-type: none"> • Salary increases; • Mortality rates; and • Discount rates.
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3. Contingencies

<p>The Company is subject to material litigations involving different courts pertaining to taxation and other matters, which requires management to make assessment and judgements with respect to likelihood and impact of such litigations. Management have engaged independent legal counsel on these matters.</p> <p>The accounting for, and disclosure of, contingencies is complex and is a matter of most significance in our audit because of the judgements required to determine the level of certainty on these matters. The details of contingencies along with management's assessment and the related provisions are disclosed in note 24 to the financial statements.</p>	<p>In response to this matter, our audit procedures included:</p> <ul style="list-style-type: none"> • Discussing legal cases with the legal department to understand the management's view point and obtaining and reviewing the litigation documents in order to assess the facts and circumstances. • Obtaining independent opinion of legal advisors dealing with such cases in the form of confirmations. • We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets. The disclosures of legal exposures and provisions were assessed for completeness and accuracy.
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Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an

opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss and other comprehensive income or the income and expenditure account, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;



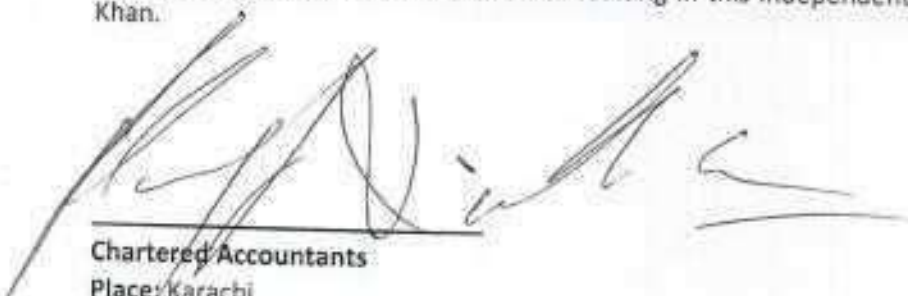
Muniff Ziauddin & Co.
Chartered Accountants

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- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

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



Chartered Accountants

Place: Karachi

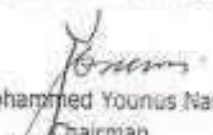
Date: 28 SEP 2018

SANA INDUSTRIES LIMITED
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

	2018	2017 Restated	2016 Restated
Note	----- Rupees ----->		
ASSETS			
NON CURRENT ASSETS			
Property, plant and equipment	8 414,126,767	505,354,011	495,181,253
Investment property	9 83,217,171	91,101,015	-
Long-term deposits	2,836,051	1,373,251	1,213,251
Investments	10 35,000,000	4,900,000	4,900,000
	535,179,989	602,728,277	501,294,504
CURRENT ASSETS			
Stock-in-trade	11 176,173,176	233,838,716	228,031,479
Trade debts - unsecured	12 201,099,321	141,585,443	259,094,056
Loans and advances	13 26,506,976	32,090,488	29,930,847
Trade deposits and short-term prepayments	14 1,565,908	863,302	837,265
Other receivables	15 41,843,910	85,321,584	16,154,906
Taxation - net	44,711,863	50,279,109	17,382,902
Cash and bank balances	16 42,264,953	8,283,975	40,059,805
	534,166,107	552,262,617	591,491,260
TOTAL ASSETS	1,069,346,096	1,154,990,894	1,092,785,764
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
10,000,000 Ordinary shares of Rs. 10/- each	<u>100,000,000</u>	<u>100,000,000</u>	<u>100,000,000</u>
Issued, subscribed and paid-up capital			
8,593,750 (June 30, 2017: 8,593,750)			
Ordinary shares of Rs. 10/- each	17 85,937,500	85,937,500	85,937,500
Revenue reserves			
General reserves	132,500,000	132,500,000	132,500,000
Unappropriated profit	112,131,845	105,210,033	158,306,023
Shareholders' equity	330,569,345	323,647,533	376,743,523
NON CURRENT LIABILITIES			
Long-term musharaka	18 70,975,725	136,897,260	68,236,148
Deferred liabilities	19 45,776,132	13,479,546	55,250,060
	116,751,858	150,376,806	123,486,208
CURRENT LIABILITIES			
Trade and other payables	20 120,971,787	139,952,137	103,994,873
Finance cost payable	21 8,720,734	9,421,753	7,163,997
Loans from directors and associates	22 3,760,000	67,590,000	46,760,000
Current portion of long-term musharaka	18 55,453,527	64,258,253	49,422,617
Unclaimed dividend	1,650,116	1,970,535	1,869,184
Short term morabaha	23 431,468,730	397,773,877	383,345,362
	622,024,894	680,966,556	592,556,033
CONTINGENCIES AND COMMITMENTS	24		
TOTAL EQUITY AND LIABILITIES	1,069,346,096	1,154,990,894	1,092,785,764

The annexed notes from 1 to 45 form an integral part of these financial statements.


(Mohammed Irfan Nawab)
Chief Executive


(Mohammed Younus Nawab)
Chairman


(Abdul Hussain Antaria)
Chief Financial Officer

SANA INDUSTRIES LIMITED
UNCONSOLIDATED PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 ←----- Rupees -----→	2017
Turnover	25	1,705,990,321	1,660,317,705
Cost of sales	26	(1,609,438,554)	(1,620,325,288)
Gross profit		<u>96,551,767</u>	<u>39,992,417</u>
Distribution expenses	27	(13,318,234)	(13,588,807)
Administrative expenses	28	(51,552,925)	(47,116,402)
		(64,871,159)	(60,705,209)
Other income	29	84,103,024	20,146,546
Other operating expense	30	(4,978,437)	(654,100)
		79,124,587	19,492,446
Operating profit / (loss)		<u>110,805,195</u>	<u>(1,220,345)</u>
Finance costs	31	(50,040,891)	(43,787,491)
Profit / (loss) before taxation		<u>60,764,304</u>	<u>(45,007,836)</u>
Taxation	32	(42,094,108)	17,423,076
Profit / (loss) after taxation		<u>18,670,196</u>	<u>(27,584,760)</u>
Earning / (loss) per share - Basic and diluted	33	<u>2.17</u>	<u>(3.21)</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.


(Mohammed Irfan Nawab)
Chief Executive


(Mohammed Younus Nawab)
Chairman


(Abdul Hussain Antaria)
Chief Financial Officer

SANA INDUSTRIES LIMITED
UNCONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017 Restated
	<----- Rupees ----->	
Net Profit / (loss) for the year	18,670,196	(27,584,760)
Items that will not be reclassified to statement of profit or loss in subsequent period		
Remeasurements of staff employment benefit	(16,783,406)	6,618,689
Related deferred tax	5,035,022	(2,051,794)
	(11,748,384)	4,566,895
Total comprehensive loss for the year	6,921,812	(23,017,865)

The annexed notes from 1 to 45 form an integral part of these financial statements.


(Mohammed Irfan Nawab)
Chief Executive



(Mohammed Younus Nawab)
Chairman


(Abdul Hussain Antaria)
Chief Financial Officer


SANA INDUSTRIES LIMITED
UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017 Restated
	Note <----- Rupees ----->	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit / (loss) before taxation	60,764,304	(45,007,836)
Adjustments for:		
Depreciation	79,200,466	71,458,174
Gain on sale of fixed assets	(23,028,800)	(9,926,654)
Profit on bank accounts	(121,198)	(359,892)
Provision for staff benefits	825,559	6,389,413
Finance costs	50,040,891	43,787,491
Operating profit before working capital changes	<u>167,681,222</u>	<u>66,340,696</u>
Decrease in current assets	34.1 46,510,242	41,903,550
(Decrease) / Increase in current liabilities	34.2 (18,980,351)	8,357,264
Cash generated from operations	<u>195,211,113</u>	<u>116,601,510</u>
Finance costs paid	(50,741,910)	(41,529,735)
Income taxes paid	(16,747,419)	(32,307,613)
Staff benefits paid	(56,800)	(713,073)
Long-term deposit	(1,462,800)	(160,000)
Net cash inflow from operating activities	<u>126,202,184</u>	<u>41,891,089</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(35,678,654)	(295,855,557)
Additions to investment property	(3,120,000)	-
Investment in subsidiary	(30,100,000)	-
Profit received on bank accounts	121,198	359,892
Proceeds from sale of property, plant and equipment	81,738,077	133,050,258
Net cash generated from / (used in) investing activities	<u>12,960,620</u>	<u>(162,445,407)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts under short-term morabaha	33,694,853	14,428,515
(Payments) / Receipts under long-term musharaka	(74,726,261)	83,496,748
(Repayments) / Borrowings from directors and associates	(63,830,000)	20,830,000
Dividend paid	(320,419)	(29,976,774)
Net cash (outflow) / inflow from financing activities	<u>(105,181,827)</u>	<u>88,778,489</u>
Net increase / (decrease) in cash and cash equivalents	<u>33,980,978</u>	<u>(31,775,829)</u>
Cash and cash equivalents at beginning of the year	8,283,975	40,059,805
Cash and cash equivalents at the end of the year	16 <u>42,264,953</u>	<u>8,283,975</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.


(Mohammed Irfan Nawab)
Chief Executive


(Mohammed Younus Nawab)
Chairman


(Abdul Hussain Antaria)
Chief Financial Officer

SANA INDUSTRIES LIMITED
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 NATURE OF BUSINESS

Sana Industries Limited (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 Pakistan Stock Exchange. The Company is engaged in the following activities.

- i) manufacturing and sale of man-made blended yarn;
- ii) providing services in respect of cold storage through "compartmentalized cold store project";
- iii) food stuff (processing of ready to eat meals).

The name of associated company is Sana Logistics (Private) Limited which is subsidiary of the Company.

Geographical location and address of business unit / mill:

Karachi

33-D-2, Block 6, PECHS, Karachi
SF-96, S.I.T.E, Karachi
Survey no. 54 deh gondpass, situated at tapo gabapat, kemari town, Karachi

Purpose

Head office
Warehouse
Investment
Property

Hub

Land bearing No: B-183 to B-188, B-197 to B-199 and Private Land Khasra No. 760, 761, 767 & 770, located at Hub trading estate, situated at Tehsil Hub, District Lasbela, Baluchistan

Production Mill

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE COMPANY'S FINANCIAL POSITION AND PERFORMANCE

- a) During the year, Company has made investment in its subsidiary by Rs. 30.1 Million by subscribing to right issue which makes its shareholding at 70%.
- b) During the year, the Company has repaid its long term debt and loan from directors & associates of Rs. 74.73 million and Rs. 63.83 million respectively.
- c) During the year, the Company has sold fixed assets costing to Rs. 85.11 million to the subsidiary Company at a gain of Rs. 22.53 million.
- d) Due to the applicability of the Companies Act, 2017, certain disclosures of the financial statements are prepared in accordance with new enactments and the Fourth Schedule.
- e) For a detailed discussion about the Company's performance please refer to the Directors' report.

3 BASIS OF PREPARATION

3.1 Unconsolidated financial statements

These are the unconsolidated financial statements (therein after referred as the financial statements) of the Company in which investment in subsidiary is accounted for on the basis of direct or indirect equity interest rather than on the basis of reported results and net assets of the investee. Consolidated financial statements of the Company are prepared separately.

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3.2 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting
- Provisions of and directives issued under the Companies Act, 2017.

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

4 BASIS OF MEASUREMENT

These financial statements have been prepared under historical cost convention.

These financial statements are presented in Pak rupees which is the Company's functional and presentation currency.

5 NEW AND REVISED STANDARDS AND INTERPRETATIONS

5.1 New and amended standards and interpretation to published approved accounting standards that are effective in the current year

The third and fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Company (refer note 8.2 and 9.1), change in threshold for identification of executives (refer note 35), additional disclosure requirements for related parties (refer note 15 and 36) etc. The other amendments to published standards and interpretations that were mandatory for the Company's financial year ended June 30, 2018 are considered not to be relevant or to have any significant effect on the Company's financial reporting and therefore not disclosed in these financial statements.

5.2 Standards, interpretations and amendments to publish approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

5.3 Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 2	Share-based Payment (Amendments)	January 1, 2018
IFRS 9	Financial instruments	July 1, 2018
IFRS 9	Financial instruments (amendments)	January 1, 2018

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Standard or Interpretation		Effective date (annual periods beginning on or after)
IFRS 10	Consolidated financial statements and IAS 28 (amendments)	Not yet finalized
IFRS 15	Revenue from Contracts with Customers	July 1, 2018
IFRS 16	Leases	January 1, 2019
IFRS 4	Insurance Contracts (Amendments)	January 1, 2018
IAS 40	Investment Property (Amendments)	January 1, 2018
IAS 19	Employee Benefits (amendments)	January 1, 2019
IAS 28	Investments in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRIC 22	Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23	Uncertainty over Income Tax Treatments	January 1, 2019

The company expects that the adoption of the above amendments and interpretations will not affect its financial statements in the period of initial application except for IFRS 9 - Financial Instruments, IFRS 15 - Revenue from contracts with customers and IFRS 16 - Leases. The Company is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to the various accounting standards have also been issued by IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019 respectively. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

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Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 17 Insurance Contracts	January 1, 2021

6 SIGNIFICANT ACCOUNTING POLICIES

6.1 Property, plant and equipment

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

Depreciation is charged to profit and loss account 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 8.1. 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 is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to profit and loss account 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.

The carrying value of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values 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.

6.2 Investment property

Investment properties comprise of freehold land and buildings that are held for rental yields. Investment properties is initially measured at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight line method to allocate the depreciable amounts over the estimated useful lives. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date.

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6.3 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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

6.4 Stock-in-trade

These are stated at the lower of net realizable value (NRV) and cost determined as follows:

- | | | |
|--------------------------------------|---|---|
| - Raw and packing material | - | on a weighted average basis; |
| - Stock-in-transit | - | at invoice price plus other charges paid thereon; |
| - Work-in-process and finished goods | - | at weighted average cost of raw material and applicable |
| - 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.

6.5 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.

6.6 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.

6.7 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

6.8 Long and short-term borrowings

These are recorded at the proceeds received. Installments due within one year are shown as a current liability and mark-up on borrowings is charged as an expense on an accrual basis.

6.9 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.

6.10 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.

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6.11 Financial instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the Instrument. Financial assets are derecognised when the contractual rights under the instruments are realised, expired or surrendered. Financial liabilities are derecognised when the obligation is extinguished, discharged, cancelled or expired. Any gain or loss on recognition or derecognition of the financial assets and financial liabilities is taken to profit and loss account.

6.12 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when the Company has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Corresponding income and expenditure is also netted off and recorded on a net basis in profit and loss account.

6.13 Employee benefits

6.13.1 Compensated absences

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

6.13.2 Defined benefit scheme

The Company operates a recognised, funded defined benefit gratuity scheme for all its permanent employees which is administered by the Trustees. Contributions are made to the fund on the basis of actuarial valuation carried out each year using Projected Unit Credit Method. Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the advice of qualified actuaries.

all actuarial gains and losses are recognised in 'other comprehensive income' as they occur. Previously actuarial gains / losses exceeding 10 percent of the higher of the present value of the defined benefit obligation and fair value of plan assets at the beginning of the year, were amortised over the expected average working lives of the employees participating in the plan.

6.14 Taxation

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 tax paid on presumptive basis, minimum tax and alternate corporate tax u/s 113C.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting 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.

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.

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6.15 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.

Revenue from services in respect of cold storage is recognised on accrual basis.

Profit on bank accounts is recognised on accrual basis.

Rental income from investment property is recognized as other income on a straight line basis over the term of the lease.

6.16 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.

6.17 Segment reporting

Segment reporting is based on the operating (business) segments of the Company. An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Company's other components. An operating segment's operating results are reviewed regularly by the chief executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Company has three reportable business segments; Textile (Manufacturing and sale of man-made blended yarn), Cold storage (Providing services in respect of cold storage through "compartmentalized cold store project) and Food stuff (Processing of "ready to eat" meals).

6.18 Related party transactions

All transactions with related parties are carried on an arm's length basis.

6.19 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.

6.20 Investments in subsidiary and associated company

Investments in subsidiary and associated company are carried at cost less impairment, if any. Impairment losses are recognized as an expense. At each reporting date, the Company reviews the carrying amounts of investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists, the carrying amount of the investments is adjusted to the extent of impairment loss which is recognized as an expense in profit or loss account.

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7 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

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 judgment 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. Revisions to accounting estimates are recognised in the period in which the estimates is revised and in any future periods affected.

In the process of applying the company's accounting policies, management has made the following estimates and judgments which are significant to the financial statements:

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.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 18.4.5 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. The actuarial valuation involves making assumptions about discount rate, future salary increases, mortality rates, withdrawal rates and normal retirement age.

Taxation

In making the estimates for income taxes payable by the Company, the management considers applicable tax laws 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.

Stock-in-trade

The Company reviews the Net Realizable Value (NRV) of stock-in-trade to assess any diminution in respective carrying value.

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7.1 CORRECTION OF ERROR

During the year ended June 30, 2016, the actuarial loss on present value of defined benefit obligation was over-stated by Rs. 27.6 million as the same amount was treated by the actuary as the reduction of the liability which was actually just a withdrawal of the plan assets of the company.

