Crescent Fibres

# Annual Report 2008

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# COMPANY INFORMATION

| | | |
|---|---|---|
| **Board of Directors** | Khawar Maqbool | (Chairperson) |
| | Imran Maqbool | (Chief Executive) |
| | Iqbal Ismail | (Representative NIT) |
| | Humayun Maqbool | |
| | Nadeem Maqbool | |
| | Riaz Masood | |
| | Shahid Riaz | |
| **Chief Financial Officer** | Muhammad Iqbal Lalani | |
| **Company Secretary** | Javaid Hussain | |
| **Audit Committee** | Iqbal Ismail | (Chairman) |
| | Humayun Maqbool | (Member) |
| | Nadeem Maqbool | (Member) |
| | Ali Hussain | (Secretary) |
| **Auditors** | Mushtaq & Company<br>Chartered Accountants | |
| **Legal Advisor** | Mohsin Tayebally & Sons | |
| **Registered Office** | 104 Shadman 1,<br>Lahore-54000<br>Tel : (042) 757-9641, 757-6482<br>Fax : (042) 756-0963 | |
| **E-mail:** | lo@crescentfibres.com | |
| **Website:** | www.crescentfibres.com | |

# NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 31st Annual General Meeting of the shareholders of the Company will be held on Friday the 31st October, 2008 at 9.30 a.m. at Registered Office of the Company 104-Shadman-1, Lahore to transact the following business:

1. To receive, consider and adopt Audited Accounts of the Company for the year ended 30th June, 2008 together with Auditors and Directors reports thereon.

2. To appoint Auditors and fix their remuneration. The retiring auditors M/s. Mushtaq & Company, Chartered Accountants offer themselves for re-appointment. A notice has been received from a shareholder in terms of section 253(2) of the companies ordinance, 1984, for appointment of M/s. BDO Ebrahim & Company, Chartered Accountants as auditors in place of retiring auditors.

October 04, 2008
REGISTERED OFFICE
104-Shadman-1, Lahore,

By Order of the Board
JAVAID HUSSAIN
Company Secretary

NOTES:

1. The Share Transfer Books of the Company will remain closed from 20th October, 2008 to 31st October, 2008 (both days inclusive).

2. A member eligible to attend and vote at the Annual General Meeting may appoint another member as his/her proxy to attend and vote instead of him/her. Proxies in order to be valid must be received by the company duly completed not less than 48 hours before the Meeting.

3. CDC shareholders are requested to bring with them their National Identity Cards alongwith participants' ID number and their account numbers at the time of Annual General Meeting in order to facilitate identification. In case of corporate entity, a certified copy of the resolution passed by the Board of Directors/valid Power of Attorney with the specimen signature of the nominee be produced at the time of meeting.

# MISSION STATEMENT

To achieve a leadership position in providing innovative and high-quality products in all sectors of operations.

To be recognized as an organization that delivers on its commitments with integrity and excellent value.

To foster an environment of growth, prosperity, and long term relationships, through dedication to the principles of openness, honesty, and professionalism.

To be an equal opportunity employer, and to motivate and empower every employee to strive for excellence in meeting the needs of our customers.

To be a responsible corporate citizen and contribute to our community by participating in social and environmental causes.

# STATEMENT OF ETHICS AND BUSINESS PRACTICES

Business success is about good decision making, successful businesses depend upon people making reasoned and rational choices. A Company's reputation depends on the actions of its people. A good reputation is attractive to staff and customers, it is a basic part of being a successful company.

Our reputation is built on the fundamental principles of honesty, integrity and reliability.

Our business practices reflect the importance we attach to these principles.

Our principles enable us to build relationships with all our customers and our business partners based on mutual trust and understanding.

We strive to maintain high standards of ethical behavior in dealings with our customers, employees, suppliers, business partners, contractors, and the wider community.

We expect these high standards of all those who represent Crescent Fibres.

We encourage open discussion concerning our ethical standpoint.

We expect openness, honesty, respect for others, accuracy, reliability, loyalty, constancy and trust.

**Our ethics and practices ensure our success.**

# DIRECTORS' REPORT

The Company reported a profit of Rs. 11.3 million for the year ended June 30, 2008 as compared to a profit of Rs. 33.7 million for the twelve months ended June 30, 2007. The decreased profitability is mainly attributable to higher raw material and input costs and recessionary conditions in global markets. The earnings per share for the period under review was Rs.0.91.

**Crescent Fibres Limited**

*Summarized Financial Results*

| *Rupees in millions* | Year Ended 30-Jun-08 | | Year Ended 30-Jun-07 | |
|---|---|---|---|---|
| | Rs. | % of Sales | Rs. | % of Sales |
| Sales | 1,237.6 | 100.0% | 1,179.7 | 100.0% |
| Cost of Sales | (1,150.9) | 93.0% | (1,063.1) | 90.1% |
| Gross Profit | 86.6 | 7.0% | 116.6 | 9.9% |
| Distribution Cost | (8.2) | 0.7% | (8.2) | 0.7% |
| Administrative Expenses | (41.4) | 3.3% | (38.8) | 3.3% |
| Other Expenses | (0.9) | 0.1% | (2.0) | 0.2% |
| Other Income | 12.9 | 1.0% | 7.0 | 0.6% |
| Profit from Operations | 49.1 | 4.0% | 74.6 | 6.3% |
| Financial Charges / Other | (31.6) | 2.6% | (35.8) | 3.0% |
| Profit before Taxation | 17.5 | 1.4% | 38.8 | 3.3% |
| Taxations | (6.2) | 0.5% | (5.1) | 0.4% |
| Profit/(Loss) After Taxes | 11.3 | 0.9% | 33.7 | 2.9% |
| Earnings per Share | 0.91 | | 2.72 | |

Owing to slightly higher unit values and better marketing, the Company was able to increase sales by 4.9% in a very difficult and competitive selling environment. However, this increase was not sufficient to offset increases in the cost of raw materials, energy, and other inputs. As a result, gross margin declined to 7.0% as compared to 9.9% for the year ended June 30, 2007. In spite of inflationary pressures, distribution, administrative and other expenses were controlled and did not show any increase as a percentage of sales. The operating margin in the period under review was 4.0% as compared to 6.3% for the year ended June 30, 2007. Interest rates have continued to rise in light of the tight monetary policy adopted by the State Bank and have contributed to rising cost of production. Even though the company has reduced its long term loans, the higher interest rate did not allow any significant reduction in financial charges. Total financial charges paid by the Company were 2.6% of sales as compared to 3.0% of sales during the last period. Overall, the net margin declined to 0.9% as compared to 2.9% for the year ended June 30, 2007.

Historically, the Company's operations were divided in to two divisions, namely textiles and board/chemicals. However, the textile business has been the primary contributor to revenues and profitability as the assets related to board/chemical have been closed for several years. The Management has been gradually disposing the plant and equipment of the board/ chemical division and this process has now been completed with the sale of all the plant and machinery related to manufacture of urea formaldehyde and formaline in the year ended June 30, 2008.

Future Outlook: The Management expects the coming year to be a very difficult one for the textile spinning industry in Pakistan. End product demand and prices are under extreme pressure owing to recessionary conditions in all major markets. The situation has been made more difficult by the unchecked increase in raw material and input costs. During the course of the year there have been large increases in the price of cotton, interest rates, energy costs and salaries and wages. Oil prices reached an all time high of close to US$150 and this contributed to increase in the costs of polyester fiber, transportation, and packing materials. Further cost pressure has been exerted by extensive load shedding of both gas and electricity which has hurt operational efficiencies and productivity. It is expected that the rapid devaluation of the rupee will add to the inflationary pressure. In spite of these unprecedented and crisis like conditions, no support has been forthcoming from the Government which has not taken any steps to protect the local industry.

The Management is making every effort to minimize the impact through improved efficiency and better marketing but expects that there will be significant erosion of profitability in the next year.

In light of the difficulties being faced by the textile industry the Company is unable to declare any dividend.

**Corporate Governance and Financial Reporting Framework**

Under rules framed by the regulatory authorities, the Management is required to include the following statements relating to Corporate Governance and Financial Reporting Framework in the Director's Report:

(a) The financial statements prepared by the Management presently fairly its state of affairs, the results of its operations, cash flows and changes in equity.
(b) Proper books of account have been maintained.
(c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
(d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure thereon has been adequately disclosed.
(e) The system of internal control adopted by the Management is sound in design. Efforts are underway to ensure its effective implementation.
(f) There are no significant doubts with regard to the Company's ability to continue as a going concern.
(g) Key financial and operating data for the last six years has been included elsewhere in the annual report.
(h) There has been no significant departure from the best practices of corporate governance, as detailed in the listing regulations.
(i) All details regarding taxes and levies are disclosed in the financial statements and notes annexed to the audited accounts.
(j) The value of investments of the provident fund based on audited accounts for the Year Ended June 30, 2008 was Rs. 49.232 million.
(k) During the year 4 meetings of the Board of Directors were held. Attendance was as follows:
    1. Imran Maqbool, Chief Executive Officer (4)
    2. Khawar Maqbool (1)
    3. Humayun Maqbool (3)
    4. Nadeem Maqbool (4)
    5. Iqbal Ismail, Director, Representative NIT (3)
    6. Riaz Masood (1)
    7. Shahid Riaz (1)

(l) Pattern of Shareholding is included elsewhere in the annual report.

(m) Details regarding shares traded / right share subscribed in the financial year by Directors, CEO, CFO, Company Secretary and their spouses and minor children are as follows:

Imran Maqbool, CEO, Purchased 59,069 shares
Humayun Maqbool , Director, Purchased 30,000 shares
Riaz Masood, Director, Purchased 45,603 shares
Nadeem Maqbool, Director, Purchased 5,000 shares

**Auditors**

The present auditors, Mushtaq and Company retire, and being eligible have offered themselves for re-appointment.

**Appreciation**

The Management wishes to place on record its appreciation for the hard work and devotion of its workers and the invaluable advice and support of the Company's Directors, shareholders and bankers.

