CRESCENT GROUP

ANNUAL REPORT 2009

CRESCENT JUTE PRODUCTS LIMITED

CONTENTS

COMPANY INFORMATION

BOARD OF DIRECTORS

Mr. Mazhar Karim	(Chairman)
Mr. Humayun Mazhar	(Chief Executive Officer)

(In alphabetic order)

Mr. Amir Hasnain Zaidi	
Mr. A. Rashid M. Hanif	
Mr. Khalid Bashir	
Mr. Khurram Mazhar Karim	
Syed Raza Abbas Jaffery	(Nominee NIT)

AUDIT COMMITTEE

Mr. Khalid Bashir	(Chairman)
Mr. Amir Hasnain Zaidi	
Mr. Khurram Mazhar Karim	

SECRETARY/CFO

AUDITORS

M/s Riaz Ahmad & Company
Chartered Accountants

LEGAL ADVISOR

Mr. Shahid Mahmood Baig
M/s. Affridi Shah & Minallah

BANKERS

The Bank of Punjab
Crescent Standard Modaraba
MCB Bank Limited
Bank Alfalah Limited (Islamic Banking)
United Bank Limited

REGISTERED OFFICE

306, 3rd Floor, Siddiq Trade Centre,
72-Main Boulevard, Gulberg, Lahore.
Tel: (042) 35787592-93
Fax: (042) 35787594

WORKS

Unit, Jaranwala

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT 45th Annual General Meeting of CRESCENT JUTE PRODUCTS LIMITED will be held on Friday the October 30, 2009 at 11:00 a.m. at 306, 3rd Floor, Siddiq Trade Centre, 72-Main Boulevard, Gulberg, Lahore, to transact the following business:-

1. To receive, consider and adopt the Audited Accounts of the Company for the year ended June 30, 2009 together with the Directors' and Auditors' Reports thereon.

2. To appoint Auditors for the year 2009-2010 and fix their remuneration.

SPECIAL BUSINESS

3. To approve the following resolution as special resolution.

   Resolved That the Quarterly accounts of the Company be placed on its website instead of circulating the same by post to the shareholders, subject to compliance of the Securities & Exchange Commission of Pakistan (SECP) Circular # 19 of 2004 dated April 14, 2004.

4. To transact any other business with permission of the chair.

REGISTERED OFFICE:
306, 3rd Floor,Siddiq Trade Centre,
72-Main Boulevard, Gulberg, Lahore.
Telephone No. (042) 35787592,
Fax No. (042) 35787594
Dated: September 28, 2009.

BY ORDER OF THE BOARD

CHIEF EXECUTIVE OFFICER

Notes:

1. **STATEMENT U/S 160 (1)(B) OF THE COMPANIES ORDINANCE, 1984**
   The Securities & Exchange Commission of Pakistan (SECP) vide circular # 19 dated April 14, 2004 has allowed the listed Companies to place the quarterly accounts on their website instead of sending the same to each shareholders by post. The Company will comply with all the conditions given in SECP's said circular #1 9 dated April 14, 2004. The Directors have no direct or indirect interest in this matter.

2. The Members' Register will remain closed from October 25, 2009 to October 31, 2009 (both days inclusive). Transfers received at the Registered Office of the Company by the close of business on October 24, 2009.

3. A member eligible to attend and vote at this Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be effective must be received by the Company Registered Office not later than 48 hours before the time for holding the Meeting.

4. CDC account holders will further have to follow the guidelines as laid down in circular No.1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

   a. For attending the meeting

      i). In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his/her identity by showing his original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting.

      ii) Incase of corporate entity, the Board of directors' resolution/power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

   b. For Appointing Proxies

      i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall submit the proxy form as per the above requirement.

      ii) The proxy form shall be witnessed by two persons whose names, addresses and NIC numbers shall be mentioned on the form.

      iii) Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.

      iv) The proxy shall produce his original NIC or original passport at the time of the Meeting.

      v) In case of corporate entity, the Board of directors' resolution/power of attorney with specimen signatures shall be submitted (unless it has been provided earlier) along with proxy form to the company.

5. Shareholders are requested to promptly notify Company's Share Registrar M/s. Crescent Group Services (Pvt) Ltd 306, 3rd Floor, Siddiq Trade Centre, 72-Main Boulevard, Gulberg, Lahore.Tel: 35787592-93(2 lines) of any change in their addresses.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your directors have the pleasure of presenting the 45th Annual Report together with the Audited Accounts for the year ended 30th June 2009.Accounts show a Gross profit of Rs. 128.34 million as compared to a profit of Rs. 58.58 million in the corresponding period last year.

OPERATIONS DURING THE YEAR UNDER REVIEW

Our sales registered a healthy increase of 41%, this was primary a result of increased buying of sacking by various food departments in anticipation of bumper wheat crop. Our turnover could have been even higher but despite higher demand we could not produce enough due to lack of adequate working capital availability. Our output actually registered a decrease of 10% i.e. we produced 12,775 Metric Tones in the period under review as compared to 14,229 Metric Tones produced in the corresponding period last year.

FUTURE OUTLOOK

The sharp increases in utility and fuel prices, mark-up rates and frequent load shedding will result in a significant increase in the cost of manufacturing. Current and expected devaluation of our currency is another major threat, especially to Industries such as Jute which are based on 100% imported raw material.

On the demand side we expect the demand of our products in the local market to be stable. However, unlike last year there will be no prospects of sales in off/low season i.e. the country has adequate wheat stocks and there is no import of wheat. This means we are back to our traditional sales cycle which requires significantly higher working capital. In the export markets we are facing stiff competition by our counter parts in Bangladesh. They have resorted to dumping of goods in our core markets in order to maintain their share in the market.

Since we have settled all our outstanding financial issues, we are actively pursuing obtaining additional working capital finance facilities. This will enable us to run the plant at optimum capacity, resulting in reduction is costs and increase in revenue and profit.

In the meanwhile we remain focused on cost controls and further development of local and export markets.

STATEMENT ON CORPORATE AND FINANCIAL REPORTING FRAMEWORK

1. These financial statements prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
2. Proper books of accounts of the company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored
6. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations.

KEY OPERATING AND FINANCIAL DATA

Key operating and financial data of the company for the last six years in summarized from is annexed.

DIVIDEND

Due to continued losses it was not possible for the company to declare and pay any dividend to its shareholders.

STATUTORY PAYMENTS

No statutory payments on account of taxes, duties, levies and charges other than those under appeals are outstanding.

SIGNIFICANT PLANS AND DECISIONS

1) To run the plant at optimum capacity utilization.
2) To overcome the production loss due to frequent power outages we plan to install gas based captive power generation.
3) The Plant & Machinery is very old and requires major maintenance. The maintenance will significantly enhance the productivity of the machines, reduction in operational cost and also increase production capacity.
4) Addition of new machinery to improve productivity and enhance production.

CHANGES IN THE BOARD OF DIRECTORS.

No change during the current year. Company has seven Directors on its Board.

The term of office of present Board will be expire on March 25, 2011.

Board Meeting and Attendance by Directors.

During the year, four meetings of the Board of Directors were held. Attendance by each director was as follows:

	Name of Directors in alphabetic order	Meetings held in their tenure.	No of Meetings attended
1	Mr. Amir Hasnain Zaidi	4	4
2.	Mr. A. Rashid M. Hanif	4	1
3	Mr. Humayun Mazhar	4	3
4	Mr. Khalid Bashir	4	4
5	Mr. Khurram Mazhar Karim	4	4
6	Mr. Mazhar Karim	4	3
7	Syed Raza Abbas Jaffery	4	2

The Board granted Leave to Directors who could not attend some of the Board Meetings.

PATTERN OF SHAREHOLDING

Pattern of Shareholding is attached to the report.

TRADES IN THE SHARES OF THE COMPANY

The Directors, CFO, Company Secretary and their spouses and minor children did not carry out any transaction in the shares of the company during the year.

DEFAULT IN DEBTS, IF ANY

After settlement with the Banks our report over dues is cleared from CIB default list.

AUDITORS OBSERVATION

The auditors have commented that the financial statements include an amount receivable from Crescent Group Services (Pvt) Limited (CGSL), an associated company aggregating Rupees 5.655 million. The Company has not charged mark-up on this advance since 1995. Competition Commission of Pakistan (CCP) previously Monopoly Control Authority through its order dated 30 November 2000 has directed the company to recover the balance due from CGSL along with mark-up by 31 December 2002. The Company has filed an appeal in the Supreme Court of Pakistan, against the order of CCP. Pending the outcome of this matter, no adjustment has been made in these financial statements, which may be required consequent to the outcome of the aforesaid uncertainty.

Management of the view that the writ will be decided for the reason that:

- Order of the High Court is contrary to law or the usage having the force of law
- Order has failed to determine material issue of law and usage having force of law
- There has been substantial error/defects in following the procedure provided in the Ordinance.

AUDITORS

The auditors M/s Riaz Ahmed & Company retire and being eligible offers for re-appointment. As required by Code of Corporate Governance, the Audit Committee has recommended appointment of M/s Riaz Ahmed & Company, Chartered Accountants as auditors of the company for ensuing year.

ACKNOWLEDGEMENT

The directors thank the Shareholders, Bankers and Customers for their continued patronage, understanding and co-operation. We also assure them that the confidence and the trust they have reposed in Cres Jute is appreciated and we will endeavor to come up to their expectations.