During the year ended June 30, 2017, the company had paid gratuity amounting to Rs. 13.77 million on behalf of the fund and the same was subsequently recovered by the company from the fund in the same year. However, the actuarial report has not accounted for the payment received from the fund by the company.

	June 30, 2016 Previously stated	Increase / (Decrease)	June 30, 2016 Restated	June 30, 2017 Previously stated	Increase / (Decrease)	June 30, 2017 Restated
Balance sheet (extract)						
Payable to Gratuity fund -						
Trade and other payables	27,600,000	(27,600,000)	-	-	-	-
Deferred liabilities	46,418,060	8,832,000	55,250,060	40,487,147	(27,007,601)	13,479,546
Unappropriated profit	139,538,023	18,768,000	158,306,023	74,125,533	31,084,500	105,210,033

	June 30, 2016 Previously stated	Increase / (Decrease)	June 30, 2016 Restated	June 30, 2017 Previously stated	Increase / (Decrease)	June 30, 2017 Restated
Statement of comprehensive income (extract)						
Remeasurements of staff employment benefit	(44,719,890)	27,600,000	(17,119,890)	(11,231,311)	17,850,000	6,618,689
Related deferred tax	14,310,365	(8,832,000)	5,478,365	3,481,706	(5,533,500)	(2,051,794)

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8 PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

	2017 Rupees	2018 Rupees
	505,015,757	409,427,793
	338,254	4,698,974
	<u>505,354,011</u>	<u>414,126,767</u>

8.1 Operating fixed assets

2018 PARTICULARS	COST		ACCUMULATED DEPRECIATION				BOOK VALUE AS AT JUNE 30, 2018	
	AS AT JULY 01, 2017	ADDITIONS (DELETIONS)	AS AT JUNE 30, 2018	RATE % per annum	AS AT JULY 01, 2017	ADJUSTMENTS ON DISPOSAL		DEPRECIATION FOR THE YEAR
Leasehold land	5,282,619	-	5,282,619	-	-	-	-	5,282,619
SF/96 Premises (Tenancy Rights)	5,000,000	-	5,000,000	-	-	-	-	5,000,000
Building on leasehold land	72,023,414	4,255,043	76,278,457	10	46,361,343	-	4,477,442	50,839,285
Electrification - Factory Building	18,490,358	1,948,296	20,438,654	10	11,816,265	-	1,053,769	12,879,034
Office Premises SF/96	12,711,363	-	12,711,363	10	8,103,417	-	1,030,515	9,133,932
Plant and machinery	633,532,192	24,472,302 (87,457,805)	770,566,689	10	402,047,480	(28,768,375)	54,922,924	428,202,029
Handing equipments	10,227,561	-	10,227,561	10 & 20	1,205,156	-	1,066,750	2,271,906
Furniture, fixtures and office equipments	9,654,852	553,382	10,208,234	10	4,088,837	-	766,099	4,854,936
Lan Equipment	311,295	-	311,295	10 & 20	217,907	-	62,259	280,166
Vehicles	25,356,762	54,411 (49,619)	25,361,554	20	14,373,662	(29,777)	4,574,553	18,919,472
Computers & software	1,453,884	34,500	1,487,584	20	833,646	-	242,311	1,075,957
Plastic Crates	-	-	-	50	-	-	-	-
JUNE 30, 2018 - Rupees	994,063,500	31,317,934 (87,507,424)	937,874,011		489,047,743	(28,708,148)	68,196,622	528,446,217
Disposals								409,427,793

Leasehold land of the Company and building thereon, is situated at Land bearing No. B-185 to B-188, B-197 to B-199 and Private Land Khairat No. 360, 361, 367 B-77A, located at High trading estate, situated at Tehsil Habi, District Lahore, Balochistan. This comprise of land having area of 82,941 square meters.

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2017	PARTICULARS	COST		ACCUMULATED DEPRECIATION					BOOK VALUE AS AT JUNE 30, 2017	
		AS AT JULY 01, 2016	ADDITIONS (DELETIONS)	AS AT JUNE 30, 2017	RATE % per annum	AS AT JULY 01, 2016	ADJUSTMENTS ON DISPOSAL	DEPRECIATION FOR THE YEAR		AS AT JUNE 30, 2017
	Leasehold land	47,032,061	14,785,200 (49,722,767) (6,812,875) *	5,282,619	-	-	-	-	5,282,619	
	SF/56 Premises (Tenancy Rights)	5,000,000	-	5,000,000	-	-	-	-	5,000,000	
	Building on leasehold land	188,482,882	17,914,317 (134,373,785) *	72,023,414	10	86,994,326	(47,307,467)	12,674,484	25,662,071	
	Electrification - Factory Building	16,044,407	2,445,951	18,490,358	10	10,772,856	-	1,043,409	6,674,093	
	Office Premises SF/56	12,711,363	-	12,711,363	10	7,072,902	-	1,030,515	4,607,946	
	Plant and machinery	706,777,956	239,753,039 (112,978,863)	833,552,192	10	427,228,741	(63,713,887)	43,532,626	431,504,712	
	Handling equipments	21,027,633	16,895,870 (27,695,342)	10,227,561	10 & 20	9,009,343	(10,089,020)	2,884,833	9,022,405	
	Furniture, fixtures and office equipments	11,178,626	639,862 (2,163,636)	9,654,852	10	4,995,765	(1,406,472)	899,544	5,564,015	
	Lab Equipment	311,295	-	311,295	10 & 20	155,648	-	62,293	93,388	
	Vehicles	34,328,975	2,853,746 (11,825,959)	25,356,762	20	13,910,273	(5,770,317)	6,233,736	10,983,070	
	Computers & software	2,807,956	228,298 (1,663,170)	1,453,084	20	1,861,493	(1,346,437)	318,590	619,438	
	Plastic Crates	193,425	(193,425)	-	50	193,419	(193,419)	-	-	
	JUNE 30, 2017 - Rupees	1,045,976,019	295,517,303	994,063,500		550,794,766	(130,427,019)	68,679,996	489,047,743	505,015,757
	Disposals		(347,429,822)							

* see note 9.2

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8.2. 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	RELATIONSHIP
Plant and machinery									
Panels, Culler & Sp Parts	31-Mar-13	8,715,200	4,502,853	4,212,347	8,343,667	4,131,320	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
Refrigeration Plant	30-Sep-15	8,653,009	3,172,720	5,480,289	8,284,128	2,803,889	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
Insulated Supports	31-Jul-15	4,626,927	1,310,963	3,315,964	4,429,679	1,113,715	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
Racking System (Beams / Columns)	30-Sep-15	4,131,614	1,101,817	3,029,797	3,955,673	925,876	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
Racking System (Beams / Columns)	Various	14,035,887	6,371,240	7,664,647	13,348,188	5,683,541	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
Condensing Unit Blast Freezer	30-Nov-13	1,144,773	515,148	629,625	1,095,971	466,346	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
Blast Freezer 30 Deg C	10-Jan-13	1,290,000	698,750	591,250	1,235,007	643,757	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
Air Cooler For Blast Freezer	31-Dec-13	3,000,000	1,325,000	1,675,000	2,872,109	1,197,109	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
Air Chiller For Chiller	31-Dec-13	1,600,000	706,667	893,333	1,531,791	638,458	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
Cool Chain Machinery	31-Jul-15	6,147,282	1,175,205	2,972,077	3,970,960	998,383	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
Cool Chain Machinery & Equipment	30-Jan-16	2,289,542	532,593	1,746,949	2,185,736	438,787	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
Selective Racking	30-Jun-16	12,231,013	2,330,778	9,900,237	11,451,112	1,550,875	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
Cool Chain Machinery Parts	31-Oct-16	2,312,946	366,217	1,946,729	2,216,347	267,615	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
8 Sets Evaporator 4 Set Condensing And Insulated	31-Dec-16	16,933,872	2,388,965	14,534,907	16,211,974	1,677,067	Negotiation	Sana Logistics (Private) limited Plot # SF-96, Site, Karachi	Subsidiary Company
Savio Esporo Wachs Vehicles	28-Sep-04	2,267,231	2,259,410	92,825	888,235	995,410	Negotiation	Muhammad Shabbir Godwin No. 277, Dar-ul-Ahsan town, Samundari road, Faisalabad	Third party
Meter Cycle (Bhp: 637)	24-Sep-14	49,615	29,772	19,847	20,200	153	Negotiation	Mr. Khalil	Employee
TOTAL		87,507,474	28,798,148	58,709,327	81,738,077	23,028,880			

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

Note	2018 Rupees	2017 Rupees
26	48,200,099	49,416,440
26.1	15,054,297	13,192,292
27	-	20,601
28	15,946,070	8,828,842
	<u>79,200,466</u>	<u>71,458,174</u>

9 INVESTMENT PROPERTY

2018 PARTICULARS

2018 PARTICULARS	COST		RATE % per annum	ACCUMULATED DEPRECIATION		BOOK VALUE AS AT JUNE 30, 2018
	AS AT JULY 01, 2017	ADDITIONS (DELETIONS)		AS AT JULY 01, 2017	ADJUSTMENTS DEPRECIATION AS AT JUNE 30, 2018	
Leasehold land	6,812,875	-	-	-	-	6,812,875
Building on leasehold land	134,373,785	3,120,000	10	50,085,645	11,003,844	61,085,409
	<u>141,186,660</u>	<u>3,120,000</u>		<u>50,085,645</u>	<u>11,003,844</u>	<u>63,089,409</u>

2017 PARTICULARS

2017 PARTICULARS	COST		RATE % per annum	ACCUMULATED DEPRECIATION		BOOK VALUE AS AT JUNE 30, 2017
	AS AT JULY 01, 2016	ADDITIONS (DELETIONS)		AS AT JULY 01, 2016	ADJUSTMENTS DEPRECIATION AS AT JUNE 30, 2017	
Leasehold land	-	6,812,875	-	-	-	6,812,875
Building on leasehold land	-	134,373,785	10	47,307,467	2,778,179	84,288,140
	-	<u>141,186,660</u>		<u>47,307,467</u>	<u>2,778,179</u>	<u>91,101,815</u>

9.1 Leasehold land held as investment property of the Company and building thereon, is situated at survey no. 54-4th goodijess, situated at bago gabsbat, Kinnari town, Karachi. This comprise of land having area of 4.28 acres.

9.2 During the year ended June 30, 2017, the Company had entered into an agreement with its subsidiary M/S Saini Logistics (Private) Limited (whereof assets and operation of cold storage segment of the company have been issued out to the subsidiary, hence the related fixed assets have been transferred from owned fixed assets to Investment property.

	Note	2018 Rupees	2017 Rupees
10 LONG TERM INVESTMENT			
Subsidiary company - at cost			
Sana Logistics (Private) Limited			
3,500,000 (2017: 490,000) ordinary shares of Rs. 10/- each		35,000,000	4,900,000
Equity held : 70% (2017: 49%)			
		<u>35,000,000</u>	<u>4,900,000</u>
10.1 Break up value as per latest financial statement is Rs. 18.85 (2017: Rs. 7.5)			
10.2 This investment in subsidiary is made in accordance with the requirements under Companies Act, 2017			
11 STOCK-IN-TRADE			
Raw and packing materials	11.1	72,044,178	48,244,279
Work-in-process		28,598,494	16,506,109
Finished goods		74,876,334	168,420,018
Waste stock		654,170	668,310
		<u>176,173,176</u>	<u>233,838,716</u>
11.1 Raw and packing materials			
In hand		70,455,680	48,244,279
In transit		1,588,498	-
		<u>72,044,178</u>	<u>48,244,279</u>
12 TRADE DEBTS			
<i>Unsecured</i>			
Considered good	12.1	201,099,321	141,585,443
		<u>201,099,321</u>	<u>141,585,443</u>
12.1 The above balance does not include amount due from related parties.			
13 LOANS AND ADVANCES			
Loans to employees - secured	13.1	4,265,817	5,352,152
Unsecured advances to:			
- Contractors		1,001,873	926,887
- against imports and local purchases		21,239,286	25,811,449
		<u>22,241,159</u>	<u>26,738,336</u>
		<u>26,506,976</u>	<u>32,090,488</u>
13.1 These represent interest free loans to employees for personal use in accordance with the Company's policy and are secured against balance of gratuity fund. These are recoverable in equal monthly installments.			

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	Note	2018 Rupees	2017 Rupees
14 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Deposits		985,983	489,495
Prepayments		579,925	373,807
		<u>1,565,908</u>	<u>863,302</u>
15 OTHER RECEIVABLES			
Sales tax refundable		27,163,408	26,941,286
Sana Logistics (Private) Limited	15.1	10,755,508	56,018,089
Others		3,924,994	2,362,209
		<u>41,843,910</u>	<u>85,321,584</u>

15.1 It includes amount in respect of sale of fixed assets, rental income and contractor reimbursements.

The maximum amount due from related party, Sana Logistics (Private) Limited, at the end of any month during the year was Rs. 20.89 million (2017: Rs. 56,018,089 million).

The ageing of receivables from related party as at 30 June 2018 is as follows:

Neither past due nor impaired	10,755,508	56,018,089
Past due but not impaired		
- 31-60	-	-
- 61-120	-	-
- 121 and above	-	-
	<u>10,755,508</u>	<u>56,018,089</u>

16 CASH AND BANK BALANCES

With banks - Conventional banking

- In current accounts

-	502,265
-	502,265

With banks - Islamic banking

- in current accounts

- in PLS accounts

40,576,942	4,437,518
1,363,645	2,412,791
41,940,587	6,850,310

Cash in hand

324,366	931,401
<u>42,264,953</u>	<u>8,283,975</u>

16.1 These carry profit at the average rate of 2.94 % per annum (2017: 3.95 % per annum).

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17 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018 No. of shares	2017 No. of shares	Note	2018 ------(Rupees)-----	2017 ------(Rupees)-----
4,000,000	4,000,000	Ordinary shares of Rs.10/- fully paid cash	40,000,000	40,000,000
4,593,750	4,593,750	Ordinary shares of Rs.10/- issued as fully paid bonus shares	45,937,500	45,937,500
<u>8,593,750</u>	<u>8,593,750</u>		<u>85,937,500</u>	<u>85,937,500</u>

17.1 Shares held by the related parties of the Company

Name of the shareholders	2018 Number of shares	2018 Percentage holding	2017 Number of shares	2017 Percentage holding
Directors, CEO, & their spouse				
Mr. Mohammad Younus Nawab	2,321,056	27.01%	2,321,056	27.01%
Mr. Mohammad Irfan Nawab	2,269,372	26.4%	2,269,372	26.4%
Mr. Ibrahim Younus	26,327	0.31%	24,127	0.28%
Mr. Ismail Younus	7,616	0.09%	7,616	0.09%
Mr. Muhammad Faizanullah	28,937	0.34%	19,437	0.23%
Mrs. Sabiha Younus	396,570	4.61%	396,570	4.61%
Mrs. Afshan Irfan	91,562	1.07%	89,062	1.04%

	Note	2018 Rupees	2017 Rupees
18 LONG-TERM MUSHARAKA			
<i>Secured - Under shariah arrangement</i>			
Habib Metropolitan Bank Limited	18.1	94,557,012	134,513,894
Standard Chartered Bank	18.2	31,872,240	66,641,619
Less: Current portion		(55,453,527)	(64,258,253)
		<u>70,975,725</u>	<u>136,897,260</u>

DIMINISHING MUSHARAKA DISCLOSURE

Date of Disbursement	Nature of Asset	Amount Disbursed	Profit Rate	Floor	Ceiling	Principal Outstanding as at June 30, 2018	Ending Date
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18.1 HABIB METROPOLITAN BANK:

12-Sep-15	Generator WAUKESHA	30,295,680	6M KIBOR + 2%	10%	17%	1,683,094	12-Jul-18
28-Oct-16	Generator WAUKESHA Model VHP5904LTD	30,716,842	6M KIBOR + 2%	7.5%	14%	22,525,690	02-Feb-22
16-Feb-17	4 SETS DRAWFRAMES RIETER	22,597,120	6M KIBOR + 2%	7.5%	14%	19,989,760	20-Mar-22
02-Feb-17	14 sets complete ring spinning frames	55,442,587	6M KIBOR + 2%	7.5%	14%	43,430,028	09-Apr-22
07-Apr-17	4 SETS TWISTER MACHINE	8,660,544	6M KIBOR + 2%	7.5%	14%	6,928,440	22-May-22

94,557,012

18.2 STANDARD CHARTERED BANK:

22-Apr-16	Steel Building for AZ	12,445,000	1M KIBOR + 1.75%	-	-	4,148,340	22-Apr-19
22-Apr-16	Civil work for AZ	18,000,000	1M KIBOR + 1.75%	-	-	6,000,000	23-Apr-19
23-Apr-16	Steel Building for AZ	10,900,000	1M KIBOR + 1.75%	-	-	3,633,340	24-Apr-19
11-May-16	KVA, Wooden pallets, Cool chain machinery and equipment, Local purchases and Steel building for AZ	27,000,000	1M KIBOR + 1.75%	-	-	9,900,000	11-May-19
23-Aug-16	Reach Truck R20S	8,740,000	1M KIBOR + 1.75%	-	-	3,398,884	23-Aug-19
08-Sep-16	Racking	11,500,000	1M KIBOR + 1.75%	-	-	4,791,676	08-Sep-19

31,872,240

18.3 Securities for the above diminishing musharaka facilities include exclusive charge over the assets financed by the respective banks and personal guarantees of the directors.