**IMRAN MAQBOOL**
Chief Executive Officer

October 04, 2008

## 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 as applicable to the company for the year ended June 30, 2008 prepared by the Board of Directors of **Crescent Fibres Limited** to comply with the Listing Regulation No.37 of the Karachi Stock Exchange (Guarantee) Limited, Chapter XIII of Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited where the Company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control system sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's Compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2008.

**MUSHTAQ & COMPANY**
**CHARTERED ACCOUNTANTS**

**KARACHI:**
**October 04, 2008**

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

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of the Stock Exchanges of Pakistan 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 principles contained in the Code in the following manner.

1. The company encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes two non-Executive Directors and none representing minority shareholders.

2. The Directors have voluntarily confirmed that none of them is serving as a director in more than ten listed companies, including this company.

3. The Directors have voluntarily declared that all the resident Directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI. None of the Directors is a member of a stock exchange.

4. The Board have developed and adopted a "Statement of Ethics and Business Practices" which is regularly circulated within the Company and it is in the knowledge of company's Directors and employees.

5. The Board has developed a vision and mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

6. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other Executive Directors, have been taken by the Board.

7. The meetings of the Board, which were held during the year were presided by the Chairman and in his absence, by a director elected by the Board for this purpose and Board met at least once in every Quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated in time.

8. The Directors have been provided with copies of the Listing Regulations of the Karachi Stock Exchange, Company' Memorandum and Articles of Association and the Code of Corporate Governance and they are well conversant with their duties and responsibilities.

9. The Board has approved appointments of CFO; Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by CEO.

10. The Director's Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

11. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.

12. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

13. The Company has complied with all the corporate and financial reporting requirements of the Code.

14. The Board has formed an Audit Committee. It comprises three members, of whom two are non-executive Directors.

15. The meetings of the Audit committee were held at least once in every quarter prior to the approval of interim and financial results of the Company and as required by the Code. The terms of reference of the Committee have been prepared in the light of the Code of Corporate Governance and advised to the Committee for compliance.

16. The Board has set up an effective Internal Audit Function.

17. 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.

18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

19. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board of Directors

**IMRAN MAQBOOL**
CHIEF EXECUTIVE

4th October, 2008

# FINANCIAL SUMMARY

| | JUNE 2008 | JUNE 2007-Restated | JUNE 2006-Restated | SEPTEMBER 2005 | SEPTEMBER 2004 | SEPTEMBER 2003 |
|---|---|---|---|---|---|---|
| **OPERATING RESULTS:** | | | | | | |
| Net Sales | 1,237,568,671 | 1,179,651,638 | 1,085,919,003 | 828,523,068 | 1,022,704,413 | 937,680,649 |
| Cost of Sales | 1,150,932,206 | 1,063,071,594 | 948,216,181 | 718,152,062 | 955,810,850 | 883,595,862 |
| Distribution and admin. Expenses | 49,547,859 | 46,985,373 | 42,557,195 | 30,795,271 | 37,975,576 | 36,309,866 |
| Financial Charges | 32,037,671 | 36,773,875 | 31,508,588 | 13,863,167 | 45,510,588 | 54,906,349 |
| Other operating expenses | 895,799 | 1,992,687 | 3,569,632 | 9,115,214 | - | - |
| Other operating income - Net | 12,897,912 | 7,032,934 | 7,716,973 | 15,188,345 | 5,470,275 | 15,088,045 |
| Share of associate profit | 473,423 | 973,904 | 614,827 | - | | |
| Pre-Tax Profit/ (Loss) | 17,526,460 | 38,834,949 | 68,399,207 | 71,785,699 | (11,122,326) | (22,043,383) |
| Taxation | 6,234,224 | 5,087,517 | 7,082,827 | (2,439,944) | (2,708,045) | (25,700,891) |
| Extraordinary item | - | - | - | - | 94,541,739 | - |
| Net Income | 11,292,236 | 33,747,432 | 61,316,380 | 69,345,755 | 80,711,368 | (47,744,274) |
| **PER SHARE RESULTS AND RETURN:** | | | | | | |
| Earning Per Share | 0.91 | 2.72 | 5.18 | 5.86 | 6.82 | (4.04) |
| Dividend Per Share | - | - | - | - | - | - |
| Net Income Sales Percent | 0.91% | 2.86% | 5.65% | 8.37% | 7.89% | -5.09% |
| Return on Average Assets Percent | 1.52% | 4.6% | 6.79% | 6.79% | 8.56% | -5.89% |
| Return on Average Equity Percent | 4.50% | 16.24% | 20.61% | 17.07% | 25.93% | -21.88% |
| **FINANCIAL POSITION:** | | | | | | |
| Current Assets | 401,686,714 | 448,794,315 | 364,651,316 | 393,929,518 | 319,475,893 | 260,844,781 |
| Current Liabilities | 384,328,681 | 363,649,060 | 371,507,991 | 376,202,011 | 406,336,512 | 480,809,013 |
| Operating Fixed Assets | 300,962,706 | 310,947,544 | 319,571,981 | 647,501,424 | 630,282,426 | 640,724,261 |
| Total Assets | 711,823,443 | 774,443,547 | 694,711,597 | 1,074,915,131 | 968,775,225 | 916,656,432 |
| Long Term Debt | 61,537,754 | 103,555,574 | 145,273,130 | 169,622,282 | 122,144,048 | 93,836,256 |
| Shareholders Equity | 229,579,421 | 271,855,206 | 143,840,164 | 451,147,857 | 361,420,627 | 261,814,815 |
| Break-up Value Per Share | 18.48 | 23.03 | 12.63 | 38.15 | 30.56 | 22.14 |
| **FINANCIAL RATIOS:** | | | | | | |
| Current Ratio | 1.05 | 1.23 | 0.98 | 1.05 | 0.79 | 0.54 |
| Total Debt to Total Assets Percent | 67.75% | 64.90% | 79.29% | 58.03% | 62.69% | 71.44% |
| Interest Charges Cover (Times) | 1.547 | 2.056 | 3.171 | 6.178 | 0.756 | 0.60 |
| Inventory Turnover (Times) | 8.75 | 8.62 | 7.51 | 5.69 | 10.92 | 17.7 |
| Fixed Assets Turnover (Times) | 4.112 | 3.794 | 3.398 | 1.280 | 1.623 | 1.46 |
| Total Assets Turnover (Times) | 1.739 | 1.523 | 1.563 | 0.771 | 1.056 | 1.02 |
| **OTHER DATA:** | | | | | | |
| Depreciation and Amortization | 31,263,483 | 32,759,733 | 30,634,562 | 27,342,683 | 34,976,490 | 35,581,543 |
| Capital Expenditure | 14,543,689 | 20,601,351 | 38,660,850 | 86,197,109 | 30,883,400 | 72,148,429 |

# AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **Crescent Fibres Limited** as at June 30, 2008 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

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

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

(a) in our opinion, proper books of accounts 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 accounts and are further in accordance with accounting policies consistently applied.

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us and its effect in the financial statements 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 the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and

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

**MUSHTAQ & COMPANY**
**CHARTERED ACCOUNTANTS**

**KARACHI: October 04, 2008**

# BALANCE SHEET AS AT JUNE 30, 2008

| EQUITY AND LIABILITIES | NOTE | JUNE 30, 2008<br>RUPEES | JUNE 30, 2007<br>Restated<br>RUPEES |
|---|---|---|---|
| **SHARE CAPITAL AND RESERVES** | | | |
| Authorized capital | | | |
| 15,000,000 (2007: 15,000,000) Ordinary shares of Rs.10 each | | 150,000,000 | 150,000,000 |
| Issued, subscribed and paid up capital | 5 | 124,178,760 | 118,265,490 |
| Reserves | | 105,400,661 | 153,589,716 |
| | | 229,579.421 | 271,855,206 |
| **NON-CURRENT LIABILITIES** | | | |
| Long term financing | 6 | 61,537,754 | 103,555,574 |
| Liabilities against assets subject to finance lease | 7 | 6,063,474 | 4,618,679 |
| Deferred tax liability | 8 | 30,314,112 | 30,314,112 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 9 | 156,932,928 | 165,517,209 |
| Interest / mark-up on loans | 10 | 25,781,629 | 29,462,170 |
| Short term borrowings | 11 | 150,373,008 | 118,511,043 |
| Current portion of : | | | |
| long term financing | | 42,017,825 | 41,520,265 |
| liabilities against assets subject to finance lease | | 2,676,349 | 2,379,796 |
| Provision for taxation | | 6,546,942 | 6,258,577 |
| | | 384,328,681 | 363,649,060 |
| **CONTINGENCIES AND COMMITMENTS** | 12 | | |
| | | 711,823,443 | 773,992,631 |

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

**IMRAN MAQBOOL**
CHIEF EXECUTIVE

| PROPERTY AND ASSETS | NOTE | JUNE 30, 2008<br>RUPEES | JUNE 30, 2007<br>Restated<br>RUPEES |
|---|---|---|---|
| **NON CURRENT ASSETS** | | | |
| **FIXED ASSETS** | | | |
| Property, plant and equipment | 13 | 300,962,706 | 310,947,544 |
| Capital work in progress | | - | 7.371,151 |
| Intangible assets | 14 | 1,931,100 | - |
| | | 302,893,806 | 318,318,695 |
| Long term investment | 15 | 2,672,622 | 2,254,562 |
| Long-term deposits | | 4,570,300 | 4,625,059 |
| **CURRENT ASSETS** | | | |
| Stores, spares and loose tools | 16 | 24,573,883 | 31,846,175 |
| Stock-in-trade | 17 | 153,456,256 | 109,757,022 |
| Trade debts - considered good | 18 | 91,110,518 | 116,676,424 |
| Loans and advances | 19 | 19,010,604 | 22,746,558 |
| Trade deposits and short term prepayments | 20 | 3,486,890 | 3,241,585 |
| Other receivables | 21 | 5,342,707 | 6,329,889 |
| Other financial assets | 22 | 103,161,318 | 156,132,569 |
| Cash and bank balances | 23 | 1,544,538 | 2,064,093 |
| | | 401,686,714 | 448,794,315 |
| | | 711,823,443 | 773,992,631 |