For and on behalf of the Board

(Humayun Mazhar)
Chief Executive Officer

Lahore

Dated: September 28, 2009

KEY OPERATING AND FINANCIAL DATA OF LAST SIX YEARS

	Year ending 30th June					
	2008	2007	2006	2005	2004	2003
PRODUCTION CAPACITY BASED ON SHIFT WORKING IN METRIC TONS						
Jute Unit	23,000	23,000	23,000	23,000	23,000	23,000
Cotton Unit						-
ACTUAL PRODUCTION IN METRIC TONS						
Jute Unit	14,229	9,783	10,566	9,336	12,027	5,090
Cotton Unit					-	-
OPERATING RESULTS - RUPEES IN 000						
Net Sales	710,864	460,717	443,420	424,357	301,488	173,733
Cost of Sales	656,381	478,045	433,416	408,163	289,830	132,458
Operating Expenses	82,890	73,048	65,148	51,266	32,171	30,959
Other Income	69,519	296,768	56,227	84,139	40,095	60,686
Financial Charges	17,618	45,562	58,702	54,056	65,826	75,324
Other Charges					-	-
Gain on Sale of Unit					-	-
Taxation	4,141	3,113	2,609	2,351	1,507	869
Net Income / (Loss)	19,351	157,717	(59,965)	(7,340)	(47,752)	(5,191)
Earning per share - Rupees	1.02	10.47	(3.63)	9.73	(3.17)	0.34
FINANCIAL POSITION - RUPEES IN 000						
Equity	(232,853)	(232,853)	(405,537)	(351,238)	(504,747)	(534,153)
Effect of change in accounting policy relating to prior years				-	-	69,304
Incremental depreciation transferred from revaluation surplus	17,536	13,470	14,967	5,665	6,988	7,854
Total	(215,317)	(219,383)	(390,570)	(345,573)	(497,759)	(456,995)
Revaluation of Fixed Assets	471,092	174,482	230,143	250,672	92,221	100,021
Participatory Redeemable Capital	-	40,000	40,000	40,000	40,000	40,000
Sponsors Loan	36,420	123,421	36,420	36,420	-	-
Long Term Running Finance	55,139	55,139	55,139	55,139	924	-
Finance Lease				-	-	-
Debenture/Long Term Loans				-	-	19,324
Deferred Liabilities				-	-	-
Current Liabilities	353,228	237,875	545,304	556,553	778,064	663,599
	700,562	411,534	516,436	593,211	413,450	365,949
Fixed Capital Expenditure	513,232	203,220	259,543	274,098	115,084	123,921
Long Term Investment	135	135	135	135	135	134
Long Term Deposits	2,627	2,627	2,625	1,941	1,827	1,802
Current Assets	307,437	205,552	254,133	317,037	296,404	240,092
	823,431	411,534	516,436	593,211	413,450	365,949

FORM-34

THE COMPANIES ORDIANCE 1984
(Section 236(1) and 464)

PATTERN OF SHAREHOLDING

Please complete in typescript or in bold block capitals.

1. Incorporation Number **0001959**

2. Name of the Company **Crescent Jute Products Limited**

3. Pattern of holding of the shares held by the shareholders as at **30 06 2009**

4. No of shareholders	Shareholdings	Total shares held
594	Shareholding from 1 to 100 shares	19,657
519	Shareholding from 101 to 500 shares	136,509
208	Shareholding from 501 to 1000 shares	146,305
221	Shareholding from 1001 to 5000	532,543
58	Shareholding from 5001 to 10000	422,928
24	Shareholding from 10001 to 15000	301,349
16	Shareholding from 15001 to 20000	286,234
8	Shareholding from 20001 to 25000	186,954
10	Shareholding from 25001 to 30000	280,742
14	Shareholding from 30001 to 35000	454,701
4	Shareholding from 35001 to 40000	149,431
6	Shareholding from 40001 to 45000	250,873
2	Shareholding from 45001 to 50000	97,434

1	Shareholding from 50001 to 55000	54,902
4	Shareholding from 60001 to 65000	245,989
1	Shareholding from 65001 to 70000	66,191
1	Shareholding from 70001 to 75000	70,250
2	Shareholding from 75001 to 80000	156,021
1	Shareholding from 85001 to 90000	86,154
1	Shareholding from 90001 to 95000	91,300
1	Shareholding from 95001 to 100000	97,152
1	Shareholding from 115001 to 120000	117,144
1	Shareholding from 120001 to 125000	120,525
1	Shareholding from 125001 to 130000	127,064
2	Shareholding from 150001 to 155000	302,997
1	Shareholding from170001 to 175000	171,879
2	Shareholding from 195001 to 200000	397,366
2	Shareholding from 200001 to 205000	405,087
1	Shareholding from 215001 to 220000	216,874
1	Shareholding from 270001 to 275000	272,375
1	Shareholding from 535001 to 540000	537,717
1	Shareholding from 670001 to 675000	674,989
1	Shareholding from 1715001 to 1720000	1,716,683
1	Shareholding from 2745001 to 2750000	2,747,211
1	Shareholding from 3035001 to 3040000	3,035,771
1	Shareholding from 8785001 to 8790000	87,86,167
1714	Total	23,763,468

5. Categories of shareholders	Share held	Percentage
5.1 Directors, Chief Executive Officer, and their spouse and minor children.	9,003,880	37.89
5.2. Associated Companies, undertakings and related parties.	5,425,343	22.83
5.3 NIT, NBP and IDBP(ICP)	3,247,650	13.67
5.4 Banks Development Financial Institutions, Non Banking Financial Institutions.	847,311	3.57
5.5 Insurance Companies	620,458	2.61
5.6 Modarabas and Mutual Funds	106,524	0.45
5.7 Share holders holding 10% refer to 5.2 and 5.3	7,499,665	31.56
5.8 General Public		
a. Local	4,006,716	16.85
b. Foreign	272,375	1.15
5.9 Others (to be specified) Joint Stock Companies, Trust & Govt Authorities,	233,211	0.98

6. Signature of Chief Executive/ Secretary	
7. Name of Signatory	Humayun Mazhar
8. Designation	Chief Executive
9. NIC Number	35201-2124944-9
10. Date	Day: 3 0 Month: 0 6 Year: 2 0 0 9

Associated Companies, undertakings and related parties (Name wise details)

1.	Crescent Sugar Mills & Distillery Limited	201,933
2.	Crescent Group Services (Pvt) Limited	79
3.	Crescent Foundation	4,621
4.	Crescent Powertec Limited	80,000
5.	Crescent Steel & Allied Products Limited	91,300
6.	Jubilee Spinning & Weaving Mills Limited	1,716,683
7.	Muhammad Amin Muhammad Bashir Limited	990
8.	Premier Insurance Limited	32,333
9.	Shams Textile Mills Limited	12,476
10.	Shakarganj Mills Limited	537,717
11.	The Crescent Textile Mills Limited	2,747,211
	Total	**54,25,343**

NIT & ICP (Name wise details)

1.	National Bank of Pakistan (Trustee Wing)	3,035,771
2.	National Bank of Pakistan	40,000
3.	IDBP (ICP UNIT)	171,879
	Total	**3,247,650**

Directors, CEO and their spouse and minor children (name wise details)

Chief Executive/Director

1.	Mr. Mazhar Karim	54,902
2.	Mr. Amir Husnain Zaidi	3,312
3.	Mr. A. Rashid M. Hanif	4,339
4.	Mr. Humayun Mazhar	8,786,167
5.	Mr. Khurram Mazhar Karim	86,154
6.	Mr. Khalid Bashir	14,077

Spouse and Minor Children

1.	Mrs. Abida Mazhar	4,561
2.	Mrs. Aysha Khurram Mazhar	2,475
3.	Mrs. Mehrin Humayun Mazhar	47,474
4.	Mrs. A. H. Zaidi	419

Public Sector Companies and Corporations	5,625,114
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds.	**4,855,383**
Excluded Midland Bank Offshore Limited (Foreigner)	272,375

Shareholders holding ten percent or more voting interest (name wise details)

1.	Mr. Humayun Mazhar	8,786,167
2.	National Bank of Pakistan (Trustee Wing)	3,035,771
3.	The Crescent Textile Mills Limited	2,747,211
4.	Jubilee Spinning & Weaving Mills Limited	1,716,683
	Total	**16,285,832**

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERANCE

This statement is being presented to comply with the Code of Corporate Governance as contained in Regulation No. 37 of the Listing Regulations of the Karachi Stock Exchange and Chapter XIII of Listing Regulation of Lahore Stock Exchange and Chapter XI of Listing Regulation of Islamabad Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principals contained in the Code in the following manner:-

1. The Company encourages representation of independent non-executive directors. At present the Board has one independent non-executive directors.
2. The Directors have confirmed that non of them is serving as a Director in more than ten listed companies, including this Company.
3. All the resident Directors of the Company are registered as Tax payers and non of them has defaulted in payment of any Loan to a banking company, a DFI or an NDFI or, being a member of a Stock Exchange has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year ended 30-06-2009.
5. The Company has prepared a "Statement of Ethics and Business Practices" which has been signed by all the Directors and Employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy; significant policies of the Company are being developed.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer (CEO) and an executive director have been taken by the Board.
8. 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 and the Board met once in every quarter during the year ended 30-06-2009. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Orientation course for its Directors has been arranged during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of CFO/Company Secretary and the Head of Internal Audit, including their remuneration and terms and conditions of employment, as recommended by CEO.
11. The Director's Report for the year ended 30-06-2009 has been prepared in compliance with the requirements of the Code and it fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval by the Board.
13. The related party transactions have been placed before the audit committee and approved by the board of Directors with necessary justifications for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those prevail in the arm's length transactions only if such terms can be substantiated.
14. The Directors, CEO and Executives do not hold any interest in the shares of the Company, other than that disclosed in the pattern of share holding.
15. The Company has complied with the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee. It comprises of three members, two of whom are non-executive directors including the Chairman of the Committee. The Audit Charter of the Company requires that at least two members of the Audit Committee must be financially literate.

17. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

18. The Board has set-up an effective internal audit function by appointing full-time Head of Internal Audit. The day to day operations of this function have been out sourced to Tahir Consulting (Private) Limited, Chartered Accountants, who are considered suitably qualified and experienced for the purpose.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants 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 Institute of Chartered Accountants of Pakistan.

20. The statutory auditors of the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. We confirm that all other material principals contained in the Code have been complied with.

By Order of the Board.

(Humayun Mazhar)
Chief Executive Officer

September 28, 2009

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of CRESCENT JUTE PRODUCTS LIMITED ("the Company") for the year ended 30 June 2009, to comply with the Listing Regulations of the respective Stock Exchanges, where the Company is listed.

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

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

Further, Sub-Regulation (xiii a) of Listing Regulations 35 (Previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalents to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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

Faisalabad: September 28, 2009

Riaz Ahmad & Company
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

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

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit. The financial statements of the company as of 30 June 2008, were audited by another firm of Chartered Accountants whose report dated 30 September 2008, expressed a modified opinion on those statements regarding the going concern issue, balance due from Crescent Group Services (Private) Limited and writing back of certain payable balances.

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

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change stated in Note 2.6 to the financial statements with which we concur;

ii) the expenditure incurred during the year was for the purpose of the company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2009 and of the profit, its cash flows and changes in equity for the year then ended; and

(d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Without qualifying our opinion, we draw attention to note 21.1 to the financial statements, the company has advanced amount of Rupees 5.655 million to Crescent Group Services (Private) Limited (CGSL), an associated company. The company has not charged mark-up on this advance since 1995. Competition Commission of Pakistan (CCP) previously Monopoly Control Authority through its order dated 30 November 2000 has directed the company to recover the balance due from CGSL along with mark-up by 31 December 2002. The company has filed an appeal in the Supreme Court of Pakistan, against the order of CCP. Pending the outcome of this matter, no adjustment has been made in these financial statements, which may be required consequent to the outcome of the aforesaid uncertainty.

Faisalabad: September 28, 2009

Riaz Ahmad & Company
Chartered Accountants

CRESCENT JUTE PRODUCTS LTD.

Audited Financial Statements
For the Year Ended June 30, 2009

BALANCE SHEET

	NOTE	2009 RUPEES	2008 RUPEES (Restated)
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
30 000 000 (30 June 2008: 30 000 000) ordinary shares of Rupees 10 each		300,000,000	300,000,000
Issued, subscribed and paid up share capital	3	237,634,680	237,634,680
Reserves	4	(295,068,470)	(318,161,604)
Total equity		(57,433,790)	(80,526,924)
Surplus on revaluation of operating fixed assets - net of deferred tax	5	384,119,224	394,540,222
NON-CURRENT LIABILITIES			
Loan from sponsor / director	6	7,965,994	7,965,994
Long term financing	7	72,657,683	75,802,865
Deferred tax liability	8	70,940,505	76,551,813
		151,564,182	160,320,672
CURRENT LIABILITIES			
Trade and other payables	9	32,387,607	56,103,583
Accrued mark up	10	30,852,227	22,801,493
Short term borrowings	11	188,534,050	265,061,457
Current portion of long term financing	7	3,145,175	2,867,352
Provision for taxation		332,804	2,262,003
		255,251,863	349,095,888
TOTAL LIABILITIES		406,816,045	509,416,560
CONTINGENCIES AND COMMITMENTS	12		
TOTAL EQUITY AND LIABILITIES		733,501,479	823,429,858

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

Humayun Mazhar
Chief Executive Officer

as at 30 June, 2009

ASSETS	NOTE	2009 RUPEES	2008 RUPEES (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	13	488,473,866	513,231,690
Long term investments	14	552,685	134,500
Long term loans	15	186,490	-
Long term security deposits		3,187,971	2,626,518
		492,401,012	515,992,708
CURRENT ASSETS			
Stores and spare parts	16	7,053,339	8,458,830
Stock-in-trade	17	143,146,161	158,191,974
Trade debts	18	29,113,190	84,712,931
Loans and advances	19	8,488,898	23,561,608
Short term deposits and prepayments	20	13,266,597	9,653,405
Other receivables	21	13,641,101	15,780,373
Short term investments	22	1,142,062	4,123,212
Cash and bank balances	23	25,249,119	2,954,817
		241,100,467	307,437,150
TOTAL ASSETS		733,501,479	823,429,858

Khurram Mazhar Karim
Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2009

	NOTE	2009 RUPEES	2008 RUPEES (Restated)
SALES	24	999,998,526	710,864,090
COST OF SALES	25	871,654,477	657,280,730
GROSS PROFIT		128,344,049	53,583,360
DISTRIBUTION COST	26	17,399,767	11,455,469
ADMINISTRATIVE EXPENSES	27	69,850,542	71,434,607
OTHER OPERATING EXPENSES	28	7,755,239	10,058,927
		95,005,548	92,949,003
		33,338,501	(39,365,643)
OTHER OPERATING INCOME	29	2,535,487	81,384,463
PROFIT FROM OPERATIONS		35,873,988	42,018,820
FINANCE COST	30	30,776,083	17,618,720
PROFIT BEFORE TAXATION		5,097,905	24,400,100
PROVISION FOR TAXATION	31	9,032,358	1,996,462
PROFIT AFTER TAXATION		14,130,263	26,396,562
EARNINGS PER SHARE - BASIC AND DILUTED	32	0.59	1.39

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

Humayun Mazhar
Chief Executive Officer

Khurram Mazhar Karim
Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

	NOTE	2009 RUPEES	2008 RUPEES (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	33	133,515,255	(151,940,043)
Finance cost paid		(22,725,349)	(12,393,038)
Income tax paid		(4,519,805)	(5,099,930)
Increase in long term loans		(186,490)	-
Increase in long term deposits		(561,453)	-
Net cash from operating activities		105,522,158	(169,433,011)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of operating fixed assets		1,052,900	6,241,996
Proceeds from sale of investments		-	58,771,387
Dividend received		-	186,130
Investments made		(418,185)	(4,010)
Capital expenditure of property, plant and equipment		(4,467,805)	(23,490,245)
Net cash (used in) / flows from investing activities		(3,833,090)	41,705,258
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long term financing		-	38,500,000
Repayment of long term financing		(2,867,359)	(1,406,470)
Participatory redeemable capital		-	(40,000,000)
Short term borrowings - net		(76,527,407)	126,035,759
Net cash (used in) / flows from financing activities		(79,394,766)	123,129,289
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		22,294,302	(4,598,464)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		2,954,817	7,553,281
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (NOTE 22)		25,249,119	2,954,817

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

Humayun Mazhar
Chief Executive Officer

Khurram Mazhar Karim
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2009

	SHARE CAPITAL	RESERVES		TOTAL EQUITY
		CAPITAL RESERVE	REVENUE RESERVE	
		Share Premium	(Accumulated loss)	
	Rupees			
Balance as at 30 June 2007	150,634,680	35,767,584	(405,786,015)	(219,383,751)
Transfer from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	11,398,841	11,398,841
Issuance of shares against loan from director	87,000,000	-	-	87,000,000
Profit for the year ended 30 June 2008	-	-	26,396,562	26,396,562
Balance as at 30 June 2008	237,634,680	35,767,584	(367,990,612)	(94,588,348)
Effect of retrospective restatement of raw material stock (Note 25.1.1)	-	-	(907,074)	(907,074)
Effect of adjustment regarding long term financing (Note-7.1.1)	-	-	14,968,498	14,968,498
Balance as at 30 June 2008-restated	237,634,680	35,767,584	(353,929,188)	(80,526,924)
Transfer from surplus on revaluation of operating fixed assets - net of deferred tax	-	-	8,962,871	8,962,871
Profit for the year ended 30 June 2009	-	-	14,130,263	14,130,263
Balance as at 30 June 2009	237,634,680	35,767,584	(330,836,054)	(57,433,790)

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

Humayun Mazhar
Chief Executive Officer

Khurram Mazhar Karim
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2009

1. THE COMPANY AND ITS OPERATIONS

Crescent Jute Products Limited is a public limited company incorporated on 19 September 1964 under the Companies Act, 1913 (Now Companies Ordinance, 1984) and listed on all stock exchanges in Pakistan. Its registered office is situated at 306, 3rd Floor, Siddiq Trade Centre, Gulberg, Lahore. The company is engaged in manufacturing and sale of jute products including jute bags.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation

a) Statement of Compliance

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

b) Accounting Convention

These financial statements have been prepared under the historical cost convention, modified by revaluation of certain fixed assets and measurement of financial instruments carried at fair value.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Provision for doubtful debts

The Company reviews its receivable balances against any provision required for any doubtful balances on an ongoing basis. The provision is made while taking into consideration expected recoveries, if any.

d) Standard that is effective in current year

IFRS 7 'Financial Instruments: Disclosures'. The Securities and Exchange Commission of Pakistan (SECP) vide S.R.O 411(I) / 2008 dated 28 April 2008 notified the adoption of IFRS 7. IFRS 7 is mandatory for Company's accounting period beginning on or after the date of notification i.e. 28 April 2008. IFRS 7 has superseded IAS 30 and disclosure requirements of IAS 32. Adoption of IFRS 7 has only impacted the format and extent of disclosures presented in the financial statements.

e) Standards, interpretations and amendments to published approved accounting standards that are effective in current year but not relevant

There are other new standards, interpretations and amendments to the published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2008 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards and amendments to published approved accounting standards that are not yet effective but relevant

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2009 or later periods:

IAS 1 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2009), issued in September 2007 revises the existing IAS 1 and requires apart from changing the names of certain financial statements, presentation of transactions with owners in statement of changes in equity and with non-owners in the Comprehensive Income Statement. Adoption of the aforesaid standard will only impact the presentation of the financial statements.