19 DEFERRED LIABILITIES	Note	2018	2017
		Rupees	Rupees
Provision for compensated absences	19.1	1,910,932	1,591,927
Deferred taxation	19.2	44,790,314	30,045,893
Staff retirement benefits	19.3	(925,114)	(18,158,274)
		<u>45,776,132</u>	<u>13,479,546</u>

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	Note	2018 Rupees	2017 Rupees Restated
19.1 Provision for compensated absences:			
Balance at beginning of the year		1,591,927	1,386,068
Charge for the year		825,559	918,932
Benefits paid during the year		(506,554)	(713,073)
Balance at end of the year		<u>1,910,932</u>	<u>1,591,927</u>
19.2 Deferred taxation			
Deferred tax (asset) / liability on account of:			
- accelerated depreciation		41,491,508	49,540,933
- unused tax losses and credits		(1,205,984)	(29,034,853)
Remeasurement of defined benefit plans - O.C.I component		<u>4,504,791</u>	<u>9,539,813</u>
		<u>44,790,314</u>	<u>30,045,893</u>
19.3 Staff retirement benefits			
Balance sheet Reconciliation			
Present value of defined benefit obligation	19.4.2	(59,800,160)	(56,539,360)
Fair value of plan assets	19.4.3	<u>60,725,274</u>	<u>74,697,634</u>
		<u>925,114</u>	<u>18,158,274</u>
19.4 Movement			
Balance at beginning of the year		18,158,274	(9,035,404)
Expense for the year	19.4.1	(2,972,123)	(5,470,481)
Other comprehensive income		(16,783,406)	6,618,689
Contribution		120,000	-
Benefits paid on behalf of the fund		2,402,369	-
Amount Reimbursed to Company		-	(1,554,530)
Amount received by the company from the fund		-	27,600,000
Balance at end of the year		<u>925,114</u>	<u>18,158,274</u>
19.4.1 Charge for defined benefit plan			
Current Service cost		4,477,131	5,348,029
Interest cost		(1,505,008)	122,452
		<u>2,972,123</u>	<u>5,470,481</u>
The charge for the year has been allocated as follows:			
Cost of sales and services:			
Manufacturing and service expenses		2,972,123	3,020,921
Fuel and power		-	225,740
		<u>2,972,123</u>	<u>3,246,661</u>
Distribution costs		-	330,741
Administrative expenses		-	1,893,079
		<u>2,972,123</u>	<u>5,470,481</u>

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	Note	2018 Rupees	2017 Rupees Restated
19.4.2 Movement in the present value of defined benefit obligations			
Balance at beginning of the year		56,539,360	52,499,381
Current service cost		4,477,131	5,348,029
Interest cost		4,252,212	3,273,590
Benefits paid during the year		(941,851)	(14,692,827)
Benefits paid on behalf of the fund		(2,402,369)	-
Actuarial (gain) / loss		(2,124,323)	10,111,187
Balance at end of the year		<u>59,800,160</u>	<u>56,539,360</u>
19.4.3 Movement in the fair value of plan assets			
Balance at beginning of the year		74,697,634	43,463,977
Expected return on plan assets		5,757,220	3,151,138
Contribution		120,000	-
Amount Reimbursed to Company		-	(1,554,530)
Total benefits paid		(3,344,220)	(14,692,827)
Benefits paid on behalf of the fund		2,402,369	-
Loan Amount recovered from company		-	27,600,000
Actuarial (loss) / gain		(18,907,729)	16,729,876
Balance at end of the year		<u>60,725,274</u>	<u>74,697,634</u>
19.4.4 Remeasurement recognised in other comprehensive income			
Remeasurement of present value of defined benefit obligation		2,124,323	(10,111,187)
Remeasurement of present value of fair value of plan assets		(18,907,729)	16,729,876
Remeasurements		<u>(16,783,406)</u>	<u>6,618,689</u>
19.4.5 Principal actuarial assumptions used in the actuarial valuation			

Actuarial valuation of the scheme is carried on every year and the latest actuarial valuation was carried out at June 30, 2018. The significant assumptions used for actuarial valuation were as follows:

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Withdrawal Rates	2018 Moderate	2017 Moderate
Mortality Rates	Adjusted SLIC 2001-05	Adjusted SLIC 2001-05
Expected rate of increase in future salaries - per ar	9.00%	7.75%
Discount rate - per annum	9.00%	7.75%
Expected rate of return on plan assets	9.00%	7.75%
Normal Retirement age	60 years	60 years

19.4.6 Comparison for five years

	2018	2017 Restated	2016 Restated	2015	2014
As at June 30,					
Present value of defined benefit obligations	59,800,160	56,539,360	52,499,381	40,091,714	31,291,361
Fair value of plan assets	(60,725,274)	(74,697,634)	(43,463,977)	(76,899,475)	(58,407,349)
Deficit / (Surplus)	(925,114)	(18,158,274)	9,035,404	(36,807,761)	(27,115,988)
Re-measurement Loss/(Gain) on Obligation	(2,124,323)	10,111,187	(6,762,508)	3,409,215	1,221,234
Re-measurement Loss / (Gain) on Plan Asset	18,907,729	(16,729,876)	(10,357,382)	(13,062,862)	(16,368,523)
Other Comprehensive Income	16,783,406	(6,618,689)	(17,119,890)	(9,653,647)	(15,147,289)

19.4.7 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to change in the unit credit method assumptions is;

Particulars	PVDBO (Amount of PKR)	PVDBO change (%)
Current Liability	59,547,356	
+1% Discount Rate	55,874,039	-6.17%
-1% Discount Rate	63,737,024	7.04%
+1% Salary Increase Rate	63,987,826	7.46%
-1% Salary Increase Rate	55,585,411	-6.65%
+10% Withdrawal Rate	59,547,356	0.00%
-10% Withdrawal Rate	59,547,356	0.00%
1 Year Mortality age set back	59,547,356	0.00%
1 Year Mortality age set forward	59,547,356	0.00%

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	Note	2018 Rupees	2017 Rupees
19.4.8 Major categories / composition of plan assets			
Equity securities and units of mutual funds		30,599,018	44,223,827
Bank balances		30,126,256	30,473,807
		60,725,274	74,697,634

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. 17,901,837/- (2017: Loss Rs.17,150,083/-)

20 TRADE AND OTHER PAYABLES

Creditors		37,163,673	42,651,831
Accrued expenses		16,986,564	12,910,640
Provision against Gas Infrastructure Development Cess (GIDC) & Rate difference	20.1	44,865,170	66,911,280
Workers' Profits Participation Fund	20.2	17,647,945	14,384,556
Workers' Welfare Fund		1,240,088	-
Sales tax payable		57,919	821,031
Others		3,010,428	2,272,800
		120,971,787	139,952,137

20.1 During the year, no provision has been made by the Company in respect of GIDC & rate difference. Refer note 24.2.2 for detailed informaton.

20.2 Workers' Profit Participation Fund

Balance at beginning of the year		14,384,556	18,580,042
Payments made during the year		-	(4,489,288)
		14,384,556	14,090,754
Allocation for the year		3,263,389	-
Finance charge on WPPF		-	293,802
Balance at end of the year		17,647,945	14,384,556

21 FINANCE COST PAYABLE

Accrued morabaha profit		8,364,882	7,546,271
Accrued diminishing musharaka profit		355,852	1,875,482
		8,720,734	9,421,753

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		2018 Rupees	2017 Rupees
22 LOANS FROM DIRECTORS AND ASSOCIATES - unsecured			
Borrowings from directors	22.1	3,760,000	63,530,000
Borrowings from associates		-	4,060,000
		<u>3,760,000</u>	<u>67,590,000</u>

22.1 This represents short-term interest free borrowings from directors to meet working capital requirements.

23 SHORT-TERM MORABAHA

Secured - Under shariah arrangement

Habib Metropolitan Bank Morabaha	23.1	300,960,627	285,622,078
Standard Chartered Bank Morabaha	23.2	130,508,103	112,151,799
		<u>431,468,730</u>	<u>397,773,877</u>

23.1 Short-term Morabaha arrangement had been obtained from a commercial bank for the regular purchases of raw material. The banks has approved a facility of Rs.315 (2017: Rs.300 million). The effective rate of profit on Morabaha facility ranges between 9.03% to 8.11% , based on 6 months KIBOR + 2.00% per annum. The arrangement is secured against first charge over stocks and receivables, land, building and plant & machinery (except assets financed under diminishing musharaka by another financial institution) located at H.I.T.E., Hub, Baluchistan, execution of promissory notes and personal guarantees of three directors of the Company.

23.2 Short-term Morabaha arrangement has been obtained for the regular purchases of raw material. The bank has approved limit of Rs.134 million (2017 :Rs 134 million). The effective rate of profit on Murabaha facility ranges between 7.63% to 8.42% (based on 3 months KIBOR + 1.75% per annum). The arrangement is secured against first charge over Stocks and receivables, located at H.I.T.E., Hub, Baluchistan, execution of promissory notes and personal guarantees of three directors of the Company.

24 CONTINGENCIES AND COMMITMENTS

24.1 Commitments

Irrevocable letter of credits	76,107,960	105,348,897
Letter of guarantee issued by a commercial bank	22,861,098	22,861,098
Custom duty, sales tax, FED and Income tax on goods in transit	129,550	164,199

24.2 Contingencies

24.2.1 Further tax applied on company's yarn Sales at the rate of 1% has been suspended by the Islamabad High Court through W.P. NO. 416/2018. Company's legal counsel is of the opinion that the matter shall be decided in the company's favour, therefore, no provision of further tax has been made during the year.

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24.2.2 In December 2011, the Federal government for the first time, imposed the levy of gas Infrastructure Development Cess (the cess) through the promulgation of the gas Infrastructure Development Cess Act, 2011(GIDC Act, 2011) which subsequently, was widely challenged on several legal grounds. In June 2013, the honorable high court of Peshawar, in the case titled M/s Ashraf Industries vs Federation of Pakistan passed a judgment whereby it struck down GIDDC Act, 2011 declaring the said laws as unconstitutional. The honorable Supreme Court of Pakistan, Dismissed the review petition filed by the Federation of Pakistan against the aforesaid judgment of the Honorable high Court of Peshawar, and thereby upheld the said judgment. Therefore, the Company has reversed the provision in respect of GIDC upto 30 June 2015.

Following the judgment of the Apex Court, the GIDC Ordinance, 2014 received Presidential assent after having been passed by both the houses of parliament as gas infrastructure development cess Act, 2015 (GIDC Act, 2015). The GIDC Act, 2015 has been challenged on legal and other grounds. In October 2016, the Honorable High Court of Sindh passed a judgment whereby it declared the GIDC Act, 2015 as unconstitutional. Therefore, no further provision has been made during the year.

Furthermore, the Gas prices had been notified with effect from 1st January 2017 at the Rate of 600 Rupees per MMBTU. The notification has been suspended and therefore Rs. 112/- per MMBTU are being submitted to the Sindh High Court every month. And this relief has been provided by the Sindh High Court in reply to the Company's Suit No. 129/2017. The total of the amounts concerned till 30th June 2017 have been provisioned for accordingly and no further provision has been made during the year.

	2018 Rupees	2017 Rupees
25 TURNOVER		
Textile		
Manufacturing		
- local	1,690,979,029	1,434,780,105
- export	-	-
Trading	14,698,981	82,409,861
Waste stock	7,711,709	7,783,815
	<u>1,713,389,719</u>	<u>1,524,973,781</u>
Less: Commission and discounts	(7,399,398)	(433,215)
<i>Cold storage</i>	-	133,174,444
Food stuff division		
- local	-	2,602,695
	<u>1,705,990,321</u>	<u>1,660,317,705</u>

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	Note	2018 Rupees	2017 Rupees
26 COST OF SALES			
Raw and packing material consumed			
Opening stock		48,244,279	72,337,421
Purchases		1,080,068,600	1,031,456,758
Closing stock		(72,044,178)	(48,244,279)
		1,056,268,701	1,055,549,900
Manufacturing and services expenses			
Fuel and power	26.1	132,830,119	200,408,905
Salaries, wages and benefits		226,502,029	248,048,849
Services procured		10,085,262	16,017,618
Repairs and maintenance		32,537,859	63,240,012
Insurance		4,657,178	5,508,808
Rent, rates and taxes		515,460	499,621
Depreciation	8.3	48,200,099	49,416,440
Security		2,581,988	3,896,374
Others		13,794,420	15,974,499
		471,704,414	603,011,126
		1,527,973,115	1,658,561,026
Work-in-process			
Opening		16,506,109	28,079,306
Closing		(28,598,494)	(16,506,109)
		(12,092,385)	11,573,197
Finished goods and waste stock			
Opening		169,088,328	119,279,393
Closing		(75,530,504)	(169,088,328)
		93,557,824	(49,808,935)
		1,609,438,554	1,620,325,288

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	Note	2018 Rupees	2017 Rupees
26.1 FUEL AND POWER			
Generation cost:			
Salaries, wages and benefits		-	392,213
Fuel expenses		101,774,031	142,178,734
Electricity		-	21,860,942
Oil and lubricants		3,920,624	5,032,914
Generator rent expense		140,000	5,320,000
Generator operation and maintenance		6,294,043	5,636,004
Repairs and maintenance		4,125,806	5,835,425
Depreciation	8.3	15,054,297	13,192,292
Insurance		517,110	591,820
Electricity duty		339,648	268,561
Others		664,560	100,000
		132,830,119	200,408,905
27 DISTRIBUTION EXPENSES			
Salaries, wages and benefits		3,856,843	3,775,244
Packing and forwarding expenses		9,088,880	9,296,199
Communication		367,349	295,254
Sales promotion expenses		5,162	5,429
Depreciation	8.3	-	20,601
Fees and subscription		-	196,080
		13,318,234	13,588,807
28 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		23,091,618	22,808,116
Printing and stationery		412,059	400,211
Legal and professional charges		2,023,214	2,714,855
Fees and subscription		844,097	704,677
Travelling and conveyance		42,204	318,073
Repairs and maintenance		1,923,750	1,473,527
Rent rates and taxes		4,282,000	6,790,000
Depreciation	8.3	15,946,070	8,828,842
Security expenses		520,274	522,233
Electricity and gas		1,285,347	1,198,144
Insurance		393,829	310,885
Miscellaneous		788,463	1,046,839
		51,552,925	47,116,402

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	Note	2018 Rupees	2017 Rupees
29 OTHER INCOME			
<i>Income from non financial assets:</i>			
Rental income		38,831,571	9,860,000
Gain on disposal of fixed assets		23,028,800	9,926,654
Reversal of GIDC provision	29.1	22,046,110	-
Prior Year Sales Tax Refund Dec-2009		75,345	-
<i>Income from financial assets:</i>			
Return on deposits - from Islamic side of bank		121,198	359,892
		84,103,024	20,146,546

29.1 This represents reversal of provision against GIDC upto 30th June 2015 which has further been explained in note 24.2.2.

30 OTHER OPERATING EXPENSE

Workers' Profit Participation Fund		3,263,389	-
Auditors' remuneration	30.1	474,960	654,100
Workers Welfare Fund		1,240,088	-
		4,978,437	654,100

30.1 Auditors' remuneration

Audit fee		386,800	356,400
Fee for half yearly review		32,400	32,400
Statutory certifications		23,760	81,000
Advisory		-	151,200
Out of pocket expenses		32,000	33,100
		474,960	654,100

31 FINANCE COSTS

Markup on short term loan - Shariah arrangement			
Profit on morabaha		33,529,129	32,012,877
Profit on diminishing musharaka		13,748,853	10,941,883
		47,277,982	42,954,760
Morabaha documentation charges		60,122	119,598
Local L/C charges		228,974	222,850
Bank charges		1,970,826	170,622
Finance charge on WPPF		-	293,802
Exchange fluctuation charges		502,987	25,859
		50,040,891	43,787,491

	2018 Rupees	2017 Rupees
32 TAXATION		
Current	20,364,581	
Prior	1,950,083	(588,587)
Deferred	19,779,444	(16,834,489)
	<u>42,094,108</u>	<u>(17,423,076)</u>

32.1 No reconciliation of accounting profit and tax expense has been made because income of the Company is subject to the minimum tax under section 113 of Income Tax Ordinance, 2001.