Naeemullah

**NADEEM MAQBOOL**
DIRECTOR

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

| | Note | For the year ended June 2008 RUPEES | For the year ended June 2007 Restated RUPEES |
|---|---|---|---|
| Sales | 24.1 | 1,237,568,671 | 1,179,651,638 |
| Cost of goods sold | 25 | (1,150,932,207) | (1,063,071,593) |
| Gross profit | | 86,636,464 | 116,580,045 |
| Distribution cost | 26 | (8,171,260) | (8,226,959) |
| Administrative expenses | 27 | (41,376,609) | (38,758,413) |
| Other operating expenses | 28 | (895,799) | (1,992,687) |
| Other operating income | 29 | 12,897,912 | 7,032,934 |
| | | (37,545,756) | (41,945,125) |
| Profit from operations | | 49,090,708 | 74,634,920 |
| Finance cost | 30 | (32,037,671) | (36,773,875) |
| Share of profit of associate | 15.1 | 473,423 | 973,904 |
| Profit before taxation | | 17,526,460 | 38,834,949 |
| Provision for taxation | 31 | (6,234,224) | (5,087,517) |
| Profit after taxation | | 11,292,236 | 33,747,432 |
| **Earning per share - Basic and diluted** | 32 | 0.91 | 2.72 |

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

**IMRAN MAQBOOL**
CHIEF EXECUTIVE

**NADEEM MAQBOOL**
DIRECTOR

# CASH FLOW STATEMENT
## FOR THE YEAR ENDED JUNE 30, 2008

| | For the year ended June 30, 2008 RUPEES | For the year ended June 30, 2007 RUPEES Restated |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Cash generated from operations (Note: 33) | 56,192,624 | 113,037,103 |
| Finance cost paid | (35,718,212) | (42,201,633) |
| Taxes paid | (6,910,496) | (6,293,619) |
| Long term deposits | 54,759 | (1,466,464) |
| Net cash from operating activities | 13,618,675 | 63,075,387 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Fixed capital expenditure | (14,543,689) | (20,601,351) |
| Purchase of shares | - | - |
| Dividend received | 55,651 | 46,376 |
| Proceeds from disposal of fixed assets | 12,304,000 | 350,000 |
| Net cash used in investing activities | (2,184,038) | (20,204,975) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Long term financing | (41,520,259) | (40,038,921) |
| Lease liability | (2,295,898) | (3,501,048) |
| Short term borrowings | 31,861,965 | 151,325 |
| Net cash from financing activities | (11,954,192) | (43,388,644) |
| Net decrease in cash and cash equivalent | (519,555) | (518,232) |
| Cash and cash equivalent at the beginning of the year | 2,064,093 | 2,582,325 |
| Cash and cash equivalent at the end of the year (Note: 23) | 1,544,538 | 2,064,093 |

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

**IMRAN MAQBOOL**
CHIEF EXECUTIVE

**NADEEM MAQBOOL**
DIRECTOR

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

| | SHARE CAPITAL | RESERVES: UN-REALIZED GAIN/(LOSS) ON | RESERVES: ACCUMULATED PROFIT/(LOSS) | RESERVES: SUB TOTAL | TOTAL |
|---|---|---|---|---|---|
| | RUPEES | | | | |
| Balance as at July 1, 2006 - Restated | 118,265,490 | 21,277,261 | 4,297,413 | 25,574,674 | 143,840,164 |
| Un realized gain in fair value of investment classified as available for sale | | 94,276,886 | | 94,276,886 | 94,276,886 |
| Effect of change in accounting policy from fair value to equity method as per IAS 28 | | | (9,276) | (9,276) | (9,276) |
| Net profit for the year 2007 | | | 33,747,432 | 33,747,432 | 33,747,432 |
| Balance as at June 30, 2007 | 118,265,490 | 115,554,147 | 38,035,569 | 153,589,716 | 271,855,206 |
| Bonus share issued @ 5% Rs 0.5 per share | 5,913,270 | - | (5,913,270) | (5,913,270) | - |
| Diminution in the value of investment classified as available for sale | | (53,568,020) | - | (53,568,020) | (53,568,020) |
| Net profit for the year 2008 | | | 11,292,236 | 11,292,236 | 11,292,236 |
| Balance as at June 30, 2008 | 124,178,760 | 61,986,127 | 43,414,534 | 105,400,661 | 229,579,421 |

**IMRAN MAQBOOL**
CHIEF EXECUTIVE

**NADEEM MAQBOOL**
DIRECTOR

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

**1 STATUS AND ACTIVITIES**

Crescent Fibres Limited ("the company") was initially incorporated in Pakistan on August 06, 1977 under the Companies Act, 1913 (repealed by Companies Ordinance, 1984) as a public limited company. The Company's shares are listed on all the Stock Exchanges in Pakistan. The principal business of the Company is manufacture and sale of yarn .The Company's manufacturing facilities are located at Nooriabad Industrial Estate, District Dadu, in the province of Sindh, and at Bhikki, District Sheikhupura in the province of Punjab.

**BASIS OF PREPARATION**

**2 STATEMENT OF COMPLIANCE**

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

**2.2 Basis of measurement**

These financial statements have been prepared on the historical cost basis except for derivative financial instruments that are stated at fair value.

**2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees which is also the company's functional currency. All financial information presented in Pakistan Rupees has been rounded to the nearest Rupee.

**2.4 Use Of Estimates And Judgments**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**2.5 New Accounting Standards And IFRIC Interpretations That Are Not Yet Effective**

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2008 and are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in the certain cases:

- **Revised IAS 1 - Presentation of Financial Statements;**
- **Revised IAS 23 - Borrowing costs;**
- **IAS 29 - Financial Reporting in Hyperinflationary Economies;**
- **IAS 32 (amendment) - Financial instruments: presentation and consequential amendments to IAS 1 - Presentation of Financial Statements;**
- **IFRS 2 (amendment) - Share-based payments;**
- **IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31 - Interest in Joint Ventures;**

- **IFRS 7 - Financial Instruments: Disclosures;**
- **IFRS 8 - Operating Segments;**
- **IFRIC 12 - Service Concession Arrangements;**
- **IFRIC 13 - Customer Loyalty Programmes;**
- **IFRIC 14 - IAS 19-The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction;**
- **IFRIC 15 - Agreement for the Construction of Real Estate;**
- **IFRIC 16 - Hedge of Net Investment in a Foreign Operation**

## 3 SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Staff retirement benefits

The company operates an approved provident fund scheme covering all its permanent employees. Equal monthly contributions are made both by the company and the employees to the fund.

### 3.2 Taxation

#### a) Current

Provision for current taxation is based on taxable income at current enacted rates of taxation after taking into account tax credits, rebates and exemptions available, if any. The charge for current tax includes any adjustment to past years liabilities.

#### b) Deferred

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

Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and carry-forward of unused tax losses and tax credits to the extent that it is probable that future taxable profits will be available against which deferred tax asset can be utilized, except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability that, at the time of transaction, affects neither the accounting nor taxable profits.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

### 3.3 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

### 3.4 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of past event, and it is probable that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

### 3.5 Correction of errors

During the year the Company has corrected its percentage with respect to valuation of Investment in associated companies ( Note 15).The effect of its correction is lower in profit by Rs 450,916 in 2007.All the comparative figures are restated with respect to this correction. This disclosure is as required by IAS 8 - Accounting policies, changes in accounting estimates and errors.

### 3.6 Property, plant and equipment

#### a) Owned

Property plant and equipment except land are stated at cost less accumulated depreciation and impairment loss, if any. Freehold land is stated at cost.

Depreciation is charged to income applying the reducing balance method at the rates specified in the respective note and after taking into account residual value. Leasehold land is amortized over the term of lease.

Depreciation on additions during year is charged on pro-rata basis when the assets are available for use. Similarly the depreciation on deletion is charged on pro-rata basis up to the period when the assets is derecognized.

The assets residual values and useful lives are reviewed, and adjusted if significant, at each balance sheet date Maintenance and normal repairs are charged to income as and when incurred. Major renewals and improvements are capitalized. Gain and losses if any, on disposal of property, plant and equipment are included in income currently

**b) Accounting for leases and assets subject to finance leases**

Assets held under finance leases are recognized as assets of the company at their fair value at the date of acquisition or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of charge on the outstanding liability

Depreciation is charged at rates used for similar owned assets, so as to depreciate the assets over their estimated useful lives in view of certainty of ownership of the assets at the end of the lease term.

Income arising from sale and lease back transactions, if any, is deferred and amortized equally over the lease period.

Lease rentals payable on assets held under operating leases are charged to income in arriving at operating profits.

**c) Capital work in progress**

Capital work in progress is stated at cost and represents expenditure on fixed assets in the course of construction and installation. Transfers are made to relevant fixed assets category as and when assets are available for use.

**d) Intangible assets**

Intangible assets is stated at cost less accumalated amortization losses, if any. Amortization is charged to income applying the straight line method over the useful life of the asset. Amortization is charged on additions during the year from the month in which the asset is acquired and in respect of disposals during the year upto the month in which the asset is disposed off.

Maintenance is charged to income as and when incurred.

Gain or disposal is taken to the profit and loss account.

The carrying value of intangible asset is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the asset is written down to its recoverable amount.

**e) Impairment of fixed assets**

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount to which the asset belongs. Recoverable amount is the greater of net selling price and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

**3.7 Investments**

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standard (IAS 39) Financial Instrument: Recognition and measurement at the time of the purchase and classifies these investments as fair value through profit or loss account, held to maturity or available for sale.

**3.7.1 Investments are being categorized as follows:**

**Investment at fair value through profit or loss**

A non-derivative financial assets is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction cost are recognized in profit or loss when incurred.

Investments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

**Investments in associates - Equity Method**

Entities in which the Company has significant influence but not control and which are neither its subsidaries nor joint ventures are associates and are accounted for by using the equity method of accounting.