IAS 23 (Amendment) 'Borrowing Costs' (effective for annual periods beginning on or after 01 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset.

IFRS 7 (Amendment) 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 01 January 2009). This amendment has expanded the disclosures required in respect of fair value measurements recognized in the statement of financial position. Moreover, amendments have also been made to the liquidity risk disclosures. Such amendments are not expected to have any significant impact on the Company's financial statements other than increase in disclosures.

There are other amendments resulting from May 2008 and April 2009 Annual Improvements to IFRSs, specifically in IAS 1 'Presentation of Financial Statements', IAS 7 'Statement of Cash Flows', IAS 23 'Borrowing Costs', IAS 28 'Investments in Associates', IAS 36 'Impairment of Assets' and IAS 39 'Financial Instruments: Recognition and Measurement' that are considered relevant to the Company's financial statements. These amendments are unlikely to have a significant impact on the Company's financial statements and have therefore not been analyzed in detail.

Standards, interpretations and amendments to published approved accounting standards that are not effective in current year and not considered relevant

There are other accounting standards, amendments to published approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 01 July 2009 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Employee Retirement Benefits

The Company has curtailed its employees' retirement benefit scheme effective from 01 November 2002 and the amount of Rupees 17.900 million being the liability for pension obligation has been written back to income. Since February 2003, the Company started hiring of employees on contractual basis after re-start of its discontinued operations. Now the contract of service is renewable at the option of the Company.

2.3 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from difference between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to equity in which case it is included in equity.

However, the Company did not account for deferred tax asset because it is of the view that this will not be realized in near future.

2.4 Foreign currencies

These financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities denominated in foreign currencies are translated into Pak Rupees at the rates of exchange prevailing at the balance sheet date, while the transactions in foreign currency during the year are initially recorded in functional currency at the rates of exchange prevailing at the transaction date. All non monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. The Company charges all the exchange differences to profit and loss account.

2.5 Property, plant, equipment and depreciation

Owned

All operating fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, except those subject to revaluation which are stated at revalued amount less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at revalued amount less impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to profit and loss account during the period in which they are incurred.

Depreciation

Depreciation is charged to income on reducing balance method at the rates given in Note 13.1 except for computers which are depreciated on the straight line method at the rate of 33 percent per annum to write off the cost over estimated remaining useful life of assets without taking into account any residual value. The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from operating fixed assets. Full month's depreciation is charged on additions during the month in which asset is acquired while no depreciation is charged in the month of disposal.

Capital work-in-progress

Capital work-in-progress is stated at cost less identified impairment losses and is transferred to the operating fixed assets as and when asset is available for use.

De-recognition

An item of property, plant and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit and loss account in the year the asset is de-recognized.

Change in Accounting Estimate

Residual value of operating fixed assets have been reassessed and their depreciable amounts have been readjusted accordingly. The company has accounted for the above stated changes in accounting estimates prospectively in accordance with IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no change in this accounting estimate, the figures recognized in these financial statements would have been different as follows:

	RUPEES
Written down value of operating fixed assets would have been lower by	1,151,663
Profit after taxation would have been lower by	1,151,663
Earning per share would have been lower by	0.04

2.6 Investments

Classification of an investment is made on the basis of intended purpose for holding such investment. Management determines the appropriate classification of its investments at the time of purchase.

Investments are initially measured at fair value plus transaction costs directly attributable to acquisition, except for "Held-for-trading" which is measured initially at fair value.

The Company assess at the end of each reporting period whether there is any objective evidence that investments are impaired. If any such evidence exists, the Company applies the provisions of IAS 39 'Financial Instruments: Recognition and Measurement' to all investments, except investments in subsidiaries, which are tested for impairment in accordance with the provisions of IAS 36 'Impairment of Assets'.

a) **Held-for-trading**

Investment classified as held-for-trading and those designated as such are included in this category. Investments are classified as held-for-trading if these are acquired for the purpose of selling in the short term. Gains or losses on investments held-for-trading are recognized in profit and loss account.

b) **Held-to-maturity**

Investments with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Company has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments that are intended to be held to maturity are subsequently measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest method, of any difference between the initially recognized amount and the maturity amount. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are de-recognized or impaired, as well as through the amortization process.

c) **Investment in subsidiaries**

Investments in subsidiaries are stated at cost less impairment loss, if any, in accordance with the provisions of IAS 27, " Consolidated and Separate Financial Statements".

d) **Available-for-sale**

Change in accounting policy

Previously, available-for-sale investments in un-quoted equity instruments were initially recognised at their cost and subsequently, these were valued at breakup value less impairment loss, if any. Now, the Company has changed its accounting policy regarding the measurement of un-quoted equity investment. The investments that do not have a quoted market price in an active market and whose fair value can not be reliably measured, subsequent to after initial recognition are carried at cost less impairment loss, if any. This change in accounting policy has been applied retrospectively in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors". This change in accounting policy has no recognition/measurement impact on current and prior periods. Because provision for diminution in value of investments amounting to Rupees 4.636 million equal to the impairment loss against investments as at 30 June 2009 has already been provided in these financial statements.

2.7 **Stores, spare parts and loose tools**

These are valued at lower of cost and net realizable value. Cost is calculated using moving average method except for items in transit which are valued at cost comprising invoice value plus other charges paid thereon till the balance sheet date. Provision is made against obsolete items.

2.8 Stock-in-trade

Stock in trade is stated at the lower of cost and net realizable value. Stock of raw materials is valued at weighted average cost. Cost in relation to work-in-process and finished goods comprises cost of direct materials, labour and attributable manufacturing overheads. Cost of goods in transit comprises invoice value plus other charges paid thereon till the balance sheet date.

Net realizable value signifies the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessarily to make a sale.

2.9 Borrowing cost

Interest, mark-up and other charges on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other interest, mark-up and other charges are recognized in profit and loss account.

2.10 Revenue recognition

Revenue from different sources is recognized as under:

- Revenue from sale of goods is recognized on delivery of goods to the customers.

- Dividend on equity investments is recognized when right to receive the dividend is established.

- Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.11 Financial instruments

Financial instruments carried on the balance sheet include investments, deposits, trade debts, loans and advances, other receivables, cash and bank balances, long-term financing, short-term borrowings, accrued mark-up and trade and other payables etc. Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available-for-sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the following individual policy statements associated with each item and in the accounting policy of investments.

a) **Trade and other receivables**

Trade debts and other receivables are carried at original invoice value less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

b) **Borrowings**

Borrowings are recognized initially at the proceeds received and are subsequently stated at amortized cost. Any difference between the proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

c) **Trade and other payables**

Liabilities for trade and other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.12 Provisions

Provisions are recognized when the Company has a 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 obligations and a reliable estimate of the amount can be made.

2.13 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.14 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at banks.

2.16 Related party transactions and transfer pricing

Transactions and contracts with the related parties are carried out at an arm's length price determined in accordance with comparable uncontrolled price method.

2.17 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2009	2008		2009	2008
(NUMBER OF SHARES)			RUPEES	RUPEES
15 723 741	15 723 741	Ordinary shares of Rupees 10 each fully paid in cash	157,237,410	157,237,410
8 039 727	8 039 727	Ordinary shares of Rupees 10 each issued as fully paid bonus shares	80,397,270	80,397,270
23 763 468	23 763 468		237,634,680	237,634,680

3.1 Ordinary shares of the Company held by associated undertakings:

	2009	2008
	(NUMBER OF SHARES)	
Crescent Sugar Mills and Distillery Limited	201 933	201 933
Crescent Group Services (Private) Limited	79	79
Crescent Foundation	4 621	4 621
Crescent Powertec Limited	80 000	80 000
Crescent Steel and Allied Products Limited	91 300	91 300
Jubilee Spinning and Weaving Mills Limited	1 716 683	1 716 683
Muhammad Amin Muhammad Bashir Limited	990	990
Premier Insurance Limited	32 333	32 333
Shams Textile Mills Limited	12 476	12 476
Shakarganj Mills Limited	537 717	537 717
The Crescent Textile Mills Limited	2 747 211	2 747 211
	5 425 343	5 425 343

	2009 RUPEES	2008 RUPEES (Restated)
4. RESERVES		
Composition of reserves is as follows:		
Capital		
Share premium (Note 4.1)	35,767,584	35,767,584
Revenue		
Accumulated loss	(330,836,054)	(353,929,188)
	(295,068,470)	(318,161,604)

4.1 This reserve can be utilised by the Company only for the purposes specified in section 83(2) of the Companies Ordinance, 1984.