32.2 As per the management's assessment, sufficient tax provision has been made in the Company's financial statements. The comparison of tax provision as per the financial statements viz-a-viz tax assessment for last three years is as follows:

	Deemed assessment	Provision
	<----- Rupees ----->	
Tax Year 2017	1,950,083	
Tax Year 2016	15,207,423	15,796,011
Tax Year 2015	32,575,470	32,606,065

32.4 Section 5A of the Income Tax Ordinance, 2001 states that for tax year 2017 and onwards, a tax shall be imposed at the rate of seven and a half percent of its accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least forty percent of its after tax profits within six months of the end of the tax year through cash or bonus shares.

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	2018 Rupees	2017 Rupees
33 EARNING / (LOSS) PER SHARE - BASIC AND DILUTED		
There is no dilutive effect on basic earnings per share of the Company which is based on:		
Profit / (Loss) after taxation	18,670,196	(27,584,760)
	<u>18,670,196</u>	<u>(27,584,760)</u>
	Number of shares	
Weighted average number of shares	<u>8,593,750</u>	<u>8,593,750</u>
Basic and diluted earnings / (loss) per share	<u>2.17</u>	<u>(3.21)</u>
34 WORKING CAPITAL CHANGES		
34.1 (Increase) / decrease in current assets		
Stock-in-trade	57,665,540	(5,807,237)
Trade debts	(59,513,878)	117,508,613
Loans and advances	5,583,512	(2,159,641)
Trade deposits and short term pre-payments	(702,606)	(26,037)
Other receivables	43,477,674	(67,612,148)
	<u>46,510,242</u>	<u>41,903,550</u>
34.2 Increase in current liabilities		
Trade and other payables	<u>(18,980,351)</u>	<u>8,357,264</u>

35 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	----- (Rupees) -----					
Remuneration	5,200,800	5,200,800	3,860,400	10,461,000	3,961,000	5,301,665
House rent	2,079,120	2,079,120	1,519,560	4,158,900	1,582,500	1,219,077
Retirement benefits	-	-	-	-	-	-
Utilities	520,080	520,080	380,040	1,040,100	396,100	305,328
	<u>7,800,000</u>	<u>7,800,000</u>	<u>5,760,000</u>	<u>15,660,000</u>	<u>5,939,600</u>	<u>6,826,070</u>
<i>Number of persons</i>	<u>1</u>	<u>1</u>	<u>2</u>	<u>7</u>	<u>3</u>	<u>4</u>

* Comparatives have been amended to reflect changes in the definition of executive as per the Companies Act, 2017.

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The above payments do not include amounts paid or provided for, if any, by the associated companies. These also do not include director's expenses received as part of proportionate expenses from the combined offices of the associated companies.

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

35.2 No fee paid to Director for attending Board Meetings during the year. (2017: NIL).

36 TRANSACTIONS / BALANCES WITH RELATED PARTIES

Related parties of the Company comprise of companies with common directorship, retirement fund and directors. Detail of transactions / balances with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Transaction:	Relationship with the Company	2018 Rupees	2017 Rupees
Contribution to the gratuity fund	Employees fund	<u>2,522,369</u>	-
Borrowing from directors and family member	Key management personnel	<u>90,754,000</u>	89,120,000
Repayment to directors and family member	Key management personnel	<u>153,522,000</u>	58,290,000
Director's remuneration	Key management	<u>13,560,000</u>	23,460,000
Rent paid to director's family member	Key management	<u>3,090,000</u>	7,551,000
Repayment to Sana Logistics (Private) Limited	Subsidiary Company	-	<u>10,000,000</u>
Transfer of fixed assets to Sana Logistics (Private) Limited	Subsidiary Company	<u>81,129,842</u>	34,882,200
Reimbursement of electricity, rent, maintenance, health insurance and contractor payments to Sana Industries Limited (Expense)	Subsidiary Company	<u>43,409,985</u>	21,135,889
Received from Sana Logistics (Private) Limited	Subsidiary Company	<u>169,802,408</u>	-
Borrowing from other associated companies	Associate	-	<u>11,674,483</u>
Repayment to other associated companies	Associate	-	<u>11,674,483</u>
Balances:			
Borrowing from directors	Key management	<u>3,760,000</u>	67,590,000
Payable to director's family member	Key management	<u>1,062,000</u>	-
Receivable from Sana Logistics (Private) Limited	Subsidiary Company	<u>10,755,508</u>	56,018,089

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	2018 Rupees	2017 Rupees
37 FINANCIAL INSTRUMENTS BY CATEGORY		
FINANCIAL ASSETS		
Loans and receivables at amortized cost		
Long-term deposits	2,836,051	1,373,251
Trade debts	201,099,321	141,585,443
Loans and advances	26,506,976	32,090,488
Trade deposits	1,565,908	863,302
Other receivables	41,843,910	85,321,584
Cash and bank balances	42,264,953	8,283,975
	316,117,119	269,518,043
FINANCIAL LIABILITIES		
Financial liabilities at amortized cost		
Long-term musharaka	70,975,725	136,897,260
Trade and other payables	120,971,787	139,952,137
Finance cost payable	8,720,734	9,421,753
Borrowing from Directors and family member	3,760,000	67,590,000
Current portion of long-term musharaka	55,453,527	64,258,253
Short term morabaha	431,468,730	397,773,877
	691,350,503	815,893,280

38 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to certain financial risk. Such financial risk emanate from various factors that include, but not limited to, market risk, credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial market and seeks to minimize potential adverse effects on the company's financial performance. Risk measures and managed by company are explained below:

38.1 Market risk

Market risk is the risk that the fair value of future cash flows of financial instrument will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's borrowings from financial institution with floating interest rates. Management of the Company estimates that increase of 100 base point in the market interest rate, with all other factors remaining constant, would increase/decrease the Company's after tax profit by Rs. 5,666,187 (2017: Rs. 6,083,511). However, in practice, the actual result may differ from the sensitivity analysis.

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(ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transaction in foreign currency. As at June 30, 2018, the company is not exposed to risk in respect of financial assets or financial liabilities.

38.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash and cash equivalent, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. Out of total financial assets of Rs. 316,110,294 (2017: 267,963,513), the financial assets are subject to credit risk amounted to Rs. 315,785,928 (2017: 267,084,744).

The maximum exposure to credit risk as at June 30, 2017, along with comparatives is tabulated below:

			2018 Rupees	2017 Rupees	
Financial Assets					
Long-term deposits			2,836,051	1,373,251	
Trade debts			201,099,321	141,585,443	
Loans and advances			26,506,976	32,090,488	
Trade deposits			1,565,908	863,302	
Other receivables			41,843,910	85,321,584	
Bank balances			41,940,587	7,352,574	
			<u>315,792,753</u>	<u>268,586,642</u>	
			2018	2017	
	Bank	Rating agency	Short-term Rating		
			----- (Rupees) -----		
	Habib Metropolitan Bank	PACRA	A1+	16,162,983	19,908,344
	Meezan Bank Limited	JCR-VIS	A1+	2,184,535	227,291
	Bank Al-Habib Limited	PACRA	A1+	22,142,936	
	Bank Alfalah	PACRA	A1+	136,721	312,391
	United Bank Limited	JCR-VIS	A1+	214,632	388,040
	National Bank of Pakistan	PACRA	A1+	143,331	29,765
	Habib Bank Limited	JCR-VIS	A1+	91,828	
	Standard Chartered Bank	PACRA	A1+	863,622	18,704,580
				<u>41,940,587</u>	<u>39,570,411</u>

Due to Company's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the company.

38.3 Liquidity risk

Liquidity risk is a risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management believe that it is not expose to any significant level of liquidity risk.

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The management forecasts the liquidity of the Company on basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financial liabilities in accordance with their contractual maturities are presented below:

2018	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	----- (Rupees) -----				
Musharaka	15,407,390	40,046,137	70,975,725	-	126,429,252
Unclaimed dividend	1,650,116				1,650,116
Trade and other payables	120,971,787				120,971,787
Finance cost payable	8,720,734				8,720,734
Borrowing from Directors & Associates	-	3,760,000			3,760,000
Short-term morahaba	-	431,468,730			431,468,730
Total	146,750,026	475,274,867	70,975,725	-	693,000,619

2017	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	----- (Rupees) -----				
Musharaka	21,486,433	42,771,820	136,897,260	-	201,155,513
Unclaimed dividend	1,970,535				1,970,535
Trade and other payables	139,952,137				139,952,137
Finance cost payable	9,421,753				9,421,753
Borrowing from Directors & Associates	45,225,000	22,365,000			67,590,000
Short-term morahaba	6,625,816	391,148,061			397,773,877
Total	224,681,674	456,284,881	136,897,260	-	817,863,815

38.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transactions. Consequently, differences may arise between the carrying value and the fair value estimates.

As at June 30, 2018 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying value.

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2018, the Company has no financial instruments that falls into any of the above category.

38.5 Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide return for shareholder and benefits for other stakeholder and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholder, return capital to shareholder or issue new shares or sell assets to reduce debt.

The company manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirement and expectations of shareholder. Debt is calculated at total borrowing ('long term loan' and 'current maturity of the long term loan' as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

As at June 30, 2018 and 2017, the company has surplus cash reserves to meet its requirement and there was no debt position.

39 CAPACITY AND PRODUCTION

	2018	2017
Number of spindles installed	<u>32,052</u>	<u>32,232</u>
Number of rotors	<u>-</u>	<u>-</u>
Average number of spindles operated during the period	<u>32,052</u>	<u>32,000</u>
Installed production capacity 30/s count - (KGs)	<u>7,154,006</u>	<u>6,746,238</u>
Actual production (KGs) after conversion into count 30	<u>6,812,439</u>	<u>5,117,870</u>
Number of shifts per day	<u>3</u>	<u>3</u>

Reasons for shortfall include admissible losses in yarn industry.

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40 SEGMENTAL INFORMATION

For management purposes, the Company has identified three operating segments:

1. Textile - manufacturing and sale of man-made blended yarn;
2. Cold storage - providing services in respect of cold storage through "compartmentalized cold store project"; and
3. Food stuff - processing of "ready to eat" meals.

The operating business are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

2018	Textile	Cold Storage	Food Stuff	Total
	------(Rupees)-----			
Turnover	1,705,990,321	-	-	1,705,990,321
Cost of sales and services	(1,590,317,011)	(18,349,437)	(772,106)	(1,609,438,554)
Gross profit	115,673,310	(18,349,437)	(772,106)	96,551,767
Distribution costs	(13,318,234)	-	-	(13,318,234)
Administrative expenses	(40,549,081)	(11,003,844)	-	(51,552,925)
Other income	45,271,453	38,831,571	-	84,103,024
Operating profit / (loss)	107,077,448	9,478,290	(772,106)	115,783,632
Finance costs	(46,098,797)	(3,942,094)	-	(50,040,891)
Other operating expense	(4,978,437)	-	-	(4,978,437)
Profit / (loss) before taxation	56,000,214	5,536,196	(772,106)	60,764,304
Taxation	(38,307,062)	(3,787,046)	-	(42,094,108)
Profit / (loss) after taxation	17,693,152	1,749,150	(772,106)	18,670,196
OTHER INFORMATION				
Segment assets	889,827,090	137,870,324	4,116,543	1,031,813,957
Unallocated assets				37,532,140
Total assets				1,069,346,096
Segment liabilities	648,420,151	43,952,019	33,813,484	726,185,654
Unallocated liabilities				(191,005,665)
Total liabilities				535,179,989
Capital expenditure	31,317,934	3,120,000	-	34,437,934
Unallocated capital expenditure				-
Total capital expenditure				34,437,934
Depreciation	50,488,217	27,940,144	772,106	79,200,466

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2017

	Textile	Cold Storage	Food Stuff	Total
	----- (Rupees) -----			
Turnover	1,524,540,566	133,174,444	2,602,695	1,660,317,705
Cost of sales and services	(1,512,590,542)	(107,026,899)	(707,847)	(1,620,325,288)
Gross profit	11,950,024	26,147,546	1,894,848	39,992,418
Distribution costs	(11,601,038)	(1,987,769)	-	(13,588,807)
Administrative expenses	(43,265,517)	(3,779,165)	(71,720)	(47,116,402)
Other income	3,812,786	16,333,760	-	20,146,546
Operating loss	(39,103,745)	36,714,372	1,823,128	(566,245)
Finance costs	(37,227,891)	(6,559,600)	-	(43,787,491)
Other operating expense	(600,609)	(52,466)	(1,025)	(654,100)
Loss before taxation	(76,932,245)	30,102,306	1,822,103	(45,007,836)
Taxation	28,622,637	(11,199,561)	-	17,423,076
Loss after taxation	(48,309,608)	18,902,745	1,822,103	(27,584,760)
OTHER INFORMATION				
Segment assets	793,265,209	280,317,973	4,902,649	1,078,485,831
Unallocated assets				76,505,063
Total assets				<u>1,154,990,894</u>
Segment liabilities	646,142,506	85,506,419	-	731,648,925
Unallocated liabilities				99,694,436
Total liabilities				<u>831,343,361</u>
Capital expenditure	176,742,458	117,284,521	1,490,324	295,517,303
Unallocated capital expenditure				-
Total capital expenditure				<u>295,517,303</u>
Depreciation	36,398,905	31,583,501	697,590	68,679,996

41 NUMBER OF EMPLOYEES

	2018	2017
Number of employees at 30 June	<u>183</u>	<u>193</u>
Average number of employees during the year	<u>178</u>	<u>180</u>
Number of factory employees at 30 June	<u>167</u>	<u>176</u>
Average number of factory employees during the year	<u>166</u>	<u>168</u>

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42 CORRESPONDING FIGURES

Corresponding figures and balances have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.

43 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on September 28, 2018 have proposed a cash dividend of Rs. 2-00 (2017: Nil) per share amounting to Rs. 17,187,500-00 (2017: Rs.Nil/-).

44 GENERAL

Amounts have been rounded off to the nearest rupee.

45 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 28 SEP 2018 by the Board of Directors of the Company.

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(Mohammed Irfan Nawab)
Chief Executive


(Mohammed Younus Nawab)
Chairman


(Abdul Hussain Antaria)
Chief Financial Officer

**Independent Auditor's Report to the members of
Sana Industries Limited**

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **Sana Industries Limited** and its subsidiary (the Group), which comprise the consolidated statement of financial position as at **30 June 2018**, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Following are the key audit matters:

Key audit matter	How the matter was addressed in our audit
1. First time application of third and fourth schedules to the Companies Act, 2017	
<p>As referred to in note 5.1 to the annexed financial statements, the third and fourth schedules to the Companies Act, 2017 became applicable for the first time for the preparation of the Group's annual financial statements for the year ended June 30, 2018.</p> <p>The Companies Act, 2017 (including third and fourth schedules) forms an integral part of the statutory financial reporting framework as applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements.</p> <p>As part of this transition to the requirements of the said third and fourth schedules, the management performed a gap analysis to identify differences between the previous reporting framework and the current reporting framework and as a result assessed the amendments (as specified in the said note 5.1) relating to disclosures required in the Group's financial statements.</p> <p>We consider it as a key audit matter in view of the extensive impacts in the financial statements due to the Companies Act, 2017.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Considering the management's process to identify the necessary amendments required in the Group's financial statements. • Evaluating the results of management's analysis and key decisions taken in respect of the transition, using our knowledge of the relevant requirements of the third and fourth schedules to the Companies Act, 2017 and our understanding of the Group's operations and business. • Assessing the adequacy and appropriateness of the additional disclosures and changes to the previous disclosures made in the annexed financial statements based on the new requirements.
2. Retirement Benefits	
<p>As described in the Accounting Policies in note 6.13 and in note 19.3 to the accompanying consolidated financial statements, the Holding</p>	<p>We evaluated the management assessment of the assumptions made in the valuation of the scheme liabilities, and evaluated the information</p>

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<p>Company has a defined benefit gratuity plan for its employees.</p> <p>At June 30, 2018, the Holding Company recorded a net retirement benefit asset of Rs. 0.925 million (2017: Rs. 18.158 million).</p> <p>The liability determined on the basis of certain assumptions such as discount rate, inflation and working life of employees, which are complex and an area of significant judgement; changes in any of these assumptions can lead to a material movement in the liability.</p>	<p>contained within the actuarial valuation report for the scheme. We assessed the design and implementation of controls in respect of the gratuity scheme valuation process.</p> <p>We tested the significant assumptions used in the valuation of the scheme and, with support from other publicly available data and other actuarial reports, we considered the process applied by the Holding Company's actuary, the scope of the valuation performed and the key assumptions applied and evaluated their expertise. We benchmarked and performed a sensitivity analysis on the key variables in the valuation model, including:</p> <ul style="list-style-type: none"> • Salary increases; • Mortality rates; and • Discount rates.
<p>3. Contingencies</p>	
<p>The Group is subject to material litigations involving different courts pertaining to taxation and other matters, which requires management to make assessment and judgements with respect to likelihood and impact of such litigations. Management have engaged independent legal counsel on these matters.</p> <p>The accounting for, and disclosure of, contingencies is complex and is a matter of most significance in our audit because of the judgements required to determine the level of certainty on these matters. The details of contingencies along with management's assessment and the related provisions are disclosed in note 24 to the financial statements.</p>	<p>In response to this matter, our audit procedures included:</p> <ul style="list-style-type: none"> • Discussing legal cases with the legal department to understand the management's view point and obtaining and reviewing the litigation documents in order to assess the facts and circumstances. • Obtaining independent opinion of legal advisors dealing with such cases in the form confirmations. • We also evaluated the legal cases in line with the requirements of IAS 37: Provisions, contingent liabilities and contingent assets. The disclosures of legal exposures and provisions were assessed for completeness and accuracy.