These investments are initially recognized at cost, thereafter the carrying amount is increased or decreased to recognize the Company's share of profit or loss of associates. Share of post acquisition profit and loss of associates is accounted for in the Company's profit and loss account. Distribution received from investee reduces the carrying amount of investment.

The changes in the associate's equity which are not been recognized in the associates' profit and loss account, are recognised directly in the equity of the Company.

**Available for sale**

Other investments not covered in any of the above categories including investments in associates in which the Company has no significant influence are classified as being available for sale ane are stated at fair value, with any resultant gain or loss being recognized directly in equity. Gains or losses on available for sale investments are recognised directly in equity until the investments are sold or disposed off, or until the investments are determined to be impaired, at that time cumulative gain or loss previously reported in the equity is included in current year's profit and loss account.

All investments classified as available for sale are initially recognized at cost inclusive of transaction costs and subsequently quoted investments are marked to market using the last quoted rate at the close of the financial year. Fair value of unquoted investments is estimated based on appropriate valuation method if it is practicable to determine it.

**3.7.2** Fair value of listed securities are the quoted prices on stock exchange at balance sheet date.

**3.7.3** The Company follows trade date accounting for regular way of purchase and sales of securities, except for sale and purchase of securities in future market, which are accounted for at settlement date.

**3.8 Stores, spares and loose tools**

These are valued at lower of cost and NRV. Cost is determined by moving average method. Items considered obsolete are carried at nil value. Items in transit are valued at cost comprising invoice value plus other charges paid thereon.

**3.9 Stock in trade**

These are valued at the lower of cost and net realizable value applying the following basis:

| | |
|---|---|
| Raw material | At weighted average cost |
| Work in progress | Average manufacturing cost |
| Finished goods | Average manufacturing cost |
| Waste | Net realizable value |

Raw material in transit is stated at invoice price plus other charges paid thereon up to the balance sheet date.

Average manufacturing cost in relation to work in process and finished goods, consists of direct material and labour and a proportion of manufacturing overheads based on normal capacity.

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

**3.10 Trade debts and other receivables**

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

**3.11 Cash and cash equivalent**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand, cash in transit and balances with banks.

**4 Rate of exchange**

Transactions in currencies other than Pakistani rupees are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date except where forward exchange contracts have been entered into for repayment of liabilities in that case, the rates contracted for are used.

Gains and losses arising on retranslation are included in net profit or loss for the period.

**4.1 Revenue recognition**

**a)** Sales are recorded on dispatch of goods. However, export goods are considered sold when shipped on board.

**b)** Income from bank deposits, loans and advances is recognized on accrual basis.

**c)** Dividend income is recognized when the right to receive is established.

**4.2 Borrowing cost**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying asset is deducted from the borrowing costs eligible for capitalization.

All other borrowing cost are recognized in profit or loss in the period in which they are incurred.

**4.3 Financial instruments**

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument and de-recognized when the Company loses control of the contractual rights that comprise the financial assets and in case of financial liability when obligation specified in the contract is discharged, cancelled or expired. A financial asset and financial liability is offset and the net amount reported in the balance sheet, if the company has a legally enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The particular recognition methods adopted by the Company are disclosed in the individual policy statements associated with each item of financial instruments.

**4.4 Offsetting of financial assets and liabilities**

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the company has a legal enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

**4.5 Related party transactions**

All transactions with related parties are carried out by the company at arms' length price using the method prescribed under the Companies Ordinance, 1984.

**4.6 Dividend**

Dividend is recognized in the period in which it is approved by the shareholders.

| | | | JUNE 30, 2008 | JUNE 30, 2007 |
|---|---|---|---|---|
| | | | RUPEES | RUPEES |

## 5. ISSUED, SUBSCRIBED AND PAID UP CAPITAL

**Number of shares**

| | | | | |
|---|---|---|---|---|
| 9,128,510 | 9,128,510 | Ordinary shares of Rs.10 each fully paid in cash | 91,285,100 | 91,285,100 |
| 2,753,833 | 2,162,506 | Ordinary shares of Rs.10 each fully paid bonus shares | 27,538,330 | 21,625,060 |
| 535,533 | 535,533 | Ordinary shares of Rs.10 each fully paid issued to financial Institution against conversion of loan | 5,355,330 | 5,355,330 |
| 12,417,876 | 11,826,549 | | 124,178,760 | 118,265,490 |

**5.1** 59,745 (June 2007: 73,566) Ordinary shares are held by the associated companies.

**5.2** The shareholders' are entitled to receive all distributions to them including dividend and other entitlements in the form of bonus and right shares as and when declared by the company. All shares carry "one vote" per share without restriction.

## 6 LONG TERM FINANCING

| | JUNE 30, 2008 | JUNE 30, 2007 |
|---|---|---|
| **From banking companies-secured** | | |
| Term Loan (Note :6.1) | 67,500,000 | 97,500,000 |
| Term finance (Note: 6.2) | 13,758,880 | 22,633,819 |
| Term finance (Note: 6.3) | 17,171,984 | 19,817,305 |
| | 98,430,864 | 139,951,124 |
| **From related party-unsecured** | | |
| Directors (Note: 6.4) | 5,124,715 | 5,124,715 |
| **Current portion from banking companies** | | |
| Term loan | 30,000,000 | 30,000,000 |
| Term finance | 12,017,825 | 11,520,265 |
| | 42,017,825 | 41,520,265 |
| | 61,537,754 | 103,555,574 |

**6.1** This MCB loan is secured against 1st registered pari passu equitable mortgage/hypothecation charge over fixed assts of the company to the extent of Rs. 200 million. The orignal facility amount was Rs 150 Million .The loan is repayable in 20 equal quarterly installments commencing from 29 Dec 2005 and carries mark up 3 months KIBOR + 3% payable quarterly.

**6.2** This NIB Term loan is secured against first legal mortgage charge on fixed assets of the company and personal guarantee of directors. The facility amount is Rs 32 million. The loan is repayable in 20 quarterly installments commencing from November 2005 and carries markup at the rate 7% (June 2007 : 7% per anum) payable quarterly.

**6.3** This NIB term loan is secured against first legal mortgage charge on fixed assets of the company at Unit-2 located at Bhikki, Punjab and personal joint guarantee of directors. The facility amount is Rs 25 miliion. The loan is repayable in 20 quarterly installments commencing from June 2006 and carries markup at the rate of 6 months KIBOR + 4.06% with floor rate of 10.5% payable quarterly.

**6.4** This is interest free and unsecured. The term of repayment is beyond one year.

| | | JUNE 30 , 2008 | JUNE 30 , 2007 |
|---|---|---|---|
| | | RUPEES | RUPEES |
| **7** | **LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE** | | |
| | Minimum lease payments | | |
| | Up to one year | 3,371,929 | 2,759,591 |
| | More than one year but less than five years | 6,852,829 | 4,858,113 |
| | | 10,224,758 | 7,617,704 |
| | Less: Financial charges | | |
| | Up to one year | 695,580 | 379,796 |
| | More than one year but less than five years | 789,355 | 239,433 |
| | | 1,484,935 | 619,229 |
| | Present value of minimum lease payments | | |
| | Up to one year | 2,676,349 | 2,379,795 |
| | More than one year but less than five years | 6,063,472 | 4,618,680 |
| | | 8,739,821 | 6,998,475 |
| | Current portion shown under current liabilities | (2,676,349) | (2,379,796) |
| | | 6,063,474 | 4,618,679 |

**7.1** The company has entered into lease agreements with various leasing companies. The purchase option is available to the company after payment of the last installment and on surrender of deposit at the end of the lease period. Taxes, repairs and maintenance, insurance and other costs relating to the leased assets are to be borne by the company. The implicit rate of return on lease finance ranges from 12.95% to 21% (June 2007: 12.95% to 16%) per annum.This is secured by security deposit and personal guarantee of the directors and hypothication charge on leased assets.

| | | | |
|---|---|---|---|
| **8** | **DEFERRED TAX LIABILITY** | | |
| | The liability for deferred taxation comprises of temporary differences relating to: | | |
| | Taxable temporary differences - | | |
| | Accelerated tax depreciation allowance | 32,646,115 | 32,646,115 |
| | Deductible temporary differences - | | |
| | Lease rentals | (2,332,003) | (2,332,003) |
| | | 30,314,112 | 30,314,112 |

| | | JUNE 30 , 2008 | JUNE 30 , 2007 |
|---|---|---|---|
| | | RUPEES | RUPEES |
| **9** | **TRADE AND OTHER PAYABLES** | | |
| | Creditors (Note: 9.1) | 92,075,598 | 105,164,414 |
| | Accrued expenses (Note: 9.2) | 62,010,849 | 54,455,824 |
| | Security deposits | - | 416,373 |
| | Sales tax payable | - | 428,667 |
| | Withholding tax | 287,062 | 665,768 |
| | Due to chief executive and directors | 1,663,620 | 1,506,720 |
| | Workers' profit participation fund (Note: 9.3) | 895,799 | 1,992,687 |
| | Others | - | 886,756 |
| | | 156,932,928 | 165,517,209 |

**9.1** It includes amount of Rupees NIL (June 2007: Rupees 692,042 ) due to related party.

**9.2** It includes amount of Rupees 10,198,992 (June2007: Rupees 9,547,589) due to related party.

**9.3 Workers' Profit Participation Fund**

| | | |
|---|---|---|
| Opening balance | 1,992,687 | 3,248,198 |
| Charge/(reversal) arising due to restatement | - | 3,511,063 |
| Opening balance as restated | 1,992,687 | 6,759,261 |
| Interest on fund utilized by the company | 138,680 | 267,423 |
| | 2,131,367 | 7,026,684 |
| Provision for the year | 895,799 | 1,992,687 |
| | 3,027,166 | 9,019,371 |
| Paid during the year | (2,131,367) | (7,026,684) |
| | 895,799 | 1,992,687 |

| | JUNE 30 , 2008 | JUNE 30 , 2007 |
|---|---|---|
| **10 INTEREST / MARKUP ON LOANS PAYABLE** | | **Restated** |
| Long term finances | 2,454,491 | 8,880,745 |
| Short term borrowings | 23,327,138 | 20,581,425 |
| | 25,781,629 | 29,462,170 |

**11 SHORT TERM BORROWINGS**

| | | |
|---|---|---|
| Secured - under markup arrangements | | |
| Banking companies | | |
| Short term borrowings (Note: 11.1) | 138,373,008 | 106,511,043 |
| Bill discounting (Note: 11.2) | 12,000,000 | 12,000,000 |
| | 150,373,008 | 118,511,043 |

**11.1** Aggregate facilities amounting to Rs. 300 million (June 2007: 244.417 million) was available from banking companies. These finances are secured by way of pledge of raw cotton and floating charge over the current assets and personal guarantee of directors and lien on import documents. It carries mark up at the rate ranging from 3 Months KIBOR plus 1.5% To 4.5% (June 2007: 3 Months KIBOR plus 1.5% to 4.5%) per annum. The above facilities are renewable on annual basis.