	2009	2008
5. SURPLUS ON REVALUATION OF OPERATING FIXED ASSETS		
Opening Balance	394,540,222	174,481,563
Add: Surplus on revaluation of freehold land, building and machinery (Note 5.1)	-	314,147,150
	394,540,222	488,628,713
Less: Related deferred tax liability	-	82,689,650
Adjustment of surplus on sale of machinery - net of deferred tax	1,458,127	-
Transfer to statement of changes in equity - net of deferred tax	8,962,871	11,398,841
	10,420,998	94,088,491
	384,119,224	394,540,222

5.1 The Company had revalued its freehold land, building thereon, plant and machinery on 31 December 2007. The revaluation exercise was carried out by an independent valuer Messrs Projects (Private) Limited to replace the carrying amounts of these assets with their prevailing market prices. The aggregated net appraisal surplus arisen on the revaluation was credited to surplus on revaluation of operating fixed assets account to comply with the requirements of section 235 of the Companies Ordinance, 1984.

Previously these fixed assets were revalued by independent valuers as at 30 June 1996 and 30 June 2005.

6. LOAN FROM SPONSOR/DIRECTOR

This represents interest free loan obtained from sponsor/director.

		2009 RUPEES	2008 RUPEES (Restated)
7.	**LONG TERM FINANCING**		
	Secured		
	Financing from banking companies (Note 7.1)	20,664,143	23,531,502
	Unsecured		
	Crescent Jute Mills Limited (Note 7.2)	55,138,715	55,138,715
		75,802,858	78,670,217
	Less: Current portion shown	3,145,175	2,867,352
		72,657,683	75,802,865

7.1 This represents interest free loan obtained from Innovative Investment Bank Limited with sixty equal monthly installments commenced on 01 January 2009 and ending on 01 December 2013. The loan is secured against the personal guarantees of one sponsor and one director alongwith demand promissory note of Rupees 127,619,771 and trust receipt dated 02 June 1998.

7.1.1 During the year the Company has determined the amortized cost of long term mark-up free finance using effective interest method. Rate of interest used to calculate the amortized cost is the fair market rate applicable on the financial instrument of the similar nature and condition. Previously, this finance was carried at principal outstanding at the balance sheet date. This adjustment has been made retrospectively in accordance with IAS-8 "Accounting policies, Changes in Accounting Estimates and Errors". Had there been no such adjustment of amortized cost, the accumulated loss and long term financing would have been higher by Rupees 14,968,498 in the financial statements for the year ended 30 June 2008.

7.2 This represents interest free loan obtained from Crescent Jute Mills Limited (CJML) with whom the Company had approved the scheme of merger in the annual general meeting held on 31 October 2005. The time limit allowed in the scheme of merger has lapsed on 01 January 2008, and no agreement for further period has been executed by the Company with CJML. However, CJML showed its interest to convert this loan into equity on 28 November 2008. The matter is still pending on behalf of the Company.

		2009 RUPEES	2008 RUPEES
8.	**DEFERRED TAX LIABILITY**		
	Opening balance	76,551,813	-
	Add: Transferred from surplus on revaluation of operating fixed assets	-	82,689,650
	Less: Liability of assets sold during the year	785,146	-
	Impact of taxation on incremental depreciation credited to profit and loss account	4,826,162	6,137,837
		5,611,308	6,137,837
		70,940,505	76,551,813

8.1 The company has recognized deferred income tax liability retrospectively on surplus on revaluation of operating fixed assets during the year. The company has assessed losses of Rupees 114.368 million including unabsorbed depreciation as at 30 June 2009 (2008: Rupees 214.386 million). The related deferred income tax asset has not been recognized as sufficient tax profit would not be available to set off these in the foreseeable future.

9. TRADE AND OTHER PAYABLES	2009 RUPEES	2008 RUPEES
Creditors (Note 9.1)	16,314,743	18,522,137
Accrued liabilities	13,980,655	15,672,610
Advances from customers	937,069	21,353,570
Security deposits – Interest free	440,000	217,954
Workers' profit participation fund (Note 8.2)	273,787	-
Workers' welfare fund	104,041	-
Unclaimed dividend	337,312	337,312
	32,387,607	56,103,583

9.1 This includes amounts in aggregate of Rupees 4,213,083 (30 June 2008: 3,789,847) due to associated undertakings.

9.2 The Company retains workers' profit participation fund for its business operations till the date of allocation to workers. Interest is paid at prescribed rate under the Companies Profit (Workers' Participation) Act, 1968 on funds utilized by the Company till the date of allocation to workers.

10. ACCRUED MARKUP	2009 RUPEES	2008 RUPEES
Short term borrowings (Note 10.1)	30,852,227	39,918,681
Mark-up written back	-	(17,117,188)
	30,852,227	22,801,493

10.1 It includes mark-up payable to Crescent Foundation (associated undertaking) amounting to Rupees 24,962,736 (30 June 2008: Rupees 20,105,722).

11. SHORT TERM BORROWINGS

	2009 RUPEES	2008 RUPEES
From banking companies and financial institutions - secured		
Short term cash finance (Note 11.1)	49,678,202	35,002,033
Other short term finances (Note 11.2)	88,145,450	94,349,026
Murabaha facility (Note 11.3)	50,710,398	84,710,398
Unsecured		
From associated undertaking	-	51,000,000
	188,534,050	265,061,457

11.1 This finance is obtained from the Bank of Punjab under mark-up at the rate of average 3 months' KIBOR + 300 BPS with the floor of 12% per annum (30 June 2008: Average 3 months KIBOR + 300 BPS with the floor of 12% per annum) and is secured against effective pledge of finished goods and raw materials and further first exclusive charge over present and future current assets of the Company.

11.2 The facilities are obtained from the Bank of Punjab under mark-up on FIM-180 days at the rate of average 3 months KIBOR + 300 BPS with the floor of 12% per annum (30 June 2008: Average 3 months KIBOR + 300 BPS with the floor of 12% per annum), and mark-up on FE-25 at the rate of average 6 months LIBOR + 250 BPS (30 June 2008: Average 6 months LIBOR + 250 BPS). These are secured against pledge of imported raw jute, existing pledge of shares and personal guarantees of two directors of the Company.

11.3 This facility is obtained from Crescent Standard Modaraba which was repayable upto 01 March 2009, but the Company could not pay the balance uptill the expiry of the prescribed date. This facility was secured against pledge of stocks of raw jute and hessian cloth and in case of default carried mark-up on the outstanding balance at the rate of 18% per annum (30 June 2008: 18% per annum). However, the agreement was renewed after balance sheet date on 31 July 2009.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies:

12.1.1 - The Collector of Customs, Sales Tax and Central Excise raised demand for sales tax amounting to Rupees 37.699 million (30 June 2008: Rupees 37.699million) along with additional tax and penalty in respect of sales tax not charged on sale of fixed assets, sale of scrap, disputed inputs claims etc. The Company filed an appeal before the Customs, Sales Tax and Excise Appellate Tribunal which was decided against the Company. The Company has now filed an appeal in Lahore High Court against the decision of the Tribunal. As the decision is still pending, no provision has been made in these financial statements. The management is of the view that there are strong grounds that the case will be decided in favour of the Company.

12.1.2 - The Company has filed appeal before Income Tax Appellate Tribunal against disallowance of certain expenses and add back of trading liabilities of Rupees 6.410 million upheld by the Commissioner of Income Tax (Appeals) in the assessment year 2002-03. The case is still pending, no provision has been made in these financial statements.

12.1.3 - The Company has recoverable balance of Rupees 5.655 million (30 June 2008: Rupees 5.721 million) advanced to Crescent Group Services (Private) Limited (CGSL) for executing certain construction contracts for WAPDA. Competition Commission of Pakistan (CCP) previously Monopoly Control Authority through its order dated 30 November 2000 has directed the Company to recover the balance due from CGSL along with markup at the prevailing market rates within a period not exceeding 31 December 2002. No mark-up was charged on the amount advanced to CGSL as per decision of the Board of Directors.

However, the Company has filed an appeal in the Supreme Court of Pakistan against the order of CCP. Pending the outcome of these matters, no adjustment has been made in these financial statements, which may be required consequent to the outcome of the aforesaid uncertainties (Note 21.1).

12.2 Commitments:

i) Letter of credit for capital expenditure is Rupees 1.42 million (30 June 2008: Nil)

ii) Letters of credit for import of raw material are Rupees 37.986 million (30 June 2008: Rupees 30.372 million).