Information Other than the Consolidated Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Muniff Ziauddin & Co.

Chartered Accountants

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From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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



Chartered Accountants

Place: Karachi

Date: 28 SEP 2018

SANA INDUSTRIES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018

		2018	2017 Restated	2016 Restated
	Note	←----- Rupees -----→		
ASSETS				
NON CURRENT ASSETS				
Property, plant and equipment	8	672,751,364	629,166,481	495,181,253
Long-term deposits		6,443,551	3,165,251	1,213,251
		679,194,915	632,332,232	496,394,504
CURRENT ASSETS				
Stock-in-trade	9	176,173,176	233,838,716	228,031,479
Trade debts - unsecured	10	289,710,095	208,298,549	259,094,056
Loans and advances	11	26,750,976	32,090,488	29,530,847
Trade deposits and short-term prepayments	12	6,230,978	2,273,945	837,265
Other receivables	13	33,042,245	29,303,495	16,154,906
Taxation - net		63,139,974	49,997,350	17,454,638
Cash and bank balances	14	43,690,361	9,018,917	40,065,539
		638,737,805	564,821,460	591,568,730
TOTAL ASSETS		1,317,932,720	1,197,153,692	1,087,963,234
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital				
10,000,000 Ordinary shares of Rs. 10/- each		100,000,000	100,000,000	100,000,000
Issued, subscribed and paid-up capital				
8,593,750 (June 30, 2017: 8,593,750)				
Ordinary shares of Rs. 10/- each	15	85,937,500	85,937,500	85,937,500
Revenue reserves				
General reserves		132,500,000	132,500,000	132,500,000
Unappropriated profit		115,272,329	97,800,445	158,287,910
Equity attributable to the shareholders of Holding Company		333,709,829	316,237,945	376,725,410
Non controlling interest		27,472,072	3,830,797	5,081,148
Total equity		361,181,901	320,068,742	381,806,558
NON CURRENT LIABILITIES				
Long-term musharaka	16	135,879,598	136,897,260	68,236,148
Long-term liability	17	40,029,608	-	-
Deferred liabilities	18	43,777,581	15,276,925	55,250,060
		219,686,787	152,174,185	123,486,208
CURRENT LIABILITIES				
Trade and other payables	19	157,622,028	150,796,347	104,024,873
Finance cost payable	20	8,720,734	9,421,753	7,163,997
Loans from directors and associates	21	64,960,000	100,690,000	36,844,435
Current portion of long-term musharaka	16	55,453,527	64,258,253	49,422,617
Current portion of long-term liability	17	17,188,897	-	-
Unclaimed dividend		1,650,116	1,970,535	1,869,184
Short term morabaha	22	431,468,730	387,773,877	383,345,362
		737,064,031	724,910,765	582,670,468
CONTINGENCIES AND COMMITMENTS	23			
TOTAL EQUITY AND LIABILITIES		1,317,932,720	1,197,153,692	1,087,963,234

The annexed notes from 1 to 44 form an integral part of these financial statements.


(Mohammed Irfan Nawab)
Chief Executive


(Mohammed Younus Nawab)
Chairman


(Abdul Hussain Antaria)
Chief Financial Officer

**SANA INDUSTRIES LIMITED
CONSOLIDATED PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
Turnover	24	2,028,802,961	1,728,182,115
Cost of sales & services	25	(1,852,302,057)	(1,674,974,109)
Gross profit		176,500,904	53,208,006
Distribution expenses	26	(18,533,721)	(14,359,347)
Administrative expenses	27	(57,165,792)	(49,619,927)
		(75,699,513)	(63,979,274)
Other income	28	40,801,642	4,117,442
Other operating expense	29	(5,064,837)	(729,100)
		35,736,806	3,388,342
Operating profit / (loss)		136,538,197	(7,382,925)
Finance costs	30	(50,142,770)	(43,790,714)
Profit / (loss) before taxation		86,395,427	(51,173,639)
Taxation	31	(43,433,884)	14,947,052
Profit / (loss) after taxation		42,961,544	(36,226,587)
Attributable to:			
- Shareholders of the Holding Company		29,220,269	(34,976,236)
- Non - controlling interest		13,741,275	(1,250,351)
		42,961,544	(36,226,587)
Earning / (loss) per share - Basic and diluted	32	3.40	(4.07)

Restated

The annexed notes from 1 to 44 form an integral part of these financial statements.


(Mohammed Irfan Nawab)
Chief Executive


(Mohammed Younus Nawab)
Chairman


(Abdul Hussain Antaria)
Chief Financial Officer

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SANA INDUSTRIES LIMITED
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017 Restated
	<----- Rupees ----->	
Net Profit / (loss) for the year	42,961,544	(36,226,587)
Items that will not be reclassified to statement of profit or loss in subsequent period		
Remeasurements of staff employment benefit	(16,783,406)	6,618,689
Related deferred tax	5,035,022	(2,051,794)
	(11,748,384)	4,566,895
Total comprehensive loss for the year	<u>31,213,159</u>	<u>(31,659,691)</u>
Attributable to:		
- Shareholders of the Holding Company	17,471,884	(30,409,340)
- Non - controlling interest	13,741,275	(1,250,351)
	<u>31,213,159</u>	<u>(31,659,691)</u>

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The annexed notes from 1 to 44 form an integral part of these financial statements.


(Mohammed Irfan Nawab)
Chief Executive


(Mohammed Younus Nawab)
Chairman


(Abdul Hussain Antaria)
Chief Financial Officer

SANA INDUSTRIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Issued, subscribed and paid-up capital	REVENUE RESERVES			Sub - total	Total equity attributable to the shareholders of Holding	Non - controlling interest
		General reserves	Un-appropriated profit				
Balance as at 30 June, 2016 - (Previously reported)	85,937,500	132,500,000	139,519,910	289,207,410	357,957,410	5,081,148	
Correction of error (note 7.1)	-	-	18,768,000	18,768,000	18,768,000	-	
Balance as at 30 June, 2016 - (Restated)	85,937,500	132,500,000	158,287,910	307,975,410	376,725,410	5,081,148	
Transactions with owners:							
Final dividend for the year ended June 30, 2016 @ Rs. 3.5 per share	-	-	(30,078,125)	(30,078,125)	(30,078,125)	-	
Loss after taxation for the year ended June 30, 2017	-	-	(34,976,236)	(34,976,236)	(34,976,236)	(1,250,351)	
Other comprehensive income (Restated)	-	-	4,566,895	4,566,895	4,566,895	-	
Balance as at 30 June, 2017 - (Restated)	85,937,500	132,500,000	97,800,445	247,487,945	316,237,945	3,830,797	
Non-controlling interest arising on further issue of shares	-	-	-	-	-	9,900,000	
Profit after taxation for the year ended June 30, 2018	-	-	29,220,269	29,220,269	29,220,269	13,741,275	
Other comprehensive income	-	-	(11,748,384)	(11,748,384)	(11,748,384)	-	
Balance as at 30 June, 2018	85,937,500	132,500,000	115,272,329	264,959,829	333,709,829	27,472,072	

The annexed notes from 1 to 41 form an integral part of these financial statements.


 (Muhammad Irfan Nawab)
 Chief Executive


 (Muhammad Younus Nawab)
 Chairman


 (Abdul Hussain Antaria)
 Chief Financial Officer


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SANA INDUSTRIES LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017 Restated
Note	<----- Rupees ----->	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit / (loss) before taxation	86,395,427	(51,173,639)
Adjustments for:		
Depreciation	87,164,022	71,500,041
Gain on sale of fixed assets	(650,230)	(3,736,496)
Gain on remeasurement of liability to fair value	(17,832,231)	-
Profit on bank accounts	(197,726)	(380,946)
Provision for staff benefits	825,559	6,389,413
Finance costs	50,142,770	43,790,714
Operating profit before working capital changes	<u>205,847,590</u>	<u>66,389,087</u>
Decrease in current assets	33.1 (29,204,278)	26,220,199
(Decrease) / Increase in current liabilities	33.2 6,825,681	22,754,900
Cash generated from operations	<u>183,468,993</u>	<u>115,364,186</u>
Finance costs paid	(50,843,789)	(41,532,957)
Income taxes paid	(40,592,995)	(32,632,765)
Staff benefits paid	(56,800)	(713,073)
Long-term deposit	(3,277,800)	(1,952,500)
Net cash inflow from operating activities	<u>88,697,609</u>	<u>38,532,891</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(48,752,797)	(299,916,842)
Investment in subsidiary	-	-
Profit received on bank accounts	197,726	380,946
Proceeds from sale of property, plant and equipment	958,235	98,168,065
Net cash generated from / (used in) investing activities	<u>(47,596,836)</u>	<u>(201,367,832)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares - NCI	9,900,000	-
Receipts under short-term morabaha	33,694,853	14,428,515
(Payments) / Receipts under long-term musharaka	(9,822,388)	83,496,748
Payments of long-term liability	(4,151,375)	-
(Repayments) / Borrowings from directors and associates	(35,730,000)	63,845,565
Dividend paid	(320,419)	(29,976,774)
Net cash (outflow) / inflow from financing activities	<u>(6,429,329)</u>	<u>131,794,054</u>
Net increase / (decrease) in cash and cash equivalents	<u>34,671,444</u>	<u>(31,040,887)</u>
Cash and cash equivalents at beginning of the year	9,018,917	40,059,805
Cash and cash equivalents at the end of the year	14 <u>43,690,361</u>	<u>9,018,917</u>

The annexed notes from 1 to 44 form an integral part of these financial statements.


(Mohamed Irfan Nawab)
Chief Executive


(Mohammed Younus Nawab)
Chairman


(Abdul Hussain Antaria)
Chief Financial Officer

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SANA INDUSTRIES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

1 NATURE OF BUSINESS

- 1.1** The Group consist of Sana Industries Limited (the holding Company) and Sana Logistics (Private) Limited (the subsidiary Company).
- 1.2** Sana Industries Limited (the holding Company) was incorporated in Pakistan as a public limited Company under the Companies Ordinance, 1984. The shares of the Company are quoted on the Pakistan Stock Exchange. The Company is engaged in the following activities.
- i) manufacturing and sale of man-made blended yarn;
 - ii) providing services in respect of cold storage through "compartmentalized cold store project";
 - iii) food stuff (processing of ready to eat meals).
- 1.3** Sana Logistics (Private) Limited (the subsidiary Company) was incorporated in Pakistan as a private limited Company under the Companies Ordinance, 1984 on 18th day of August 2015. The principle activity of the subsidiary company is to provide services in respect of Dry Storage through compartmentalized store project.

Geographical location and address of business unit / mill:

<p>Karachi 33-D-2, Block 6, PECHS, Karachi SF-96, S.I.T.E, Karachi Survey no. 54 deh gondpass, situated at tapo gabapat, kemari town, Karachi</p>	<p>Purpose Head office Warehouse Cold storage facility</p>
<p>Hub Land bearing No. B-183 to B-188, B 197 to B-199 and Private Land Khasra No. 760, 761,767 & 770, located at Hub trading estate, situated at Tehsil Hub, District Lasbela, Baluchistan</p>	<p>Production Mill</p>

2 SIGNIFICANT TRANSACTIONS AND EVENTS AFFECTING THE GROUP'S FINANCIAL POSITION AND PERFORMANCE

- a) During the year, the subsidiary Company has issued 4 million ordinary shares right issue of Rs. 10 each.
- b) During the year, the holding Company has repaid its long term debt and loan from directors & associates of Rs. 74.73 million and Rs. 63.83 million respectively.
- c) Due to the applicability of the Companies Act, 2017, certain disclosures of the consolidated financial statements are prepared in accordance with new enactments and the Fourth Schedule.
- d) For a detailed discussion about the Group's performance please refer to the Directors' report.

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3 BASIS OF PREPARATION

3.1 Consolidated financial statements

These are the consolidated financial statements of the Group in which investment in subsidiary is accounted for on the basis of direct or indirect equity interest rather than on the basis of reported results and net assets of the investee. Unconsolidated financial statements of the Group are prepared separately.

3.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting
- Provisions of and directives issued under the Companies Act, 2017.

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

4 BASIS OF MEASUREMENT

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

These consolidated financial statements are presented in Pak rupees which is the Group's functional and presentation currency.

5 NEW AND REVISED STANDARDS AND INTERPRETATIONS

5.1 New and amended standards and interpretation to published approved accounting standards that are effective in the current year

The third and fourth schedule to the Companies Act, 2017 became applicable to the Group for the first time for the preparation of these consolidated financial statements. The Companies Act, 2017 (including its third and fourth schedule) forms an integral part of the statutory consolidated financial reporting framework applicable to the Group and amongst others, prescribes the nature and content of disclosures in relation to various elements of the consolidated financial statements. Additional disclosures include but are not limited to, particulars of immovable assets of the Group (refer note 8), change in threshold for identification of executives (refer note 34), additional disclosure requirements for related parties (refer note 15 and 35) etc. The other amendments to published standards and interpretations that were mandatory for the Group's financial year ended June 30, 2018 are considered not to be relevant or to have any significant effect on the Group's financial reporting and therefore not disclosed in these consolidated financial statements.

5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

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5.3 Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 Share-based Payment (Amendments)	January 1, 2018
IFRS 9 Financial Instruments	July 1, 2018
IFRS 9 Financial Instruments (amendments)	January 1, 2018
IFRS 10 Consolidated financial statements and IAS 28 (amendments)	Not yet finalized
IFRS 15 Revenue from Contracts with Customers	July 1, 2018
IFRS 16 Leases	January 1, 2019
IFRS 4 Insurance Contracts (Amendments)	January 1, 2018
IAS 40 Investment Property (Amendments)	January 1, 2018
IAS 19 Employee Benefits (amendments)	January 1, 2019
IAS 28 Investments in Associates and Joint Ventures (Amendments)	January 1, 2019
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019

The Group expects that the adoption of the above amendments and interpretations will not affect its consolidated financial statements in the period of initial application except for IFRS 9 - consolidated financial Instruments, IFRS 15 - Revenue from contracts with customers and IFRS 16 - Leases. The Group is currently evaluating the impact of the said standard.

In addition to the above standards and amendments, improvements to the various accounting standards have also been issued by IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018 and January 01, 2019 respectively. The Group expects that such improvements to the standards will not have any impact on the Group's consolidated financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of consolidated financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 17 Insurance Contracts	January 1, 2021

6 SIGNIFICANT ACCOUNTING POLICIES

6.1 Property, plant and equipment

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

Depreciation is charged to profit and loss account 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 8.1. 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 is the greater of net selling price and value in use.

Maintenance and normal repairs are charged to profit and loss account 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 Group.

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.

The carrying value of property, plant and equipment are reviewed at each reporting date for indication that an asset may be impaired and carrying values 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.

6.2 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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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6.3 Stock-in-trade

These are stated at the lower of net realizable value (NRV) and cost determined as follows:

- | | |
|--------------------------------------|---|
| - Raw and packing material | - on a weighted average basis; |
| - Stock-in-transit | - at invoice price plus other charges paid thereon; |
| - Work-in-process and finished goods | - at weighted average cost of raw material and applicable |
| - 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.

6.4 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.

6.5 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.

6.6 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purposes of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

6.7 Long and short-term borrowings

These are recorded at the proceeds received. Installments due within one year are shown as a current liability and mark-up on borrowings is charged as an expense on an accrual basis.

6.8 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.

6.10 Provisions

Provisions are recognised when the Group 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.

6.11 Financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights under the instruments are realised, expired or surrendered. Financial liabilities are derecognised when the obligation is extinguished, discharged, cancelled or expired. Any gain or loss on recognition or derecognition of the financial assets and financial liabilities is taken to profit and loss account.

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6.12 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet only when the Group has a legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Corresponding income and expenditure is also netted off and recorded on a net basis in profit and loss account.

6.13 Employee benefits

6.13.1 Compensated absences

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

6.13.2 Defined benefit scheme

The holding Company operates a recognised, funded defined benefit gratuity scheme for all its permanent employees which is administered by the Trustees. Contributions are made to the fund on the basis of actuarial valuation carried out each year using Projected Unit Credit Method. Under this method, the cost of providing gratuity is charged to the profit and loss account so as to spread the cost over the service lives of the employees in accordance with the advice of qualified actuaries.

All actuarial gains and losses are recognised in 'other comprehensive income' as they occur. Previously actuarial gains / losses exceeding 10 percent of the higher of the present value of the defined benefit obligation and fair value of plan assets at the beginning of the year, were amortised over the expected average working lives of the employees participating in the plan.

6.14 Taxation

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 tax paid on presumptive basis, minimum tax and alternate corporate tax u/s 113C.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting 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.

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.