**11.2** Facility amounting to Rs. 12.00 million (June 2007: Rs. 12.00 million) is subject to discounting charges at the rate of 8 percent (June 2007: 8 percent) per annum and is secured against personal guarantee of directors and demand promissory note.

**12 CONTINGENCY AND COMMITMENTS**

**12.1 Contingency**

**a.** Guarantees have been issued by banking companies in normal course of business amounting to Rs. 18.254 million (June 2007: 18.254 million)

**12.2 Commitments**

| | | |
|---|---|---|
| **a.** Letter of credit for capitalization | - | - |
| **b.** Letter of credit for consumption | 10,987,181 | 2,682,113 |

## 13 PROPERTY, PLANT AND EQUIPMENT

| Particulars | Cost | | | | Depreciation | | | | | W.D.V. as at 30.6.2008 | Rate % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at 1.07..2007 | Addition/ (Deletion) | Transfer | As at 30.6.2008 | As at 1.07..2007 | Transfer | For the year | Deletion | As at 30.6.2008 | | |
| **Owned** | | | | | | | | | | | |
| Land | | | | | | | | | | | |
| Freehold | 2,896,444 | - | - | 2,896,444 | - | - | - | | - | 2,896,444 | - |
| Leasehold | 3,378,976 | - | - | 3,378,976 | 436,554 | | 34,131 | | 470,685 | 2,908,291 | 1% |
| | | | | - | | | | | - | | |
| Factory and non factory building on | | | | - | | | | | - | | |
| Freehold land | 75,611,844 | 9,324,617 | - | 84,936,461 | 48,832,340 | - | 458,906 | | 49,291,246 | 35,645,215 | 5% |
| Leasehold land | 31,641,118 | - | - | 31,641,118 | 21,519,165 | - | 1,804,296 | | 23,323,461 | 8,317,657 | 5% |
| | | | | | | | | | - | | |
| Plant and machinery | 680,487,535 | 10,019,129 | - | 655,139,328 | 436,031,018 | - | 24,697,474 | | 427,740,855 | 227,398,473 | 10% |
| | | (35,367,336) | - | | | | - | (32,987,637) | - | | |
| Electric installation | 25,946,985 | - | - | 24,053,649 | 20,896,310 | - | 485,047 | | 19,868,428 | 4,185,221 | 10% |
| | | (1,893,336) | - | | | - | - | (1,512,929) | - | | |
| Tools and equipment | 6,171,436 | 12,600 | - | 4,529,549 | 4,537,125 | - | 156,915 | | 3,188,819 | 1,340,730 | 10% |
| | | (1,654,487) | | | | | - | (1,505,221) | - | | |
| Service equipment | 1,033,627 | - | - | 1,033,627 | 827,993 | - | 41,127 | | 869,120 | 164,507 | 20% |
| | | | | - | | | - | | - | | |
| Office equipment | 6,067,894 | 243,644 | - | 6,306,958 | 4,471,553 | - | 346,902 | | 4,813,896 | 1,493,062 | 20% |
| | | (4,580) | | | | - | - | (4,559) | - | | |
| Furniture and fixture | 6,422,003 | - | - | 6,117,550 | 4,498,396 | - | 190,886 | | 4,412,268 | 1,705,282 | 10% |
| | | (304,453) | | | | | - | (277,014) | - | | |
| Vehicles | 16,766,873 | 383,750 | 4,018,700 | 17,105,956 | 10,826,576 | 1,913,039 | 1,436,425 | | 11,001,734 | 6,104,222 | 20% |
| | | (4,063,367) | | | | - | | (3,174,306) | - | | |
| | 856,424,735 | 19,983,740 | 4,018,700 | 837,139,616 | 552,877,030 | - | 29,652,109 | (39,461,666) | 544,980,512 | 292,159,104 | |
| | | (43,287,559) | | | | 1,913,039 | | | - | | |
| **Leased assets** | | | | | | | | | | | |
| Vehicles | 11,899,200 | 5,120,800 | (4,018,700) | 13,001,300 | 4,499,361 | (1,913,039) | 1,611,376 | | 4,197,698 | 8,803,602 | 20% |
| | | | | - | | - | - | - | - | | |
| | 11,899,200 | 5,120,800 | (4,018,700) | 13,001,300 | 4,499,361 | (1,913,039) | 1,611,376 | | 4,197,698 | 8,803,602 | |
| | | | | - | | - | | | - | | |
| **Total Rupees JUN. 2008** | 868,323,935 | 25,104,540 | - | 850,140,916 | 557,376,391 | - | 31,263,485 | (39,461,666) | 549,178,210 | 300,962,706 | |
| | | (43,287,559) | | | | - | | | - | | |
| **Total Rupees JUN. 2007** | 844,674,338 | 24,118,095 | - | 868,323,935 | 525,102,357 | - | 32,759,733 | (485,699) | 557,376,391 | 310,947,544 | |
| | | (468,498) | | | | - | | | | | |

**13.1 Depreciation for the year has been has been allocated as follows:**

| | JUN. 2008 RUPEES | JUN. 2007 RUPEES |
|---|---|---|
| Cost of goods sold (Note: 25) | 27,397,497 | 28,689,978 |
| Administrative expenses (Note: 27) | 3,865,986 | 4,069,755 |
| | 31,263,483 | 32,759,733 |

13.2 **Details of disposal of fixed assets - by negotiation**

| Description | Cost | Accumulated Depreciation | Written down value | Sale Proceed | Purchaser |
|---|---|---|---|---|---|
| Plant and machinery | | | | | |
| Lacquring | 4,176,607 | 4,066,022 | 110,585 | 225,000 | M/s Shafees Sons,Satyana Road,Faislabad |
| Chemical | 27,553,888 | 25,373,922 | 2,179,966 | 8,160,000 | M/s Falik Sher , Gujrat |
| Furniture | 3,636,842 | 3,547,693 | 89,149 | 150,000 | M/s Khurshid Ahmed S/o Nazir Ahmed Gali # 3 Hajvairy Town.Faislabad |
| | 35,367,336 | 32,987,637 | 2,379,700 | 8,535,000 | |
| Electric Installation | | | | | |
| Chemical | 1,762,270 | 1,385,206 | 377,064 | 1,400,000 | M/s Falik Sher , Gujrat |
| Others (WDV less than Rs.50,000) | 131,065 | 127,723 | 3,343 | 33,000 | Various |
| | 1,893,335 | 1,512,929 | 380,407 | 1,433,000 | |
| Tools and Equipment | | | | | |
| Sui gas Pipeline canteen | 366,664 | 337,742 | 28,923 | 50,000 | M/s Khurshid Ahmed S/o Nazir Ahmed Gali # 3 Hajvairy Town.Faislabad |
| Others (WDV less than Rs.50,000) | 1,287,823 | 1,167,479 | 120,344 | 405,000 | |
| | 1,654,487 | 1,505,221 | 149,266 | 455,000 | |
| Transport & vehicles | | | | | |
| Honda Civic LRB 7578 | 1,192,200 | 898,879 | 293,321 | 625,000 | M/s Munir ,Railway Coloney ,Faislabad |
| Hyundai Shahzoor | 599,000 | 420,519 | 178,481 | 415,000 | Mr. Liaqat s/o Bashir Ahmed Basti Noor Wali Rahim Yar Khan |
| Honda Civic AEF 923 | 735,000 | 557,578 | 177,422 | 250,000 | Ahmed Ali Plaza Quarter Green Street .Khi |
| Suzuki Mehran | 190,000 | 166,481 | 23,519 | 59,000 | Imran Hassan Jaccob Line Nazar Thana Bargade,Khi |
| Pic up KF 3123 | 426,667 | 415,457 | 11,210 | 50,000 | M. Arsharf Gijjar Bhikhi Distirct Sheikhupura |
| Honda Civic EXT-MT | 920,500 | 715,392 | 205,108 | 425,000 | M.Nasrullah technical director |
| | 4,063,367 | 3,174,306 | 889,061 | 1,824,000 | |
| Furniture and fixture | | | | | |
| Various (WDV less than Rs.50,000) | 304,453 | 277,014 | 27,439 | 56,000 | |
| Office Equipment | | | | | |
| Chemical | 4,580 | 4,559 | 21 | 1,000 | |
| **Grand Total June 2008** | 43,287,559 | 39,461,666 | 3,825,893 | 12,304,000 | |
| **Grand Total June 2007** | 468,498 | 452,782 | 15,716 | 350,000 | |

| | | JUNE 30 , 2008 | JUNE 30 , 2007 |
|---|---|---|---|
| | | RUPEES | RUPEES |
| **14** | **Intangible Assets** | | |
| | ERP Great Plains | 1,931,100 | - |
| | | 1,931,100 | - |