	2009 RUPEES	2008 RUPEES
13. PROPERTY, PLANT AND EQUIPMENT		
Operating fixed assets (Note 13.1)	488,473,866	498,370,375
Capital work in progress	-	14,861,315
	488,473,866	513,231,690

13.1 OPERATING FIXED ASSETS

	Freehold land	Buildings on freehold land	Plant and machinery	Electric installations	Furniture and fittings	Computers	Vehicles	Non-operating looms	Total
	RUPEES								
At 01 July 2007									
Cost	53,477,446	148,572,993	114,970,263	298,363	18,609,771	5,685,977	11,954,664	1,497,611	355,067,088
Accumulated depreciation	-	(75,877,041)	(32,693,105)	(204,734)	(13,387,192)	(3,769,977)	(4,418,337)	(1,497,611)	(151,847,997)
Net book value	53,477,446	72,695,952	82,277,158	93,629	5,222,579	1,916,000	7,536,327	-	203,219,091
Year ended 30 June 2008									
Opening net book value	53,477,446	72,695,952	82,277,158	93,629	5,222,579	1,916,000	7,536,327	-	203,219,091
Revaluation surplus	199,122,554	140,765,395	(25,740,800)	-	-	-	-	-	314,147,149
Additions	-	-	220,000	-	1,445,230	248,200	6,715,500	-	8,628,930
Disposals									
Cost	-	-	-	-	-	-	(7,427,500)	-	(7,427,500)
Accumulated depreciation	-	-	-	-	-	-	2,046,637	-	2,046,637
	-	-	-	-	-	-	(5,380,863)	-	(5,380,863)
Depreciation charge	-	(14,126,125)	(4,801,208)	(9,363)	(577,989)	(1,002,589)	(1,726,658)	-	(22,243,932)
Closing net book value	252,600,000	199,335,222	31,955,150	84,266	6,089,820	1,161,611	7,144,306	-	498,370,375
At 30 June 2008									
Cost	252,600,000	289,338,388	89,449,463	298,363	20,055,001	5,934,177	11,242,664	1,497,611	670,415,667
Accumulated depreciation	-	(90,003,166)	(57,494,313)	(214,097)	(13,965,181)	(4,772,566)	(4,098,358)	(1,497,611)	(172,045,292)
Net book value	252,600,000	199,335,222	31,955,150	84,266	6,089,820	1,161,611	7,144,306	-	498,370,375
Year ended 30 June 2009									
Opening net book value	252,600,000	199,335,222	31,955,150	84,266	6,089,820	1,161,611	7,144,306	-	498,370,375
Additions	-	-	17,953,870	-	850,000	125,250	400,000	-	19,329,120
Disposals									
Cost	-	-	(5,000,000)	-	-	-	-	-	(5,000,000)
Accumulated depreciation	-	-	2,079,185	-	-	-	-	-	2,079,185
	-	-	(2,920,815)	-	-	-	-	-	(2,920,815)
Depreciation charge	-	(19,933,522)	(3,365,400)	(8,427)	(686,898)	(1,043,856)	(1,266,711)	-	(26,304,814)
Closing net book value	252,600,000	179,401,700	43,622,805	75,839	6,252,922	243,005	6,277,595	-	488,473,866
At 30 June 2009									
Cost	252,600,000	289,338,388	102,403,333	298,363	20,905,001	6,059,427	11,642,664	1,497,611	684,744,787
Accumulated depreciation	-	(109,936,688)	(58,780,528)	(222,524)	(14,652,079)	(5,816,422)	(5,365,069)	(1,497,611)	(196,270,921)
Net book value	252,600,000	179,401,700	43,622,805	75,839	6,252,922	243,005	6,277,595	-	488,473,866
Annual rate of depreciation (%)	-	10	10	10	10	33	20	-	

13.1.1 Freehold land, building and plant and machinery have been revalued on 31 December 2007 by an independent valuer Messrs Projects (Private) Limited. These assets were revalued on prevailing market price basis. Had there been no revaluationthe cost, accumulated depreciation and book value of the revalued assets as at 30 June 2009 would have been as follows:

	Cost	Accumulated Depreciation	Book Value
	Rupees	Rupees	Rupees
Freehold land	227,429	-	227,429
Building on freehold land	3,509,279	2,311,893	1,197,386
Plant and machinery	27,474,460	17,994,114	9,480,346

13.1.2 Depreciation charge for the year has been allocated as follows:

	2009 Rupees	2008 Rupees
Cost of sales (Note 25)	23,307,349	18,936,696
Administrative expenses (Note 27)	2,997,465	3,307,236
	26,304,814	22,243,932

13.1.3 Detail of operating fixed assets disposed of during the year is as follows:

Description	Qty.	Revalued amount	Accumulated depreciation	Net book value	Sale proceeds	Mode of disposal	Particulars of purchasers
		RUPEES					
Plant and Machinery							
Diesel Generator Set	1	1,666,667	688,284	978,383	360,000	Negotiation	Thal Limited, Muzaffargarh.
Diesel Generator Set	2	3,333,333	1,390,900	1,942,433	692,900	Negotiation	Shaikh Muhammad Shahid Kabaria, Samundri Road, Faisalabad.

		2009 RUPEES	2008 RUPEES
14.	**LONG TERM INVESTMENTS**		
	Subsidiary Company:		
	Crescent Agrifarms (Private) Limited (Note 14.1)		
	98 (30 June 2008: Nil) fully paid ordinary shares of Rupees 10 each		
	Equity held: 98% (30 June 2008: Nil)	980	-
	Add: Advance for purchase of shares	417,205	-
		418,185	-
	Available for sale		
	Associated Companies:		
	Un-quoted		
	Crescent Group Services (Private) Limited		
	220 000 (30 June 2008: 220 000) fully paid ordinary shares of Rupees 10 each	2,200,000	2,200,000
	Equity held: 1.03% (30 June 2008: 1.03%)		
	Others:		
	Un-quoted		
	Crescent Modaraba Management Company Limited		
	100 000 (30 June 2008: 100 000) fully paid ordinary shares of Rupees 10 each	1,000,000	1,000,000
	Equity held: 5.45% (30 June 2008: 5.45%)		
		3,618,185	3,200,000
	Less: Impairment loss on investments	3,065,500	3,065,500
		552,685	134,500

14.1 Crescent Agrifarms (Private) Limited (CAFL), a subsidiary of the Company was incorporated on 17 June 2009. No transaction was made by CAFL upto 30 June 2009. Therefore, the consolidated financial statements of the group were not presented.

		2009 RUPEES	2008 RUPEES
15.	**LONG TERM LOANS**		
	To employees - considered good	394,630	-
	Less: Current portion shown under current assets (Note 19)	208,140	-
		186,490	-

15.1 These represent loans given to employees against their salaries. Interest is charged on car loans while other loans are interest free. All loans are recoverable in equal monthly installments.

15.2 The fair value adjustment in accordance with the requirements of IAS 39 'Financial Instruments: Recognition and Measurement' arising in respect of staff loans is not considered material and hence not recognized.

		2009 RUPEES	2008 RUPEES
16.	**STORES AND SPARE PARTS**		
	Stores	1,189,446	2,789,145
	Spare parts	6,332,437	6,173,349
		7,521,883	8,962,494
	Less: Provision for obsolescence	468,544	503,664
		7,053,339	8,458,830
17.	**STOCK-IN-TRADE**		
	Raw materials (Note 17.1)	61,716,835	60,065,552
	Work-in-process	15,232,324	9,777,666
	Finished goods	66,197,002	88,348,756
		143,146,161	158,191,974

17.1 Raw materials include stock-in-transit of Rupees 22,491,678 (30 June 2008: Rupees Nil).

18.	**TRADE DEBTS**		
	Considered good:		
	Un-secured (Note 18.1)	29,113,190	84,712,931

18.1 As at 30 June 2009, total balance of trade debts was past due but not impaired. This relate to some independent customers from whom there is no recent history of default. The ageing analysis of these trade debts is as follows:

	Upto 1 month	19,995,000	84,083,931
	1 to 6 months	9,118,190	629,000
		29,113,190	84,712,931
19.	**LOANS AND ADVANCES**		
	Considered good:		
	Employees	642,800	2,005,644
	Current portion of long term loans to employees (Note 15)	208,140	-
	Advances to suppliers	668,877	3,747,698
	Letters of credit	172,279	17,808,266
	Income tax	6,796,802	-
		8,488,898	23,561,608
20.	**SHORT TERM DEPOSITS AND PREPAYMENTS**		
	Deposits	12,779,560	9,189,667
	Prepayments	487,037	463,738
		13,266,597	9,653,405

	2009 RUPEES	2008 RUPEES
21. OTHER RECEIVABLES		
Considered good:		
Sales tax refundable	7,985,645	6,579,748
Due from related parties (Note 21.1)	5,655,456	5,721,256
Other receivables	-	3,479,369
	13,641,101	15,780,373

21.1 It represents the advance given to Crescent Group Services (Private) Limited (CGSL) for executing certain construction contracts for WAPDA. Contingency related to the balance receivable from CGSL is given in Note 12.1.3.

	2009 RUPEES	2008 RUPEES
22. SHORT TERM INVESTMENTS – Held for trading		
Associated Company - Quoted:		
Shakarganj Mills Limited		
200 440 (30 June 2008: 200 440) fully paid ordinary shares of Rupees 10 each	8,517,000	8,517,000
Equity held: 0.29% (30 June 2008: 0.33%)		
Others - Quoted		
Crescent Fibres Limited		
17 499 (30 June 2008: 17 499) fully paid ordinary shares of Rupees 10 each	259,156	259,156
Equity held: 0.14% (30 June 2008: 0.15%)		
Shahzad Textile Mills Limited		
60 (30 June 2008: 60) fully paid ordinary shares of Rupees 10 each	780	780
Thal Limited		
156 (30 June 2008: 156) fully paid ordinary shares of Rupees 10 each	33,480	33,480
	8,810,416	8,810,416
Less: Impairment loss charged to profit and loss account (Note 28)	7,668,354	4,687,204
	1,142,062	4,123,212

22.1 Aggregate market value of quoted investments in associated company as at 30 June 2009 is Rupees 1.022 million (30 June 2008: Rupees 3.832 million).