6.15 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.

Revenue from services in respect of cold storage is recognised on accrual basis.

Profit on bank accounts is recognised on accrual basis.

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Rental income from investment property is recognized as other income on a straight line basis over the term of the lease.

6.16 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.

6.17 Segment reporting

Segment reporting is based on the operating (business) segments of the Group. An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to the transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief executive to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the chief executive include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Those incomes, expenses, assets, liabilities and other balances which cannot be allocated to a particular segment on a reasonable basis are reported as unallocated.

The Group has three reportable business segments; Textile (Manufacturing and sale of man-made blended yarn), Cold storage (Providing services in respect of cold storage through "compartmentalized cold store project) and Food stuff (Processing of "ready to eat" meals).

6.18 Related party transactions

All transactions with related parties are carried on an arm's length basis.

6.19 Dividend and appropriation to reserves

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

6.20 Investments in subsidiary and associated company

Investments in subsidiary and associated company are carried at cost less impairment, if any. Impairment losses are recognized as an expense. At each reporting date, the holding Company reviews the carrying amounts of investments and its recoverability to determine whether there is an indication that such investments have suffered an impairment loss. If any such indication exists, the carrying amount of the investments is adjusted to the extent of impairment loss which is recognized as an expense in profit or loss account.

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7 CRITICAL ESTIMATES, JUDGEMENTS AND ERRORS

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group'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. Revisions to accounting estimates are recognised in the period in which the estimates is revised and in any future periods affected.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments which are significant to the consolidated financial statements:

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 Group. Further, the Group 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.

Staff retirement benefits

Certain actuarial assumptions have been adopted as disclosed in note 18.4.5 to the consolidated 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. The actuarial valuation involves making assumptions about discount rate, future salary increases, mortality rates, withdrawal rates and normal retirement age.

Taxation

In making the estimates for income taxes payable by the Group, the management considers applicable tax laws 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.

Stock-in-trade

The holding Company reviews the Net Realizable Value (NRV) of stock-in-trade to assess any diminution in respective carrying value.

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7.1 CORRECTION OF ERROR

During the year ended June 30, 2016, the actuarial loss on present value of defined benefit obligation was over-stated by Rs. 27.6 million as the same amount was treated by the actuary as the reduction of the liability which was actually just a withdrawal of the plan assets of the holding company.

During the year ended June 30, 2017, the holding Company had paid gratuity amounting to Rs. 13.77 million on behalf of the fund and the same was subsequently recovered by the holding company from the fund in the same year. However, the actuarial report has not accounted for the payment received from the fund by the holding company.

	June 30, 2016 Previously stated	Increase / (Decrease)	June 30, 2016 Restated	June 30, 2017 Previously stated	Increase / (Decrease)	June 30, 2017 Restated
Balance sheet (extract)						
Payable to Gratuity fund -						
Trade and other payables	27,600,000	(27,600,000)	-	-	-	-
Deferred liabilities	46,418,060	8,832,000	55,250,060	40,487,147	(25,210,222)	15,276,925
Unappropriated profit	139,538,023	18,749,887	158,287,910	74,125,533	23,674,912	97,800,445
	June 30, 2016 Previously stated	Increase / (Decrease)	June 30, 2016 Restated	June 30, 2017 Previously stated	Increase / (Decrease)	June 30, 2017 Restated
Statement of comprehensive income (extract)						
Remeasurements of staff						
employment benefit	(44,719,890)	27,600,000	(17,119,890)	(11,231,311)	17,850,000	6,618,689
Related deferred tax	14,310,365	(8,832,000)	5,478,365	3,481,706	(5,533,500)	(2,051,794)

During the year ended 30 June 2017, the Loss per share was erroneously computed on the total profit after tax rather than the profit attributable to the shareholders of the holding Company. The amount of the correction for both basic and diluted earnings per share was an increase of Rs. 0.15 cents per share.

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B PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets
Capital work-in-progress

	2017 Rupees	2018 Rupees
	628,328,927	667,553,390
	837,554	5,197,974
	<u>629,166,481</u>	<u>672,751,364</u>

B.1 Operating fixed assets

2018 PARTICULARS	COST		ACCUMULATED DEPRECIATION				BOOK VALUE AS AT JUNE 30, 2018	
	AS AT JULY 01, 2017	ADDITIONS (DELETIONS)	AS AT JUNE 30, 2018	RATE % per annum	AS AT JULY 01, 2017	ADJUSTMENTS ON DISPOSAL		DEPRECIATION FOR THE YEAR
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
Building on leasehold land	206,397,399	7,375,043	213,772,442	10	96,446,988	-	15,371,324	111,818,312
Electrification - Factory Building	18,490,358	1,948,256	20,438,614	10	11,816,265	-	1,052,769	12,870,034
Office Premises SF/96	12,711,263	-	12,711,263	10	8,103,417	-	1,036,515	9,133,932
Plant and machinery	862,042,631	8,291,483 (6,527,963)	843,806,151	10	405,873,545	(38,780,042)	56,340,964	433,434,467
Handing equipments	40,992,521	64,780,853	125,773,374	10 & 20	11,930,558	-	6,233,133	18,163,691
Furniture, fixtures and office equipments	12,136,793	1,189,489	13,306,282	10	5,478,998	-	908,143	6,387,141
Lab equipment	311,295	-	311,295	10 & 20	217,907	-	62,259	280,166
Vehicles	36,042,721	103,961 (78,619)	36,067,063	20	19,004,010	(34,773)	5,785,507	34,754,744
Computers & software	2,354,772	492,126	2,846,898	20	1,354,513	-	378,405	1,732,918
Public Cranes	193,425	-	193,425	50	193,424	-	3	193,427
JUNE 30, 2018 - Rupees	1,188,748,512	104,181,252	1,286,322,222		560,419,625	(28,814,815)	87,164,022	618,768,832
Disposals		(6,607,582)						607,553,390

Leasehold land of the Group and building therein, is situated at Land bearing No. B-183 to B-186, B-197 to B-199 and Shweta Land Kharsa No. 760, 761, 767 & 770, located at Hub trading estate, situated at Tiffin Hub, District Larkana, Baluchistan. This comprise of land having area of 87,184 square meters SF-96 is situated at SITE, Karachi bearing an area of 8,200 sq. ft. Another leasehold land and building therein, is situated at survey no. SF-06h godowns, situated at Jago Gabbayat, Kermati town, Karachi. This comprise of land having area of 4.28 acres.

B.2 There was no disposal having net book value in excess of PKR 500,000 during the year ended June 30, 2018

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2017	PARTICULARS	COST			ACCUMULATED DEPRECIATION			BOOK VALUE AS AT JUNE 30, 2017
		AS AT JULY 01, 2016	ADDITIONS (DELETIONS)	AS AT JUNE 30, 2017	RATE % per annum	AS AT JULY 01, 2016	ADJUSTMENTS ON DISPOSAL	
	Leasehold land	47,032,061	14,706,200 (49,722,767)	12,095,494	-	-	-	12,095,494
	SF/96 Premises (Tenancy Rights)	5,000,000	-	5,000,000	-	-	-	5,000,000
	Building on leasehold land	188,482,382	17,914,317	206,397,199	10	80,994,326	15,452,662	109,950,211
	Electrification - Factory Building	16,044,407	2,445,951	18,490,358	10	10,772,856	1,043,409	6,574,093
	Office Premises SF/96	12,711,363	-	12,711,363	10	7,072,902	1,030,515	4,507,946
	Plant and machinery	706,777,996	239,753,059 (104,488,474)	842,042,631	10	422,228,741	43,532,626	436,169,086
	Handling equipments	21,027,033	19,965,468	40,992,501	10 & 20	9,009,343	2,921,215	29,061,943
	Furniture, fixtures and office equipments	11,178,626	1,041,967 (105,800)	12,116,793	10	4,595,765	904,630	6,637,795
	Lab Equipment	311,295	-	311,295	10 & 20	155,648	62,259	93,388
	Vehicles	34,328,975	2,853,746 (1,140,000)	36,042,721	20	11,910,273	(1,139,989)	17,038,711
	Computers & software	2,887,556	316,580 (849,764)	2,354,372	20	1,861,493	(825,969)	1,000,259
	Patent Charges	193,425	-	193,425	50	193,419	-	1
	JUNE 30, 2017 - Rupees	1,045,976,019	299,079,288	1,188,748,552		550,794,766	(61,875,182)	628,328,927
	Disposals		(156,306,755)					

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

Note	2018 Rupees	2017 Rupees
25	55,262,765	49,457,908
25.1	15,054,297	13,192,292
26	-	20,601
27	16,846,960	8,829,247
	87,164,022	71,500,047

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	Note	2018 Rupees	2017 Rupees
9 STOCK-IN-TRADE			
Raw and packing materials	9.1	72,044,178	48,244,279
Work-in-process		28,598,494	16,506,109
Finished goods		74,876,334	168,420,018
Waste stock		654,170	668,310
		<u>176,173,176</u>	<u>233,838,716</u>
9.1 Raw and packing materials			
In hand		70,455,680	48,244,279
In transit		1,588,498	-
		<u>72,044,178</u>	<u>48,244,279</u>
10 TRADE DEBTS			
<i>Unsecured</i>			
Considered good	10.1	289,710,095	208,298,549
		<u>289,710,095</u>	<u>208,298,549</u>
10.1	The above balance does not include amount due from related parties.		
11 LOANS AND ADVANCES			
Loans to employees - secured	11.1	4,509,817	5,352,152
Unsecured advances to:			
- Contractors		1,001,873	926,887
- against imports and local purchases		21,239,286	25,811,449
		<u>22,241,159</u>	<u>26,738,336</u>
		<u>26,750,976</u>	<u>32,090,488</u>
11.1	These represent interest free loans to employees for personal use in accordance with the Group's policy and are secured against balance of gratuity fund. These are recoverable in equal monthly installments.		
12 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Deposits		985,983	489,495
Prepayments		5,244,995	1,784,450
		<u>6,230,978</u>	<u>2,273,945</u>
13 OTHER RECEIVABLES			
Sales tax refundable		29,117,251	26,941,286
Others		3,924,994	2,362,209
		<u>33,042,245</u>	<u>29,303,495</u>

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	Note	2018 Rupees	2017 Rupees
14 CASH AND BANK BALANCES			
<i>With banks - Conventional banking</i>			
- In current accounts		-	502,265
		-	502,265
<i>With banks - Islamic banking</i>			
- In current accounts		40,690,120	4,554,141
- in PLS accounts	14.1	2,252,688	2,987,928
		42,942,808	7,542,069
Cash in hand		747,553	974,583
		<u>43,690,361</u>	<u>9,018,917</u>

14.1 These carry profit at the average rate of 2.94 % per annum (2017: 3.95 % per annum).

15 ISSUED, SUBSCRIBED AND PAID UP CAPITAL

2018 No. of shares	2017 No. of shares	Note	2018 ----- (Rupees) -----	2017 ----- (Rupees) -----
4,000,000	4,000,000	Ordinary shares of Rs.10/- fully paid cash	40,000,000	40,000,000
4,593,750	4,593,750	Ordinary shares of Rs.10/- issued as fully paid bonus shares	45,937,500	45,937,500
<u>8,593,750</u>	<u>8,593,750</u>		<u>85,937,500</u>	<u>85,937,500</u>

15.1 Shares held by the related parties of the Company

Name of the shareholders	2018 Number of shares	2018 Percentage holding	2017 Number of shares	2017 Percentage holding
Directors, CEO, & their spouse				
Mr. Mohammad Younus Nawab	2,321,056	27.01%	2,321,056	27.01%
Mr. Mohammad Irfan Nawab	2,269,372	26.4%	2,269,372	26.4%
Mr. Ibrahim Younus	26,327	0.31%	24,127	0.28%
Mr. Ismail Younus	7,616	0.09%	7,616	0.09%
Mr. Muhammad Faizanullah	28,937	0.34%	19,437	0.23%
Mrs. Sabiha Younus	396,570	4.61%	396,570	4.61%
Mrs. Afshan Irfan	91,562	1.07%	89,062	1.04%

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	Note	2018 Rupees	2017 Rupees
16 LONG-TERM MUSHARAKA			
<i>Secured - Under shariah arrangement</i>			
Habib Metropolitan Bank Limited	16.1	94,557,012	134,513,894
Standard Chartered Bank	16.2	31,872,240	66,641,619
Bank Al- Habib Limited		64,903,873	-
Less: Current portion		(55,453,527)	(64,258,253)
		135,879,598	136,897,260

DIMINSHING MUSHARAKA DISCLOSURE

Date of Disbursement	Nature of Asset	Amount Disbursed	Profit Rate	Floor	Ceiling	Principal Outstanding as at June 30, 2018	Ending Date
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16.1 HABIB METROPOLITAN BANK:

12-Sep-15	Generator WAUKESHA	30,295,680	6M KIBOR + 2%	10%	17%	1,683,094	12-Jul-18
28-Oct-16	Generator WAUKESHA Model VHP5904LTD	30,716,842	6M KIBOR + 2%	7.5%	14%	22,525,680	02-Feb-22
16-Feb-17	4 SETS DRAWFRAMES RIETER	22,997,120	6M KIBOR + 2%	7.5%	14%	19,989,760	20-Mar-22
02-Feb-17	14 sets complete ring spinning frames	55,442,587	6M KIBOR + 2%	7.5%	14%	43,430,028	09-Apr-22
07-Apr-17	4 SETS TWISTER MACHINE	8,660,544	6M KIBOR + 2%	7.5%	14%	6,928,440	22-May-22

94,557,012

16.2 STANDARD CHARTERED BANK:

22-Apr-16	Steel Bulding for AZ	12,445,000	1M KIBOR + 1.75%	-	-	4,148,340	22-Apr-19
22-Apr-16	Civil work for AZ	18,000,000	1M KIBOR + 1.75%	-	-	6,000,000	23-Apr-19
23-Apr-16	Steel Bulding for AZ	10,990,000	1M KIBOR + 1.75%	-	-	3,633,340	24-Apr-19
11-May-16	KVA, Wooden pallets, Cool chain machinery and equipment, Local purchases and Steel building for AZ	27,000,000	1M KIBOR + 1.75%	-	-	9,900,000	11-May-19
23-Aug-16	Reach Truck R20S	8,740,000	1M KIBOR + 1.75%	-	-	3,398,884	23-Aug-19
08-Sep-16	Racking	11,500,000	1M KIBOR + 1.75%	-	-	4,791,675	08-Sep-19

31,872,240

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Date of Disbursement	Nature of Asset	Amount Disbursed	Profit Rate	Floor	Ceiling	Principal Outstanding as at June 30, 2018	Ending Date
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16.3 BANK AL-HABIB LIMITED:

28-Jun-18	Plant and machinery	64,903,874	6M KIBOR + 1.75%	5%	15%	64,903,874	28-Jun-22
						64,903,874	

- 16.4** Securities for the above diminishing musharaka facilities include exclusive charge over the assets financed by the respective banks and personal guarantees of the directors.