**14.1** This represent ERP Great plains purchased, a product of microsoft, as on June 30,2008

| | | JUNE 30 , 2008 | JUNE 30 , 2007 |
|---|---|---|---|
| **15** | **Long Term Investment** | | |
| | In Associated Undertaking (15.1) | 2,672,622 | 2,705,478 |
| **15.1** | In Associated Undertaking<br>Premier Insurance Limited<br>66,781 shares of Rs. 5 each (2007 : 55,651) | | |
| | Cost of investment | 930 | 930 |
| | Accumulated share of post acquisition profit - net of dividend received | 2,253,920 | 1,326,104 |
| | Share of profit for the year net of previous adjustment | 473,423 | 973,904 |
| | Dividend received during the year | (55,651) | (46,376) |
| | | 2,671,692 | 2,253,632 |
| | | **2,672,622** | **2,254,562** |

Fair value of investment in associate Rs. 1,903,259 (2007: Rs 2,459,774)

Financial statement of associated company for the year ended June 30,2008 have been used for the purpose of application of Equity Method

The percentage of equity held in associate is 0.139485 (2007 : 0.139485)

Summarised financial information of Premier Insurance Limited is set out below:

| | | JUNE 30 , 2008 | JUNE 30 , 2007 |
|---|---|---|---|
| | Total assets | 2,925,132,000 | 2,629,955,000 |
| | Total Liabilities | 1,009,274,000 | 1,013,608,000 |
| | Net assets | 1,915,858,000 | 1,616,347,000 |
| | Company's share of asociate's net assets | **2,672,622** | **2,254,562** |
| **16** | **STORES, SPARES AND LOOSE TOOLS** | | |
| | Stores | 13,486,121 | 18,696,043 |
| | Spares | 11,059,417 | 13,076,249 |
| | Loose tools | 28,345 | 73,883 |
| | | 24,573,883 | 31,846,175 |
| **17** | **STOCK IN TRADE** | | |
| | Raw material | 116,343,612 | 80,184,771 |
| | Work in process | 22,097,717 | 21,956,293 |
| | Finished goods | 15,014,927 | 7,615,958 |
| | | 153,456,256 | 109,757,022 |
| **18** | **TRADE DEBTS-CONSIDERED GOOD** | | |
| | **Export** | - | 31,699 |
| | **Local - unsecured** | 91,110,518 | 116,644,725 |
| | | 91,110,518 | 116,676,424 |

It includes amount Rs.800,000 (2007: NIL) due from associated company.

| | | JUNE 30,2008 | JUNE 30,2007 |
|---|---|---|---|
| | | RUPEES | RUPEES |
| **19** | **LOANS AND ADVANCES** | | |
| | Unsecured - considered good | | |
| | Loans to staff | 20,290 | 1,097,483 |
| | Advances | | |
| | To suppliers'/contractors | 12,054,818 | 18,327,797 |
| | Against expenses | 25,000 | 331,496 |
| | Income tax | 6,910,496 | 2,979,757 |
| | Other | - | 10,025 |
| | | 18,990,314 | 21,649,075 |
| | | 19,010,604 | 22,746,558 |
| **20** | **TRADE DEPOSITS AND SHORT TERM PREPAYMENTS** | | |
| | Short Term Deposits | 548,550 | 540,680 |
| | Bank guarantee and LC margin | 1,616,611 | 1,527,936 |
| | Short term prepayments | 1,321,729 | 1,172,969 |
| | | 3,486,890 | 3,241,585 |
| **21** | **OTHER RECEIVABLES** | | |
| | Unsecured - considered good | | |
| | Export rebate | - | 83,867 |
| | Sales tax refundable | 5,342,707 | 6,100,068 |
| | Claims | - | 145,954 |
| | | 5,342,707 | 6,329,889 |

**22 Other Financial Assets-Available for sale**

The Company holds investments in ordinary shares of Rs. 10 each, unless stated otherwise, in the following listed investee companies:

| JUNE 30,2008 | JUNE 30,2007 | Name of investee company | JUNE 30,2008 | JUNE 30,2007 |
|---|---|---|---|---|
| (Number o f shares ) | | **Quoted - At fairvalue** | **RUPEES** | **RUPEES** |
| 1,271,633 | 1,156,030 | The Crescent Textile Mills Limited | 67,650,876 | 79,766,070 |
| 1,031 | 1,031 | Crescent Sugar Mills and Distillery Limited | 10,527 | 12,269 |
| 285,357 | 285,357 | Jubilee Spinning and Weaving Mills Limited | 1,426,785 | 1,426,785 |
| 1,289,278 | 1,091,000 | Shakarganj Mills Limited | 24,895,958 | 55,641,000 |
| 50,060 | 50,060 | Crescent Jute Products Limited | 139,167 | 137,665 |
| 849,645 | 849,645 | Crescent Commercial Bank | 8,963,755 | 19,074,530 |
| | | | 103,087,068 | 156,058,319 |
| | | **Un-Quoted - At breakup value** | | |
| 25,000 | 25,000 | Crescent Modaraba Management Company Limited | 74,250 | 74,250 |
| 533,653 | 533,653 | Crescent Bahuman Limited | - | - |
| | | | 103,161,318 | 156,132,569 |

| | | JUNE 30 , 2008 RUPEES | JUNE 30 , 2007 RUPEES |
|---|---|---|---|
| **23** | **CASH AND BANK BALANCES** | | |
| | Cash at bank | | |
| | In current accounts | 1,234,268 | 1,152,120 |
| | Cash in hand | 310,270 | 911,973 |
| | | 1,544,538 | 2,064,093 |

**24 OPERATING RESULTS**

| | | NOTE | TOTAL For the year ended June 2008 RUPEES | TOTAL For the year ended June 2007 RUPEES |
|---|---|---|---|---|
| **24.1** | **SALES** | | | |
| | **Own products** | | | |
| | Export - yarn | 24.2 | 5,026,677 | 54,696,551 |
| | **Local** | | | |
| | Yarn | | 1,231,352,387 | 1,088,647,009 |
| | Particle Board | | - | 34,900 |
| | Waste | | 10,465,746 | 11,254,441 |
| | | | 1,241,818,133 | 1,099,936,350 |
| | | | 1,246,844,810 | 1,154,632,901 |
| | Less: | | | |
| | Brokerage and commission | | 9,276,139 | 10,040,645 |
| | Sales tax | | - | - |
| | | | 9,276,139 | 10,040,645 |
| | | | 1,237,568,671 | 1,144,592,256 |
| | **Purchased goods for Resale sale** | | | |
| | Sale of yarn | | - | 1,394,000 |
| | Sale of cotton-Local | | - | 32,371,927 |
| | Sale of cotton-Export | | - | 1,293,455 |
| | | | 1,237,568,671 | 1,179,651,638 |
| | Cost of goods sold | 25 | 1,150,932,207 | 1,063,071,593 |
| | Distribution cost | 26 | 8,171,260 | 8,226,959 |
| | Administrative expenses | 27 | 41,376,609 | 38,758,413 |
| | | | 1,200,480,076 | 1,110,056,965 |
| | | | 37,088,595 | 69,594,673 |

**24.2** Export sales includes Rs. 5,192 (June 2007: Rs. 194,177) on account of exchange difference.

| | | NOTE | For the year ended June 2008 RUPEES | For the year ended June 2007 RUPEES |
|---|---|---|---|---|
| **25** | **COST OF GOODS SOLD** | | | |
| | **Raw material consumed** | | | |
| | Opening stock | | 80,184,770 | 111,971,689 |
| | Purchases including related expenses | | 908,890,140 | 758,413,180 |
| | | | 989,074,910 | 870,384,869 |
| | Raw material trading | | (1,961,604) | (29,955,916) |
| | Closing stock | | (116,343,612) | (80,184,770) |
| | | | 870,769,694 | 760,244,183 |
| | Salaries, wages and benefits | 25.1 | 91,360,366 | 84,269,886 |
| | Stores and spares | | 26,652,028 | 29,466,931 |
| | Packing material consumed | | 16,171,269 | 14,287,875 |
| | Power and fuel | | 106,443,534 | 104,008,564 |
| | Insurance | | 3,174,012 | 2,629,932 |
| | Repairs and maintenance | | 8,503,732 | 6,007,069 |
| | Depreciation | 13.1 | 27,397,497 | 28,689,978 |
| | Other manufacturing overheads | | 8,000,468 | 6,815,739 |
| | | | 1,158,472,600 | 1,036,420,157 |
| | Work in process | | | |
| | Opening stock | | 21,956,293 | 17,847,937 |
| | Closing stock | | (22,097,717) | (21,956,293) |
| | | | (141,424) | (4,108,356) |
| | Cost of goods manufactured | | 1,158,331,176 | 1,032,311,801 |
| | Cost of goods purchased for resale | | - | 31,308,990 |
| | | | 1,158,331,176 | 1,063,620,791 |
| | Finished goods | | | |
| | Opening stock | | 7,615,958 | 7,066,760 |
| | Closing stock | | (15,014,927) | (7,615,958) |
| | | | (7,398,969) | (549,198) |
| | | | 1,150,932,207 | 1,063,071,593 |

**25.1** It includes Rs. 2,423,969 (June 2007 : Rs. 2,261,192) in respect of staff retirement benefits.

| | | NOTE | For the year ended June 2008 RUPEES | For the year ended June 2007 RUPEES |
|---|---|---|---|---|
| **26** | **DISTRIBUTION COST** | | | |
| | Ocean freight | | 99,426 | 1,630,767 |
| | Local freight and insurance | | 4,515,479 | 3,752,536 |
| | Shipping expenses | | 66,620 | 245,457 |
| | Bank charges | | 3,409,022 | 2,481,346 |
| | Other | | 80,713 | 116,853 |
| | | | 8,171,260 | 8,226,959 |
| **27** | **ADMINISTRATIVE EXPENSES** | | | |
| | Directors remuneration | | 8,162,357 | 7,270,156 |
| | Staff salaries and benefits | 27.1 | 14,781,478 | 11,756,254 |
| | Travelling and conveyance | | 2,537,887 | 1,125,956 |
| | Vehicles running and maintenance | | 2,667,046 | 2,467,465 |
| | Rent, rates and taxes | | 188,515 | 791,600 |
| | Utilities | | 1,615,096 | 1,363,154 |
| | Telephone and postage | | 1,305,764 | 1,342,380 |
| | Insurance | | 970,614 | 989,467 |
| | Printing and stationery | | 481,852 | 964,708 |
| | Fees and subscription | | 295,092 | 574,329 |
| | Repairs and maintenance | | 1,074,693 | 839,709 |
| | Entertainment | | 917,677 | 836,676 |
| | Legal and professional | | 266,186 | 466,645 |
| | Audit fee | 27.2 | 319,000 | 290,000 |
| | Depreciation | 13.1 | 3,865,986 | 4,069,755 |
| | Others | | 1,927,366 | 3,610,159 |
| | | | 41,376,609 | 38,758,413 |