22.2 Investments valuing Rupees 0.852 million (30 June 2008: Rupees 3.193 million) are pledged as security with The Bank of Punjab against short term borrowings.

		2009 RUPEES	2008 RUPEES
23.	**CASH AND BANK BALANCES**		
	With banks :		
	Current accounts	22,900,591	1,928,988
	Saving accounts (Note 23.1)	1,526,392	447,796
		24,426,983	2,376,784
	Cash in hand	822,136	578,033
		25,249,119	2,954,817

23.1 Rate of profit on saving accounts ranges from 4.50% to 5.00% per annum (30 June 2008: ranges from 3.00% to 5.00% per annum)

		2009 RUPEES	2008 RUPEES
24.	**SALES**		
	Export	33,280,440	76,065,600
	Local (Note 24.1)	966,614,723	634,645,946
	Export rebate	103,363	152,544
		999,998,526	710,864,090
24.1	**Local sales**		
	Main products	965,266,484	634,039,469
	Waste	1,560,116	863,142
		966,826,600	634,902,611
	Less: trade discount	211,877	256,665
		966,614,723	634,645,946

		2009 RUPEES	2008 RUPEES (Restated)
25.	**COST OF SALES**		
	Raw material consumed (Note 25.1)	565,922,821	411,402,142
	Salaries, wages and other benefits	175,941,130	167,369,536
	Stores and spare parts consumed	30,498,702	38,016,508
	Repair and maintenance	5,246,862	11,000,983
	Fuel and power	50,128,393	45,650,320
	Insurance	1,446,096	898,651
	Other factory overheads	2,466,028	1,108,881
	Depreciation (Note 13.1.2)	23,307,349	18,936,696
		854,957,381	694,383,717
	Work-in-process		
	Opening stock	9,777,666	9,302,904
	Closing stock	(15,232,324)	(9,777,666)
		(5,454,658)	(474,762)

	2009 RUPEES	2008 RUPEES (Restated)
Cost of goods manufactured	849,502,723	693,908,955
Finished goods		
Opening stock	88,348,756	51,720,531
Closing stock	(66,197,002)	(88,348,756)
	22,151,754	(36,628,225)
	871,654,477	657,280,730

25.1 Raw material consumed

Opening stock	60,065,552	5,107,844
Add: Purchased during the year	545,082,426	466,359,850
	605,147,978	471,467,694
Less: Closing stock	39,225,157	60,065,552
	565,922,821	411,402,142

25.1.1 Closing stock of raw material was incorrectly shown in the financial statements for the year ended 30 June 2007 and 30 June 2008. The financial statements of 30 June 2008 have been restated to correct this error. The effect of restatement on these financial statements is summarized below:

	RUPEES
Decrease in cost of sales	907,074
Increase in profit after taxation	907,074

26. DISTRIBUTION COST

	2009 RUPEES	2008 RUPEES
Salaries, allowances and other benefits	1,555,381	1,626,821
Freight and handling	13,582,444	7,088,963
Travelling and conveyance	905,988	267,818
Entertainment	171,809	159,626
Postage and telephone	56,724	16,003
Printing and stationery	13,709	13,048
Others	1,113,712	2,283,190
	17,399,767	11,455,469

		2009 RUPEES	2008 RUPEES
27.	**ADMINISTRATIVE EXPENSES**		
	Salaries, allowances and benefits	29,620,009	29,355,541
	Rent, rates and taxes	2,983,214	3,614,895
	Legal and professional	3,332,840	4,107,402
	Insurance	686,921	515,335
	Traveling and conveyance	11,966,435	8,927,655
	Vehicles' running	9,864,905	9,932,701
	Entertainment	1,210,656	1,511,001
	Auditors' remuneration (Note 27.1)	415,000	340,000
	Advertisement	108,500	184,350
	Postage and telephone	1,718,294	1,910,091
	Electricity, gas and water	2,175,192	670,180
	Printing and stationery	551,477	612,972
	Repair and maintenance	1,046,528	3,735,574
	Fee and subscription	33,600	281,151
	Depreciation (Note 13.1.2)	2,997,465	3,307,236
	Miscellaneous	1,139,506	2,428,523
		69,850,542	71,434,607
27.1	**Auditors' remuneration:**		
	Riaz Ahmad and Company		
	Audit fee	300,000	-
	Half yearly review	80,000	-
	Reimbursable expenses	35,000	-
	Naveed Zafar Husain Jaffery and Company		
	Audit fee	-	200,000
	Half yearly review and other certifications	-	105,000
	Reimbursable expenses	-	35,000
		415,000	340,000
28.	**OTHER OPERATING EXPENSES**		
	Workers' profit participation fund	273,787	-
	Workers' welfare fund	104,041	-
	Exchange loss	257,650	721,260
	Impairment loss on investments	2,981,150	4,687,068
	Loss on sale of investments	-	4,650,599
	Debit balances written off	3,518,611	-
	Donations (Note 28.1)	620,000	-
		7,755,239	10,058,927

28.1 There is no interest of any director or his spouse in donees' fund.

		2009 RUPEES	2008 RUPEES
29.	**OTHER OPERATING INCOME**		
	Income from financial assets		
	Dividend income	-	186,130
	Profit on deposits with banks	136,199	116,260
	Profit on balance with other parties	-	251,774
		136,199	554,164
	Income from non financial assets		
	Gain on sale of operating fixed assets	375,358	861,132
	Scrap sales	147,903	152,184
	Credit balances written back	1,792,050	77,474,389
	Provision written back for stores and spares	35,120	1,806,353
	Others	48,857	536,241
		2,399,288	80,830,299
		2,535,487	81,384,463
30.	**FINANCE COST**		
	Mark-up on short term borrowings (Note 30.1)	25,709,885	15,513,483
	Amortized cost of long term financing	4,132,639	-
	Bank charges and commission	933,559	2,105,237
		30,776,083	17,618,720

30.1 It includes Rupees 4.857 million (30 June 2008: Rupees 5.077 million) charged as markup by the associated undertaking.

		2009 RUPEES	2008 RUPEES Restated
31.	**PROVISION FOR TAXATION**		
	Current year (Note 31.1)	(332,804)	(4,141,375)
	Prior years (Note 31.2)	4,539,000	-
	Deferred (Note 8)	4,826,162	6,137,837
		9,032,358	1,996,462

31.1 Provision for current taxation represents the tax deducted against export sales under section 154 of the Income Tax Ordinance, 2001. No other provision against current tax is required due to accumulated tax losses. Tax losses available as at 30 June 2009 are Rupees 114.368 million (30 June 2008: Rupees 214.386 million) including unabsorbed depreciation. Income tax assessments have been finalized upto tax year 2006 except assessment year 2002-2003. The Company has filed appeal before Income Tax Appellate Tribunal against disallowance of certain expenses and add back of trading liabilities upheld by the Commissioner of Income Tax (Appeals) in the assessment year 2002-2003. The case is still pending for decision (Note 12.1.2). Reconciliation of tax expenses and product of accounting profit multiplied by the applicable tax rate is not required in view of final tax regime for export sales and accumulated tax losses of the Company.

31.2 This represents excess provision of previous years and assessed refunds.

		2009 RUPEES	2008 RUPEES
32.	**EARNINGS PER SHARE - BASIC AND DILUTED**		
32.1	**Basic earning per share**		
	Profit for the year from continuing operations (Rupees)	14,130,263	26,396,562
	Weighted average number of ordinary shares (Numbers)	23,763,468	19 050 968
	Earnings per share (Rupees)	0.59	1.39

No figure for diluted earning per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earning per share when exercised.

		2009 RUPEES	2008 RUPEES
33.	**CASH GENERATED FROM OPERATIONS**		
	Profit before taxation	5,097,905	24,400,100
	Adjustments for non-cash charges and other items:		
	Depreciation	26,304,814	22,243,932
	Gain on sale of property, plant and equipment	(375,358)	(861,132)
	Loss on sale of investment	-	4,650,599
	Credit balances written back	(1,792,050)	(77,474,389)
	Debit balances written off	3,518,611	-
	Dividend income	-	(186,130)
	Impairment loss on investments	2,981,150	4,687,204
	Finance cost	30,776,083	17,618,720
	Working capital changes (Note 33.1)	67,004,100	(147,018,947)
		133,515,255	(151,940,043)
33.1	**Working capital changes**		
	Decrease / (increase) in current assets:		
	- Stores and spare parts	1,405,491	(4,405,978)
	- Stock in trade	15,045,813	(90,184,283)
	- Trade debts	55,599,741	(76,662,180)
	- Loans and advances	21,869,512	(18,935,328)
	- Short term deposits and prepayments	(3,613,192)	225,882
	- Other receivables	(1,379,339)	14,466,095
		88,928,026	(175,495,792)
	(Decrease) / increase in current liabilities:		
	- Trade and other payables	(21,923,926)	28,476,845
		67,004,100	(147,018,947)

34. EVENTS AFTER THE BALANCE SHEET DATE

On 31 July 2009, the company entered into Murabaha Facility Agreement with Crescent Standard Modaraba (CSM) for settlement of its outstanding balance of Rupees 49.710 million. As agreed, the company will pay Rupees 0.7500 million per month and the balance amount of Rupees 40.710 million is to be settled by 31 July 2010. CSM has agreed to waive off outstanding mark up of Rupees 18.54 million subject to liquidation of entire murabaha facility by the aforesaid settlement date. In case the company fails to pay the said amount as agreed, the waiver given to the Company will be withdrawn by CSM. As the agreement was finalised after the balance sheet date, this event has been considered as non-adjusting event under IAS-10 'Events after the Balance Sheet Date' and has not been recognised in these financial statements.