	Note	2018 Rupees	2017 Rupees
17 LONG-TERM LIABILITY			
<i>Secured and considered good</i>			
Long-Term Liability		57,218,505	-
Less: Current portion		(17,188,897)	-
		<u>40,029,608</u>	-
18 DEFERRED LIABILITIES			
			Restated
Provision for compensated absences	18.1	1,910,932	1,591,927
Deferred taxation	18.2	42,791,763	31,843,272
Staff retirement benefits	18.3	(925,114)	(18,158,274)
		<u>43,777,581</u>	<u>15,276,925</u>
18.1 Provision for compensated absences			
Balance at beginning of the year		1,591,927	1,386,068
Charge for the year		825,559	918,932
Benefits paid during the year		(506,554)	(713,073)
Balance at end of the year		<u>1,910,932</u>	<u>1,591,927</u>
18.2 Deferred taxation			
Deferred tax (asset) / liability on account of:			
- accelerated depreciation		39,492,957	51,338,312
- unused tax losses and credits		(1,205,984)	(29,034,853)
Remeasurement of defined benefit plans - O.C.I component		<u>4,504,791</u>	<u>9,539,813</u>
		<u>42,791,763</u>	<u>31,843,272</u>

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	Note	2018 Rupees	2017 Rupees Restated
18.3 Staff retirement benefits			
Balance sheet Reconciliation			
Present value of defined benefit obligation	18.4.2	(59,800,160)	(56,539,360)
Fair value of plan assets	18.4.3	60,725,274	74,697,634
		<u>925,114</u>	<u>18,158,274</u>
18.4 Movement			
Balance at beginning of the year		18,158,274	(9,035,404)
Expense for the year	18.4.1	(2,972,123)	(5,470,481)
Other comprehensive income		(16,783,406)	6,618,689
Contribution		120,000	-
Benefits paid on behalf of the fund		2,402,369	-
Amount Reimbursed to the holding Company		-	(1,554,530)
Amount received by the holding Company from the fund		-	27,600,000
Balance at end of the year		<u>925,114</u>	<u>18,158,274</u>
18.4.1 Charge for defined benefit plan			
Current Service cost		4,477,131	5,348,029
Interest cost		(1,505,008)	122,452
		<u>2,972,123</u>	<u>5,470,481</u>
The charge for the year has been allocated as follows:			
Cost of sales and services:			
Manufacturing and service expenses		2,972,123	3,020,921
Fuel and power		-	225,740
		2,972,123	3,246,661
Distribution costs		-	330,741
Administrative expenses		-	1,893,079
		<u>2,972,123</u>	<u>5,470,481</u>
18.4.2 Movement in the present value of defined benefit obligations			
Balance at beginning of the year		56,539,360	52,499,381
Current service cost		4,477,131	5,348,029
Interest cost		4,252,212	3,273,590
Benefits paid during the year		(941,851)	(14,692,827)
Benefits paid on behalf of the fund		(2,402,369)	-
Actuarial (gain) / loss		(2,124,323)	10,111,187
Balance at end of the year		<u>59,800,160</u>	<u>56,539,360</u>

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	2018 Rupees	2017 Rupees Restated
18.4.3 Movement in the fair value of plan assets		
Balance at beginning of the year	74,697,634	43,463,977
Expected return on plan assets	5,757,220	3,151,138
Contribution	120,000	-
Amount Reimbursed to holding Company	-	(1,554,530)
Total benefits paid	(3,344,220)	(14,692,827)
Benefits paid on behalf of the fund	2,402,369	
Loan Amount recovered from the holding Company	-	27,600,000
Actuarial (loss) / gain	(18,907,729)	16,729,876
Balance at end of the year	<u>60,725,274</u>	<u>74,697,634</u>

18.4.4 Remeasurement recognised in other comprehensive income

Remeasurement of present value of defined benefit obligation	2,124,323	(10,111,187)
Remeasurement of present value of fair value of plan assets	(18,907,729)	16,729,876
Remeasurements	<u>(16,783,406)</u>	<u>6,618,689</u>

18.4.5 Principal actuarial assumptions used in the actuarial valuation

Actuarial valuation of the scheme is carried on every year and the latest actuarial valuation was carried out at June 30, 2018. The significant assumptions used for actuarial valuation were as follows:

	2018	2017
Withdrawal Rates	Moderate	Moderate
Mortality Rates	Adjusted SLIC 2001-05	Adjusted SLIC 2001-05
Expected rate of increase in future salaries - per ar	9.00%	7.75%
Discount rate - per annum	9.00%	7.75%
Expected rate of return on plan assets	9.00%	7.75%
Normal Retirement age	60 years	60 years

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18.4.6 Comparison for five years

	2018	2017 Restated	2016 Restated	2015	2014
As at June 30,					
Present value of defined benefit obligations	59,800,160	56,539,360	52,499,381	40,091,714	31,291,361
Fair value of plan assets	(60,725,274)	(74,697,634)	(43,463,977)	(76,899,475)	(58,407,349)
Deficit / (Surplus)	(925,114)	(18,158,274)	9,035,404	(36,807,761)	(27,115,989)
Re-measurement Loss/(Gain) on Obligation	(2,124,323)	10,111,187	(6,762,508)	3,409,215	1,221,234
Re-measurement Loss / (Gain) on Plan Asset	18,907,729	(16,729,876)	(10,357,382)	(13,062,862)	(16,368,523)
Other Comprehensive Income	16,783,406	(6,618,689)	(17,119,890)	(9,653,647)	(15,147,289)

18.4.7 Sensitivity analysis for actuarial assumptions

The sensitivity of the defined benefit obligation to change in the unit credit method assumptions is;

Particulars	PVDBO (Amount of PKR)	PVDBO change (%)
Current Liability	59,547,356	
+1% Discount Rate	55,874,039	-6.17%
-1% Discount Rate	63,737,024	7.04%
+1% Salary Increase Rate	63,987,826	7.46%
-1% Salary Increase Rate	55,585,411	-6.65%
+10% Withdrawal Rate	59,547,356	0.00%
-10% Withdrawal Rate	59,547,356	0.00%
1 Year Mortality age set back	59,547,356	0.00%
1 Year Mortality age set forward	59,547,356	0.00%

2018
Rupees

2017
Rupees

18.4.8 Major categories / composition of plan assets

Equity securities and units of mutual funds	30,599,018	44,223,827
Bank balances	30,126,256	30,473,807
	<u>60,725,274</u>	<u>74,697,634</u>

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.

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The return on plan assets was assumed to equal the discount rate. Actual return on plan assets during the year was Rs. 17,901,837/- (2017: Loss Rs.17,150,083/-)

	Note	2018 Rupees	2017 Rupees
19 TRADE AND OTHER PAYABLES			
Creditors		55,323,442	49,805,616
Accrued expenses		28,068,693	16,224,522
Provision against Gas Infrastructure Development Cess (GIDC) & Rate difference	19.1	44,865,170	66,911,280
Workers' Profits Participation Fund	19.2	17,647,945	14,384,556
Workers' Welfare Fund		1,240,088	-
Sales tax payable		57,919	821,031
Others		10,418,771	2,649,342
		<u>157,622,028</u>	<u>150,796,347</u>
19.1	During the year, no provision has been made by the holding Company in respect of GIDC & rate difference. Refer note 23.2.2 for detailed informaton.		
19.2 Workers' Profit Participation Fund			
Balance at beginning of the year		14,384,556	18,580,042
Payments made during the year		-	(4,489,288)
		<u>14,384,556</u>	<u>14,090,754</u>
Allocation for the year		3,263,389	-
Finance charge on WPPF		-	293,802
Balance at end of the year		<u>17,647,945</u>	<u>14,384,556</u>
20 FINANCE COST PAYABLE			
Accrued morabaha profit		8,364,882	7,546,271
Accrued diminishing musharaka profit		355,852	1,875,482
		<u>8,720,734</u>	<u>9,421,753</u>
21 LOANS FROM DIRECTORS AND ASSOCIATES - unsecured			
Borrowings from directors	21.1	20,780,000	78,130,000
Borrowings from associates		44,180,000	22,560,000
		<u>64,960,000</u>	<u>100,690,000</u>
21.1	This represents short-term interest free borrowings from directors to meet working capital requirements.		
22 SHORT-TERM MORABAHA			
<i>Secured - Under shariah arrangement</i>			
Habib Metropolitan Bank Morabaha	22.1	300,960,627	285,622,078
Standard Chartered Bank Morabaha	22.2	130,508,103	112,151,799
		<u>431,468,730</u>	<u>397,773,877</u>

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22.1 Short-term Morabaha arrangement had been obtained from a commercial bank for the regular purchases of raw material. The banks has approved a facility of Rs.315 (2017: Rs.300 million). The effective rate of profit on Morabaha facility ranges between 9.03% to 8.11% , based on 6 months KIBOR + 2.00% per annum. The arrangement is secured against first charge over stocks and receivables, land, building and plant & machinery (except assets financed under diminishing musharaka by another financial institution) located at H.I.T.E., Hub, Baluchistan, execution of promissory notes and personal guarantees of three directors of the holding Company.

22.2 Short-term Morabaha arrangement has been obtained for the regular purchases of raw material. The bank has approved limit of Rs.134 million (2017 :Rs 134 million). The effective rate of profit on Murabaha facility ranges between 7.63% to 8.42% (based on 3 months KIBOR + 1.75% per annum), The arrangement is secured against first charge over Stocks and receivables, located at H.I.T.E., Hub, Baluchistan, execution of promissory notes and personal guarantees of three directors of the holding Company.

2018	2017
Rupees	Rupees

23 CONTINGENCIES AND COMMITMENTS

23.1 Commitments

Irrevocable letter of credits	76,107,960	105,348,897
Letter of guarantee issued by a commercial bank	22,861,098	22,861,098
Custom duty, sales tax, FED and Income tax on goods in transit	129,550	164,199

23.2 Contingencies

23.2.1 Further tax applied on company's yarn Sales at the rate of 1% has been suspended by the Islamabad High Court through W.P. NO. 416/2018. The holding Company's legal counsel is of the opinion that the matter shall be decided in the company's favour, therefore, no provision of further tax has been made during the year.

23.2.2 In December 2011, the Federal government for the first time, imposed the levy of gas Infrastructure Development Cess (the cess) through the promulgation of the gas Infrastructure Development Cess Act, 2011(GIDC Act, 2011) which subsequently, was widely challenged on several legal grounds. In June 2013, the honorable high court of Peshawar, in the case titled M/s Ashraf Industries vs Federation of Pakistan passed a judgment whereby it struck down GIDDC Act, 2011 declaring the said laws as unconstitutional. The honorable Supreme Court of Pakistan, Dismissed the review petition filed by the Federation of Pakistan against the aforesaid judgment of the Honorable high Court of Peshawar, and thereby upheld the said judgment. Therefore, the holding Company has reversed the provision in respect of GIDC upto 30 June 2015.

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Following the judgment of the Apex Court, the GIDC Ordinance, 2014 received Presidential assent after having been passed by both the houses of parliament as gas infrastructure development cess Act, 2015 (GIDC Act, 2015). The GIDC Act, 2015 has been challenged on legal and other grounds. In October 2016, the Honorable High Court of Sindh passed a judgment whereby it declared the GIDC Act, 2015 as unconstitutional. Therefore, no further provision has been made during the year.

Furthermore, the Gas prices had been notified with effect from 1st January 2017 at the Rate of 600 Rupees per MMBTU. The notification has been suspended and therefore Rs. 112/- per MMBTU are being submitted to the Sindh High Court every month. And this relief has been provided by the Sindh High Court in reply to the holding Company's Suit No. 129/2017. The total of the amounts concerned till 30th June 2017 have been provisioned for accordingly and no further provision has been made during the year.

	Note	2018 Rupees	2017 Rupees
24 TURNOVER			
Textile			
Manufacturing			
- local		1,690,979,029	1,434,780,105
- export		-	-
Trading		14,698,981	82,409,861
Waste stock		7,711,709	7,783,815
		<u>1,713,389,719</u>	<u>1,524,973,781</u>
Less: Commission and discounts		(7,399,398)	(433,215)
<i>Cold storage</i>		322,812,640	201,038,854
Food stuff division			
- local		-	2,602,695
		<u>2,028,802,961</u>	<u>1,728,182,115</u>
25 COST OF SALES & SERVICES			
Raw and packing material consumed			
Opening stock		48,244,279	72,337,421
Purchases		1,080,068,600	1,031,456,758
Closing stock		(72,044,178)	(48,244,279)
		<u>1,056,268,701</u>	<u>1,055,549,900</u>
Manufacturing and services expenses			
Fuel and power	25.1	189,976,416	212,711,386
Salaries, wages and benefits		331,067,226	274,449,418
Services procured		10,085,262	16,017,618
Repairs and maintenance		50,163,664	69,866,085
Insurance		4,657,178	5,508,808
Rent, rates and taxes		30,534,165	5,895,455
Depreciation	8.3	55,262,765	49,457,908
Security		7,888,695	4,928,209
Others		34,932,546	18,825,060
		<u>714,567,917</u>	<u>657,659,947</u>
		<u>1,770,836,618</u>	<u>1,713,209,847</u>

	Note	2018 Rupees	2017 Rupees
Work-in-process			
Opening		16,506,109	28,079,306
Closing		(28,598,494)	(16,506,109)
		(12,092,385)	11,573,197
Finished goods and waste stock			
Opening		169,088,328	119,279,393
Closing		(75,530,504)	(169,088,328)
		93,557,824	(49,808,935)
		<u>1,852,302,057</u>	<u>1,674,974,109</u>

25.1 FUEL AND POWER

Generation cost:

Salaries, wages and benefits		-	392,213
Fuel expenses		158,920,328	144,735,534
Electricity		-	31,224,216
Oil and lubricants		3,920,624	5,415,321
Generator rent expense		140,000	5,320,000
Generator operation and maintenance		6,294,043	5,636,004
Repairs and maintenance		4,125,806	5,835,425
Depreciation	8.3	15,054,297	13,192,292
Insurance		517,110	591,820
Electricity duty		339,648	268,561
Others		664,560	100,000
		<u>189,976,416</u>	<u>212,711,386</u>

26 SELLING & DISTRIBUTION EXPENSES

Salaries, wages and benefits		3,856,843	3,775,244
Packing and forwarding expenses		9,088,880	9,296,199
Communication		367,349	295,254
Sales promotion expenses		5,220,649	775,969
Depreciation	8.3	-	20,601
Fees and subscription		-	196,080
		<u>18,533,721</u>	<u>14,359,347</u>

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	Note	2018 Rupees	2017 Rupees
27 ADMINISTRATIVE EXPENSES			
Salaries, wages and benefits		23,091,618	22,816,941
Printing and stationery		465,928	400,211
Legal and professional charges		2,116,764	4,036,960
Fees and subscription		1,094,822	862,477
Travelling and conveyance		42,204	318,073
Repairs and maintenance		1,923,750	1,473,527
Rent rates and taxes		8,434,000	7,756,000
Depreciation	8.3	16,846,960	8,829,247
Security expenses		520,274	522,233
Electricity and gas		1,285,347	1,198,144
Insurance		393,829	310,885
Miscellaneous		950,296	1,095,229
		57,165,792	49,619,927
28 OTHER INCOME			
<i>Income from non financial assets:</i>			
Rental income		-	-
Gain on disposal of fixed assets		650,230	3,736,496
Reversal of GIDC provision	28.1	22,046,110	-
Prior Year Sales Tax Refund Dec-2009		75,345	-
<i>Income from financial assets:</i>			
Gain on remeasurement of liability to fair value		17,832,231	-
Return on deposits - from Islamic side of bank		197,726	380,946
		40,801,642	4,117,442
28.1	This represents reversal of provision against GIDC upto 30th June 2015 which has further explained in note 23.2.2.		
29 OTHER OPERATING EXPENSE			
Workers' Profit Participation Fund		3,263,389	-
Auditors' remuneration	29.1	561,360	729,100
Workers Welfare Fund		1,240,088	-
		5,064,837	729,100
29.1 Auditors' remuneration			
Audit fee		471,800	431,400
Fee for half yearly review		32,400	32,400
Statutory certifications		23,760	81,000
Advisory		-	151,200
Out of pocket expenses		33,400	33,100
		561,360	729,100

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	Note	2018 Rupees	2017 Rupees
30 FINANCE COSTS			
Markup on short term loan - Shariah arrangement			
Profit on morabaha		33,529,129	32,012,877
Profit on diminishing musharaka		13,797,386	10,941,883
		47,326,515	42,954,760
Morabaha documentation charges		60,122	119,598
Local L/C charges		228,974	222,850
Bank charges		2,024,172	173,845
Finance charge on WPPF		-	293,802
Exchange fluctuation charges		502,987	25,859
		50,142,770	43,790,714
		2018	2017
		Rupees	Rupees

31 TAXATION

Current	25,347,586	678,644
Prior	2,102,784	(588,587)
Deferred	15,983,513	(15,037,109)
	43,433,884	(14,947,052)

31.1 No reconciliation of accounting profit and tax expense has been made because income of the Group is subject to the minimum tax under section 113 of Income Tax Ordinance, 2001.

31.2 As per the management's assessment, sufficient tax provision has been made in the Group's consolidated financial statements. The comparison of tax provision as per the consolidated financial statements viz-a-viz tax assessment for last three years is as follows:

	Deemed assessment	Provision
	<----- Rupees ----->	
Tax Year 2017	2,781,428	678,644
Tax Year 2016	15,207,423	15,796,011
Tax Year 2015	32,575,470	32,606,065

31.3 Section 5A of the Income Tax Ordinance, 2001 states that for tax year 2017 and onwards, a tax shall be imposed at the rate of seven and a half percent of its accounting profit before tax on every public company, other than a scheduled bank or a modaraba, that derives profit for a tax year but does not distribute at least forty percent of its after tax profits within six months of the end of the tax year through cash or bonus shares.

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	2018 Rupees	2017 Rupees
32 EARNING / (LOSS) PER SHARE - BASIC AND DILUTED		
There is no dilutive effect on basic earnings per share of the Group which is based on:		Restated
Profit / (Loss) attributable to shareholders of the holding Company	29,220,269	(34,976,236)
	<u>29,220,269</u>	<u>(34,976,236)</u>
	Number of shares	
Weighted average number of shares	<u>8,593,750</u>	8,593,750
Basic and diluted earnings / (loss) per share	<u>3.40</u>	<u>(4.07)</u>
32.1 Refer note 7.1 regarding correction of error.		
33 WORKING CAPITAL CHANGES		
33.1 (Increase) / decrease in current assets		
Stock-in-trade	57,665,540	(5,807,237)
Trade debts	(81,411,546)	50,795,507
Loans and advances	5,339,512	(2,159,641)
Trade deposits and short term pre-payments	(3,957,033)	(1,436,680)
Other receivables	(6,840,751)	(67,612,148)
	<u>(29,204,278)</u>	<u>(26,220,199)</u>
33.2 Increase in current liabilities		
Trade and other payables	<u>6,825,681</u>	<u>19,201,474</u>

34 REMUNERATION OF CHIEF EXECUTIVE AND DIRECTORS

	Chief Executive		Directors		Executives	
	2018	2017	2018	2017	2018	2017
	------(Rupees)-----					
Remuneration	5,200,800	5,200,800	13,561,200	12,661,200	5,561,800	5,301,665
House rent	2,079,120	2,079,120	5,398,680	5,038,680	2,221,620	1,219,077
Utilities	520,080	520,080	1,350,120	1,260,120	556,180	305,328
	<u>7,800,000</u>	<u>7,800,000</u>	<u>20,310,000</u>	<u>18,960,000</u>	<u>8,339,600</u>	<u>6,826,070</u>
<i>Number of persons</i>	<u>1</u>	<u>1</u>	<u>5</u>	<u>7</u>	<u>4</u>	<u>4</u>

* Comparatives have been amended to reflect changes in the definition of executive as per the Companies Act, 2017.