**27.1** It includes Rs. 1,013,528 (June 2007 : Rs. 739,846) in respect of staff retirement benefits.

| | | For the year ended June 2008 RUPEES | For the year ended June 2007 RUPEES |
|---|---|---|---|
| **27.2** | **Auditors' remuneration** | | |
| | Audit fee | | |
| | Annual | 220,000 | 200,000 |
| | Half yearly | 77,000 | 70,000 |
| | Corporate governance certification | 22,000 | 20,000 |
| | | 319,000 | 290,000 |
| **28** | **OTHER OPERATING EXPENSES** | | |
| | Workers' profit participation fund | 895,799 | 1,992,687 |
| | | 895,799 | 1,992,687 |
| **29** | **OTHER OPERATING INCOME** | | |
| | Dividend | 1,074,499 | - |
| | Store Sale | (4,501,610) | 86,751 |
| | Profit on disposal of fixed assets | 8,478,108 | 334,284 |
| | Interest on deposits - net of Zakat and tax | 70,650 | 84,459 |
| | Gain on sale of share | 234,828 | - |
| | Rental income/other | 7,541,437 | 6,527,440 |
| | | 12,897,912 | 7,032,934 |

**29.1** Segment reporting not given as the Board unit were sold during the year ended June 30, 2008.

| | | | |
|---|---|---|---|
| **30** | **FINANCE COST** | | |
| | Markup/ interest on | | |
| | Long term financing | 9,737,094 | 16,327,170 |
| | Lease finance charges | 572,653 | 591,813 |
| | Short term borrowings | 18,655,100 | 17,581,153 |
| | Bank charges and commission | 2,934,144 | 2,006,316 |
| | Interest on WPPF | 138,680 | 267,423 |
| | | 32,037,671 | 36,773,875 |
| **31** | **TAXATION** | | |
| | Current (Note: 31.1) | 6,234,224 | 5,948,461 |
| | Deferred | - | (860,944) |
| | | 6,234,224 | 5,087,517 |

**31.1 Current**

The numerical reconciliation between the average tax rate and the applicable tax rate has not been presented in these financial statements as the total tax liability of the company is covered under section 113, minimum tax on turnover of the Income Tax Ordinance, 2001.

## 32 EARNING PER SHARE - BASIC AND DILUTED

There is no dilutive effect on the basic earnings per share of the Company.

| | For the year ended June 2008 RUPEES | For the year ended June 2007 RUPEES Restated |
|---|---|---|
| Profit after taxation in rupees | 11,292,236 | 33,747,432 |
| Number of Ordinary shares | 12,417,876 | 12,417,876 |
| Profit per share in rupees | 0.91 | 2.72 |

32.1 Number of shares in issuer during the year ended June 30,2007 have been restated for the effect of bonus issue in the current year.

## 33 CASH GENERATED FROM OPERATIONS

| | For the year ended June 30,2008 RUPEES | For the year ended June 30,2007 RUPEES Restated |
|---|---|---|
| Profit before taxation | 17,526,460 | 38,834,949 |
| Adjustments for non cash charges and other items | | |
| Depreciation | 31,263,485 | 32,759,733 |
| Gain on disposal of fixed assets | (8,478,108) | (334,284) |
| Share of profit of associate | (473,423) | (973,904) |
| Finance cost | 32,037,671 | 36,773,875 |
| | 54,349,625 | 68,225,420 |
| Operating profit before working capital changes | 71,876,084 | 107,060,369 |
| (Increase)/ decrease in current asset | | |
| Stores, spares and loose tools | 7,272,292 | (577,616) |
| Stock in trade | (43,699,234) | 27,143,820 |
| Trade debts | 25,565,906 | (17,829,616) |
| Loans and advances | 3,019,979 | 3,217,476 |
| Trade deposits and short term prepayments | (245,305) | (278,748) |
| Other receivables | 987,182 | (1,166,220) |
| | (7,099,180) | 10,509,096 |
| (decrease) / Increase in trade and other payables | (8,584,281) | (4,532,362) |
| | 56,192,624 | 113,037,103 |

## 34 FINANCIAL INSTRUMENTS' RELATED DISCLOSURE

### 34.1 Concentration of credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and causes the other party to incur a financial loss. Concentration of credit risk arise when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions. The Company attempts to control credit risk by monitoring credit exposure, limiting transaction with specific counterparties and continually assessing the creditworthiness of counterparties.

### 34.2 Fair value of financial instruments

The carrying value of all the financial instruments reported in the financial statement approximate their fair value.

### 34.3 Liquidity risk

Liquidity risk reflects an enterprise's inability in raising funds to meet commitments. The company's management closely monitors the company's liquidity and cash flow position.

### 34.4 Foreign exchange risk management

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The management manages the risk through efficient use of forward covers and believes that it is not exposed to significant exchange risk. As at year end no forward contracts have been taken up by the management.

### 34.5 Financial risk management objectives

The company's operations expose it to financial risk mainly due to changes in foreign exchange rates. Risk management is carried out by the management under polices approved by board of directors. The board provides principles for overall risk management, as well as policies covering specific areas like foreign exchange risk, interest rate risk and investing excessive liquidity.

### 34.6 Yield / Mark up rate risk

Yield / mark up rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market yield/ mark up rates. Sensitivity to yield / mark up rate risk arises from mismatches of financial assets and liabilities that mature or reprice in a given period. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. The Company is exposed to yield/ mark up rate risk in respect of the following:

### 34.7 Capital Risk Management

The company's prime objective when managing capital into safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other shareholders 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 adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

| | Interest rates | JUNE 2008 interest/mark up bearing Within one year | More than one year | Sub total | non interest/mark up bearing Within one year | More than one year | Sub total | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | | RUPEES | | | | | | |
| FINANCIAL ASSETS | | | | | | | | |
| Investments | | - | - | - | 103,161,318 | 2,672,622 | 105,833,940 | 105,833,940 |
| Trade deposits | | - | - | - | 3,486,890 | 4,570,300 | 8,057,190 | 8,057,190 |
| Trade debts | | - | - | - | 91,110,518 | - | 91,110,518 | 91,110,518 |
| Other receivables | | - | - | - | - | - | - | - |
| Cash and bank balances | | - | - | - | 1,544,538 | - | 1,544,538 | 1,544,538 |
| | | - | - | - | 199,303,264 | 7,242,922 | 206,546,186 | 206,546,186 |
| FINANCIAL LIABILITIES | | | | | | | | |
| Long term financing | 7% to 14.5% | 42,017,825 | 56,413,039 | 98,430,864 | - | 5,124,715 | 5,124,715 | 103,555,579 |
| Liabilities against assets subject to finance lease | 12.5 % to 21% | 2,676,349 | 4,617,831 | 7,294,180 | - | - | - | 7,294,180 |
| Short term borrowings | 10.72% to 14.92% | 150,373,008 | - | 150,373,008 | - | - | - | 150,373,008 |
| Trade and other payables | | - | - | - | 156,645,866 | - | 156,645,866 | 156,645,866 |
| Interest / mark up on loans | | - | - | - | 25,781,629 | - | 25,781,629 | 25,781,629 |
| | | 195,067,182 | 61,030,870 | 256,098,052 | 182,427,495 | 5,124,715 | 187,552,210 | 443,650,262 |
| **Total yield / mark up rate risk sensitivity gap** | | (195,067,182) | (61,030,870) | (256,098,052) | 16,875,769 | 2,118,207 | 18,993,975 | (237,104,077) |

| | Interest rates | JUNE 2007 interest/mark up bearing Within one year | More than one year | Sub total | non interest/mark up bearing Within one year | More than one year | Sub total | TOTAL |
|---|---|---|---|---|---|---|---|---|
| | | RUPEES | | | | | | |
| FINANCIAL ASSETS | | | | | | | | |
| Investments | | - | - | - | 156,132,569 | - | 156,132,569 | 156,132,569 |
| Trade deposits | | - | - | - | 3,241,585 | 4,625,059 | 7,866,644 | 7,866,644 |
| Trade debts | | - | - | - | 116,676,424 | - | 116,676,424 | 116,676,424 |
| Other receivables | | - | - | - | 229,821 | - | 229,821 | 229,821 |
| Cash and bank balances | | - | - | - | 2,064,093 | - | 2,064,093 | 2,064,093 |
| | | - | - | - | 278,344,492 | 4,625,059 | 282,969,551 | 282,969,551 |
| FINANCIAL LIABILITIES | | | | | | | | |
| Long term financing | 7% to 14.5% | 41,520,265 | 103,555,574 | 145,075,839 | - | 5,124,715 | 5,124,715 | 150,200,554 |
| Liabilities against assets subject to finance lease | 8.5% to 16% | 2,379,796 | 4,617,831 | 6,997,627 | - | - | - | 6,997,627 |
| Short term borrowing | 10.72 % to 14.92% | 118,511,043 | - | 118,511,043 | - | - | - | 118,511,043 |
| Trade and other payables | | - | - | - | 162,430,087 | - | 162,430,087 | 162,430,087 |
| Interest / mark up on loans | | - | - | - | 29,462,170 | - | 29,462,170 | 29,462,170 |
| | | 162,411,104 | 108,173,405 | 270,584,509 | 191,892,257 | 5,124,715 | 197,016,972 | 467,601,481 |
| **Total yield / mark up rate risk sensitivity gap** | | (162,411,104) | (108,173,405) | (270,584,509) | 86,452,235 | (499,656) | 85,952,579 | (184,631,930) |