35. REMUNERATION OF CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration including all benefits to Chief Executive Officer, Directors and Executives of the Company is as follows:

	Chief Executive Officer		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	RUPEES					
Managerial remuneration	3,522,400	2,160,000	5,611,697	2,407,005	1,983,685	1,975,269
Allowances:						
House rent	1,485,600	972,000	1,103,391	1,111,144	595,107	624,616
Medical	86,698	97,747	960,625	944,798	198,366	207,760
Utilities	108,000	216,000	246,536	769,754	198,367	207,760
Servant's salary	180,000	180,000	159,200	149,700	-	-
Others	137,766	274,322	212,933	264,162	-	-
	5,520,464	3,900,069	8,294,382	5,646,563	2,975,525	3,015,405
Number of persons	1	1	3	3	2	1

35.1 The chief executive is provided with free use of Company's maintained car and utilities. Directors and executives are provided with free use of company's maintained cars. One of the directors is provided with free furnished accommodation.

35.2 Meeting fee amounting to Rupees 37,500 (30 June 2008: Rupees 30,000) has been paid to three directors.

35.3 Travelling expenditure of Chief Executive Officer and Directors amounts to Rupees 5,134,683 (30 June 2008: Rupees 6,063,671).

36. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise subsidiary company, associated companies/undertakings, directors and key management personnel. The Company in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties, other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2009 RUPEES	2008 RUPEES
Subsidiary Company		
Advance for issue of shares	417,205	-
Investments made	980	-
Associated Companies		
Service charges paid	2,014,539	1,432,085
Service charges received	137,150	2,254,806
Assets purchased	-	450,000
Balance paid	-	420,580
Insurance premium paid	2,065,672	1,661,295
Insurance claims received	206,305	2,721,196
Proceeds from land disposal	-	9,000,000
Associated Undertaking		
Loan received	-	50,000,000
Loan repaid	51,000,000	8,000,000
Markup charged	4,857,014	5,077,049

37. PLANT CAPACITY AND ACTUAL PRODUCTION

		2009	2008
Sacking including twine			
100% plant capacity on three shifts per day	Kgs.	18 500 000	18 500 000
Actual production	Kgs.	11 706 330	10 663 088
Hessian			
100% plant capacity on three shifts per day	Kgs.	4 500 000	4 500 000
Actual production	Kgs.	1 068 912	3 565 754

37.1 Reason for low production

Under utilization of production capacity is mainly due to power shortages, limited working capital availability and lack of skilled labour.

38. FINANCIAL RISK MANAGEMENT

38.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. At the year end, the Company has no receivable / payable balances in foreign currency as at 30 June 2009.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to commodity price risk.

Sensitivity analysis

The table below summarises the impact of increase / decrease in the Karachi Stock Exchange (KSE) Index on the Company's profit after taxation. The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the Index.

Index	Impact on profit after taxation		Impact on other components of equity	
	2009 RUPEES	2008 RUPEES	2009 RUPEES	2008 RUPEES
KSE 100 (5% increase)	53,106	206,160	-	-
KSE 100 (5% decrease)	53,106	206,160	-	-

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets. The Company's interest rate risk arises from short term borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rate expose the Company to fair value interest rate risk.

At the balance sheet date the interest rate profile of the Company's interest bearing financial instruments was:

	2009 RUPEES	2008 RUPEES
Floating rate instruments:		
Financial assets		
Bank balances- saving accounts	1,526,392	447,796
Financial liabilities		
Short term borrowings	137,823,652	129,351,059

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuates by 1% higher / lower with all other variables held constant, profit after taxation for the year would have been Rupees 2.553 million (30 June 2008: Rupees 1.053 million) lower / higher, mainly as a result of higher / lower interest expense on floating rate borrowings. This analysis is prepared assuming the amount of liabilities outstanding at balance sheet date were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2009 RUPEES	2008 RUPEES
Investments	1,276,562	4,257,712
Loans and advances	1,037,430	2,005,644
Deposits	15,967,531	11,816,185
Trade debts	29,113,190	84,712,931
Other receivables	5,655,456	9,200,625
Bank balances	24,426,983	2,376,784
	77,477,152	114,369,881

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

	Rating			2009	2008
	Short Term	Long term	Agency	RUPEES	RUPEES
Banks					
MCB Bank Limited	A1+	AA+	PACRA	2,837,283	240,413
The Royal Bank of Scotland Limited (formerly ABN Amro Bank Limited)	A1+	AA	PACRA	1,619	361,502
United Bank Limited	A-1+	AA+	JCR-VIS	510,676	265,295
The Bank of Punjab	A1+	AA-	PACRA	21,077,405	1,061,431
				24,426,983	1,928,641
Investments					
Shakarganj Mills Limited	A2	BBB+	PACRA	1,022,244	4,123,212
				25,449,227	6,051,853

Due to the Company's long standing business relationships with these counterparties, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company manages liquidity risk by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At 30 June 2009, the Company had Rupees 703.210 million available borrowing limits from financial institutions (30 June 2008: Rupees 747.710 million) and Rupees 25.249 million cash and bank balances (30 June 2008: Rupees 2.955 million). Management believes the liquidity risk to be medium. Followings are the contractual maturities of financial liabilities, including interest payments. The amounts disclosed in the table are undiscounted cash flows.

Contractual maturities of financial liabilities as at 30 June 2009:

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
	RUPEES					
Long term financing	75,802,858	75,802,858	1,494,670	1,650,505	3,835,194	68,822,489
Trade and other payables	31,072,710	31,072,710	31,072,710	-	-	-
Short term borrowings	188,534,050	199,401,445	142,573,652	4,500,000	41,460,398	-
	295,409,618	306,277,013	175,141,032	6,150,505	45,295,592	68,822,489

Contractual maturities of financial liabilities as at 30 June 2008:

	Carrying Amount	Contractual Cash Flows	6 month or less	6-12 month	1-2 Year	More than 2 Years
Long term financing	78,670,217	78,670,217	1,146,850	1,720,510	3,145,175	72,657,682
Trade and other payables	34,750,013	34,750,013	34,750,013	-	-	-
Short term borrowings	265,061,457	275,978,687	145,551,029	68,800,000	50,710,398	-
	378,481,687	389,398,917	181,447,892	70,520,510	53,855,573	72,657,682

The contractual cash flows relating to the above financial liabilities have been determined on the basis of interest rates / mark up rates effective as at 30 June. The rates of interest / mark up have been disclosed in Note 11 to these finanncial statements.

38.2 Fair values of financial assets and liabilities

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

38.3 Financial instruments by categories

	Loans and receivables	Available for sale	Total
	RUPEES		
As at 30 June 2009			
Assets as per balance sheet			
Investments	-	1,276,562	1,276,562
Loans and advances	1,037,430	-	1,037,430
Deposits	15,967,531	-	15,967,531
Trade debts	29,113,190	-	29,113,190
Other receivables	5,655,456	-	5,655,456
Cash and bank balances	25,249,119	-	25,249,119
	77,022,726	1,276,562	78,299,288

	Financial liabilities at amortized cost
	RUPEES
Liabilities as per balance sheet	
Long term financing	75,802,858
Accrued mark-up	30,852,227
Short term borrowings	188,534,050
Trade and other payables	31,072,710
	326,261,845

	Loans and receivables	Available for sale	Total
	----------------------RUPEES----------------------		
As at 30 June 2008			
Assets as per balance sheet			
Investments	-	4,257,712	4,257,712
Loans and advances	2,005,644	-	2,005,644
Deposits	11,816,185	-	11,816,185
Trade debts	84,712,931	-	84,712,931
Other receivables	9,200,625	-	9,200,625
Cash and bank balances	2,954,817	-	2,954,817
	110,690,202	4,257,712	114,947,914

	Financial liabilities at amortized cost
	RUPEES
Liabilities as per balance sheet	
Long term financing	78,670,217
Accrued mark-up	22,801,493
Short term borrowings	265,061,457
Trade and other payables	34,750,013
	401,283,180

38.4 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 returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares or sell assets to reduce debt.

39. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 28, 2009 by the Board of Directors of the Company.

40. CORRESPONDING FIGURES

Comparative figures of balance sheet, profit and loss account, cash flow statement and statement of changes in equity and related notes have been re-arranged, wherever necessary for the purpose of comparison. However ,no significant reclassification has been made except:

- Loans and advances, short term deposits and prepayments and other receivables are shown separately on the face of balance sheet instead of grouping in advances, deposits, prepayments and other receivables.

- Other operating expenses have been shown on the face of profit and loss account instead of merging in other income.

41. GENERAL

Figures have been rounded off to the nearest Rupee.

Humayun Mazhar
Chief Executive Officer

Khurram Mazhar Karim
Director