The above payments do not include amounts paid or provided for, if any, by the associated companies. These also do not include director's expenses received as part of proportionate expenses from the combined offices of the associated companies.

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

34.2 No fee paid to Director for attending Board Meetings during the year. (2017: NIL).

35 TRANSACTIONS / BALANCES WITH RELATED PARTIES

Related parties of the Group comprise of companies with common directorship, retirement fund and directors. Detail of transactions / balances with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

Transaction:	Relationship with the Company	2018 Rupees	2017 Rupees
Contribution to the gratuity fund	Employees fund	<u>2,522,369</u>	-
Borrowing from directors and family member	Key management personnel	<u>175,649,000</u>	<u>125,220,000</u>
Repayment to directors and family member	Key management personnel	<u>211,379,000</u>	<u>61,374,435</u>
Director's remuneration	Key management personnel	<u>28,110,000</u>	<u>30,060,000</u>
Rent paid to director's family member	Key management personnel	<u>3,090,000</u>	<u>7,551,000</u>
Rent paid to directors	Key management personnel	<u>3,826,080</u>	-
Borrowing from other associated companies	Associate	<u>-</u>	<u>11,674,483</u>
Repayment to other associated companies	Associate	<u>-</u>	<u>11,674,483</u>
Balances:			
Borrowing from directors	Key management personnel	<u>64,960,000</u>	<u>100,690,000</u>
Payable to director's family member	Key management personnel	<u>1,062,000</u>	-

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	2018 Rupees	2017 Rupees
36 FINANCIAL INSTRUMENTS BY CATEGORY		
FINANCIAL ASSETS		
Loans and receivables at amortized cost		
Long-term deposits	6,443,551	3,165,751
Trade debts	289,710,095	208,298,549
Loans and advances	26,750,976	32,090,488
Trade deposits	6,230,978	2,273,945
Other receivables	33,042,245	29,303,495
Cash and bank balances	43,690,361	9,018,917
	<u>405,868,206</u>	<u>284,151,145</u>
FINANCIAL LIABILITIES		
Financial liabilities at amortized cost		
Long-term musharaka	135,879,598	136,897,260
Long-term liability	40,029,608	-
Trade and other payables	157,622,028	150,796,347
Finance cost payable	8,720,734	9,421,753
Borrowing from Directors and family member	64,960,000	100,690,000
Current portion of long-term musharaka	55,453,527	64,258,253
Short term morabaha	431,468,730	397,773,877
	<u>894,134,225</u>	<u>859,837,490</u>

37 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to certain financial risk. Such financial risk emanate from various factors that include, but not limited to, market risk, credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial market and seeks to minimize potential adverse effects on the Group's financial performance. Risk measures and managed by Group are explained below:

37.1 Market risk

Market risk is the risk that the fair value of future cash flows of financial instrument will fluctuate due to changes in market variables such as interest rate and foreign exchange rates.

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(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings from financial institution with floating interest rates. Management of the Group estimates that increase of 100 base point in the market interest rate, with all other factors remaining constant, would increase/decrease the Group's after tax profit by Rs. 6,315,226 (2017: Rs. 6,083,511). However, in practice, the actual result may differ from the sensitivity analysis.

(ii) Foreign currency risk

Foreign currency risk is the risk that the value of financial assets or a financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where receivables and payables exist due to transaction in foreign currency. As at June 30, 2018, the Group is not exposed to risk in respect of financial assets or financial liabilities.

37.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arises from cash and cash equivalent, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including trade receivables and committed transactions. Out of total financial assets of Rs. 405,868,206 (2017: 282,596,615), the financial assets are subject to credit risk amounted to Rs. 405,120,653 (2017: 281,622,032).

The maximum exposure to credit risk as at June 30, 2018, along with comparatives is tabulated below:

	2018 Rupees	2017 Rupees
Financial Assets		
Long-term deposits	6,443,551	3,165,751
Trade debts	289,710,095	208,298,549
Loans and advances	26,750,976	32,090,488
Trade deposits	6,230,978	2,273,945
Other receivables	33,042,245	29,303,495
Bank balances	42,942,808	8,044,334
	<u>405,120,653</u>	<u>283,176,562</u>

Bank	Rating agency	Short-term Rating	2018	2017
----- (Rupees) -----				
Habib Metropolitan Bank	PACRA	A1+	17,091,028	5,402,604
Meezan Bank Limited	JCR-VIS	A1+	2,184,535	1,892,312
Bank Al-Habib Limited	PACRA	A1+	22,191,111	-
Bank Alfalah	PACRA	A1+	136,721	512,543
United Bank Limited	JCR-VIS	A1+	214,632	6,903
National Bank of Pakistan	PACRA	A1+	143,331	96,170
Habib Bank Limited	JCR-VIS	A1+	91,828	36,482
Standard Chartered Bank	PACRA	A1+	889,622	97,320
			<u>42,942,807</u>	<u>8,044,334</u>

Due to Group's long standing business relationships with these counter parties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Group.

37.3 Liquidity risk

Liquidity risk is a risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The management believe that it is not expose to any significant level of liquidity risk.

The management forecasts the liquidity of the Group on basis of expected cash flow considering the level of liquid assets necessary to meet such risk. This involves monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

Financial liabilities in accordance with their contractual maturities are presented below:

2018	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	------(Rupees)-----				
Musharaka	15,407,390	40,046,137	135,879,598	-	191,333,125
Unclaimed dividend	1,650,116				1,650,116
Trade and other payables	157,622,028			-	157,622,028
Finance cost payable	8,720,734			-	8,720,734
Borrowing from Directors & Associates	-	64,960,000		-	64,960,000
Short-term morahaba	-	431,468,730		-	431,468,730
Total	183,400,267	536,474,867	135,879,598	-	855,754,733
2017	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	------(Rupees)-----				
Musharaka	21,486,433	42,771,820	136,897,260	-	201,155,513
Unclaimed dividend	1,970,535				1,970,535
Trade and other payables	150,796,347			-	150,796,347
Finance cost payable	9,421,753			-	9,421,753
Borrowing from Directors & Associates	45,225,000	55,465,000		-	100,690,000
Short-term morahaba	6,625,816	391,148,061		-	397,773,877
Total	235,525,883	489,384,881	136,897,260	-	861,808,025

37.4 Fair value of financial instruments

Fair value is an amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transactions. Consequently, differences may arise between the carrying value and the fair value estimates.

As at June 30, 2018 the net fair value of all financial assets and financial liabilities are estimated to approximate their carrying value.

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Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at June 30, 2018, the Group has no financial instruments that falls into any of the above category.

37.5 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return for shareholder and benefits for other stakeholder and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder or issue new shares or sell assets to reduce debt.

The Group manages its capital risk by monitoring its debt levels and liquid assets and keeping in view future investment requirement and expectations of shareholder. Debt is calculated at total borrowing ('long term loan' and 'current maturity of the long term loan' as shown in the balance sheet). Total capital comprises shareholders' equity as shown in the balance sheet under 'share capital and reserves'.

As at June 30, 2018 and 2017, the Group has surplus cash reserves to meet its requirement.

	2018	2017
38 CAPACITY AND PRODUCTION		
Textile		
Number of spindles installed	<u>32,052</u>	<u>32,232</u>
Number of rotors	<u>-</u>	<u>-</u>
Average number of spindles operated during the period	<u>32,052</u>	<u>32,000</u>
Installed production capacity 30/s count - (KGs)	<u>7,154,006</u>	<u>6,746,238</u>
Actual production (KGs) after conversion into count 30	<u>6,812,439</u>	<u>5,117,870</u>
Number of shifts per day	<u>3</u>	<u>3</u>
Reasons for shortfall include admissible losses in yarn industry.		
Cold storage		
Capacity in pallets	<u>30,500</u>	<u>16,080</u>

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39 SEGMENTAL INFORMATION

For management purposes, the Group has identified three operating segments:

1. Textile - manufacturing and sale of man-made blended yarn;
2. Cold storage - providing services in respect of cold storage through "compartmentalized cold store project"; and
3. Food stuff - processing of "ready to eat" meals.

The operating business are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

2018	Textile	Cold Storage	Food Stuff	Total
	------(Rupees)-----			
Turnover	2,028,802,961	-	-	2,028,802,961
Cost of sales and services	(1,590,317,011)	(261,212,940)	(772,106)	(1,852,302,057)
Gross profit	438,485,950	(261,212,940)	(772,106)	176,500,904
Distribution costs	(18,533,721)	-	-	(18,533,721)
Administrative expenses	(46,161,948)	(11,003,844)	-	(57,165,792)
Other income	45,271,453	(4,469,811)	-	40,801,642
Operating profit / (loss)	419,061,734	(276,686,594)	(772,106)	141,603,034
Finance costs	(46,098,797)	(4,043,973)	-	(50,142,770)
Other operating expense	(5,064,837)	-	-	(5,064,837)
Profit / (loss) before taxation	367,898,100	(280,730,567)	(772,106)	86,395,427
Taxation	(183,316,456)	139,882,573	-	(43,433,884)
Profit / (loss) after taxation	184,581,643	(140,847,994)	(772,106)	42,961,543
OTHER INFORMATION				
Segment assets	889,827,090	137,870,324	4,116,543	1,031,813,957
Unallocated assets				286,118,763
Total assets				1,317,932,720
Segment liabilities	648,420,151	43,952,019	33,813,484	726,185,654
Unallocated liabilities				(46,990,739)
Total liabilities				679,194,915
Capital expenditure	31,317,934	3,120,000	-	34,437,934
Unallocated capital expenditure				72,863,317
Total capital expenditure				107,301,252
Depreciation	50,488,217	27,940,144	772,106	79,200,466

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2017

	Textile	Cold Storage	Food Stuff	Total
----- (Rupees) -----				
Turnover	1,524,540,566	201,038,854	2,602,695	1,728,182,115
Cost of sales and services	(1,512,590,542)	(161,675,720)	(707,847)	(1,674,974,109)
Gross profit	11,950,024	39,363,135	1,894,848	53,208,007
Distribution costs	(11,601,038)	(2,758,309)	-	(14,359,347)
Administrative expenses	(43,265,517)	(6,282,690)	(71,720)	(49,619,927)
Other income	3,812,786	304,656	-	4,117,442
Operating loss	(39,103,745)	30,626,792	1,823,128	(6,653,825)
Finance costs	(37,227,891)	(6,562,823)	-	(43,790,714)
Other operating expense	(600,609)	(127,466)	(1,025)	(729,100)
Loss before taxation	(76,932,245)	23,936,503	1,822,103	(51,173,639)
Taxation	21,698,164	(6,751,111)	-	14,947,052
Loss after taxation	(55,234,081)	17,185,391	1,822,103	(36,226,587)
OTHER INFORMATION				
Segment assets	793,265,209	280,317,973	4,902,649	1,078,485,831
Unallocated assets				118,667,861
Total assets				<u>1,197,153,692</u>
Segment liabilities	646,142,506	85,506,419	-	731,648,925
Unallocated liabilities				145,436,025
Total liabilities				<u>877,084,950</u>
Capital expenditure	176,742,458	117,284,521	1,490,324	295,517,303
Unallocated capital expenditure				-
Total capital expenditure				<u>299,079,288</u>
Depreciation	36,398,905	34,403,546	697,590	71,500,041

40 NUMBER OF EMPLOYEES

	2018	2017
Number of employees at 30 June	<u>293</u>	<u>313</u>
Average number of employees during the year	<u>293</u>	<u>298</u>
Number of factory employees at 30 June	<u>274</u>	<u>294</u>
Average number of factory employees during the year	<u>269</u>	<u>206</u>

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41 CORRESPONDING FIGURES

Corresponding figures and balances have been rearranged and reclassified, wherever necessary, for the purpose of comparison, the effects of which are not material.

42 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on September 28, 2018 have proposed a cash dividend of Rs. 2-00 (2017: Nil) per share amounting to Rs. 17,187,500-00 (2017: Rs.NIL/-).


43 GENERAL

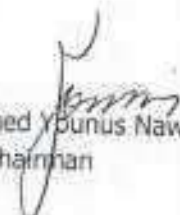
Amounts have been rounded off to the nearest rupee.


44 DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on 28 SEP 2018 by the Board of Directors of the Company.

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(Mohammed Irfan Nawab)
Chief Executive


(Mohammed Younus Nawab)
Chairman


(Abdul Hussain Antaria)
Chief Financial Officer

**PATTERN OF HOLDING OF THE SHARES
HELD BY THE SHAREHOLDERS
as at 30 June 2018**

No. of Shareholders	Shareholdings		Total Shares Held
	FROM	TO	
115	1	to 100	2131
153	101	to 500	42027
53	501	to 1000	45505
124	1001	to 5000	301987
35	5001	to 10000	280580
11	10001	to 15000	130874
12	15001	to 20000	213059
1	20001	to 25000	24127
5	25001	to 30000	138169
3	30001	to 40000	76865
1	45001	to 50000	48125
1	50001	to 55000	54648
3	55001	to 60000	170282
1	65001	to 70000	67500
1	75001	to 80000	78531
1	85001	to 90000	89062
1	90001	to 95000	94863
1	95001	to 100000	96475
1	105001	to 110000	107146
1	110001	to 115000	110500
2	215001	to 220000	433966
1	295001	to 300000	297441
1	300001	to 305000	304940
1	395001	to 400000	398570
1	420001	to 425000	423001
1	2265001	to 2270000	2269372
1	2320001	to 2325000	2321056
532			8,593,750

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	TOTAL SHARES	
		HELD	PERCENTAGE
Financial Institutions	2	38,843	0.45%
Individuals	521	8,071,766	93.93%
General Public Foreign	1	213	0.00%
Public Sector Cos/Corp	2	35,264	0.41%
Mutual Funds	1	423,001	4.92%
Others	5	24,673	0.29%
TOTALS	532	8,593,750	100.00%

The above two statements include 532 Shareholders, holding 8,593,750 shares through the Central Depository Company of Pakistan Limited (CDC).

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		Number	Total shares	%age	
<u>Directors, CEO and their Spouse and Minor Children (Name-wise)</u>					
(1)	Mr. Mohammed Younus Nawab	Chairman / Director	1	2,321,056	27.01%
(2)	Mr. Mohammed Irfan Nawab	Chief Executive	1	2,269,372	26.41%
(3)	Mr. Ibrahim Younus	Director	2	26,327	0.31%
(4)	Mr. Mohammed Faizanullah	Director	2	31,112	0.36%
(5)	Mr. Ismail Younus	Director	1	9,716	0.11%
(6)	Mr. Mohammad Khalid Yousof	Director	1	107,146	1.26%
(7)	Mrs. Sabiha Younus	Spouse	1	396,570	4.51%
(8)	Mrs. Afshan Irfan	Spouse	2	91,562	1.07%
<u>Associated Companies, Undertakings and related parties (Name-wise)</u>					
			None	None	None
<u>Executives</u>					
			None	None	None
<u>Public Sector Companies and Corporations</u>					
			2	35,254	0.41%
<u>Banks, DFIs, NBFIs, Insurance Companies, Takaful, Modarabas & Pension Funds</u>					
			2	38,843	0.45%
<u>Mutual Funds</u>					
			1	423,001	4.92%
<u>General Public (Local)</u>					
			510	2,818,905	32.80%
<u>General Public (Foreign)</u>					
			1	213	0.00%
<u>Others</u>					
			5	24,673	0.29%
			<u>532</u>	<u>8,593,750</u>	<u>100.00%</u>
<u>Shareholders holding 5% or more</u>					
(1)	Mr. Mohammed Younus Nawab		1	2,321,056	27.01%
(2)	Mr. Mohammed Irfan Nawab		1	2,269,372	26.41%

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FORM OF PROXY

M/s Sana Industries Limited,
33-D-2, Block-B,
P.E.C.H.S.,
Karachi

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 _____

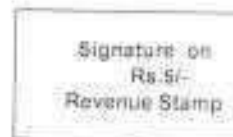
as my/our Proxy in my/our absence to attend and vote for me/us and on my/our behalf at the 33rd Annual General Meeting
scheduled to be held on 26th October, 2018 or at any adjournment thereof.

Signed this _____ day of _____ 2018.

Signature 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, 33-D-2, Block-B, P.E.C.H.S., 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.

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