Effective yield / mark up rate was mentioned in the relevant notes.

| **Off Balance sheet Financing** | **2008** | **2007** |
|---|---|---|
| Bank Guarantee | 18.254 Million | 18.254 Million |
| Letter of credit for consumption | 10,987,181 | 2,682,113 |

**35 CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVE REMUNERATION**

| | CHIEF EXECUTIVE | | DIRECTORS | | EXECUTIVES | |
|---|---|---|---|---|---|---|
| | JUN. 2008 | JUN. 2007 | JUN. 2008 | JUN. 2007 | JUN. 2008 | JUN. 2007 |
| | RUPEES | | | | | |
| Remuneration | 906,048 | 823,680 | 3,866,148 | 3,532,336 | 2,506,920 | 2,336,280 |
| Housing | 407,724 | 370,656 | 1,739,767 | 1,589,551 | 1,128,114 | 1,051,326 |
| Company's contribution to Provident Fund Trust | 90,600 | 82,368 | 386,615 | 353,234 | 250,692 | 233,628 |
| | | | | | - | - |
| Reimbursable expenses | 231,386 | 187,404 | 921,130 | 767,952 | - | - |
| | 1,635,758 | 1,464,108 | 6,913,659 | 6,243,073 | 3,885,726 | 3,621,234 |
| No. of person | **1** | **1** | **4** | **4** | **3** | **3** |

**35.1** Chief Executive, three Directors and some Executives are provided free use of company's maintained cars.

**36 PLANT CAPACITY AND PRODUCTION**

| Spinning units | JUN. 2008 Unit-I | JUN. 2008 Unit-II | JUN. 2008 Total | JUN. 2007 Unit-I | JUN. 2007 Unit-II | JUN. 2007 Total |
|---|---|---|---|---|---|---|
| Number of spindles installed | 20,360 | 23,328 | 43,688 | 20,360 | 23,328 | 43,688 |
| Number of spindles worked | 20,360 | 23,328 | 43,688 | 20,360 | 23,328 | 43,688 |
| Number of shifts per day | 3 | 3 | 3 | 3 | 3 | 3 |
| Installed capacity after conversion into 20/s count - kgs | 6,324,846 | 7,086,857 | 13,411,703 | 6,324,846 | 7,249,706 | 13,574,552 |
| Actual production of yarn after conversion into 20/s count - kgs | 8,385,150 | 3,010,449 | 11,395,599 | 6,834,556 | 3,431,556 | 10,266,112 |

**37 TRANSACTIONS WITH RELATED PARTIES**

The related parties comprises associated companies, directors and key management personnel. Amounts due to/ from related parties are shown in the relevant notes to the financial statements. Other transaction with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

| | JUNE 30, 2008 | JUNE 30, 2007 |
|---|---|---|
| | RUPEES | RUPEES |
| Sales | **13,590,000** | **68,034,877** |
| Insurance premium | **4,480,951** | **3,217,246** |
| Dividend | **55,651** | **46,376** |

All transactions with associated companies and undertakings are at arms length basis.

**38 NUMBER OF EMPLOYEE**

The number of employees as at June 30, 2008 are 789 (June 2007: 752).

**39 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue October 04, 2008 by the Board of directors of the company.

**IMRAN MAQBOOL**
CHIEF EXECUTIVE

**NADEEM MAQBOOL**
DIRECTOR

# PATTERN OF SHARE HOLDING AS AT JUNE 30, 2008

| SHAREHOLDERS | FROM | TO | TOTAL SHARES | PERCENTAGE |
|---|---|---|---|---|
| 639 | 1 | 100 | 21,866 | 0.18 |
| 487 | 101 | 500 | 108,577 | 0.87 |
| 125 | 501 | 1,000 | 82,905 | 0.67 |
| 191 | 1,001 | 5,000 | 383,262 | 3.09 |
| 41 | 5,001 | 10,000 | 295,274 | 2.38 |
| 20 | 10,001 | 15,000 | 241,038 | 1.94 |
| 15 | 15,001 | 20,000 | 249,426 | 2.01 |
| 8 | 20,001 | 25,000 | 168,086 | 1.35 |
| 9 | 25,001 | 30,000 | 253,329 | 2.04 |
| 6 | 30,001 | 35,000 | 195,823 | 1.58 |
| 4 | 35,001 | 40,000 | 145,258 | 1.17 |
| 1 | 40,001 | 45,000 | 44,073 | 0.35 |
| 4 | 45,001 | 50,000 | 182,929 | 1.47 |
| 1 | 50,001 | 55,000 | 51,173 | 0.41 |
| 3 | 55,001 | 60,000 | 171,407 | 1.38 |
| 2 | 65,001 | 70,000 | 136,106 | 1.10 |
| 2 | 70,001 | 75,000 | 145,945 | 1.18 |
| 1 | 75,001 | 80,000 | 79,321 | 0.64 |
| 1 | 95,001 | 100,000 | 100,000 | 0.81 |
| 1 | 100,001 | 105,000 | 103,684 | 0.83 |
| 2 | 115,001 | 120,000 | 232,163 | 1.87 |
| 1 | 150,001 | 155,000 | 153,580 | 1.24 |
| 1 | 155,001 | 160,000 | 159,125 | 1.28 |
| 1 | 195,001 | 200,000 | 200,000 | 1.61 |
| 1 | 200,001 | 205,000 | 201,600 | 1.62 |
| 1 | 245,001 | 250,000 | 250,000 | 2.01 |
| 1 | 255,001 | 260,000 | 258,558 | 2.08 |
| 1 | 315,001 | 320,000 | 318,378 | 2.56 |
| 1 | 350,001 | 355,000 | 351,657 | 2.83 |
| 1 | 485,001 | 490,000 | 486,500 | 3.92 |
| 1 | 1,090,001 | 1,095,000 | 1,090,732 | 8.78 |
| 1 | 1,130,001 | 1,135,000 | 1,133,400 | 9.13 |
| 1 | 1,160,001 | 1,165,000 | 1,163,875 | 9.37 |
| 1 | 1,450,001 | 1,455,000 | 1,450,012 | 11.68 |
| 1 | 1,805,001 | 1,810,000 | 1,808,814 | 14.57 |
| **1,577** | | | **12,417,876** | **100** |

| Categories of Shareholder | Numbers Shares Held | Percentage |
|---|---|---|
| **Directors, Chief Executive Officer, Their Spouse and Childern** | | |
| **Chief Executive** | | |
| IMRAN MAQBUL | 1,163,875 | 9.37 |
| **Directors** | | |
| HUMAYUN MAQBUL | 1,133,400 | 9.13 |
| KHAWAR MAQBUL | 1,450,012 | 11.68 |
| NADEEM MAQBUL | 1,090,732 | 8.78 |
| RIAZ MASOOD | 258,558 | 2.08 |
| SHAHID RIAZ MASOOD | 10,151 | 0.08 |
| ASMA ANWAR W/O. IMRAN MAQBOOL | 6,501 | 0.05 |
| NAZIA MAQBOOL W/O. NADEEM MAQBOOL | 3,399 | 0.03 |
| SHAHEEN RIAZ W/O. RIAZ MASOOD | 45,941 | 0.37 |
| | 5,162,569 | 41.57 |
| **Associated Companies, Undertakings & Related Parties** | | |
| CRESCENT POWER TEC LIMITED | 27,825 | 0.22 |
| SHAMS TEXTILE MILLS LIMITED | 31,920 | 0.26 |
| | 59,745 | 0.48 |
| **NIT & ICP (Name Wise Detail)** | | |
| INVESTMENT CORPORATION OF PAKISTAN | 5,967 | 0.05 |
| **Banks, DFI's, NBFI's** | | |
| Banks, DFI's, NBFI's | 1,871,903 | 15.07 |
| **Insurance Companies** | | |
| Insurance Companies | 423,164 | 3.41 |
| **Modaraba and Mutual Funds** | | |
| Modaraba and Mutual Funds | 21,971 | 0.18 |
| **Other Companies** | | |
| Other Companies | 540,686 | 4.35 |
| **General Public** | | |
| Local | 4,331,871 | 34.88 |
| TOTAL NUMBER OF SHARES | 12,417,876 | 100 |

Shareholders More Than 10%

| | | |
|---|---|---|
| KHAWAR MAQBUL | 1,450,012 | 11.68 |
| NATIONAL BANK OF PAKISTAN | 1,808,814 | 14.57 |

Crescent Fibres

# FORM OF PROXY

| CDC Participant ID # | Sub Account # / Folio # | NIC No. | Share Holding |
|---|---|---|---|
| | | | |

I/We ______________________________________________

of ______________________________________________

being a member of **CRESCENT FIBRES LIMITED**, hereby appoint______________________

______________________________________________ or

failing him______________________________________________(being a member of the Company) as my/our proxy to attend, act and vote for me/us and on my/our behalf at the 31st Annual General Meeting of the Company to be held on Friday the 31st October, 2008 at 9.30 a.m. at Registered office of the Company 104 -Shadman-1, Lahore and at any adjournment thereof.

**Witnesses:**

1. Signature: ____________________
   Name : ____________________
   N.I.C. : ____________________
   Address: ____________________
   ____________________

2. Signature: ____________________
   Name : ____________________
   N.I.C. : ____________________
   Address: ____________________
   ____________________

Please affix here
Revenue
Stamps of Rs. 5/-

____________________
**Members' Signature**

**Date:**

## Notes:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy.
2. The instruments appointing a proxy, together with the power of attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited at the Registered Office, 104 -Shadman-1, Lahore, not less than 48 hours before the time of holding the Meeting.
3. CDC account holders will further have to follow the under mentioned guidelines as laid down in circular # 1 dated January 26, 2000 of the Securities & Exchange Commission of Pakistan 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 a corporate entity, the Board of Directors' resolution/power of attorney with specimen signatures of the proxy holder shall be submitted (unless it has been provided earlier) alongwith proxy form to the company.